

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

**FORM 10-Q**

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

For the quarterly period ended October 28, 2017

Or

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

Commission File Number: 001-36212

**VINCE HOLDING CORP.**

(Exact name of registrant as specified in its charter)

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

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

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

(212) 515-2600  
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

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

Common Stock  
Common Stock, \$0.01 par value per share

Outstanding at November 30, 2017  
11,615,840 shares

VINCE HOLDING CORP. AND SUBSIDIARIES

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## INTRODUCTORY NOTE

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

On November 18, 2016, Kellwood Intermediate Holding, LLC and Kellwood Company, LLC entered into a Unit Purchase Agreement with Sino Acquisition, LLC (the “Kellwood Purchaser”) whereby the Kellwood Purchaser agreed to purchase all of the outstanding equity interests of Kellwood Company, LLC. Prior to the closing, Kellwood Intermediate Holding, LLC and Kellwood Company, LLC conducted a pre-closing reorganization pursuant to which certain assets of Kellwood Company, LLC were distributed to a newly formed subsidiary of Kellwood Intermediate Holding, LLC, St. Louis Transition, LLC (“St. Louis, LLC”). The transaction closed on December 21, 2016 (the “Kellwood Sale”). St. Louis, LLC is anticipated to be wound down by or around December 2017.

## DISCLOSURES REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, and any statements incorporated by reference herein, contains forward-looking statements under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are indicated by words or phrases such as “may,” “will,” “should,” “believe,” “expect,” “seek,” “anticipate,” “intend,” “estimate,” “plan,” “target,” “project,” “forecast,” “envision” and other similar phrases. Although we believe the assumptions and expectations reflected in these forward-looking statements are reasonable, these assumptions and expectations may not prove to be correct and we may not achieve the results or benefits anticipated. These forward-looking statements are not guarantees of actual results, and our actual results may differ materially from those suggested in the forward-looking statements. These forward-looking statements involve a number of risks and uncertainties, some of which are beyond our control, including, without limitation: our ability to continue having the liquidity necessary to service our debt, meet contractual payment obligations (including amortization payments under the Term Loan Facility as well as payments under the Tax Receivable Agreement) and fund our operations; our ability to comply with the covenants under our credit facilities; our ability to successfully operate the newly implemented systems, processes and functions recently transitioned from Kellwood Company; our ability to remediate the identified material weaknesses in our internal control over financial reporting; our ability to regain compliance with the continued listing standards of the New York Stock Exchange; our ability to ensure the proper operation of the distribution facility by a third-party logistics provider recently transitioned from Kellwood; our ability to remain competitive in the areas of merchandise quality, price, breadth of selection and customer service; our ability to anticipate and/or react to changes in customer demand and attract new customers, including in connection with making inventory commitments; our ability to control the level of sales in the off-price channels; our ability to manage excess inventory in a way that will promote the long-term health of the brand; changes in consumer confidence and spending; our ability to maintain projected profit margins; unusual, unpredictable and/or severe weather conditions; the execution and management of our retail store growth plans, including the availability and cost of acceptable real estate locations for new store openings; the execution and management of our international expansion, including our ability to promote our brand and merchandise outside the U.S. and find suitable partners in certain geographies; our ability to expand our product offerings into new product categories, including the ability to find suitable licensing partners; our ability to successfully implement our marketing initiatives; our ability to protect our trademarks in the U.S. and internationally; our ability to maintain the security of electronic and other confidential information; serious disruptions and catastrophic events; changes in global economies and credit and financial markets; competition; our ability to attract and retain key personnel; commodity, raw material and other cost increases; compliance with domestic and international laws, regulations and orders; changes in laws and regulations; outcomes of litigation and proceedings and the availability of insurance, indemnification and other third-party coverage of any losses suffered in connection therewith; tax matters; and other factors as set forth from time to time in our Securities and Exchange Commission filings, including those described in this report on Form 10-Q and our 2016 Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 28, 2017 (our “2016 Annual Report on Form 10-K”) under the heading “Item 1A—Risk Factors.” We intend these forward-looking statements to speak only as of the time of this report on Form 10-Q and do not undertake to update or revise them as more information becomes available, except as required by law.

**PART I. FINANCIAL INFORMATION**

**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**VINCE HOLDING CORP. AND SUBSIDIARIES**

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

	October 28, 2017	January 28, 2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,723	\$ 20,978
Trade receivables, net	31,278	10,336
Inventories, net	51,378	38,529
Prepaid expenses and other current assets	4,045	4,768
Total current assets	92,424	74,611
Property and equipment, net	38,799	42,945
Intangible assets, net	77,249	77,698
Goodwill	41,435	41,435
Other assets	2,816	2,791
Total assets	\$ 252,723	\$ 239,480
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
Current liabilities:		
Accounts payable	\$ 15,717	\$ 37,022
Accrued salaries and employee benefits	5,045	3,427
Other accrued expenses	11,522	9,992
Current portion of long-term debt	9,000	—
Total current liabilities	41,284	50,441
Long-term debt	57,621	48,298
Deferred rent	15,927	16,892
Other liabilities	137,830	137,830
Commitments and contingencies (Note 8)		
Stockholders' equity (deficit):		
Common stock at \$0.01 par value (100,000,000 shares authorized, 11,615,984 and 4,942,760 shares issued and outstanding at October 28, 2017 and January 28, 2017, respectively)	116	49
Additional paid-in capital	1,113,146	1,083,172
Accumulated deficit	(1,113,136)	(1,097,137)
Accumulated other comprehensive loss	(65)	(65)
Total stockholders' equity (deficit)	61	(13,981)
Total liabilities and stockholders' equity (deficit)	\$ 252,723	\$ 239,480

See notes to unaudited condensed consolidated financial statements.

VINCE HOLDING CORP. AND SUBSIDIARIES

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

	Three Months Ended		Nine Months Ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
Net sales	\$ 79,067	\$ 75,973	\$ 197,934	\$ 204,320
Cost of products sold	42,400	38,015	110,120	110,717
Gross profit	36,667	37,958	87,814	93,603
Selling, general and administrative expenses	31,358	31,895	99,558	95,343
Income (loss) from operations	5,309	6,063	(11,744)	(1,740)
Interest expense, net	1,693	1,023	4,013	2,909
Other expense, net	113	191	116	379
Income (loss) before income taxes	3,503	4,849	(15,873)	(5,028)
(Benefit) provision for income taxes	(6)	1,469	42	(4,517)
Net income (loss)	\$ 3,509	\$ 3,380	\$ (15,915)	\$ (511)
<b>Earnings (loss) per share:</b>				
Basic earnings (loss) per share	\$ 0.41	\$ 0.69	\$ (2.58)	\$ (0.11)
Diluted earnings (loss) per share	\$ 0.41	\$ 0.68	\$ (2.58)	\$ (0.11)
<b>Weighted average shares outstanding:</b>				
Basic	8,610,869	4,928,744	6,166,219	4,541,966
Diluted	8,611,308	4,947,990	6,166,219	4,541,966

See notes to unaudited condensed consolidated financial statements.

VINCE HOLDING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Loss)  
(in thousands, unaudited)

	Three Months Ended		Nine Months Ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
Net income (loss)	\$ 3,509	\$ 3,380	\$ (15,915)	\$ (511)
Comprehensive income (loss)	\$ 3,509	\$ 3,380	\$ (15,915)	\$ (511)

See notes to unaudited condensed consolidated financial statements.

VINCE HOLDING CORP. AND SUBSIDIARIES

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

	For the nine months ended	
	October 28, 2017	October 29, 2016
<b>Operating activities</b>		
Net income (loss)	\$ (15,915)	\$ (511)
Add (deduct) items not affecting operating cash flows:		
Depreciation and amortization	7,398	6,203
Provision for inventories	165	815
Deferred rent	(974)	596
Deferred income taxes	—	(4,710)
Share-based compensation expense	912	1,383
Other	1,003	456
Changes in assets and liabilities:		
Receivables, net	(20,942)	(7,213)
Inventories	(13,014)	1,341
Prepaid expenses and other current assets	765	9
Accounts payable and accrued expenses	(17,234)	(32,706)
Other assets and liabilities	(810)	185
Net cash used in operating activities	<u>(58,646)</u>	<u>(34,152)</u>
<b>Investing activities</b>		
Payments for capital expenditures	(3,017)	(12,677)
Net cash used in investing activities	<u>(3,017)</u>	<u>(12,677)</u>
<b>Financing activities</b>		
Proceeds from borrowings under the Revolving Credit Facility	234,867	118,567
Repayment of borrowings under the Revolving Credit Facility	(207,991)	(125,767)
Repayment of borrowings under the Term Loan Facility	(9,000)	—
Proceeds from common stock issuance, net of transaction costs	29,047	63,773
Proceeds from stock option exercises and issuance of common stock under employee stock purchase plan	40	4,731
Financing fees	(555)	—
Net cash provided by financing activities	<u>46,408</u>	<u>61,304</u>
(Decrease) increase in cash and cash equivalents	(15,255)	14,475
Cash and cash equivalents, beginning of period	20,978	6,230
Cash and cash equivalents, end of period	<u>\$ 5,723</u>	<u>\$ 20,705</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash payments on Tax Receivable Agreement obligation	\$ —	\$ 22,262
Cash payments for interest	3,104	2,107
Cash payments for income taxes, net of refunds	78	319
<b>Supplemental Disclosures of Non-Cash Investing and Financing Activities</b>		
Capital expenditures in accounts payable and accrued liabilities	89	1,447

See notes to unaudited condensed consolidated financial statements.

## VINCE HOLDING CORP. AND SUBSIDIARIES

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

#### Note 1. Description of Business and Basis of Presentation

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

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

On November 18, 2016, Kellwood Intermediate Holding, LLC and Kellwood Company, LLC entered into a Unit Purchase Agreement with Sino Acquisition, LLC (the “Kellwood Purchaser”) whereby the Kellwood Purchaser agreed to purchase all of the outstanding equity interests of Kellwood Company, LLC. Prior to the closing, Kellwood Intermediate Holding, LLC and Kellwood Company, LLC conducted a pre-closing reorganization pursuant to which certain assets of Kellwood Company, LLC were distributed to a newly formed subsidiary of Kellwood Intermediate Holding, LLC, St. Louis Transition, LLC (“St. Louis, LLC”). The transaction closed on December 21, 2016 (the “Kellwood Sale”). St. Louis, LLC is anticipated to be wound down by or around December 2017.

**(A) Description of Business:** Established in 2002, Vince is a global luxury brand best known for utilizing luxe fabrications and innovative techniques to create a product assortment that combines urban utility and modern effortless style. From its edited core collection of ultra-soft cashmere knits and cotton tees, Vince has evolved into a global lifestyle brand and destination for both women’s and men’s apparel and accessories. The Company reaches its customers through a variety of channels, specifically through major wholesale department stores and specialty stores in the United States (“U.S.”) and select international markets, as well as through the Company’s branded retail locations and the Company’s website. The Company designs products in the U.S. and sources the vast majority of products from contract manufacturers outside the U.S., primarily in Asia. Products are manufactured to meet the Company’s product specifications and labor standards.

**(B) Basis of Presentation :** The accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. Therefore, these financial statements should be read in conjunction with VHC’s audited financial statements for the fiscal year ended January 28, 2017, as set forth in the 2016 Annual Report on Form 10-K.

The condensed consolidated financial statements include the Company’s accounts and the accounts of the Company’s wholly-owned subsidiaries as of October 28, 2017. All intercompany accounts and transactions have been eliminated. In the opinion of management, the financial statements contain all adjustments (consisting solely of normal recurring adjustments) and disclosures necessary to make the information stated therein not misleading. 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) Reverse Stock Split:** At the close of business on October 23, 2017, the Company effected a 1-for-10 reverse stock split (the “Reverse Stock Split”). The Company’s common stock began trading on a split-adjusted basis when the market opened on October 24, 2017. Pursuant to the Reverse Stock Split, every 10 shares of the Company’s issued and outstanding common stock were automatically converted into one share of common stock. No fractional shares were issued if, as a result of the Reverse Stock Split, a stockholder would otherwise have been entitled to a fractional share. Instead, each stockholder was entitled to receive a cash payment based on a pre-split cash in lieu rate of \$0.48, which was the average closing price per share on the New York Stock Exchange for the five consecutive trading days immediately preceding October 23, 2017.

The number of authorized shares of common stock has also been reduced from 250,000,000 to 100,000,000. The Company had increased the number of authorized shares from 100,000,000 to 250,000,000 on September 6, 2017 in connection with the closing of the 2017 Rights Offering and related 2017 Investment Agreement (each as defined below) on September 8, 2017.

The accompanying financial statements and notes to the financial statements give retroactive effect to the Reverse Stock Split for all periods presented, unless otherwise noted. The calculation of basic and diluted net earnings (loss) per share, as presented in the condensed consolidated statements of operations, have been determined based on a retroactive adjustment of weighted average shares outstanding for all periods presented. To reflect the reverse stock split on shareholders' equity, the Company reclassified an amount equal to the par value of the reduced shares from the common stock par value account to the additional paid in capital account, resulting in no net impact to shareholders' equity on the condensed consolidated balance sheets.

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

Since fiscal 2015 the Company made significant strategic decisions and investments to reset and support the future growth of the Vince brand. Management believes these significant investments are essential to the commitment to developing a strong foundation from which the Company can drive consistent profitable growth for the long term. In order to enhance the Company's liquidity position in support of these investments, the Company performed the following actions:

- During the three months ended April 30, 2016, the Company completed a rights offering (the "2016 Rights Offering") and related Investment Agreement (the "2016 Investment Agreement") transactions, issuing an aggregate of 11,818,181 shares of its common stock prior to adjustment for the Reverse Stock Split for total gross proceeds of \$65,000. The Company used a portion of the net proceeds received from the 2016 Rights Offering and related 2016 Investment Agreement to (1) repay the amount owed by the Company under the Tax Receivable Agreement with Sun Cardinal, LLC ("Sun Cardinal"), for itself and as a representative of the other stockholders party thereto, for the tax benefit with respect to the 2014 taxable year including accrued interest, totaling \$22,262, and (2) repay all then outstanding indebtedness, totaling \$20,000, under the Revolving Credit Facility, allowing full borrowing capacity under this facility at that time.
- To provide the Company with greater flexibility on certain debt covenants while it was executing brand reset strategies, the Company retained approximately \$21,000 of proceeds from the 2016 Rights Offering and related 2016 Investment Agreement at Vince Holding Corp. to be utilized in the event a Specified Equity Contribution (as defined under the Term Loan Facility) was required under the Term Loan Facility. See Note 4 "Long-Term Debt and Financing Arrangements" for additional details. Any amounts contributed from Vince Holding Corp. as a Specified Equity Contribution could then be utilized for normal operating needs. During April 2017, the Company utilized \$6,241 of the funds held by Vince Holding Corp. to make a Specified Equity Contribution in connection with the calculation of the Consolidated Net Total Leverage Ratio under the Term Loan Facility as of January 28, 2017 so that the Consolidated Net Total Leverage Ratio would not exceed 3.25 to 1.00. In addition, during May and June 2017, the Company utilized \$11,831 of the funds held by Vince Holding Corp. to make Specified Equity Contributions in connection with the calculation of the Consolidated Net Total Leverage Ratio under the Term Loan Facility as of April 29, 2017 so that the Consolidated Net Total Leverage Ratio would not exceed 3.25 to 1.00.

For the fiscal year ended January 28, 2017 and the quarters ended April 29, 2017 and July 28, 2017, considering the historical sales performance of the Company, actions of lenders and certain vendors, and the difficulties to project the current retail environment, management had concluded that then existing conditions in the business raised substantial doubt about the Company's ability to meet its financial obligations, specifically to comply with the Consolidated Net Total Leverage Ratio under its Term Loan Facility, and therefore continue as a going concern within one year after the date those financial statements were issued. The Company disclosed in its Annual Report on Form 10-K for the fiscal year ended January 28, 2017 and its Quarterly Report on Form 10-Q for the quarters ended April 29, 2017 and July 28, 2017 a number of potential mitigating actions management was taking which could individually or in the aggregate alleviate the substantial doubt, however none of these actions had been executed at the time the applicable financial statements were issued and therefore could not be considered as mitigating events under the applicable accounting standards.

During, and subsequent to the quarter ended July 29, 2017, management has fully executed the actions below in order to alleviate the substantial doubt regarding the Company's ability to continue as a going concern and to satisfy the Company's liquidity needs:

- In June 2017, the Company entered into a Waiver, Consent and First Amendment to the Term Loan Facility (the "Term Loan Amendment") which, among other things, (i) waives the Consolidated Net Total Leverage Ratio (as defined in the Term Loan Facility) covenant for the test periods from July 2017 through and including April 2019; and (ii) requires, beginning with the payment due on or around January 2018, the Company to pay a quarterly amortization

payment of \$3,000 for such fiscal quarter and \$2,000 for each fiscal quarter thereafter, provided that there is not less than \$15,000 of “availability” under the Revolving Credit Facility on a pro forma basis immediately before and after giving effect to such amortization payment. Additionally, the Company is prohibited from making any payments on the Tax Receivable Agreement before the first amortization payment is made or if the Company is not current on any of the foregoing amortization payments. If the Company is unable to make the full amortization payment on any of the scheduled amortization payment dates, the Company may defer such payment for up to two fiscal quarters after such payment was due. Any subsequent payments made will first be applied to any previously outstanding amounts. If the Company is unable to make the amortization payment after the permitted two fiscal quarter deferral, it may obtain a note from a third-party to repay such amount. The note must meet certain terms and conditions as set forth in the Term Loan Amendment. See Note 4 “Long-Term Debt and Financing Arrangements” for additional details. The Term Loan Amendment became effective upon the completion of the 2017 Rights Offering on September 8, 2017 and the receipt of proceeds by the Company from the Sun Cardinal Investors (as defined below) pursuant to the related 2017 Investment Agreement.

- In June 2017, the Company entered into an amendment to the Revolving Credit Facility which included increasing the borrowing base under the Revolving Credit Facility, thereby increasing availability under this facility. See Note 4 “Long-Term Debt and Financing Arrangements” for additional details. The Company had also been subject to a commercial finance examination associated with the Revolving Credit Facility agreement. Additionally, beginning with the first quarter of fiscal 2017, certain reserves were placed on the Company’s borrowing capacity under the Revolving Credit Facility, some of which have since been released. Using proceeds received from the 2017 Rights Offering and related 2017 Investment Agreement, the Company repaid \$15,000 under the Company’s Revolving Credit Facility, without a concurrent commitment reduction.
- In July 2017, Vince, LLC (“Vince”), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Rebecca Taylor, Inc. (“Rebecca Taylor”) relating to the purchase and resale of certain Vince branded finished goods in order to address recent demands from certain vendors for accelerated payment terms or prepayments as a condition to delivering finished goods to the Company. Using the proceeds that were received from the 2017 Rights Offering and related 2017 Investment Agreement, the Company settled any previously outstanding balances and has returned to normal terms with its key inventory vendors. Additionally, the Company has not utilized the sourcing agreement with Rebecca Taylor since September 2017, and management does not intend to utilize this agreement in the future. See Note 11 “Related Party Transactions” for additional details.
- In August 2017, the Company entered into an Investment Agreement (the “2017 Investment Agreement”) with Sun Cardinal, LLC and SCSF Cardinal, LLC (collectively, the “Sun Cardinal Investors”) and the Company commenced a rights offering (the “2017 Rights Offering”). The 2017 Rights Offering expired on August 30, 2017 and the Company received total subscriptions of \$21,976. The Company received such proceeds on September 8, 2017. Additionally, in accordance with the related 2017 Investment Agreement the Company received \$8,024 on September 8, 2017 from the Sun Cardinal Investors. The Company used a portion of the net proceeds received from the 2017 Rights Offering and related 2017 Investment Agreement to (1) repay \$9,000 under the Company’s Term Loan Facility and (2) repay \$15,000 under the Company’s Revolving Credit Facility, without a concurrent commitment reduction. The Company used the remaining net proceeds for general corporate purposes, except for \$1,823 which was retained at VHC. See Note 11 “Related Party Transactions” for additional details.
- Management has executed cost reduction initiatives in fiscal 2017 in order to improve the Company’s financial performance. The Company has entered into limited distribution arrangements with Nordstrom, Inc. and Neiman Marcus Group LTD, which will take effect in fiscal 2018, in order to rationalize its department store distribution strategy which is intended to improve profitability in the Wholesale segment in the future and enable management to focus on other areas of growth for the brand, particularly in the Direct-to-consumer segment. The Company is also expanding its product offerings during the fourth quarter of fiscal 2017 with the launch of its capsule home collection and the re-launch of its handbag collection. Management expects that the majority of the benefit from these cost savings and other strategic initiatives will not be fully realized until fiscal 2018.

Management believes that as of October 28, 2017, the above actions have alleviated the substantial doubt regarding the Company’s ability to continue as a going concern and satisfy the Company’s liquidity needs during the next twelve months from the date the financial statements are issued.

## Note 2. Goodwill and Intangible Assets

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

(in thousands)	Wholesale	Direct-to-consumer	Total Net Goodwill
<b>Balance as of October 28, 2017</b>	\$ 41,435	\$ —	\$ 41,435
<b>Balance as of January 28, 2017</b>	\$ 41,435	\$ —	\$ 41,435

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

The following tables present a summary of identifiable intangible assets:

(in thousands)	Gross Amount	Accumulated Amortization	Accumulated Impairments	Net Book Value
<b>Balance as of October 28, 2017</b>				
Amortizable intangible assets:				
Customer relationships	\$ 11,970	\$ (5,821)	\$ —	\$ 6,149
Indefinite-lived intangible asset:				
Tradename	101,850	—	(30,750)	71,100
Total intangible assets	\$ 113,820	\$ (5,821)	\$ (30,750)	\$ 77,249

  

(in thousands)	Gross Amount	Accumulated Amortization	Accumulated Impairments	Net Book Value
<b>Balance as of January 28, 2017</b>				
Amortizable intangible assets:				
Customer relationships	\$ 11,970	\$ (5,372)	\$ —	\$ 6,598
Indefinite-lived intangible asset:				
Tradename	101,850	—	(30,750)	71,100
Total intangible assets	\$ 113,820	\$ (5,372)	\$ (30,750)	\$ 77,698

During the three months ended October 28, 2017, the Company determined that a triggering event occurred for the Company's Wholesale reporting unit and the Company's indefinite-lived intangible asset as a result of the Company's decision to enter into limited distribution arrangements with Nordstrom, Inc. and Neiman Marcus Group LTD, which will take effect in fiscal 2018, in order to rationalize its department store distribution strategy.

The Company elected to perform a qualitative assessment on goodwill and determined that it was not more likely than not that the carrying value of the reporting unit was greater than the fair value.

The Company elected to perform a quantitative assessment on its indefinite-lived intangible asset, which consists of the Vince tradename. The results of the quantitative assessment did not result in any impairment because the fair value of the Company's tradename intangible asset exceeded its carrying value. The Company estimated the fair value of its tradename intangible asset using a discounted cash flow valuation analysis, which is based on the "relief from royalty" methodology.

Amortization of identifiable intangible assets was \$149 and \$150 for the three months ended October 28, 2017 and October 29, 2016, respectively and \$449 and \$449 for the nine months ended October 28, 2017 and October 29, 2016, respectively. The estimated amortization expense for identifiable intangible assets is \$598 for each fiscal year for the next five fiscal years.

## Note 3. Fair Value Measurements

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

**Level 1**— quoted market prices in active markets for identical assets or liabilities

**Level 2**— observable market-based inputs (quoted prices for similar assets and liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active) or inputs that are corroborated by observable market data

**Level 3**— significant unobservable inputs that reflect the Company’s assumptions and are not substantially supported by market data

The Company did not have any non-financial assets or non-financial liabilities recognized at fair value on a recurring basis at October 28, 2017 or January 28, 2017. At October 28, 2017 and January 28, 2017, the Company believes that the carrying value of cash and cash equivalents, receivables and accounts payable approximates fair value, due to the short-term maturity of these instruments and would be measured using Level 1 inputs. The Company’s debt obligations with a carrying value of \$68,076 as of October 28, 2017 are at variable interest rates and management estimates that the fair value of the Company’s outstanding debt obligations was approximately \$58,000 based upon quoted prices in markets that are not active, which is considered a Level 2 input.

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 intangible assets), non-financial assets are assessed for impairment and, if applicable, written down to (and recorded at) fair value.

#### Note 4. Long-Term Debt and Financing Arrangements

Long-term debt consisted of the following:

(in thousands)	October 28,	January 28,
	2017	2017
Term Loan Facility	\$ 36,000	\$ 45,000
Revolving Credit Facility	32,076	5,200
Total debt principal	68,076	50,200
Less: current portion of long-term debt	9,000	—
Less: deferred financing costs	1,455	1,902
Total long-term debt	\$ 57,621	\$ 48,298

##### Term Loan Facility

On November 27, 2013, in connection with the closing of the IPO and Restructuring Transactions, Vince, LLC and Vince Intermediate Holding, LLC, a direct subsidiary of VHC and the direct parent company of Vince, LLC (“Vince Intermediate”), entered into a \$175,000 senior secured term loan facility (as amended from time to time, the “Term Loan Facility”) with the lenders party thereto, Bank of America, N.A. (“BoFA”), as administrative agent, JP Morgan Chase Bank and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers, and Cantor Fitzgerald as documentation agent. The Term Loan Facility will mature on November 27, 2019. Vince, LLC and Vince Intermediate are borrowers (together, the “Borrowers”) and VHC is a guarantor under the Term Loan Facility.

On June 30, 2017, the Borrowers entered into a Waiver, Consent and First Amendment (the “Term Loan Amendment”) which, among other things, (i) waives the Consolidated Net Total Leverage Ratio (as defined in the Term Loan Facility) covenant (as described below) for the test periods from July 2017 through and including April 2019; (ii) requires the Borrowers, beginning with the payment due on or around January 2018, to pay a quarterly amortization payment of \$3,000 for such fiscal quarter and \$2,000 for each fiscal quarter thereafter, provided that there is not less than \$15,000 of “availability” under the Revolving Credit Facility on a pro forma basis immediately before and after giving effect to such amortization payment; (iii) prohibits the Company from making any payments on the Tax Receivable Agreement (see Note 11 “Related Party Transactions” for further information) before the first amortization payment referenced above is made or if the Borrowers are not current on any of the foregoing amortization payments; (iv) increases the applicable margin by 2.0% per annum on all term loan borrowings; (v) requires the Borrowers to pay a fee to consenting term lenders equal to 0.5% of the outstanding principal amount of such lender’s term loans as of the effective date of the Term Loan Amendment; (vi) eliminates the Borrower’s ability to designate subsidiaries as unrestricted and to make certain payments, restricted payments and investments with certain funds considered “available excess amount” (as defined in the Term Loan Facility); (vii) eliminates the uncommitted incremental facility; and (viii) limits certain intercompany transactions between a loan party and a non-loan party subsidiary. The Term Loan Amendment became effective on September 8, 2017 when the Company received \$30,000 of gross proceeds in connection with the 2017 Rights Offering and related 2017 Investment Agreement (see Note 11 “Related Party Transactions” for further details) and used a portion of such proceeds to repay \$9,000 in principal amount under the Term Loan Facility.

Effective with the Term Loan Amendment, interest is payable on loans under the Term Loan Facility at a rate of either (i) the Eurodollar rate (subject to a 1.00% floor) plus an applicable margin of 7.00% or (ii) the base rate applicable margin of 6.00%. During the continuance of a payment or bankruptcy event of default, interest will accrue (i) on the overdue principal amount of any loan at a rate of 2% in excess of the rate otherwise applicable to such loan and (ii) on any overdue interest or any other outstanding overdue amount at a rate of 2% in excess of the non-default interest rate then applicable to base rate loans. The Term Loan Facility requires Vince, LLC and Vince Intermediate to make mandatory prepayments upon the occurrence of certain events, including additional debt issuances, common and preferred stock issuances, certain asset sales, and annual payments of 50% of excess cash flow, subject to reductions to 25% and 0% if Vince, LLC and Vince Intermediate maintain a Consolidated Net Total Leverage Ratio of 2.50 to 1.00 and 2.00 to 1.00, respectively, and subject to reductions for voluntary prepayments made during such fiscal year.

The Term Loan Facility contains a requirement that Vince, LLC and Vince Intermediate maintain a “Consolidated Net Total Leverage Ratio” as of the last day of any period of four fiscal quarters not to exceed 3.25 to 1.00. The Term Loan Facility permits Vince Holding Corp. to make a Specified Equity Contribution, as defined under the Agreement, to the Borrowers in order to increase, dollar for dollar, Consolidated EBITDA for such fiscal quarter for the purposes of determining compliance with this covenant at the end of such fiscal quarter and applicable subsequent periods provided that (a) in each four fiscal quarter period there shall be at least two fiscal quarters in which no Specified Equity Contribution is made; (b) no more than five Specified Equity Contributions shall be made in the aggregate during the term of the Agreement; and (c) the amount of any Specified Equity Contribution shall be no greater than the amount required to cause the Company to be in compliance with this covenant. Approximately \$18,072 has been contributed by Vince Holding Corp. to Vince, LLC as Specified Equity Contributions. As discussed above, the Term Loan Amendment waives the Consolidated Net Total Leverage Ratio covenant for the test periods from July 2017 through and including April 2019.

In addition, the Term Loan Facility contains customary representations and warranties, other covenants, and events of default, including but not limited to, limitations on the incurrence of additional indebtedness, liens, negative pledges, guarantees, investments, loans, asset sales, mergers, acquisitions, prepayment of other debt, the repurchase of capital stock, transactions with affiliates, and the ability to change the nature of the Company’s business or its fiscal year, and distributions and dividends. The Term Loan Facility generally permits dividends to the extent that no default or event of default is continuing or would result from the contemplated dividend and the pro forma Consolidated Net Total Leverage Ratio after giving effect to such contemplated dividend is at least 0.25 lower than the maximum Consolidated Net Total Leverage Ratio for such quarter in an amount not to exceed the excess available amount, as defined in the loan agreement. All obligations under the Term Loan Facility are guaranteed by VHC and any future material domestic restricted subsidiaries of Vince, LLC and secured by a lien on substantially all of the assets of VHC, Vince, LLC and Vince Intermediate and any future material domestic restricted subsidiaries. As of October 28, 2017, after giving effect to the waiver described above, the Company was in compliance with applicable covenants.

Through October 28, 2017, on an inception to date basis, the Company has made repayments totaling \$139,000 in the aggregate on the original \$175,000 Term Loan Facility entered into on November 27, 2013 with \$9,000 of such repayments made during the nine months ended October 28, 2017. As of October 28, 2017, the Company had \$36,000 of debt outstanding under the Term Loan Facility.

### ***Revolving Credit Facility***

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

On June 22, 2017, Vince, LLC entered into a second amendment to the Revolving Credit Facility, which among other things, increased availability under the borrowing base by (i) including in the borrowing base up to \$5,000 of cash at Vince Holding Corp. so long as such cash is in a deposit account subject to “control” by the agent, (ii) temporarily increasing the concentration limit for accounts due from a specified wholesale partner through July 31, 2017 and (iii) pursuant to a side letter, dated June 22, 2017, entered into between Vince LLC and BofA (the “LC Side Letter”), including in the borrowing base certain letters of credit (the “Specified LCs” as described under “Bank of Montreal Facility” below), issued for the benefit of BofA as credit support for the obligations outstanding under the Revolving Credit Facility. The LC Side Letter terminated when the Specified LCs were released, as described below. In addition, the second amendment changed the financial maintenance covenant in the Revolving Credit Facility from a springing minimum EBITDA covenant to a minimum excess availability covenant that must be satisfied at all times. The new financial maintenance covenant requires the loan parties to have excess availability of not less than the greater of 12.5% of the

adjusted loan cap then in effect and \$5,000. The second amendment also (x) increased the applicable margin on all borrowings of revolving loans by 0.5% per annum and (y) temporarily lowered the thresholds for what constituted a trigger event through August 15, 2017, such that a trigger event meant the greater of 12.5% of the adjusted loan cap then in effect and \$5,000. Following August 15, 2017, the trigger event means the greater of 15% of the adjusted loan cap then in effect and \$6,000. The second amendment also changed the maturity date to the earlier of (a) June 3, 2020 (or a later date as applicable if the lender participates in any extension series) and (b) 120 days prior to the then scheduled maturity date of the Term Loan Facility to the extent that there are outstanding obligations under the Term Loan Facility on such date.

The Revolving Credit Facility also provides for a letter of credit sublimit of \$25,000 (plus any increase in aggregate commitments) and an accordion option that allows for an increase in aggregate commitments up to \$20,000. Effective with the second amendment, interest is payable on the loans under the Revolving Credit Facility at either the LIBOR or the Base Rate, in each case, plus an applicable margin of 1.75% to 2.25% for LIBOR loans or 0.75% to 1.75% for Base Rate loans, and in each case subject to a pricing grid based on an average daily excess availability calculation. The “Base Rate” means, for any day, a fluctuating rate per annum equal to the highest of (i) the rate of interest in effect for such day as publicly announced from time to time by BofA as its prime rate; (ii) the Federal Funds Rate for such day, plus 0.50%; and (iii) the LIBOR Rate for a one month interest period as determined on such day, plus 1.0%. During the continuance of an event of default and at the election of the required lender, interest will accrue at a rate of 2% in excess of the applicable non-default rate.

The Revolving Credit Facility also contains representations and warranties, other covenants and events of default that are customary for this type of financing, including limitations on the incurrence of additional indebtedness, liens, negative pledges, guarantees, investments, loans, asset sales, mergers, acquisitions, prepayment of other debt, the repurchase of capital stock, transactions with affiliates, and the ability to change the nature of the Company’s business or its fiscal year. The Revolving Credit Facility generally permits dividends in the absence of any event of default (including any event of default arising from the contemplated dividend), so long as (i) after giving pro forma effect to the contemplated dividend, for the following six months Excess Availability will be at least the greater of 20% of the adjusted loan cap and \$10,000 and (ii) after giving pro forma effect to the contemplated dividend, the “Consolidated Fixed Charge Coverage Ratio” for the 12 months preceding such dividend shall be greater than or equal to 1.0 to 1.0 (provided that the Consolidated Fixed Charge Coverage Ratio may be less than 1.0 to 1.0 if, after giving pro forma effect to the contemplated dividend, Excess Availability for the six fiscal months following the dividend is at least the greater of 35% of the adjusted loan cap and \$15,000). As of October 28, 2017, the Company was in compliance with applicable financial covenants. The second amendment replaced and superseded all side letters previously entered into between Vince, LLC and BofA.

As of October 28, 2017, \$29,882 was available under the Revolving Credit Facility, net of the amended loan cap, and there were \$32,076 of borrowings outstanding and \$8,041 of letters of credit outstanding under the Revolving Credit Facility. The weighted average interest rate for borrowings outstanding under the Revolving Credit Facility as of October 28, 2017 was 3.9%.

As of January 28, 2017, \$27,157 was available under the Revolving Credit Facility, net of the amended loan cap, and there were \$5,200 of borrowings outstanding and \$7,474 of letters of credit outstanding under the Revolving Credit Facility. The weighted average interest rate for borrowings outstanding under the Revolving Credit Facility as of January 28, 2017 was 4.3%.

#### ***Bank of Montreal Facility***

On June 22, 2017, Vince, LLC entered into a credit facility agreement with the Bank of Montreal to issue the Specified LCs (the “BMO LC Line”), as discussed under the Revolving Credit Facility above. The BMO LC Line is guaranteed by Sun Capital Fund V, L.P., an affiliate of Sun Capital Partners, Inc. The initial BMO LC Line was issued in the amount of \$5,000. The maximum draw amount for all Specified LCs is \$10,000. The BMO LC Line is currently unsecured but may be secured subject to the terms of an intercreditor agreement between BofA and Bank of Montreal. BofA will be permitted to draw on the Specified LCs upon the occurrence of certain events specified therein. The Specified LCs under the BMO LC Line were undrawn as of October 28, 2017. In the event BofA draws on the Specified LCs upon the occurrence of a draw event, the loan will be subject to certain customary terms and conditions pursuant to the applicable loan authorization document. The BMO LC Line also may be released upon request by Vince, LLC so long as the Company has received at least \$30,000 of cash proceeds from the 2017 Rights Offering, \$15,000 of which must be used to repay the principal amount of the outstanding loans under the Revolving Credit Facility (without permanent reduction of commitments) or the Excess Availability is greater than \$10,000 after giving pro forma effect to the 2017 Rights Offering proceeds. The undrawn portion of the face amount of the Specified LCs is subject to a standard 3% annual fee. On October 31, 2017, at the request of the Company, the BMO LC Line was released upon satisfaction of the above release conditions.

## Note 5 . Inventory

Inventories consisted of the following:

<b>(in thousands)</b>	<b>October 28, 2017</b>	<b>January 28, 2017</b>
Finished goods	\$ 53,598	\$ 40,771
Less: reserves	(2,220)	(2,242)
Total inventories, net	<u>\$ 51,378</u>	<u>\$ 38,529</u>

## Note 6. Share-Based Compensation

### Employee Stock Plans

#### Vince 2013 Incentive Plan

In connection with the IPO, the Company adopted the Vince 2013 Incentive Plan, which provides for grants of stock options, stock appreciation rights, restricted stock and other stock-based awards. The aggregate number of shares of common stock which may be issued or used for reference purposes under the Vince 2013 Incentive Plan or with respect to which awards may be granted may not exceed 340,000 shares, as adjusted to reflect the Reverse Stock Split. The shares available for issuance under the Vince 2013 Incentive Plan may be, in whole or in part, either authorized and unissued shares of the Company's common stock or shares of common stock held in or acquired for the Company's treasury. In general, if awards under the Vince 2013 Incentive Plan are cancelled for any reason, or expire or terminate unexercised, the shares covered by such award may again be available for the grant of awards under the Vince 2013 Incentive Plan. As of October 28, 2017, there were 148,103 shares under the Vince 2013 Incentive Plan available for future grants. Options granted pursuant to the Vince 2013 Incentive Plan typically vest in equal installments over four years, subject to the employees' continued employment and expire on the earlier of the tenth anniversary of the grant date or upon termination as outlined in the Vince 2013 Incentive Plan. Restricted stock units granted vest in equal installments over a three-year period or vest in equal installments over four years, subject to the employees' continued employment.

#### Employee Stock Purchase Plan

The Company maintains an employee stock purchase plan ("ESPP") for its employees. Under the ESPP, all eligible employees may contribute up to 10% of their base compensation, up to a maximum contribution of \$10 per year. The purchase price of the stock is 90% of the fair market value, with purchases executed on a quarterly basis. The plan is defined as compensatory, and accordingly, a charge for compensation expense is recorded to selling, general and administrative expense for the difference between the fair market value and the discounted purchase price of the Company's Stock. During the nine months ended October 28, 2017, 4,244 shares of common stock were issued under the ESPP. During the nine months ended October 29, 2016, the activity under the ESPP was not significant. As of October 28, 2017, there were 94,979 shares available for future issuance under the ESPP, as adjusted to reflect the Reverse Stock Split.

### Stock Options

A summary of stock option activity for both employees and non-employees for the nine months ended October 28, 2017 is as follows:

	<b>Stock Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term (years)</b>	<b>Aggregate Intrinsic Value (in thousands)</b>
Outstanding at January 28, 2017	225,812	\$ 45.27	8.9	\$ —
Granted	17,150	\$ 10.36		
Exercised	—	\$ —		
Forfeited or expired	(70,323)	\$ 42.76		
Outstanding at October 28, 2017	<u>172,639</u>	\$ 42.83	8.3	\$ —
Vested and exercisable at October 28, 2017	71,575	\$ 44.77	8.1	\$ —

Of the above outstanding shares, 101,064 are expected to vest.

As permitted by new accounting guidance that became effective for the Company on January 29, 2017, the Company has elected to account for forfeitures as they occur, which resulted in an increase of \$84 to accumulated deficit within the Condensed Consolidated Balance Sheet.

### **Restricted Stock Units**

A summary of restricted stock unit activity for the nine months ended October 28, 2017 is as follows:

	<b>Restricted Stock Units</b>	<b>Weighted Average Grant Date Fair Value</b>
Nonvested restricted stock units at January 28, 2017	10,771	\$ 65.52
Granted	7,500	\$ 6.00
Vested	(2,743)	\$ 71.03
Forfeited	(882)	\$ 59.80
Nonvested restricted stock units at October 28, 2017	<u>14,646</u>	<u>\$ 34.35</u>

### **Share-Based Compensation Expense**

The Company recognized share-based compensation expense of \$429 and \$638 (including expense of \$296 related to non-employees) during the three months ended October 28, 2017 and October 29, 2016, respectively. The Company recognized share-based compensation expense of \$912 and \$1,383 (including expense of \$709 related to non-employees) during the nine months ended October 28, 2017 and October 29, 2016, respectively.

### **Note 7. Earnings Per Share**

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Except when the effect would be anti-dilutive, diluted earnings (loss) per share is calculated based on the weighted average number of shares of common stock outstanding plus the dilutive effect of share-based awards calculated under the treasury stock method.

On September 8, 2017, in connection with the 2017 Rights Offering and related 2017 Investment Agreement, the Company issued an aggregate of 66,666,667 shares of its common stock and recorded increases of \$667 within Common Stock and \$28,338 within Additional paid-in-capital on the condensed consolidated balance sheet, prior to adjustment for the Reverse Stock Split. See Note 11 "Related Party Transactions" for additional information.

At the close of business on October 23, 2017, the Company effected a 1-for-10 reverse stock split of its common stock. The calculation of basic and diluted net earnings (loss) per share, as presented in the condensed consolidated statements of operations, have been determined based on a retroactive adjustment of weighted average shares outstanding for all periods presented.

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 28, 2017</b>	<b>October 29, 2016</b>	<b>October 28, 2017</b>	<b>October 29, 2016</b>
Weighted-average shares—basic	8,610,869	4,928,744	6,166,219	4,541,966
Effect of dilutive equity securities	439	19,246	—	—
Weighted-average shares—diluted	<u>8,611,308</u>	<u>4,947,990</u>	<u>6,166,219</u>	<u>4,541,966</u>

Because the Company incurred a net loss for the nine months ended October 28, 2017 and October 29, 2016, weighted-average basic shares and weighted-average diluted shares outstanding are equal for these periods.

For the three months ended October 28, 2017 and October 29, 2016, 183,566 and 76,443 options to purchase shares of the Company's common stock, respectively, were excluded from the computation of weighted average shares for diluted earnings per

share since the related exercise prices exceeded the average market price of the Company's common stock and such inclusion would be anti-dilutive.

For the nine months ended October 28, 2017 and October 29, 2016, 189,060 and 72,362 options to purchase shares of the Company's common stock, respectively, were excluded from the computation of weighted average shares for diluted earnings per share since the related exercise prices exceeded the average market price of the Company's common stock and such inclusion would be anti-dilutive.

## **Note 8. Commitments and Contingencies**

### ***Litigation***

On May 5, 2017, a complaint was filed in the United States District Court for the Eastern District of New York on behalf of a putative class of the Company's stockholders, naming the Company as well as Brendan Hoffman, the Company's Chief Executive Officer, and David Stefko, the Company's Executive Vice President, Chief Financial Officer, as defendants. The complaint generally alleged that the Company and the named officers made false and/or misleading statements and/or failed to disclose matters relating to the transition of its ERP systems from Kellwood. On October 2, 2017, the parties agreed to dismiss the action in its entirety without prejudice. Accordingly, the parties filed a stipulation of dismissal, which was granted on October 6, 2017, dismissing all claims without prejudice.

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

## **Note 9. Recent Accounting Pronouncements**

### ***Recently Adopted Accounting Pronouncements***

In January 2017, the Financial Accounting Standards Board ("FASB") issued guidance to simplify the accounting 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 on January 29, 2017.

In March 2016, the FASB issued guidance regarding share-based compensation, to simplify the accounting for share-based payment transactions, including accounting for forfeitures, income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This guidance is effective for interim and annual periods beginning after December 15, 2016. The Company adopted the new guidance on January 29, 2017. Upon adoption, excess tax benefits and deficiencies from share-based compensation are recognized as income tax expense or benefit in the statement of operations as discrete items in the reporting period in which they occur, regardless of whether the benefit reduces taxes payable in the current period. As a result of the adoption of this guidance, the Company recognized an increase of \$2,350 to deferred tax assets related to net operating loss carryforwards for the excess tax benefits related to share-based compensation and also recognized an increase of an equal amount in the valuation allowance against such increase of deferred tax assets. As permitted by the new guidance, the Company elected to account for forfeitures as they occur which resulted in an increase of \$84 to the accumulated deficit within the Condensed Consolidated Balance Sheet. The remaining provisions of the new guidance did not have a material effect on the Company's condensed consolidated financial statements.

In November 2015, the FASB issued new guidance on the balance sheet classification of deferred taxes, which requires entities to classify deferred tax assets and liabilities as noncurrent in the consolidated balance sheet. Currently, deferred tax assets and liabilities must be classified as current or noncurrent amounts in the consolidated balance sheet. This guidance is effective for financial statements issued for interim and annual periods beginning after December 15, 2016. The Company adopted the new guidance on January 29, 2017 and, as a result of the full valuation allowance previously recorded against the Company's deferred tax assets, it did not have a material effect on the Company's Condensed Consolidated Balance Sheet.

In July 2015, the FASB issued new guidance on accounting for inventory, which requires entities to measure inventory at the lower of cost and net realizable value. This guidance is effective for interim and annual periods beginning on or after December 15, 2016. The Company adopted the new guidance on January 29, 2017 and it did not have a material impact on the Company's condensed consolidated financial statements.

### ***Recently Issued Accounting Pronouncements***

In May 2017, the FASB issued guidance that clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. The new guidance will be applied prospectively to awards modified on or after the adoption date. The guidance is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The Company is evaluating the impact of the adoption of this guidance on its financial statements but does not expect it to have a material impact.

In November 2016, the FASB issued guidance that 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 guidance is effective for interim and annual periods beginning after December 15, 2017 using a retrospective transition method to each period presented. Early adoption is permitted, including adoption in an interim period. This new guidance is not expected to have a material impact on the Company's Condensed Consolidated Statement of Cash Flows.

In August 2016, the FASB issued guidance which clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows. The guidance is effective for interim and annual periods beginning after December 15, 2017 and must be applied using a retrospective transition method to each period presented. The Company is evaluating the impact of the adoption of this guidance but does not expect it to have a material impact on its Condensed Consolidated Statement of Cash Flows.

In February 2016, the FASB issued a new lease accounting standard, which requires lessees to recognize right-of-use lease assets and lease liabilities on the balance sheet for those leases currently classified as operating leases. The guidance is required to be adopted retrospectively by restating all years presented in the Company's financial statements. The guidance is effective for interim and annual periods beginning after December 15, 2018. The Company is currently evaluating the impact of adopting this guidance on the consolidated financial statements.

In May 2014, the FASB issued new guidance on revenue recognition accounting, which 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. In August 2015, the FASB elected to defer the effective dates for this guidance, which is now effective for interim and annual periods beginning on or after December 15, 2017. The Company is currently assessing the impact of the adoption of the new guidance on its consolidated financial statements. The Company's assessment efforts to-date have included reviewing current accounting policies, processes and arrangements to identify potential differences that could arise from the application of the new guidance. While the assessment is not complete, the Company currently believes that some of the potential impacts of implementing the new standard will include a change in the balance sheet presentation of sales return reserves which will be recorded as a separate asset and liability versus the current net presentation and increased footnote disclosures. The Company currently anticipates adopting this standard using the modified retrospective method.

### **Note 10. Segment Financial Information**

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

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

The accounting policies of the Company's reportable segments are consistent with those described in Note 1 to the audited Consolidated Financial Statements of VHC for the fiscal year ended January 28, 2017 included in the 2016 Annual Report on Form

10-K. Unallocated corporate expenses are comprised of selling, general, and administrative expenses attributable to corporate and administrative activities (such as marketing, design, finance, information technology, legal and human resource departments), and other charges that are not directly attributable to the Company's reportable segments. Unallocated corporate assets are comprised of the carrying values of the Company's goodwill and trade name, deferred tax assets, and other assets that will be utilized to generate revenue for both of the Company's reportable segments.

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

(in thousands)	Three Months Ended		Nine Months Ended	
	October 28,	October 29,	October 28,	October 29,
	2017	2016	2017	2016
<b>Net Sales:</b>				
Wholesale	\$ 52,990	\$ 51,219	\$ 127,647	\$ 135,614
Direct-to-consumer	26,077	24,754	70,287	68,706
Total net sales	<u>\$ 79,067</u>	<u>\$ 75,973</u>	<u>\$ 197,934</u>	<u>\$ 204,320</u>
<b>Income (loss) before income taxes:</b>				
Wholesale	\$ 16,454	\$ 18,416	\$ 35,882	\$ 39,422
Direct-to-consumer	3,000	990	(84)	2,344
Subtotal	19,454	19,406	35,798	41,766
Unallocated corporate expenses	(14,145)	(13,343)	(47,542)	(43,506)
Interest expense, net	(1,693)	(1,023)	(4,013)	(2,909)
Other expense, net	(113)	(191)	(116)	(379)
Total income (loss) before income taxes	<u>\$ 3,503</u>	<u>\$ 4,849</u>	<u>\$ (15,873)</u>	<u>\$ (5,028)</u>

(in thousands)	October 28,	January 28,
	2017	2017
<b>Total Assets:</b>		
Wholesale	\$ 70,451	\$ 44,442
Direct-to-consumer	47,860	45,038
Unallocated corporate	134,412	150,000
Total assets	<u>\$ 252,723</u>	<u>\$ 239,480</u>

## Note 11. Related Party Transactions

### *Sourcing Arrangement*

On July 13, 2017, Vince, LLC ("Vince"), an indirect wholly-owned subsidiary of the Company, entered into an agreement (the "Sourcing Arrangement") with Rebecca Taylor, Inc. ("RT") relating to the purchase and resale of certain Vince branded finished goods ("Vince Goods"), whereby RT has agreed to purchase Vince Goods from approved suppliers pursuant to purchase orders issued to such suppliers (each, a "RT Purchase Order") at a price specified therein (a "RT Price") and Vince has agreed to purchase such Vince Goods from RT pursuant to purchase orders issued to RT (each, a "Vince Purchase Order") at a price specified therein (a "Vince Price"). The Vince Price is at all times equal to 103.5% of the RT price.

Upon receipt of the Vince Purchase Order, RT must issue the RT Purchase Order and apply for a letter of credit to be issued to the applicable supplier in the amount equal to the RT Price, subject to availability under RT's credit facility. When the Vince Goods are ready to be delivered, RT must invoice Vince in the amount equal to the Vince Price, which invoice shall be payable by Vince within two business days of receipt of the invoice, which payment term may be extended by RT. In the event Vince fails to make timely payment for any Vince Goods, RT has the right to liquidate such goods in a manner and at a price it deems appropriate in its sole discretion.

The Sourcing Arrangement contains customary indemnification and representations and warranties. The Sourcing Arrangement may be terminated by either party upon 60 days' prior written notice to the other party.

RT is owned by affiliates of Sun Capital Partners, Inc., whose affiliates owned approximately 73% of the outstanding common stock of the Company as of October 28, 2017. During the nine months ended October 28, 2017, the Company placed \$18,047 of orders under the Sourcing Arrangement, of which \$14,163 was paid as of October 28, 2017. No new orders have been placed under the Sourcing Arrangement since September 2017.

### ***Shared Services Agreement***

In connection with the consummation of the Company's IPO on November 27, 2013, Vince, LLC entered into a Shared Services Agreement with Kellwood (the "Shared Services Agreement"), pursuant to which Kellwood would provide support services in various areas. As of the end of fiscal 2016, the Company completed the transition of all functions and systems from Kellwood to the Company's own systems or processes as well as to third-party service providers. In connection with the Kellwood Sale, the Shared Services Agreement was contributed to St. Louis, LLC. St. Louis, LLC continues to provide certain services, including those related to historical records and legacy functions, which the Company is in the process of winding down. The Shared Services Agreement will terminate automatically upon the termination of all services provided thereunder. After termination of the agreement, St. Louis, LLC will have no obligation to provide any services to the Company.

The Company is invoiced monthly for the services provided under the Shared Services Agreement and generally is required to pay within 15 business days of receiving such invoice. The payments can be tried-up and disputed once each fiscal quarter. During the three months ended October 28, 2017 and October 29, 2016, the Company recognized \$83 and \$635, respectively, of expense within the Condensed Consolidated Statements of Operations for services provided under the Shared Services Agreement. During the nine months ended October 28, 2017 and October 29, 2016, the Company recognized \$242 and \$4,040, respectively, of expense within the Condensed Consolidated Statements of Operations for services provided under the Shared Services Agreement. As of October 28, 2017, the Company has recorded \$119 in Other accrued expenses to recognize amounts payable under the Shared Services Agreement.

### ***Tax Receivable Agreement***

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

For purposes of the Tax Receivable Agreement, the Net Tax Benefit equals (i) with respect to a taxable year, the excess, if any, of (A) the Company's liability for taxes using the same methods, elections, conventions and similar practices used on the relevant company return assuming there were no Pre-IPO Tax Benefits over (B) the Company's actual liability for taxes for such taxable year (the "Realized Tax Benefit"), plus (ii) for each prior taxable year, the excess, if any, of the Realized Tax Benefit reflected on an amended schedule applicable to such prior taxable year over the Realized Tax Benefit reflected on the original tax benefit schedule for such prior taxable year, minus (iii) for each prior taxable year, the excess, if any, of the Realized Tax Benefit reflected on the original tax benefit schedule for such prior taxable year over the Realized Tax Benefit reflected on the amended schedule for such prior taxable year; provided, however, that to the extent any of the adjustments described in clauses (ii) and (iii) were reflected in the calculation of the tax benefit payment for any subsequent taxable year, such adjustments shall not be taken into account in determining the Net Tax Benefit for any subsequent taxable year. To the extent that the Company is unable to make the payment under the Tax Receivable Agreement when due under the terms of the Tax Receivable Agreement for any reason, such payment would be deferred and would accrue interest at a default rate of LIBOR plus 500 basis points until paid, instead of the agreed rate of LIBOR plus 200 basis points per annum in accordance with the terms of the Tax Receivable Agreement.

As of October 28, 2017, the Company's total obligation under the Tax Receivable Agreement is estimated to be \$140,618, of which \$2,788 is included as a component of Other accrued expenses and \$137,830 is included as a component of Other liabilities on the Condensed Consolidated Balance Sheet. In accordance with the Term Loan Amendment (see Note 4 "Long-Term Debt and Financing Arrangements"), the Company is prohibited from making any payments on the Tax Receivable Agreement before the first amortization payment is made or if the Borrowers are not current on any of the foregoing amortization payments. Management anticipates that the tax benefit payment, plus accrued interest, with respect to the 2016 taxable year will be paid in the first quarter of 2018. The Tax Receivable Agreement expires on December 31, 2023.

### ***2017 Investment Agreement and 2017 Rights Offering***

On August 10, 2017, the Company entered into an Investment Agreement (the “2017 Investment Agreement”) with Sun Cardinal, LLC and SCSF Cardinal, LLC (collectively, the “Sun Cardinal Investors”) pursuant to which the Company agreed to issue and sell to the Sun Cardinal Investors, and the Sun Cardinal Investors agreed to purchase, an aggregate number of shares of the Company’s common stock equal to (x) \$30,000 minus (y) the aggregate proceeds of the 2017 Rights Offering, at the 2017 Rights Offering subscription price per share (prior to adjustment for the Reverse Stock Split) of \$0.45, subject to the terms and conditions set forth in the 2017 Investment Agreement (the “Backstop Commitment”). The 2017 Investment Agreement superseded the Rights Offering Commitment Letter, dated May 18, 2017, from Sun Capital Partners V, L.P.

On August 15, 2017, the Company commenced the 2017 Rights Offering, whereby the Company distributed, at no charge, to stockholders of record as of August 14, 2017 (the “Rights Offering Record Date”), rights to purchase new shares of the Company’s common stock at \$0.45 per share (prior to adjustment for the Reverse Stock Split). Each stockholder as of the Rights Offering Record Date (“Rights Holders”) received one non-transferrable right to purchase 1.3475 shares for every share of common stock owned on the Rights Offering Record Date (the “subscription right”). Rights Holders who fully exercised their subscription rights were entitled to subscribe for additional shares that remained unsubscribed as a result of any unexercised subscription rights (the “over-subscription right”). The over-subscription right allowed a Rights Holder to subscribe for an additional amount equal to up to an aggregate of 9.99% of the Company’s outstanding shares of common stock after giving effect to the consummation of the transactions contemplated by the 2017 Rights Offering and the 2017 Investment Agreement, subject to certain limitations and pro rata allocations. Subscription rights could only be exercised for whole numbers of shares; no fractional shares of common stock were issued in the 2017 Rights Offering. The 2017 Rights Offering period expired on August 30, 2017 at 5:00 p.m. New York City time and the Company received subscriptions and oversubscriptions from its existing stockholders (including the Sun Cardinal Investors and their affiliates) resulting in aggregate gross proceeds of \$21,976. Additionally, in accordance with the related 2017 Investment Agreement, the Company received \$8,024 of gross proceeds from the Sun Cardinal Investors. In total, the Company received gross proceeds of \$30,000 as a result of the 2017 Rights Offering and related 2017 Investment Agreement transactions and the Company issued 66,666,667 shares of its common stock prior to adjustment for the Reverse Stock Split.

The Company used a portion of the net proceeds received from the 2017 Rights Offering and related 2017 Investment Agreement to (1) repay \$9,000 under the Company’s Term Loan Facility and (2) repay \$15,000 under the Company’s Revolving Credit Facility, without a concurrent commitment reduction. The Company used the remaining net proceeds for general corporate purposes, except for \$1,823 which was retained at VHC.

As of October 28, 2017, affiliates of Sun Fund V collectively beneficially owned approximately 73% of the Company’s outstanding common stock.

### ***Sun Capital Consulting Agreement***

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

During the three months ended October 28, 2017 and October 29, 2016, the Company incurred expenses of \$11 and \$27, respectively, under the Sun Capital Consulting Agreement. During the nine months ended October 28, 2017 and October 29, 2016, the Company incurred expenses of \$29 and \$80, respectively, under the Sun Capital Consulting Agreement.

### ***Bank of Montreal Facility***

On June 22, 2017, Vince, LLC entered into a credit facility agreement with the Bank of Montreal to issue the Specified LCs, as discussed in Note 4 “Long-Term Debt and Financing Arrangements.” The BMO LC Line is guaranteed by Sun Capital Fund V, L.P., an affiliate of Sun Capital Partners, Inc. On October 31, 2017, at the request of the Company, the BMO LC Line was released.

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

This discussion summarizes our consolidated operating results, financial condition and liquidity. The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this report on Form 10-Q. All amounts disclosed are in thousands except door and store counts, countries, share and per share data and percentages. The accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations gives retroactive effect to the Reverse Stock Split for all periods presented, unless otherwise noted. See Note 1 "Description of Business and Basis of Presentation" within the notes to the Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for further information.

For purposes of this report on Form 10-Q, "Vince," the "Company," "we," and "our," refer to Vince Holding Corp. ("VHC") and our wholly owned subsidiaries, including Vince Intermediate Holding ("Vince Intermediate"), LLC and Vince, LLC. References to "Kellwood" refer, as applicable, to Kellwood Holding, LLC and its consolidated subsidiaries (including Kellwood Company, LLC) or the operations of the non-Vince businesses after giving effect to the restructuring transactions (the "Restructuring Transactions") that were completed in connection with our initial public offering (the "IPO") on November 27, 2013 and prior to the Kellwood Sale.

This discussion contains forward-looking statements involving risks, uncertainties and assumptions that could cause our results to differ materially from expectations. For a discussion of the risks facing our business see "Item 1A—Risk Factors" of this report on Form 10-Q as well as in our 2016 Annual Report on Form 10-K.

### Executive Overview

Established in 2002, Vince is a global luxury brand best known for utilizing luxe fabrications and innovative techniques to create a product assortment that combines urban utility and modern effortless style. From its edited core collection of ultra-soft cashmere knits and cotton tees, Vince has evolved into a global lifestyle brand and destination for both women's and men's apparel and accessories. Vince products are sold in prestige distribution worldwide, including approximately 2,400 distribution locations across more than 40 countries. While we have recently experienced a decline in sales, we believe that we can generate growth by improving and expanding our product offering, expanding our selling into additional international markets, and growing our own branded retail and e-commerce direct-to-consumer businesses. Additionally, management has entered into limited distribution arrangements with Nordstrom, Inc. and Neiman Marcus Group LTD, which will take effect in fiscal 2018, in order to rationalize its department store distribution strategy which is intended to improve profitability in the Wholesale segment in the future and to enable management to focus on other areas of growth for the brand, particularly in the Direct-to-consumer segment.

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

As of October 28, 2017, our products are sold at 2,385 doors through our wholesale partners in the U.S. and international markets and we operated 55 retail stores, including 41 full price stores and 14 outlet stores, throughout the United States.

The following is a summary of highlights during the three months ended October 28, 2017:

- Our net sales totaled \$79,067, reflecting a 4.1% increase compared to prior year net sales of \$75,973.
- Our Wholesale net sales increased 3.5% to \$52,990 and our Direct-to-consumer net sales increased 5.3% to \$26,077. Comparable sales, including e-commerce, increased 4.4% compared to last year.
- We incurred \$1,138 and \$4,100 of costs during the three and nine months ended October 28, 2017, respectively, associated with the remediation and optimization of the systems implemented in the prior year. Additionally, in the prior year we incurred \$1,588 and \$5,316 during the three and nine months ended October 29, 2016, respectively, of strategic investment costs related to (i) the migration of our distribution facilities to a new third party service provider; (ii) the realignment of our supplier base; (iii) the transition of information technology systems and infrastructure in-house from Kellwood; (iv) the estimated impact of our strategic decision regarding handbags; and (v) our brand update initiatives.
- Net income for the quarter was \$3,509, or \$0.41 per diluted share, compared to \$3,380, or \$0.68 per diluted share, in the prior year third quarter.
- The Company issued an aggregate of 66,666,667 shares of its common stock, prior to adjustment for the Reverse Stock Split, in connection with the 2017 Rights Offering and related Investment Agreement, raising gross proceeds of \$30,000. The Company used a portion of the net proceeds received to (1) repay \$9,000 under the Company's Term Loan Facility

and (2) repay \$15,000 under the Company's Revolving Credit Facility, without a concurrent commitment reduction. The Company used the remaining net proceeds for general corporate purposes, except for \$1,823 which was retained at VHC. See Note 11 "Related Party Transactions" within the notes to the Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for further information.

- At the close of business on October 23, 2017, the Company effected a 1-for-10 reverse stock split (the "Reverse Stock Split"). The Company's common stock began trading on a split-adjusted basis when the market opened on October 24, 2017. Pursuant to the Reverse Stock Split, every 10 shares of the Company's issued and outstanding common stock were automatically converted into one share of common stock. See Note 1 "Description of Business and Basis of Presentation" within the notes to the Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for further information.
- As of October 28, 2017, we had \$68,076 of total debt principal outstanding, comprised of \$36,000 outstanding under our Term Loan Facility and \$32,076 outstanding on our Revolving Credit Facility, as well as \$5,723 of cash and cash equivalents.

## Results of Operations

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

	Three Months Ended				Nine Months Ended			
	October 28, 2017		October 29, 2016		October 28, 2017		October 29, 2016	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales
<b>(in thousands, except share data, store and door counts and percentages)</b>								
<b>Statements of Operations:</b>								
Net sales	\$ 79,067	100.0%	\$ 75,973	100.0%	\$ 197,934	100.0%	\$ 204,320	100.0%
Cost of products sold	42,400	53.6%	38,015	50.0%	110,120	55.6%	110,717	54.2%
Gross profit	36,667	46.4%	37,958	50.0%	87,814	44.4%	93,603	45.8%
Selling, general and administrative expenses	31,358	39.7%	31,895	42.0%	99,558	50.3%	95,343	46.7%
Income (loss) from operations	5,309	6.7%	6,063	8.0%	(11,744)	(5.9)%	(1,740)	(0.9)%
Interest expense, net	1,693	2.1%	1,023	1.3%	4,013	2.0%	2,909	1.4%
Other expense, net	113	0.2%	191	0.3%	116	0.1%	379	0.2%
Income (loss) before income taxes	3,503	4.4%	4,849	6.4%	(15,873)	(8.0)%	(5,028)	(2.5)%
(Benefit) provision for income taxes	(6)	0.0%	1,469	2.0%	42	0.0%	(4,517)	(2.2)%
Net income (loss)	\$ 3,509	4.4%	\$ 3,380	4.4%	\$ (15,915)	(8.0)%	\$ (511)	(0.3)%
<b>Earnings (loss) per share:</b>								
Basic earnings (loss) per share	\$ 0.41		\$ 0.69		\$ (2.58)		\$ (0.11)	
Diluted earnings (loss) per share	\$ 0.41		\$ 0.68		\$ (2.58)		\$ (0.11)	
<b>Other Operating and Financial Data:</b>								
Total wholesale doors at end of period	2,385		2,337		2,385		2,337	
Total stores at end of period	55		54		55		54	
Comparable sales growth (1) (2)	4.4%		-11.7%		-0.5%		-14.1%	

- (1) Comparable sales include our e-commerce sales in order to align with how the Company manages its brick-and-mortar retail stores and e-commerce online store as a combined single Direct-to-consumer segment. As a result of our omni-channel sales and inventory strategy, as well as cross-channel customer shopping patterns, there is less distinction between our brick-and-mortar retail stores and our e-commerce online store and we believe the inclusion of e-commerce sales in our comparable sales metric is a more meaningful representation of these results and provides a more comprehensive view of our year over year comparable sales metric.

- (2) A store is included in the comparable sales calculation after it has completed 13 full fiscal months of operations. Non-comparable sales include new stores which have not completed 13 full fiscal months of operations and sales from closed stores. In the event that we relocate or change square footage of an existing store, we would treat that store as non-comparable until it has completed 13 full fiscal months of operations following the relocation or square footage adjustment. For 53-week fiscal years, we adjust comparable sales to exclude the additional week. There may be variations in the way in which some of our competitors and other retailers calculate comparable sales.

**Three Months Ended October 28, 2017 Compared to Three Months Ended October 29, 2016**

Net sales for the three months ended October 28, 2017 were \$79,067, increasing \$3,094, or 4.1%, versus \$75,973 for the three months ended October 29, 2016. Net sales by reportable segment are as follows:

(in thousands)	Three Months Ended	
	October 28, 2017	October 29, 2016
Wholesale	\$ 52,990	\$ 51,219
Direct-to-consumer	26,077	24,754
Total net sales	\$ 79,067	\$ 75,973

Net sales from our Wholesale segment increased \$1,771, or 3.5%, to \$52,990 in the three months ended October 28, 2017 from \$51,219 in the three months ended October 29, 2016, primarily driven by an increase in off-price sales partly offset by an expected reduction in full-price orders.

Net sales from our Direct-to-consumer segment increased \$1,323, or 5.3%, to \$26,077 in the three months ended October 28, 2017 from \$24,754 in the three months ended October 29, 2016. Comparable sales increased \$1,091, or 4.4%, including e-commerce, reflecting an increase in average unit retail. Non-comparable sales contributed \$232 of sales growth. Since October 29, 2016, one new store has opened, bringing our total retail store count to 55 as of October 28, 2017, compared to 54 as of the end of the prior year period.

Gross profit decreased 3.4% to \$36,667 for the three months ended October 28, 2017 versus \$37,958 in the prior year third quarter. As a percentage of sales, gross margin was 46.4%, compared with 50.0% in the prior year third quarter. The total gross margin rate decrease was primarily driven by the following factors:

- The unfavorable impact from higher product and supply chain costs contributed negatively by approximately 250 basis points;
- The unfavorable impact from a higher mix of markdown merchandise in the Direct-to-consumer segment contributed negatively by approximately 100 basis points;
- The unfavorable impact of one-time costs as a result of our decision to rationalize our department store distribution strategy contributed negatively by approximately 100 basis points; and
- The favorable impact from a decrease in the rate of sales allowances as well as reduced discounts in the off-price wholesale channel contributed approximately 150 basis points of improvement.

Selling, general and administrative (“SG&A”) expenses for the three months ended October 28, 2017 were \$31,358, decreasing \$537, or 1.7%, versus \$31,895 for the three months ended October 29, 2016. SG&A expenses as a percentage of sales were 39.7% and 42.0% for the three months ended October 28, 2017 and October 29, 2016, respectively. The change in SG&A expenses compared to the prior fiscal year period is primarily due to:

- \$2,341 of increased incentive compensation costs;
- \$1,138 of costs associated with the remediation and optimization of the systems implemented in the prior year; and
- Approximately \$650 of increased costs associated with the stand-alone systems and supporting services as a result of the transition of the information technology systems and infrastructure in-house from Kellwood.

The above increases were partially offset by:

- A decrease in strategic investments of \$ 1,585 related to costs incurred in the prior year related to the transition of the information technology systems and infrastructure in-house from Kellwood and costs related to our brand update initiatives;
- \$1,585 of costs incurred in the prior year associated with the consulting agreements with our co-founders;
- \$782 of decreased product development costs; and
- \$635 of decreased salaries and benefits.

*Income from operations* by segment for the three months ended October 28, 2017 and October 29, 2016 is summarized in the following table:

(in thousands)	Three Months Ended	
	October 28, 2017	October 29, 2016
	Wholesale	\$ 16,454
Direct-to-consumer	3,000	990
Subtotal	19,454	19,406
Unallocated corporate expenses	(14,145)	(13,343)
Total income from operations	\$ 5,309	\$ 6,063

Operating income from our Wholesale segment decreased \$1,962, or 10.7%, to \$16,454 in the three months ended October 28, 2017 from \$18,416 in the three months ended October 29, 2016 primarily driven by a decrease in gross margin.

Operating income from our Direct-to-consumer segment increased \$2,010, or 203.0%, to \$3,000 in the three months ended October 28, 2017 from \$990 in the three months ended October 29, 2016 primarily driven by the sales increase discussed above and lower SG&A expenses as a result of labor, rent and other cost savings initiatives and the timing of marketing and advertising spending, partly offset by an increase in incentive compensation.

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

*Interest expense* increased \$670, or 65.5%, to \$1,693 in the three months ended October 28, 2017 from \$1,023 in the three months ended October 29, 2016 primarily due to higher overall average borrowings on the Revolving Credit Facility as well as increased financing fees as a result of the amendments to the Term Loan Facility and Revolving Credit Facility.

*Other expense, net* decreased \$78, or 40.8%, to \$113 in the three months ended October 28, 2017 from \$191 in the three months ended October 29, 2016.

*(Benefit) provision for income taxes* for the three months ended October 28, 2017 was a benefit of \$6 as compared to a provision of \$1,469 for the three months ended October 29, 2016. Our effective tax rate for the three months ended October 28, 2017 and October 29, 2016 was 0.2% and 30.3%, respectively. The effective tax rate for the three months ended October 28, 2017 differed from the U.S. statutory rate of 35% primarily due to the impact of the valuation allowance established against our deferred tax assets partly offset by state taxes. The effective tax rate for the three months ended October 29, 2016 differed from the U.S. statutory rate of 35% primarily due to the impact of certain non-deductible executive compensation costs and state taxes, offset by the impact of a change in projected pre-tax income.

### *Nine Months Ended October 28, 2017 Compared to Nine Months Ended October 29, 2016*

Net sales for the nine months ended October 28, 2017 were \$197,934, decreasing \$6,386, or 3.1%, versus \$204,320 for the nine months ended October 29, 2016. Net sales by reportable segment are as follows:

(in thousands)	Nine Months Ended	
	October 28, 2017	October 29, 2016
Wholesale	\$ 127,647	\$ 135,614
Direct-to-consumer	70,287	68,706
Total net sales	\$ 197,934	\$ 204,320

Net sales from our wholesale segment decreased \$7,967, or 5.9%, to \$127,647 in the nine months ended October 28, 2017, from \$135,614 in the nine months ended October 29, 2016 primarily driven by a reduction in full-price orders partly offset by an increase in off-price sales.

Net sales from our direct-to-consumer segment increased \$1,581, or 2.3%, to \$70,287 in the nine months ended October 28, 2017 from \$68,706 in the nine months ended October 29, 2016. Non-comparable sales contributed \$1,903 of sales growth which was partly offset by a decline in comparable sales of \$322, or 0.5%, including e-commerce, reflecting a decrease in average unit retail. Since October 29, 2016, one new store has opened, bringing our total retail store count to 55 as of October 28, 2017, compared to 54 as of the end of the prior year period.

Gross profit decreased 6.2% to \$87,814 for the nine months ended October 28, 2017 versus \$93,603 in the prior year. As a percentage of sales, gross margin was 44.4%, compared with 45.8% in the prior year. The total gross margin rate decrease was primarily driven by the following factors:

- The unfavorable impact from higher product and supply chain costs contributed negatively by approximately 300 basis points;
- The unfavorable impact from a higher mix of markdown merchandise in the Direct-to-consumer segment contributed negatively by approximately 100 basis points; and
- The favorable impact from reduced discounts in the off-price wholesale channel and a decrease in the rate of sales allowances contributed approximately 300 basis points of improvement.

SG&A expenses for the nine months ended October 28, 2017 were \$99,558, increasing \$4,215, or 4.4%, versus \$95,343 for the nine months ended October 29, 2016. SG&A expenses as a percentage of sales were 50.3% and 46.7% for the nine months ended October 28, 2017 and October 29, 2016, respectively. The change in SG&A expenses compared to the prior fiscal year period is primarily due to:

- \$4,100 of increased costs associated with the remediation and optimization of the systems implemented in the prior year;
- Approximately \$1,650 of increased costs associated with the stand-alone systems and supporting services as a result of the transition of the information technology systems and infrastructure in-house from Kellwood;
- \$1,427 of increased expenses associated with new stores;
- \$903 of increased depreciation and amortization expenses primarily associated with our new systems;
- \$1,151 of additional one-time investments primarily associated with our efforts to reduce costs and improve profitability;
- \$1,209 of increased severance costs; and
- \$788 of increased marketing and advertising expenses.

The above increases were partially offset by:

- \$4,469 of costs incurred in the prior year associated with the consulting agreements with our co-founders; and
- A decrease in strategic investments of \$3,732 related to costs incurred in the prior year related to the realignment of our supplier base, the transition of the information technology systems and infrastructure in-house from Kellwood, severance and other costs related to handbags and costs related to our brand update initiatives;

Loss from operations by segment for the nine months ended October 28, 2017 and October 29, 2016 is summarized in the following table :

(in thousands)	Nine Months Ended	
	October 28, 2017	October 29, 2016
Wholesale	\$ 35,882	\$ 39,422
Direct-to-consumer	(84)	2,344
Subtotal	35,798	41,766
Unallocated corporate expenses	(47,542)	(43,506)
Total loss from operations	\$ (11,744)	\$ (1,740)

Operating income from our wholesale segment decreased \$3,540, or 9.0%, to \$35,882 in the nine months ended October 28, 2017 from \$39,422 in the nine months ended October 29, 2016 primarily driven by the sales volume decline discussed above.

Operating income from our direct-to-consumer segment decreased \$2,428, or 103.6%, to an operating loss of \$84 in the nine months ended October 28, 2017 from operating income of \$2,344 in the nine months ended October 29, 2016 primarily due to a decrease in gross profit, as well as the impact of higher SG&A expenses associated with higher digital marketing and advertising expenses and increased incentive compensation.

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

Interest expense increased \$1,104, or 38.0%, to \$4,013 in the nine months ended October 28, 2017 from \$2,909 in the nine months ended October 29, 2016 primarily due to higher overall average borrowings on the Revolving Credit Facility as well as increased financing fees as a result of the amendments to the Term Loan Facility and Revolving Credit Facility.

Other expense, net decreased \$263, or 69.4%, to \$116 in the nine months ended October 28, 2017 from \$379 in the nine months ended October 29, 2016.

(Benefit) provision for income taxes for the nine months ended October 28, 2017 was a provision of \$42 as compared to a benefit of \$4,517 for the nine months ended October 29, 2016. Our effective tax rate for the nine months ended October 28, 2017 and October 29, 2016 was 0.3% and 89.8%, respectively. The effective tax rate for the nine months ended October 28, 2017 differed from the U.S. statutory rate of 35% primarily due to the impact of the valuation allowance established against our deferred tax assets partly offset by state taxes. Our effective tax rate for the nine months ended October 29, 2016 differed from the U.S. statutory rate of 35% primarily due to the impact of certain non-deductible executive compensation costs as well as state taxes.

## Liquidity and Capital Resources

Our sources of liquidity are cash and cash equivalents, cash flows from operations, if any, borrowings available under the Revolving Credit Facility and our ability to access capital markets. Our primary cash needs are funding working capital requirements, meeting our debt service requirements, paying amounts due under the Tax Receivable Agreement and capital expenditures for new stores and related leasehold improvements. The most significant components of our working capital are cash and cash equivalents, accounts receivable, inventories, accounts payable and other current liabilities. In accordance with new accounting guidance that became effective for fiscal 2016, management believes that the actions taken by management as described in Note 1 "Description of Business and Basis of Presentation — (D) Sources and Uses of Liquidity" have alleviated the substantial doubt regarding the Company's ability to continue as a going concern and satisfy the Company's liquidity needs during the next twelve months from the date the financial statements are issued. See Note 1 "Description of Business and Basis of Presentation — (D) Sources and Uses of Liquidity" within the notes to the Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for additional details.

In June 2017, the Company entered into a Waiver, Consent and First Amendment to the Term Loan Facility (the "Term Loan Amendment") which, among other things, (i) waives the Consolidated Net Total Leverage Ratio (as defined in the Term Loan Facility) covenant for the test periods from July 2017 through and including April 2019; and (ii) requires, beginning with the payment due on or around January 2018, the Company to pay a quarterly amortization payment of \$3,000 for such fiscal quarter and \$2,000 for each fiscal quarter thereafter, provided that there is not less than \$15,000 of "availability" under the Revolving Credit Facility on a pro

forma basis immediately before and after giving effect to such amortization payment . See “Financing Activities – Term Loan Facility” below for further information regarding the amendment.

In June 2017, the Company entered into an amendment to the Revolving Credit Facility which included increasing the borrowing base under the Revolving Credit Facility, thereby increasing availability under this facility. See “Financing Activities – Revolving Credit Facility” below for further information regarding the amendment.

In August 2017, the Company entered into the 2017 Investment Agreement with Sun Cardinal, LLC and SCSF Cardinal, LLC (collectively, the “Sun Cardinal Investors”) and the Company commenced a rights offering (the “2017 Rights Offering”). The 2017 Rights Offering expired on August 30, 2017 and the Company received total subscriptions of \$21,976. The Company received such proceeds on September 8, 2017. Additionally, in accordance with the related 2017 Investment Agreement the Company received \$8,024 on September 8, 2017 from the Sun Cardinal Investors. The Company used a portion of the net proceeds received from the 2017 Rights Offering and related Investment Agreement to (1) repay \$9,000 under the Company’s Term Loan Facility and (2) repay \$15,000 under the Company’s Revolving Credit Facility, without a concurrent commitment reduction. The Company used the remaining net proceeds for general corporate purposes, except for \$1,823 which was retained at VHC .

## Operating Activities

(in thousands)	For the nine months ended	
	October 28, 2017	October 29, 2016
<b>Operating activities</b>		
Net income (loss)	\$ (15,915)	\$ (511)
Add (deduct) items not affecting operating cash flows:		
Depreciation and amortization	7,398	6,203
Provision for inventories	165	815
Deferred rent	(974)	596
Deferred income taxes	—	(4,710)
Share-based compensation expense	912	1,383
Other	1,003	456
Changes in assets and liabilities:		
Receivables, net	(20,942)	(7,213)
Inventories	(13,014)	1,341
Prepaid expenses and other current assets	765	9
Accounts payable and accrued expenses	(17,234)	(32,706)
Other assets and liabilities	(810)	185
Net cash used in operating activities	<u>\$ (58,646)</u>	<u>\$ (34,152)</u>

Net cash used in operating activities during the nine months ended October 28, 2017 was \$58,646, which consisted of a net loss of \$15,915, impacted by non-cash items of \$8,504 and cash used in working capital of \$51,235. Net cash used in working capital primarily resulted from a cash outflow of \$20,942 in receivables, net primarily driven by the timing of collections, a cash outflow in accounts payable and accrued expenses of \$17,234 due to the timing of payments to vendors and a cash outflow of \$13,014 in inventories.

Net cash used in operating activities during the nine months ended October 29, 2016 was \$34,152, which consisted of a net loss of \$511, impacted by non-cash items of \$4,743 and cash used in working capital of \$38,384. Net cash used in working capital primarily resulted from a cash outflow in accounts payable and accrued expenses of \$32,706, primarily due to the payment of \$22,262, including accrued interest, under the Tax Receivable Agreement with Sun Cardinal and a cash outflow of \$7,213 in receivables, net primarily driven by the timing of sales activity.

## Investing Activities

(in thousands)	For the nine months ended	
	October 28, 2017	October 29, 2016
<b>Investing activities</b>		
Payments for capital expenditures	\$ (3,017)	\$ (12,677)
Net cash used in investing activities	<u>\$ (3,017)</u>	<u>\$ (12,677)</u>

Net cash used in investing activities of \$3,017 during the nine months ended October 28, 2017 represents capital expenditures primarily related to the investment in our retail store build-outs, including leasehold improvements and store fixtures and our new systems.

Net cash used in investing activities of \$12,677 during the nine months ended October 29, 2016 represents capital expenditures related primarily to the investment in our new systems and related infrastructure and retail store build-outs, including leasehold improvements and store fixtures.

## Financing Activities

(in thousands)	For the nine months ended	
	October 28, 2017	October 29, 2016
<b>Financing activities</b>		
Proceeds from borrowings under the Revolving Credit Facility	\$ 234,867	\$ 118,567
Repayment of borrowings under the Revolving Credit Facility	(207,991)	(125,767)
Repayment of borrowings under the Term Loan Facility	(9,000)	—
Proceeds from common stock issuance, net of transaction costs	29,047	63,773
Proceeds from stock option exercises and issuance of common stock under employee stock purchase plan	40	4,731
Financing fees	(555)	—
Net cash provided by financing activities	\$ 46,408	\$ 61,304

Net cash provided by financing activities was \$46,408 during the nine months ended October 28, 2017, primarily consisting of \$29,047 of net proceeds received from the 2017 Rights Offering and \$26,876 of net proceeds from borrowings under our Revolving Credit Facility, partly offset by \$9,000 of payments under the Term Loan Facility.

Net cash provided by financing activities was \$61,304 during the nine months ended October 29, 2016, primarily consisting of net proceeds received from the issuance of common stock in connection with the completed 2016 Rights Offering of \$63,773 and \$4,731 of proceeds from stock option exercises, partially offset by \$7,200 of net repayments of borrowings under our Revolving Credit Facility.

## Revolving Credit Facility

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

On June 22, 2017, Vince, LLC entered into a second amendment to the Revolving Credit Facility, which among other things, increased availability under the borrowing base by (i) including in the borrowing base up to \$5,000 of cash at Vince Holding Corp. so long as such cash is in a deposit account subject to “control” by the agent, (ii) temporarily increasing the concentration limit for accounts due from a specified wholesale partner through July 31, 2017 and (iii) pursuant to a side letter, dated June 22, 2017, entered into between Vince LLC and BofA (the “LC Side Letter”), including in the borrowing base certain letters of credit (the “Specified LCs” as described under “Bank of Montreal Facility” below), issued for the benefit of BofA as credit support for the obligations outstanding under the Revolving Credit Facility. The LC Side Letter terminated when the Specified LCs were released, as described below. In addition, the second amendment changed the financial maintenance covenant in the Revolving Credit Facility from a springing minimum EBITDA covenant to a minimum excess availability covenant that must be satisfied at all times. The new financial maintenance covenant requires the loan parties to have excess availability of not less than the greater of 12.5% of the adjusted loan cap then in effect and \$5,000. The second amendment also (x) increased the applicable margin on all borrowings of revolving loans by 0.5% per annum and (y) temporarily lowered the thresholds for what constituted a trigger event through August 15, 2017, such that a trigger event meant the greater of 12.5% of the adjusted loan cap then in effect and \$5,000. Following August 15, 2017, the trigger event means the greater of 15% of the adjusted loan cap then in effect and \$6,000. The second amendment also

changed the maturity date to the earlier of (a) June 3, 2020 (or a later date as applicable if the lender participates in any extension series) and (b) 120 days prior to the then scheduled maturity date of the Term Loan Facility to the extent that there are outstanding obligations under the Term Loan Facility on such date.

The Revolving Credit Facility also provides for a letter of credit sublimit of \$25,000 (plus any increase in aggregate commitments) and an accordion option that allows for an increase in aggregate commitments up to \$20,000. Effective with the second amendment, interest is payable on the loans under the Revolving Credit Facility at either the LIBOR or the Base Rate, in each case, plus an applicable margin of 1.75% to 2.25% for LIBOR loans or 0.75% to 1.75% for Base Rate loans, and in each case subject to a pricing grid based on an average daily excess availability calculation. The “Base Rate” means, for any day, a fluctuating rate per annum equal to the highest of (i) the rate of interest in effect for such day as publicly announced from time to time by BofA as its prime rate; (ii) the Federal Funds Rate for such day, plus 0.50%; and (iii) the LIBOR Rate for a one month interest period as determined on such day, plus 1.0%. During the continuance of an event of default and at the election of the required lender, interest will accrue at a rate of 2% in excess of the applicable non-default rate.

The Revolving Credit Facility also contains representations and warranties, other covenants and events of default that are customary for this type of financing, including limitations on the incurrence of additional indebtedness, liens, negative pledges, guarantees, investments, loans, asset sales, mergers, acquisitions, prepayment of other debt, the repurchase of capital stock, transactions with affiliates, and the ability to change the nature of the Company’s business or its fiscal year. The Revolving Credit Facility generally permits dividends in the absence of any event of default (including any event of default arising from the contemplated dividend), so long as (i) after giving pro forma effect to the contemplated dividend, for the following six months Excess Availability will be at least the greater of 20% of the adjusted loan cap and \$10,000 and (ii) after giving pro forma effect to the contemplated dividend, the “Consolidated Fixed Charge Coverage Ratio” for the 12 months preceding such dividend shall be greater than or equal to 1.0 to 1.0 (provided that the Consolidated Fixed Charge Coverage Ratio may be less than 1.0 to 1.0 if, after giving pro forma effect to the contemplated dividend, Excess Availability for the six fiscal months following the dividend is at least the greater of 35% of the adjusted loan cap and \$15,000). As of October 28, 2017, we were in compliance with applicable financial covenants. The second amendment replaced and superseded all side letters previously entered into between Vince, LLC and BofA.

As of October 28, 2017, the availability under the Revolving Credit Facility was \$29,882 net of the amended loan cap and there were \$32,076 of borrowings outstanding and \$8,041 of letters of credit outstanding under the Revolving Credit Facility. The weighted average interest rate for borrowings outstanding under the Revolving Credit Facility as of October 28, 2017 was 3.9%.

As of October 29, 2016, the availability under the Revolving Credit Facility was \$31,980 net of the amended loan cap and there were \$7,800 of borrowings outstanding and \$7,474 of letters of credit outstanding under the Revolving Credit Facility. The weighted average interest rate for borrowings outstanding under the Revolving Credit Facility as of October 29, 2016 was 4.0%.

#### ***Bank of Montreal Facility***

On June 22, 2017, Vince, LLC entered into a credit facility agreement with the Bank of Montreal to issue the Specified LCs (the “BMO LC Line”), as discussed under the Revolving Credit Facility above. The BMO LC Line is guaranteed by Sun Capital Fund V, L.P., an affiliate of Sun Capital Partners, Inc. The initial BMO LC Line was issued in the amount of \$5,000. The maximum draw amount for all Specified LCs is \$10,000. The BMO LC Line is currently unsecured but may be secured subject to the terms of an intercreditor agreement between BofA and Bank of Montreal. BofA will be permitted to draw on the Specified LCs upon the occurrence of certain events specified therein. The Specified LCs under the BMO LC Line were undrawn as of October 28, 2017. In the event BofA draws on the Specified LCs upon the occurrence of a draw event, the loan will be subject to certain customary terms and conditions pursuant to the applicable loan authorization document. The BMO LC Line also may be released upon request by Vince, LLC so long as the Company has received at least \$30,000 of cash proceeds from the 2017 Rights Offering, \$15,000 of which must be used to repay the principal amount of the outstanding loans under the Revolving Credit Facility (without permanent reduction of commitments) or the Excess Availability is greater than \$10,000 after giving pro forma effect to the 2017 Rights Offering proceeds. The undrawn portion of the face amount of the Specified LCs is subject to a standard 3% annual fee. On October 31, 2017, at the request of the Company, the BMO LC Line was released upon satisfaction of the above release conditions.

#### ***Term Loan Facility***

On November 27, 2013, in connection with the closing of the IPO and Restructuring Transactions, Vince, LLC and Vince Intermediate entered into a \$175,000 senior secured term loan facility (as amended from time to time, the “Term Loan Facility”) with the lenders party thereto, BofA, as administrative agent, JP Morgan Chase Bank and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers, and Cantor Fitzgerald as documentation agent. The Term Loan Facility will mature on November

27, 2019. Vince, LLC and Vince Intermediate are borrowers (together, the “Borrowers”) and VHC is a guarantor under the Term Loan Facility.

On June 30, 2017, the Borrowers entered into a Waiver, Consent and First Amendment (the “Term Loan Amendment”) which, among other things, (i) waives the Consolidated Net Total Leverage Ratio (as defined in the Term Loan Facility) covenant (as described below) for the test periods from July 2017 through and including April 2019; (ii) requires the Borrowers, beginning with the payment due on or around January 2018, to pay a quarterly amortization payment of \$3,000 for such fiscal quarter and \$2,000 for each fiscal quarter thereafter, provided that there is not less than \$15,000 of “availability” under the Revolving Credit Facility on a pro forma basis immediately before and after giving effect to such amortization payment; (iii) prohibits the Company from making any payments on the Tax Receivable Agreement (see Note 11 “Related Party Transactions” within the notes to the Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for further information) before the first amortization payment referenced above is made or if the Borrowers are not current on any of the foregoing amortization payments; (iv) increases the applicable margin by 2.0% per annum on all term loan borrowings; (v) requires the Borrowers to pay a fee to consenting term lenders equal to 0.5% of the outstanding principal amount of such lender’s term loans as of the effective date of the Term Loan Amendment; (vi) eliminates the Borrower’s ability to designate subsidiaries as unrestricted and to make certain payments, restricted payments and investments with certain funds considered “available excess amount” (as defined in the Term Loan Facility); (vii) eliminates the uncommitted incremental facility; and (viii) limits certain intercompany transactions between a loan party and a non-loan party subsidiary. The Term Loan Amendment became effective on September 8, 2017 when the Company received \$30,000 of gross proceeds in connection with the 2017 Rights Offering and related 2017 Investment Agreement (see Note 11 “Related Party Transactions” within the notes to the Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for further details) and used a portion of such proceeds to repay \$9,000 in principal amount under the Term Loan Facility.

Effective with the Term Loan Amendment, interest is payable on loans under the Term Loan Facility at a rate of either (i) the Eurodollar rate (subject to a 1.00% floor) plus an applicable margin of 7.00% or (ii) the base rate applicable margin of 6.00%. During the continuance of a payment or bankruptcy event of default, interest will accrue (i) on the overdue principal amount of any loan at a rate of 2% in excess of the rate otherwise applicable to such loan and (ii) on any overdue interest or any other outstanding overdue amount at a rate of 2% in excess of the non-default interest rate then applicable to base rate loans. The Term Loan Facility requires Vince, LLC and Vince Intermediate to make mandatory prepayments upon the occurrence of certain events, including additional debt issuances, common and preferred stock issuances, certain asset sales, and annual payments of 50% of excess cash flow, subject to reductions to 25% and 0% if Vince, LLC and Vince Intermediate maintain a Consolidated Net Total Leverage Ratio of 2.50 to 1.00 and 2.00 to 1.00, respectively, and subject to reductions for voluntary prepayments made during such fiscal year.

The Term Loan Facility contains a requirement that Vince, LLC and Vince Intermediate maintain a “Consolidated Net Total Leverage Ratio” as of the last day of any period of four fiscal quarters not to exceed 3.25 to 1.00. The Term Loan Facility permits Vince Holding Corp. to make a Specified Equity Contribution, as defined under the Agreement, to the Borrowers in order to increase, dollar for dollar, Consolidated EBITDA for such fiscal quarter for the purposes of determining compliance with this covenant at the end of such fiscal quarter and applicable subsequent periods provided that (a) in each four fiscal quarter period there shall be at least two fiscal quarters in which no Specified Equity Contribution is made; (b) no more than five Specified Equity Contributions shall be made in the aggregate during the term of the Agreement; and (c) the amount of any Specified Equity Contribution shall be no greater than the amount required to cause the Company to be in compliance with this covenant. Approximately \$18,072 has been contributed by Vince Holding Corp. to Vince, LLC as Specified Equity Contributions. As discussed above, the Term Loan Amendment waives the Consolidated Net Total Leverage Ratio covenant for the test periods from July 2017 through and including April 2019.

In addition, the Term Loan Facility contains customary representations and warranties, other covenants, and events of default, including but not limited to, limitations on the incurrence of additional indebtedness, liens, negative pledges, guarantees, investments, loans, asset sales, mergers, acquisitions, prepayment of other debt, the repurchase of capital stock, transactions with affiliates, and the ability to change the nature of the Company’s business or its fiscal year, and distributions and dividends. The Term Loan Facility generally permits dividends to the extent that no default or event of default is continuing or would result from the contemplated dividend and the pro forma Consolidated Net Total Leverage Ratio after giving effect to such contemplated dividend is at least 0.25 lower than the maximum Consolidated Net Total Leverage Ratio for such quarter in an amount not to exceed the excess available amount, as defined in the loan agreement. All obligations under the Term Loan Facility are guaranteed by VHC and any future material domestic restricted subsidiaries of Vince, LLC and secured by a lien on substantially all of the assets of VHC, Vince, LLC and Vince Intermediate and any future material domestic restricted subsidiaries. As of October 28, 2017, after giving effect to the waiver described above, we were in compliance with applicable covenants.

Through October 28, 2017, on an inception to date basis, we have made voluntary repayments totaling \$139,000 in the aggregate on the original \$175,000 Term Loan Facility entered into on November 27, 2013 with \$9,000 of such repayments made during the nine months ended October 28, 2017. As of October 28, 2017, the Company had \$36,000 of debt outstanding under the Term Loan Facility.

## **Off-Balance Sheet Arrangements**

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

## **Seasonality**

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

## **Inflation**

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

## **Critical Accounting Policies and Estimates**

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

A summary of our critical accounting policies is included in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2016 Annual Report on Form 10-K. As of October 28, 2017, there have been no material changes to the critical accounting policies contained therein, except as noted below.

### ***Fair Value Assessments of Goodwill and Other Indefinite-Lived Intangible Assets***

Goodwill and other indefinite-lived intangible assets are tested for impairment at least annually and in an interim period if a triggering event occurs. During the three months ended October 28, 2017, the Company determined that a triggering event occurred for the Company's Wholesale reporting unit and the Company's indefinite-lived intangible asset as a result of the Company's decision to enter into limited distribution arrangements with Nordstrom, Inc. and Neiman Marcus Group LTD, which will take effect in fiscal 2018, in order to rationalize its department store distribution strategy.

An entity may elect to perform a qualitative impairment assessment for goodwill and indefinite-lived intangible assets. If adverse 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. An entity may pass on performing the qualitative assessment for a reporting unit or indefinite-lived intangible asset and directly perform the quantitative assessment. This determination can be made on an asset by asset basis, and an entity may resume performing a qualitative assessment in subsequent periods.

We elected to perform a qualitative assessment on goodwill and determined that it was not more likely than not that the carrying value of the reporting unit was greater than the fair value.

We elected to perform a quantitative assessment on our indefinite-lived intangible asset, which consists of the Vince tradename. The results of the quantitative assessment did not result in any impairment because the fair value of our tradename intangible asset exceeded its carrying value. We estimate the fair value of our 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. We base our fair value estimates on assumptions we believe to be reasonable, but which are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

Our principal market risk relates to interest rate sensitivity, which is the risk that changes in interest rates will reduce our net income or net assets. Our variable rate debt consists of borrowings under the Term Loan Facility and Revolving Credit Facility. Our interest rate on the Term Loan Facility as of October 28, 2017 is based on either (i) the Eurodollar rate (subject to a 1.00% floor) plus an applicable margin of 7.00% or (ii) the base rate applicable margin of 6.00%. Our interest rate on the Revolving Credit Facility is based on the Eurodollar rate or the Base Rate (as defined in the Revolving Credit Facility) with applicable margins subject to a pricing grid based on excess availability. As of October 28, 2017, a one percentage point increase in the interest rate on our variable rate debt would result in additional interest expense of approximately \$681 for the \$68,076 of borrowings outstanding under the Term Loan Facility and Revolving Credit Facility as of such date, calculated on an annual basis.

We do not expect that foreign currency risk, commodity price or inflation risks to be material to our business or our consolidated financial position, results of operations or cash flows.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

Attached as exhibits to this Quarterly Report on Form 10-Q are certifications of our Chief Executive Officer and Chief Financial Officer. Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires that we include these certifications with this report. This Controls and Procedures section includes information concerning the disclosure controls and procedures referred to in the certifications. You should read this section in conjunction with the certifications.

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act) as of October 28, 2017.

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

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

#### *Material Weaknesses in Internal Control over Financial Reporting*

As described in Management's Report On Internal Control Over Financial Reporting in Item 9A of our Annual Report on Form 10-K for the year ended January 28, 2017, we did not design and implement effective control over risk assessment with regard to our processes and procedures commensurate with our financial reporting requirements, which deficiency was identified as a material weakness. Specifically, we did not maintain appropriate corporate governance and oversight, change management and system implementation controls intended to address the risks associated with the implementation of our ERP and payroll systems and to timely identify and appropriately mitigate such risk prior to transitioning to the new systems.

The risk assessment material weakness contributed to a second material weakness related to the design and maintenance of information technology ("IT") general controls for information systems that are relevant to the preparation of financial statements. Specifically, the Company did not (i) maintain program change management controls to ensure that information technology program and data changes affecting financial IT applications and underlying accounting records were tested, approved and implemented appropriately; and (ii) maintain adequate user access controls to ensure appropriate segregation of duties and to adequately restrict access to financial applications and data.

These material weaknesses could impact the effectiveness of IT-dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports) and could result in misstatements potentially impacting all financial statement accounts and disclosures, which would not be prevented or detected.

#### *Remediation Plan*

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

- The enhancement of our risk assessment and governance controls related to managing information technology development and related organizational change. This includes establishment of an IT Steering Committee, which will adopt comprehensive information technology governance policies and procedures, perform a robust IT risk assessment and implement an improved IT organizational structure;
- The development of information technology processes and procedures to appropriately monitor data processing and system interfaces;
- The implementation of (i) controls to ensure that only appropriate system access rights are granted to system users; and (ii) controls related to routine reviews of user system access; and
- The implementation of appropriate segregation of duties in all systems that impact internal control over financial reporting.

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

- The Company established an IT Steering Committee which adopted comprehensive information technology governance policies and procedures;
- The Company implemented segregation of duties and internal controls related to the payroll system; and
- The Company modified system access rights of all retail store personnel, the largest group of systems users, with segregation of duties commensurate to the job responsibilities.

Our goal is to implement these control improvements during fiscal 2017 and to fully remediate these material weaknesses by the end of 2017, subject to there being sufficient opportunities to conclude, through testing, that the implemented controls are operating effectively. Until the controls are remediated, we will continue to perform additional analysis, substantive testing and other post-closing procedures to ensure that our condensed consolidated financial statements are prepared in accordance with U.S. GAAP.

#### *Limitations on the Effectiveness of Disclosure Controls and Procedures*

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

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

On May 5, 2017, a complaint was filed in the United States District Court for the Eastern District of New York on behalf of a putative class of our stockholders, naming us as well as Brendan Hoffman, our Chief Executive Officer, and David Stefko, our Executive Vice President, Chief Financial Officer, as defendants. The complaint generally alleged that we and the named officers made false and/or misleading statements and/or failed to disclose matters relating to the transition of our ERP systems from Kellwood. On October 2, 2017, the parties agreed to dismiss the action in its entirety without prejudice. Accordingly, the parties filed a stipulation of dismissal, which was granted on October 6, 2017, dismissing all claims without prejudice.

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

## ITEM 1A. RISK FACTORS

The risk factors disclosed in the Company's 2016 Annual Report on Form 10-K, in addition to the other information set forth in this report on Form 10-Q, could materially affect the Company's business, financial condition or results. The Company's risk factors have not changed materially from those disclosed in its 2016 Annual Report on Form 10-K other than those listed below. All amounts disclosed are in thousands except per share amounts.

***Our ability to continue to have the liquidity necessary to service our debt, meet contractual payment obligations, including amortization payments under the Term Loan Facility as well as payments under the Tax Receivable Agreement, and fund our operations depends on many factors, including our ability to generate sufficient cash flow from operations, maintain adequate availability under our Revolving Credit Facility or obtain other financing.***

Our recent financial results have been, and our future financial results are expected to be, subject to substantial fluctuations impacted by business conditions and macroeconomic factors. As a result, we have faced liquidity challenges over the last several fiscal quarters and expect those challenges to continue for the foreseeable future. Our ability to timely service our indebtedness, meet contractual payment obligations and fund our operations, as well as continue as a going concern, will depend on our ability to generate sufficient cash, either through cash flows from operations, borrowing availability under our Revolving Credit Facility, or other financing. While we have taken the steps discussed below to address our liquidity needs, there can be no assurances that (1) we will be able to generate sufficient cash flow from operations to meet our liquidity needs, (2) we will have the necessary availability under the Revolving Credit Facility or be able to obtain other financing when liquidity needs arise, (3) vendors will not require additional accelerated payment terms or prepayments which put additional pressure on our liquidity, or (4) the funds held by Vince Holding Corp., will be sufficient to support additional Specified Equity Contributions (as defined in the Term Loan Facility) if needed.

We have taken steps over the last 18 months to address our liquidity needs. In April 2016, we completed a rights offering (the "2016 Rights Offering"), pursuant to which we received gross proceeds of \$65,000, including proceeds from the backstop investment by Sun Cardinal Investors. We used a portion of the net proceeds received from the 2016 Rights Offering and related 2016 Investment Agreement to (1) repay the amount owed by the Company under the Tax Receivable Agreement, between us and Sun Cardinal, for itself and as a representative of the other stockholders party thereto for the tax benefit with respect to the 2014 taxable year including accrued interest, totaling \$22,262, and (2) repay all then outstanding indebtedness, totaling \$20,000, under the Revolving Credit Facility. The remaining net proceeds have been held in the account of Vince Holding Corp. until needed by its operating subsidiary for additional strategic investments and general corporate purposes. Approximately \$18,072 of such funds have been contributed to the operating subsidiary as Specified Equity Contributions under the Term Loan Facility and used to fund our operations. As of October 28, 2017, \$3,179 of funds from the 2016 Rights Offering remain held by Vince Holding Corp.

On September 8, 2017, the Company completed a rights offering (the "2017 Rights Offering"), pursuant to which we received gross proceeds of \$30,000, including proceeds from the backstop investment by Sun Cardinal and SCSF Cardinal. We used a portion of the net proceeds received from the 2017 Rights Offering and related 2017 Investment Agreement to (1) repay \$9,000 under the Company's Term Loan Facility and (2) repay \$15,000 under the Company's Revolving Credit Facility, without a concurrent commitment reduction. In addition to the funds from the 2016 Rights Offering, \$1,823 of funds from the 2017 Rights Offering remain held by Vince Holding Corp. totaling \$5,002 as of October 28, 2017. The remainder of the net proceeds from the 2017 Rights Offering was used for general corporate purposes.

Upon the receipt of \$30,000 of gross proceeds from the 2017 Rights Offering and the related 2017 Investment Agreement and the repayment of \$9,000 under the Term Loan Facility using the net proceeds therefrom, the Term Loan Amendment became effective. The Term Loan Amendment, among other things, waives the Consolidated Net Total Leverage Ratio covenant for the test periods from July 2017 through and including April 2019. In addition, pursuant to the Term Loan Amendment, beginning with the payment due on or around January 2018, we are required to pay a quarterly amortization payment of \$3,000 for such fiscal quarter and \$2,000 for each fiscal quarter thereafter, provided, that there is not less than \$15,000 of "availability" under the Revolving Credit Facility on a pro forma basis immediately before and after giving effect to such amortization payment. The Term Loan Amendment prohibits the Company from making any payments on the Tax Receivable Agreement before the first amortization payment referenced above is made or if the Borrowers are not current on any of the foregoing amortization payments. See Note 4 "Long-Term Debt and Financing Arrangements" to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for further information on the Term Loan Amendment and Note 11 "Related Party Transactions" to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for further information on the Tax Receivable Agreement.

In addition, we entered into a second amendment to the Revolving Credit Facility in June 2017 to provide additional flexibility, including increasing the borrowing base under the Revolving Credit Facility. See Note 4 "Long-Term Debt and Financing Arrangements" to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional details regarding the amendment.

Our business is dependent upon our ability to procure finished goods from our vendors. Recently, certain vendors demanded accelerated payment terms or prepayments as a condition to delivering finished goods to us and/or required deposits or reserves, which

put additional pressure on our liquidity position . To address these concerns with inventory vendors, we began utilizing letters of credit issuable under the Revolving Credit Facility. In addition, we entered into a sourcing agreement with Rebecca Taylor in July 2017, which allowed us to utilize letters of credit issued under Rebecca Taylor's credit facility to address the credit risk concerns that resulted in the demands by the vendors for accelerated terms and prepayments. See Note 11 "Related Party Transactions" to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional details regarding the sourcing arrangement with Rebecca Taylor. Following the completion of the 2017 Rights Offering, we returned to normal payment terms with our key inventory vendors. As of October 28, 2017, we had no related letters of credit outstanding under the Revolving Credit Facility . During the third quarter of fiscal 2017, we also placed \$ 10,732 of orders under the sourcing agreement with Rebecca Taylor . We have not utilized the sourcing agreement with Rebecca Taylor since September 2017 and we do not intend to utilize this agreement in the future.

The Company had been subject to a commercial finance examination associated with the Revolving Credit Facility. Additionally, beginning with the first quarter of fiscal 2017, certain reserves were placed on the Company's borrowing capacity under the Revolving Credit Facility, some of which have since been released. Using proceeds received from the 2017 Rights Offering and related 2017 Investment Agreement, the Company repaid \$15,000 under the Company's Revolving Credit Facility, without a concurrent commitment reduction .

Our management team has executed cost reduction initiatives in fiscal 2017 in order to improve our financial performance. We have entered into limited distribution arrangements with Nordstrom, Inc. and Neiman Marcus Group LTD, which will take effect in fiscal 2018, in order to rationalize our department store distribution strategy which is intended to improve profitability in the Wholesale segment in the future and enable our management team to focus on other areas of growth for the brand, particularly in the Direct-to-consumer segment. We are also expanding our product offerings during the fourth quarter of fiscal 2017 with the launch of our capsule home collection and the re-launch of our handbag collection. We expect that the majority of the benefit from these cost savings and other strategic initiatives will not be fully realized until fiscal 2018.

Management currently believes that the actions described above have alleviated the substantial doubt regarding the Company's ability to continue as a going concern and will be sufficient to satisfy our liquidity needs during the next twelve months from the date the financial statements are issued. However, there can be no assurances that in the future we will be able to timely service our debt, meet other contractual payment obligations or fund our other liquidity needs for any reason, and in such event, we would need to refinance all or a portion of our indebtedness before maturity, seek additional waivers of or amendments to our contractual obligations for payment, reduce or delay scheduled expansions and capital expenditures, sell material assets or operations or seek alternative financing. Our inability to meet our obligations under our debt agreements or other contracts could result in a default under the Term Loan Facility or the Revolving Credit Facility, which could result in all amounts outstanding under those credit facilities becoming immediately due and payable. Additionally, the lenders under those credit facilities would not be obligated to lend us additional funds. The occurrence of any of the foregoing could have a material adverse impact on our liquidity, financial conditions and ability to continue as a going concern.

***We are currently not in compliance with the New York Stock Exchange's ("NYSE") market capitalization requirement, and we are at risk of NYSE delisting our common stock, which could materially impair the liquidity and value of our common stock.***

Our common stock is currently listed on the NYSE. On May 17, 2017, we were notified by the NYSE that (i) the average closing price of our common stock had fallen below \$1.00 per share over a period of 30 consecutive trading days, which is the minimum average share price required by NYSE and (ii) the average global market capitalization over a consecutive thirty trading-day period had fallen below \$50,000 at the same time our stockholders' equity was less than \$50,000.

At the close of business on October 23, 2017, the Company effected a 1-for-10 reverse stock split whereby every 10 shares of the Company's issued and outstanding common stock were automatically converted into one share of common stock (the "Reverse Stock Split"). Following the Reverse Stock Split, the closing price of our common stock on October 31, 2017 was above \$1.00 and the average price of our common stock for the 30-trading day period ended October 31, 2017 was above \$1.00. As a result, on November 1, 2017, the Company received a letter from NYSE stating that the Company was no longer considered below the NYSE's \$1.00 continued listing criterion.

However, the Company is not currently in compliance with respect to the requirement to maintain a 30-trading day average market capitalization of at least \$50,000 or \$50,000 of stockholders' equity. As such, the Company is currently subject to ongoing quarterly monitoring for compliance with the business plan previously submitted to and accepted by NYSE for an 18-month period concluding in February 2019.

Pursuant to NYSE rules, the Company's common stock will continue to be listed and traded on NYSE during the cure period outlined above, subject to the Company's compliance with other typical continued listing requirements. The current noncompliance with the standard described above does not affect the Company's ongoing business operations or its reporting requirements with the SEC, nor does it trigger any violation of its material debt covenants or other obligations.

No assurance can be given that the Company will be able to regain compliance with these requirements or maintain compliance with the other continued listing requirements set forth in the NYSE Listed Company Manual. If the Company's common stock ultimately were to be suspended from trading and delisted for any reason, it could have adverse consequences including, among others, reduced trading liquidity for our common stock, lower demand and market price for our common stock, adverse publicity and a reduced interest in the Company from investors, analysts and other market participants. In addition, a suspension or delisting could impair the Company's ability to raise additional capital through the public markets and the Company's ability to attract and retain employees by means of equity compensation.

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

On August 10, 2017, the Company entered into the 2017 Investment Agreement with the Sun Cardinal Investors pursuant to which the Sun Cardinal Investors agreed to backstop the 2017 Rights Offering by purchasing at the subscription price of \$0.45 per share (prior to adjustment for the Reverse Stock Split) any and all shares not subscribed through the exercise of rights, including the over-subscription. See Note 11 "Related Party Transactions" within the notes to the Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for additional information regarding the 2017 Rights Offering. Simultaneous with the closing of the 2017 Rights Offering, on September 8, 2017, the Company received \$8.0 million of proceeds from the related 2017 Investment Agreement and issued to the Sun Cardinal Investors 17,831,247 shares of its common stock (prior to adjustment for the Reverse Stock Split) in connection therewith. The Company used a portion of the net proceeds received from the 2017 Rights Offering and related 2017 Investment Agreement to (1) repay \$9.0 million under the Company's Term Loan Facility and (2) repay \$15.0 million under the Company's Revolving Credit Facility, without a concurrent commitment reduction. The Company used the remaining net proceeds for general corporate purposes, except for \$1.8 million which was retained at Vince Holding Corp. The shares issued to the Sun Cardinal Investors pursuant to the 2017 Investment Agreement were sold in reliance on the exemption set forth in Section 4(a)(2) under the Securities Act and/or Regulation D promulgated thereunder.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## **ITEM 5. OTHER INFORMATION**

None.

## **ITEM 6. EXHIBITS**

- 10.1† [Severance Agreement, dated as of August 30, 2017, between Vince, LLC and Katayone Adeli](#)
- 31.1 [CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 [CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1 [CEO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2 [CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101.1 Financial Statements in XBRL Format

† Indicates exhibits that constitute management contracts or compensatory plans or arrangements

**SIGNATURE**

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ David Stefko</u> David Stefko	Executive Vice President, Chief Financial Officer (as duly authorized officer and principal financial officer)	December 7, 2017

## SEVERANCE AGREEMENT

In consideration of the covenants undertaken and releases contained in this SEVERANCE AGREEMENT (hereinafter referred to as “Agreement”), Katayone Adeli (“Employee”) on the one hand, and Vince, LLC (the “Company”) on the other hand (collectively the “Parties”), agree as follows:

Employee and the Company agree that the following facts are true:

- 1) Employee and the Company entered into an employment agreement, dated December 18, 2015 (the “Employment Agreement”);
- 2) Employee was granted stock options pursuant to stock option grant agreements with the Company, dated January 25, 2016 and May 16, 2016 (collectively, the “Stock Option Agreement”), pursuant to the 2013 Omnibus Incentive Plan of the Company;
- 3) Employee’s employment with the Company was terminated effective May 8, 2017;
- 4) Neither Employee nor the Company has any intent to pursue any claims against the other. In exchange for the severance compensation under this Agreement and the other undertakings provided herein, Employee and the Company desire to settle fully and finally all actual and/or potential claims between them concerning the above-referenced employment relationship including, but in no way limited to, any claims that might arise out of Employee’s employment and/or the termination thereof; and
- 5) Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Employment Agreement.

NOW THEREFORE, in consideration of the promises herein contained and in compromise of the Parties’ positions relating to the Employment Agreement, it is agreed as follows:

1. Facts Incorporated to Agreement. The above-mentioned facts are hereby incorporated into, and made a part of, this Agreement.

2. Denial of Liability. This Agreement shall not in any way be construed as an admission by the Company or Employee of any breaches of contract, statutory violations, wrongful acts or acts of discrimination or of any fact asserted (other than the facts asserted herein) whatsoever against Employee or the Company or any other person.

3. Employment Agreement. Except as modified by this Agreement, Sections 5(d), 7

through 13, 15 and 17 through 21 of the Employment Agreement shall continue in effect. <sup>1</sup>

4. Termination of Employment; Severance Payment. Employee's employment with the Company was terminated by the Company without cause effective as of May 8, 2017 (the "Termination Date"). All salary, compensation, and perquisites of employment ceased as of the Termination Date. Except as provided in Section 15(a) of this Agreement, Employee shall solely be entitled to the severance benefits set forth in this Section 4 in lieu of those provided in Section 7(c) of the Employment Agreement or otherwise. The Company shall provide Employee with the following payments and benefits (collectively, the "Severance Payments"):

(a) the Accrued Benefits, to the extent not already paid. Each of the Company and Employee represents and warrants that it/she is unaware of any further amounts due to Employee under this section 4(a);

(b) Subject to the execution and delivery by Employee of Employee General Release (as hereinafter defined) and the passage of seven calendar days thereafter without revocation by Employee of Employee General Release, One Million Two Hundred Thousand Dollars (\$1,200,000), payable by wire transfer to an account designated by Employee, as follows:

(i) Two Hundred Thousand Dollars (\$200,000) gross, which amount is subject to all applicable withholdings, payable on October 31, 2017;

(ii) One Million Dollars (\$1,000,000) gross, which amount is subject to all applicable withholdings, payable as follows:

- (w) \$350,000 on March 1, 2018
- (x) \$250,000 on June 1, 2018
- (y) \$250,000 on September 1, 2018
- (z) \$150,000 on December 1, 2018.

(c) The Parties agree that, notwithstanding the last sentence of Section 8 of the Employment Agreement, the Severance Payments shall not be subject to set-off, counterclaim or recoupment by the Company for any amounts owed to it by Employee.

(d) The Company acknowledges that Employee has made a timely election of continued health benefit coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). The Company will continue to pay the employer portion of the associated monthly premium during the period commencing on the Termination Date and terminating on the earlier of (i) May 31, 2018, or (ii) such date that Employee elects to receive and becomes eligible for medical benefits with another employer (the "COBRA Contribution Period"). Employee will be responsible to pay the associated employee portion of the monthly premium directly to DISCOVERY BENEFITS as directed by the Company in order to be covered by COBRA.

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<sup>1</sup> From Section 12 of General Release.

Attached as **Exhibit A** is a summary of the health care continuation obligation for the Company and Employee. Effective the first day of the month following the last date of the Company COBRA subsidy, Employee will be responsible to pay 100% of the COBRA premium to continue healthcare insurance for the remainder of the applicable COBRA period. Notwithstanding the foregoing, in the event a COBRA premium benefit violates the nondiscrimination rules under the Patient Protection and Affordable Care Act (as amended by the Health Care and Education Reconciliation Act of 2010 and as amended from time to time) (the “Affordable Care Act”), the Company will cease to provide such COBRA premium benefit.

(e) The Company agrees that no payment to Employee will be deferred beyond its due date by reason of Section 409A.

5. Receipt of Compensation Due. Employee acknowledges that prior to signing this Agreement, Employee received payment for any outstanding wages or accrued, unused vacation due and owing to Employee through the Termination Date (the payment of which was not made contingent on the execution of this Agreement) and Employee’s Annual Bonus in respect of the fiscal year commencing on or about February 1, 2016.

6. Equity Grants. Employee has been granted stock options to receive 176,599 shares of the Company’s common stock, which have become fully vested and exercisable as of the Termination Date and remain exercisable for 180 days thereafter, as provided for in the Stock Option Agreement.

7. General Releases .

(a) Employee General Release . Concurrently with the execution and delivery hereof, Employee has executed and delivered a general release (the “Employee General Release”) in the form attached hereto as **Exhibit B** .

(b) Company General Release. In consideration for Employee’s obligations under this Agreement and the execution by Employee of the Employee General Release, except as provided in Section 7(g) hereof, the Company, on its own behalf and on behalf of its affiliates (including Vince Holding Corp.) and its representatives, successors and assigns (collectively the “Company Releasers”) does hereby, irrevocably and unconditionally release, acquit and forever discharge Employee for herself, her heirs, administrators, representatives, executors, successors and assigns (collectively, the “Company Releasees”), and each of them, from any and all claims, suits, controversies, actions, causes of action, cross-claims, counterclaims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys’ fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date that this Company General Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against any of the Company Releasees which any of the Company Releasers may have, by reason of any matter, cause, or thing whatsoever, from the beginning of its initial dealings with the Company Releasees to the date of this Agreement, and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to the employment relationship of Employee with the Company, the terms and conditions of that employment relationship, and the termination of that employment relationship (the “Company Claims”). The release given in this Section 7(b) shall be referred to

as the “ Company General Release ” and, together with the Employee General Release , the “ General Releases . ”

(c) The Company Releasees are intended to be third-party beneficiaries of the Company General Release, and the Company General Release may be enforced by each of them in accordance with the terms thereof in respect of the rights granted to such Company Releasees thereunder.

(d) The Company Claims include all such claims, whether known or unknown by the Company Releasers. Therefore, the Company Releasers waive the effect of California Civil Code Section 1542 and any other analogous provision of applicable law of any jurisdiction. Section 1542 states:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

(e) The Company represents that neither the Company nor any Company Releaser has made an assignment or transfer of any Company Claim released by Section 7(b).

(f) The Company hereby waives all rights to sue or obtain equitable, remedial or punitive relief from any or all Company Releasees of any kind whatsoever in respect of any Company Claim released by Section 7(b). The Company agrees that if it violates this Section 7(f) by suing any Company Releasee, it will pay all costs and expenses of defending against the suit incurred by the Company Releasees, including reasonable attorneys’ fees.

(g) Notwithstanding anything in the Company General Release to the contrary, the Company General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach after the date hereof by Employee or any Company Releasee of this Agreement, the Employment Agreement, the Stock Option Agreement, the Employee General Release, or any other claim which may arise after the date of this Agreement.

8. Restrictions. Except as otherwise provided in this Agreement, each of the Company and Employee hereby agrees and reaffirms the covenants and agreements set forth in the Stock Option Agreement and the Employment Agreement which by their terms survive Employee’s termination of employment, including the confidentiality and non-interference covenants contained in the Employment Agreement.

9. Neutral Job Reference. The Company agrees to provide Employee with a neutral job reference for all written and telephone requests to include only the following: job title and dates of employment.

10. Return of Company Property. Employee reaffirms her obligations to return Company property as required in Section 9(f) of the Employment Agreement.

11. Confidential Information. Employee reaffirms her obligations of confidentiality set forth in Section 9(a) of the Employment Agreement. Unless required to be disclosed under applicable law, rule or regulation, the terms and conditions of this Agreement shall remain strictly confidential, and Employee and the Company agree not to disclose the terms and conditions hereof to any person or entity, other than immediate family members of Employee, legal advisors or personal tax or financial advisors. The Company represents that it is not required to disclose, and agrees not to disclose, the terms and conditions of this Agreement under applicable disclosure requirements of the Securities Exchange Act of 1934, as amended, or the rules and regulations promulgated thereunder.

12. Mutual Non-Disparagement Clause.

(a) Employee reaffirms her undertakings in Section 9(c) of the Employment Agreement (“Nondisparagement”).

(b) The Company agrees that it has used, and will in the future use, reasonable efforts to cause members of its management and board of directors not to make any negative or derogatory remarks or statements concerning Employee, whether orally or in writing, or otherwise engage in any act that is intended or may be reasonably be expected to harm the reputation, business, prospects or other interests of Employee, unless as required by law or an order of a court or governmental agency with jurisdiction.

13. Employee’s Cooperation Obligations. Employee reaffirms her obligation of cooperation set forth in Section 10 of the Employment Agreement.

14. Integration Clause. This Agreement, the General Releases, the Stock Option Agreement and the Employment Agreement (except for provisions thereof superseded or modified by this Agreement) constitute the complete and entire agreement between the Parties pertaining to the subject matter hereof, and the final, complete and exclusive expression of the terms and conditions of their agreement. Any and all prior agreements, representations, negotiations, and understandings between the Parties, oral or written, express or implied, are hereby superseded and merged herein.

15. Remedies; Attorneys’ Fees.

(a) In the event that the Company defaults in the performance of any obligation hereunder, if the Company does not cure the default within ten (10) days of written notice from Employee to the Company, upon further notice to the Company by Employee, Employee at her election, as specified in such further notice, effective on the date of such notice (the “Reinstatement Date”), may cause the Employment Agreement to be reinstated under the following conditions:

(i) All rights, remedies and obligations of the Parties under the Employment Agreement shall be fully reinstated, including (for avoidance of doubt) the obligations of the Company under Section 7(c) of the Employment Agreement (which shall not be deemed to have been released by the Employee General Release);

(ii) Except for this Section 15(a), this Agreement shall be null and void, *ab*

*initio* , and deemed not to have been executed and delivered and of no further force or effect ;

(iii) Employee's execution and delivery of the Employee General Release in connection with this Agreement shall remain in effect and shall satisfy the condition set forth in Section 8 of the Employment Agreement (so long as it has not been revoked within the applicable revocation period); and

(iv) All payments to Employee under this Agreement shall be credited to the payments owing to Employee under the Employment Agreement, provided, however:

(A) If the amount paid by the Company under this Agreement exceeds that which would otherwise be due to Employee under the Employment Agreement (taking into account any set-off rightfully taken by the Company), any such excess paid to Employee, upon notice to Employee by the Company, shall be paid back to the Company within thirty (30) days of such notice; and

(B) If the amount due to Employee under the Employment Agreement (taking into account any set-off rightfully taken by the Company) exceeds the amount paid to Employee under this Agreement, any such excess, upon notice to the Company by Employee, shall be paid by the Company to Employee within thirty (30) days of such notice.

(C) If the Company asserts any right of set-off in connection with any payment under subparagraph (A) or (B) above, it shall provide Employee notice thereof, setting forth in reasonable detail the basis therefor.

(b) In addition to any other remedies the Company may have under this Agreement or the Employment Agreement, in the event Employee defaults in the performance of any obligation set forth in Section 9 or 10 of the Employment Agreement, if Employee does not cure the default within ten (10) days of written notice from the Company to Employee, upon further notice to Employee, the Company will have no further obligation to pay any amount to Employee under this Agreement or the Employment Agreement, and any monies paid by the Company to Employee hereunder will be returnable from Employee to the Company as a result of the breach.

(c) Notwithstanding any provision of the Employment Agreement, the General Releases or the Stock Option Agreement to the contrary, in any action or other proceeding to enforce rights hereunder, the prevailing party shall receive an award of costs and expenses related to such proceeding, including attorneys' fees.

(d) All amounts payable by the Company that are more than ten (10) days past due shall bear interest at an annual rate of 8%, from the date payment was due.

16. Other Provisions. Sections 12 , 14 through 17 (other than the last sentence of Section 17, which shall be superseded by Section 15(c) of this Agreement) , the first sentence of 18, Section 19 and Section 21 of the Employment Agreement shall be incorporated herein and be a part hereof, *mutatis muta ndis*.

17. Notice. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of delivery, if delivered by hand, (b) on the date of transmission, if delivered by confirmed facsimile or electronic mail, (c) on the first business day following the date of deposit if delivered by guaranteed overnight service, or (d) on the fourth business day following the date delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows (or to any other such addresses as either party may furnish to the other in writing hereafter to effect notice of a change in address):

If to Employee:

At Employee's home address (email and, if any, facsimile) shown in the books and records of the Company.

With a copy (which shall not constitute notice to Employee) to:

Henry M. Fields  
Morrison & Foerster LLP  
707 Wilshire Blvd.  
Los Angeles, CA 90017  
Facsimile: (323) 210-1154  
Email: [hfields@mofo.com](mailto:hfields@mofo.com)

If to the Company:

Vince, LLC  
500 Fifth Avenue, 20<sup>th</sup> Fl.  
New York, NY 10110  
Attn: SVP, Human Resources  
Facsimile: \_\_\_\_\_  
Email: [mwallace@vince.com](mailto:mwallace@vince.com)

With copies (which shall not constitute notice to the Company) to:

Vince, LLC  
500 Fifth Avenue, 20<sup>th</sup> Fl.  
New York, NY 10110  
Attn: General Counsel  
Facsimile: (646) 224-5733  
Email: [aokuma@vince.com](mailto:aokuma@vince.com)

David Jacobs  
Epstein Becker & Green, P.C.  
1925 Century Park East, Suite 500  
Los Angeles, CA 90067  
Facsimile: 310- 943 - 2593  
Email: [djacobs@ebglaw.com](mailto:djacobs@ebglaw.com)

19. Advice of Counsel. Employee further states that Employee has carefully read this Agreement; that Employee has had the opportunity to consult an attorney, and has been advised to do so, to have any questions concerning this Agreement explained to Employee; that Employee fully understands the Agreement's final and binding effect; that the only promises made to Employee to sign this Agreement are those stated above; and that Employee is signing this Agreement voluntarily.

20. Effective Date of this Agreement. This Agreement shall be effective as of the date executed by the Parties, but only upon Employee executing and delivering the Employee General Release attached hereto as **Exhibit B** and not revoking the Employee General Release within the applicable seven-day revocation period. If Employee does not execute and deliver the Employee General Release, or if Employee delivers the Employee General Release and revokes the same during the seven-day revocation period, this Agreement shall be of no force or effect.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date(s) set forth below.

VINCE, LLC

By: /s/ Brendan Hoffman

\_\_\_\_\_  
Name: Brendan Hoffman

Title: Chief Executive Officer

Date: August 30, 2017

EMPLOYEE

By: /s/ Katayone Adeli

\_\_\_\_\_  
Katayone Adeli

Date: August 24, 2017

## EXHIBIT A

### HEALTH CARE CONTINUATION

- Medical benefits will terminate on May 31<sup>st</sup>, 2017
- COBRA administrators will reach out to you with documentation needed to elect COBRA
- COBRA continuation coverage will begin on June 1<sup>st</sup>, 2017, if Employee timely elects COBRA:
  - **The Company** will continue to pay the **employer portion** of the monthly premium for up to the duration of the COBRA Contribution Period (terminating May 31, 2018)
    - Medical Premier Plan (employee only) – **Employer monthly portion: \$355.29**
    - Dental Premier Plan (employee only) – **Employer monthly portion: \$9.66**
  - **Employee** will be responsible for paying the **employee portion** of the monthly premium
    - Medical Premier Plan (employee only) – **Employee monthly portion: \$111.83**
    - Dental Premier Plan (employee only) - **Employee monthly portion: \$29.61**
    - Vision (employee only) - **Employee responsible for full monthly premium: \$5.55**

## Exhibit B

### EMPLOYEE GENERAL RELEASE

I, Katayone Adeli, in consideration of and subject to the performance by VINCE LLC (together with its parent and subsidiaries, the “Company”), of its obligations under the Employment Agreement dated as of December 18, 2015 (the “Employment Agreement”), as the modified by that certain Severance Agreement of even date herewith (the “Severance Agreement”), and further in consideration of and subject to the performance by the Company of its obligations under the Severance Agreement, do hereby release and forever discharge as of the date hereof the Company and its respective parent, affiliates, subsidiaries and direct or indirect parent entities and all present, former and future directors, officers, agents, representatives, employees, successors and assigns of the Company and/or its respective affiliates, subsidiaries and direct or indirect parent entities (collectively, the “Released Parties”) to the extent provided below (this “General Release”). The Released Parties are intended to be third-party beneficiaries of this General Release, and this General Release may be enforced by each of them in accordance with the terms hereof in respect of the rights granted to such Released Parties hereunder. Terms used herein but not otherwise defined shall have the meanings given to them in the Employment Agreement.

1. I understand that any payments or benefits paid or granted to me under Section 4 of the Severance Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive certain of the payments and benefits provided in Section 4 of the Severance Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter. Such payments and benefits will not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by the Company or its affiliates.

2. Except as provided in paragraphs 5 and 6 below and except for the provisions of the Employment Agreement and the Stock Option Agreement that expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross-claims, counterclaims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys’ fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date that this General Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, by reason of any matter, cause, or thing whatsoever, from the beginning of my initial dealings with the Company to the date of this General Release, and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to my employment relationship with the Company, the terms and conditions of that employment relationship, and the termination of that employment relationship (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers

Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Executive Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims"). I understand and intend that no reference herein to a specific form of claim, statute or type of relief is intended to limit the scope of this Release.

3. The released Claims described in paragraph 2 hereof include all such claims, whether known or unknown by me. Therefore, I waive the effect of California Civil Code Section 1542 and any other analogous provision of applicable law of any jurisdiction. Section 1542 states:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

4. I represent that I have made no assignment or transfer of any Claim covered by paragraph 2 above.

5. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Employment Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

6. I agree that I hereby waive all rights to sue or obtain equitable, remedial or punitive relief from any or all Released Parties of any kind whatsoever in respect of any Claim, including, without limitation, reinstatement, back pay, front pay, and any form of injunctive relief. Notwithstanding the above, I further acknowledge that I am not waiving or releasing and am not being required to waive or release any right that cannot be waived or released under law, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however, that I disclaim and waive any right to share or participate in any monetary award resulting from the prosecution of such charge or investigation or proceeding, to the extent permitted by law. Additionally, I am not waiving or releasing (i) any rights I have under the Severance Agreement, including my rights to Severance Payments (as defined in the Severance Agreement) to which I am entitled under the Severance Agreement, (ii) any claim relating to directors' and officers' liability insurance coverage or any right of indemnification under the Company's organizational documents, as

provided under Section 5(d) of the Employment Agreement, or otherwise, or (iii) my rights as an equity or security holder in the Company or its affiliates, including any rights under the Stock Option Agreement (as defined in the Severance Agreement).

7. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state or local statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Employment Agreement or the Severance Agreement. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims to the maximum extent permitted by law. I further agree that, as of the execution of this General Release, I am not aware of any pending claim of the type described in paragraph 2 above released by this General Release.

8. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

9. I agree that if I violate this General Release by suing the Company or the other Released Parties, I will pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees.

10. I agree that, except to the extent that disclosure is otherwise required by applicable law, rule or regulation, this General Release and the Severance Agreement are confidential and agree not to disclose any information regarding the terms of this General Release or the Severance Agreement, except to my immediate family and any tax, legal or other counsel that I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone.

11. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other self-regulatory organization or any governmental entity.

12. I and the Company hereby acknowledge that Sections 5(d), 7 through 13, 15 and 17 through 21 of the Employment Agreement (as such provisions may be modified by the Severance Agreement) shall survive my execution of, and not be subject to, this General Release.

13. I represent that I am not aware of any claim by me other than the claims that are released by this General Release. I acknowledge that I may hereafter discover claims or facts

in addition to or different than those which I now know or believe to exist with respect to the subject matter of the release set forth in paragraph 1 above and which, if known or suspected at the time of entering into this General Release, may have materially affected this General Release and my decision to enter into it.

14. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of the Severance Agreement after the date hereof, or any other claims that may arise after the date hereof.

15. Whenever possible, each provision of this General Release shall be interpreted in, such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

1. I HAVE READ IT CAREFULLY;
2. I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING, BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990, AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;
3. I VOLUNTARILY CONSENT TO EVERYTHING IN IT;
4. I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;
5. I HAVE HAD AT LEAST 21 DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE TO CONSIDER IT, AND THE CHANGES MADE SINCE MY RECEIPT OF THIS RELEASE ARE NOT MATERIAL OR WERE MADE AT MY REQUEST AND WILL NOT RESTART THE REQUIRED 21-DAY PERIOD;
6. I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;

7. I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND
8. I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

SIGNED: /s/ Katayone Adeli

DATED: August 24, 2017

Katayone Adeli

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

I, Brendan Hoffman, certify that:

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

/s/ Brendan Hoffman

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Brendan Hoffman

Chief Executive Officer

(principal executive officer)

December 7, 2017

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

I, David Stefko, certify that:

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

/s/ David Stefko

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David Stefko

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

December 7, 2017

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

In connection with the Quarterly Report of Vince Holding Corp. (the "Company"), on Form 10-Q for the quarter ended October 28, 2017 as filed with the Securities and Exchange Commission (the "Report"), Brendan Hoffman, Chief Executive Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that:

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

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

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

/s/ Brendan Hoffman

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Brendan Hoffman

Chief Executive Officer

(principal executive officer)

December 7, 2017

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

In connection with the Quarterly Report of Vince Holding Corp. (the "Company"), on Form 10-Q for the quarter ended October 28, 2017 as filed with the Securities and Exchange Commission (the "Report"), David Stefko, Chief Financial Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that:

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

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

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

/s/ David Stefko

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David Stefko

Executive Vice President, Chief Financial Officer

(principal financial and accounting officer)

December 7, 2017