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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 29, 2023

Or

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

For the transition period from to

Commission File Number: 001-36212

VINCE HOLDING CORP.
(Exact name of registrant as specified in its charter)

Delaware	**75-3264870**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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

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

As of August 31, 2023, the registrant had 12,492,125 shares of common stock, $0.01 par value per share, outstanding.

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, from the Company. The Company continues to own and operate the Vince business, which includes Vince, LLC.

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

On April 21, 2023, Vince, LLC, the Company's wholly owned indirect subsidiary, entered into an Intellectual Property Asset Purchase Agreement (the "Asset Purchase Agreement"), by and among Vince, LLC, ABG-Vince, LLC (f/k/a ABG-Viking, LLC) ("ABG Vince"), a newly formed indirect subsidiary of Authentic Brands Group, LLC, the Company and ABG Intermediate Holdings 2 LLC, whereby Vince, LLC will sell its intellectual property assets related to the business operated under the VINCE brand to ABG Vince at closing (the "Asset Sale"). The Company closed the Asset Sale on May 25, 2023.

For purposes of this Quarterly Report, the "Company," "we," and "our," refer to Vince Holding Corp. and our wholly owned subsidiaries, including Vince Intermediate Holding, LLC ("Vince Intermediate") and Vince, LLC. References to "Vince," "Rebecca Taylor" or "Parker" refer only to the referenced brands.

DISCLOSURES REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, and any statements incorporated by reference herein, contain 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 maintain the license agreement with ABG Vince; ABG Vince's expansion of the Vince brand into other categories and territories; ABG Vince's approval rights and other actions; our ability to maintain adequate cash flow from operations or availability under our revolving credit facility to meet our liquidity needs; our ability to realize the benefits of our strategic initiatives; our ability to improve our profitability; the execution and management of our direct-to-consumer business growth plans; our ability to make lease payments when due; our ability to maintain our larger wholesale partners; our ability to remediate the identified material weakness in our internal control over financial reporting; our ability to comply with domestic and international laws, regulations and orders; our ability to anticipate and/or react to changes in customer demand and attract new customers, including in connection with making inventory commitments; our ability to remain competitive in the areas of merchandise quality, price, breadth of selection and customer service; our ability to attract and retain key personnel; seasonal and quarterly variations in our revenue and income; general economic conditions; further impairment of our goodwill; our ability to mitigate system security risk issues, such as cyber or malware attacks, as well as other major system failures; our ability to optimize our systems, processes and functions; our ability to comply with privacy-related obligations; our ability to ensure the proper operation of the distribution facilities by third-party logistics providers; fluctuations in the price, availability and quality of raw materials; commodity, raw material and other cost increases; the extent of our foreign sourcing; our reliance on independent manufacturers; other tax matters; and other factors as set forth from time to time in our Securities and Exchange Commission filings, including those described in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 28, 2023 (the "2022 Annual Report on Form 10-K") under the heading "Part I, Item 1A—Risk Factors." We intend these forward-looking statements to speak only as of the date of this Quarterly 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)

	July 29, 2023	January 28, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 869	$ 1,079
Trade receivables, net of allowance for doubtful accounts of $321 and $759 at July 29, 2023 and January 28, 2023, respectively	20,859	20,733
Inventories, net	85,079	90,008
Prepaid expenses and other current assets	11,148	3,515
Total current assets	117,955	115,335
Property and equipment, net	8,345	10,479
Operating lease right-of-use assets, net	75,286	72,616
Intangible assets, net	—	70,106
Goodwill	31,973	31,973
Assets held for sale	—	260
Equity method investment	26,232	—
Other assets	2,595	2,576
Total assets	$ 262,386	$ 303,345
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 39,170	$ 49,396
Accrued salaries and employee benefits	2,764	4,301
Other accrued expenses	9,022	15,020
Short-term lease liabilities	18,250	20,892
Current portion of long-term debt	—	3,500
Total current liabilities	69,206	93,109
Long-term debt	67,204	108,078
Long-term lease liabilities	72,901	72,098
Deferred income tax liability	2,976	8,934
Other liabilities	—	869
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock at $0.01 par value (100,000,000 shares authorized, 12,486,664 and 12,335,405 shares issued and outstanding at July 29, 2023 and January 28, 2023, respectively)	125	123
Additional paid-in capital	1,143,999	1,143,295
Accumulated deficit	(1,093,949)	(1,123,080)
Accumulated other comprehensive loss	(76)	(81)
Total stockholders' equity	50,099	20,257
Total liabilities and stockholders' equity	$ 262,386	$ 303,345

See notes to unaudited condensed consolidated financial statements.

VINCE HOLDING CORP. AND SUBSIDIARIES

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

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Net sales	$ 69,447	$ 89,194	$ 133,503	$ 167,570
Cost of products sold	37,099	52,822	71,563	95,563
Gross profit	32,348	36,372	61,940	72,007
Impairment of intangible assets	—	1,700	—	1,700
Impairment of long-lived assets	—	866	—	866
Gain on sale of intangible assets	(32,043)	—	(32,808)	—
Selling, general and administrative expenses	31,541	39,010	64,274	79,930
Income (loss) from operations	32,850	(5,204)	30,474	(10,489)
Interest expense, net	4,137	1,882	7,427	3,766
Income (loss) before income taxes and equity in net income of equity method investment	28,713	(7,086)	23,047	(14,255)
(Benefit) provision for income taxes	(592)	7,903	(5,877)	7,903
Income (loss) before equity in net income of equity method investment	29,305	(14,989)	28,924	(22,158)
Equity in net income of equity method investment	207	—	207	—
Net income (loss)	$ 29,512	$ (14,989)	$ 29,131	$ (22,158)
Other comprehensive income (loss):				
Foreign currency translation adjustments	7	2	5	(4)
Comprehensive income (loss)	$ 29,519	$ (14,987)	$ 29,136	$ (22,162)
Earnings (loss) per share:				
Basic earnings (loss) per share	$ 2.37	$ (1.23)	$ 2.35	$ (1.83)
Diluted earnings (loss) per share	$ 2.36	$ (1.23)	$ 2.34	$ (1.83)
Weighted average shares outstanding:				
Basic	12,428,339	12,220,693	12,385,347	12,125,759
Diluted	12,479,667	12,220,693	12,470,085	12,125,759

See notes to unaudited condensed consolidated financial statements.

VINCE HOLDING CORP. AND SUBSIDIARIES

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

	Common Stock					
	Number of Shares Outstanding	Par Value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance as of January 28, 2023	12,335,405	$ 123	$ 1,143,295	$ (1,123,080)	$ (81)	$ 20,257
Comprehensive loss:						
Net loss	—	—	—	(381)	—	(381)
Foreign currency translation adjustment	—	—	—	—	(2)	(2)
Share-based compensation expense	—	—	420	—	—	420
Restricted stock unit vestings	34,983	1	—	—	—	1
Tax withholdings related to restricted stock vesting	(1,148)	—	(8)	—	—	(8)
Issuance of common stock related to Employee Stock Purchase Plan ("ESPP")	1,885	—	14	—	—	14
Balance as of April 29, 2023	12,371,125	$ 124	$ 1,143,721	$ (1,123,461)	$ (83)	$ 20,301
Comprehensive income:						
Net income	—	—	—	29,512	—	29,512
Foreign currency translation adjustment	—	—	—	—	7	7
Share-based compensation expense	—	—	393	—	—	393
Restricted stock unit vestings	134,995	1	(1)	—	—	—
Tax withholdings related to restricted stock vesting	(23,695)	—	(126)	—	—	(126)
Issuance of common stock related to ESPP	4,239	—	12	—	—	12
Balance as of July 29, 2023	12,486,664	$ 125	$ 1,143,999	$ (1,093,949)	$ (76)	$ 50,099

See notes to unaudited condensed consolidated financial statements.

VINCE HOLDING CORP. AND SUBSIDIARIES

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

	Common Stock					
	Number of Shares Outstanding	Par Value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance as of January 29, 2022	11,986,127	$ 120	$ 1,140,516	$ (1,084,734)	$ (122)	$ 55,780
Comprehensive loss:						
Net loss	—	—	—	(7,169)	—	(7,169)
Foreign currency translation adjustment	—	—	—	—	(6)	(6)
Common stock issuance, net of certain fees	36,874	—	305	—	—	305
Share-based compensation expense	—	—	609	—	—	609
Restricted stock unit vestings	118,831	1	(1)	—	—	—
Tax withholdings related to restricted stock vesting	(16,962)	—	(148)	—	—	(148)
Issuance of common stock related to ESPP	2,663	—	23	—	—	23
Balance as of April 30, 2022	12,127,533	$ 121	$ 1,141,304	$ (1,091,903)	$ (128)	$ 49,394
Comprehensive loss:						
Net loss	—	—	—	(14,989)	—	(14,989)
Foreign currency translation adjustment	—	—	—	—	2	2
Common stock issuance, net of certain fees	68,106	1	519	—	—	520
Share-based compensation expense	—	—	551	—	—	551
Restricted stock unit vestings	102,137	1	(1)	—	—	—
Tax withholdings related to restricted stock vesting	(6,164)	—	(49)	—	—	(49)
Issuance of common stock related to ESPP	2,416	—	18	—	—	18
Balance as of July 30, 2022	12,294,028	$ 123	$ 1,142,342	$ (1,106,892)	$ (126)	$ 35,447

See notes to unaudited condensed consolidated financial statements.

VINCE HOLDING CORP. AND SUBSIDIARIES

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

	Six Months Ended	
	July 29, 2023	July 30, 2022
Operating activities		
Net income (loss)	$ 29,131	$ (22,158)
Add (deduct) items not affecting operating cash flows:		
Impairment of intangible assets	—	1,700
Impairment of long-lived assets	—	866
Depreciation and amortization	2,538	3,086
Provision for bad debt	63	81
Gain on sale of intangible assets	(32,808)	—
Loss on disposal of property and equipment	140	50
Amortization of deferred financing costs	593	429
Deferred income taxes	(5,958)	7,790
Share-based compensation expense	813	1,160
Capitalized PIK Interest	1,873	1,300
Loss on debt extinguishment	3,136	—
Equity in net income of equity method investment	(207)	—
Changes in assets and liabilities:		
Receivables, net	(189)	2,396
Inventories	4,939	(50,933)
Prepaid expenses and other current assets	(2,263)	535
Accounts payable and accrued expenses	(17,947)	32,763
Other assets and liabilities	(4,014)	979
Net cash used in operating activities	(20,160)	(19,956)
Investing activities		
Payments for capital expenditures	(377)	(2,360)
Transaction costs related to equity method investment	(525)	—
Proceeds from sale of intangible assets	77,525	—
Net cash provided by (used in) investing activities	76,623	(2,360)
Financing activities		
Proceeds from borrowings under the Revolving Credit Facilities	173,665	196,816
Repayment of borrowings under the Revolving Credit Facilities	(192,486)	(174,241)
Repayment of borrowings under the Term Loan Facilities	(29,378)	(875)
Proceeds from common stock issuance, net of certain fees	—	825
Tax withholdings related to restricted stock vesting	(134)	(197)
Proceeds from stock option exercises, restricted stock vesting, and issuance of common stock under employee stock purchase plan	27	41
Financing fees	(3,002)	(20)
Net cash (used in) provided by financing activities	(51,308)	22,349
Increase in cash, cash equivalents, and restricted cash	5,155	33
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	3	(19)
Cash, cash equivalents, and restricted cash, beginning of period	1,116	1,096
Cash, cash equivalents, and restricted cash, end of period	6,274	1,110
Less: restricted cash at end of period	5,405	37
Cash and cash equivalents per balance sheet at end of period	$ 869	$ 1,073
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	$ 5,088	$ 1,627
Cash payments for income taxes, net of refunds	39	65
Supplemental Disclosures of Non-Cash Investing and Financing Activities		
Non-cash equity method investment	25,500	—
Capital expenditures in accounts payable and accrued liabilities	91	25
Deferred financing fees in accrued liabilities	311	—

See notes to unaudited condensed consolidated financial statements.

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

(A) Description of Business: The Company is a global retail company that operates the Vince brand women's and men's ready to wear business. Vince, established in 2002, is a leading global luxury apparel and accessories brand best known for creating elevated yet understated pieces for every day effortless style. Previously, the Company also owned and operated the Rebecca Taylor and Parker brands until the sale of the respective intellectual property was completed, as discussed below.

On April 21, 2023 the Company entered into a strategic partnership ("Authentic Transaction") with Authentic Brands Group, LLC ("Authentic"), a global brand development, marketing and entertainment platform, whereby the Company contributed its intellectual property to a newly formed Authentic subsidiary ("ABG Vince") for cash consideration and a membership interest in ABG Vince. The Company closed the Asset Sale (as defined below) on May 25, 2023. On May 25, 2023, in connection with the Authentic Transaction, Vince, LLC entered into a License Agreement (the "License Agreement") with ABG-Vince LLC, which provides Vince, LLC with an exclusive, long-term license to use the Licensed Property in the Territory to the Approved Accounts (each as defined in the License Agreement). See "(F) Recent Transactions" below for additional information.

Rebecca Taylor, founded in 1996 in New York City, was a contemporary womenswear line lauded for its signature prints, romantic detailing and vintage inspired aesthetic, reimagined for a modern era. On September 12, 2022, the Company announced its decision to wind down the Rebecca Taylor business. On December 22, 2022, the Company's indirectly wholly owned subsidiary, Rebecca Taylor, Inc., completed the sale of its intellectual property and certain related ancillary assets to RT IPCO, LLC, an affiliate of Ramani Group. See Note 2 "Wind Down of Rebecca Taylor Business" for further information.

Parker, founded in 2008 in New York City, was a contemporary women's fashion brand that was trend focused. During the first half of fiscal 2020 the Company decided to pause the creation of new products for the Parker brand to focus resources on the operations of the Vince and Rebecca Taylor brands. On February 17, 2023, the Company's indirectly wholly owned subsidiary, Parker Lifestyle, LLC, completed the sale of its intellectual property and certain related ancillary assets to Parker IP Co. LLC, an affiliate of BCI Brands. See "(F) Recent Transactions" below for additional information.

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 websites. 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 U.S. generally accepted accounting principles ("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, 2023, as set forth in the 2022 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 July 29, 2023. All intercompany accounts and transactions have been eliminated in consolidation. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) and disclosures necessary for a fair statement. The results of operations for these periods are not necessarily comparable to, or indicative of, results of any other interim period or the fiscal year as a whole.

(C) Use of Estimates: The preparation of financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements which affect revenues and expenses during the period reported. Estimates are adjusted when necessary to reflect actual experience. Significant estimates and assumptions may affect many items in the financial statements. Actual results could differ from estimates and assumptions in amounts that may be material to the consolidated financial statements.

(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 2023 Revolving Credit Facility (as defined in Note 5 "Long-Term Debt and Financing Arrangements") and the Company's ability to access the capital markets, including the Sales Agreement entered into with Virtu Americas LLC in June 2023 (see Note 8 "Stockholders' Equity" for further information). The Company's primary cash needs are funding working capital requirements, including royalty payments under the License Agreement, meeting debt service requirements and capital expenditures for new stores and related leasehold improvements. The most significant components of the Company's working capital are cash and cash equivalents, accounts receivable, inventories, accounts payable and other current liabilities. Based on our current expectations, we believe that our sources of liquidity will generate sufficient cash flows to meet our obligations during the next twelve months from the date these financial statements are issued.

(E) Revenue Recognition: The Company recognizes revenue when performance obligations identified under the terms of contracts with its customers are satisfied, which generally occurs upon the transfer of control in accordance with the contractual terms and conditions of the sale. Sales are recognized when the control of the goods are transferred to the customer for the Company's wholesale business, upon receipt by the customer for the Company's e-commerce business, and at the time of sale to the consumer for the Company's retail business. See Note 13 "Segment Financial Information" for disaggregated revenue amounts by segment.

Revenue associated with gift cards is recognized upon redemption and unredeemed balances are considered a contract liability and recorded within other accrued expenses, which are subject to escheatment within the jurisdictions in which the Company operates. As of July 29, 2023 and January 28, 2023, the contract liability was $1,538 and $1,617, respectively. For the three and six months ended July 29, 2023, the Company recognized $64 and $175, respectively, of revenue that was previously included in the contract liability as of January 28, 2023.

(F) Recent Transactions: The following transactions have occurred during fiscal 2023. In addition, see Note 2 "Wind Down of Rebecca Taylor Business" for further information.

Sale of Parker Intellectual Property

On February 17, 2023, the Company's indirectly wholly owned subsidiary, Parker Lifestyle, LLC, completed the sale of its intellectual property and certain related ancillary assets to Parker IP Co. LLC, an affiliate of BCI Brands, for $1,025. The Company recognized a gain of $765 on the sale, which was recorded within Gain on sale of intangible assets in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) during the six months ended July 29, 2023. Net cash proceeds from the sale were used to repay $838 of borrowings under the Term Loan Credit Facility (as defined in Note 5 "Long-Term Debt and Financing Arrangements").

Sale of Vince Intellectual Property

On April 21, 2023 the Company entered into the Asset Purchase Agreement (defined below), pursuant to which Vince, LLC agreed to sell and transfer to ABG-Vince LLC (f/k/a ABG-Viking, LLC) ("ABG Vince"), an indirect subsidiary of Authentic, all intellectual property assets related to the business operated under the VINCE brand in exchange for total consideration of $76,500 in cash and a 25% membership interest in ABG Vince (the "Asset Sale"). The Asset Sale was consummated in accordance with the terms of the Asset Purchase Agreement on May 25, 2023 (the "Closing Date"). Through the agreement, Authentic will own the majority stake of 75% membership interest in ABG Vince.

Upon the closing of the Asset Sale, the Company derecognized the intellectual property assets at their carrying amount of $69,957. In exchange for the Company's sale of its intellectual property assets, which included the Vince tradename and Vince customer relationships, to ABG Vince, Authentic paid $76,500 in cash and a 25% interest in ABG Vince valued at $25,500. As a result, the Company recognized a gain of $32,043, which was recorded within Gain on sale of intangible assets in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) during the three and six months ended July 29, 2023. Additionally, during the three and six months ended July 29, 2023, the Company incurred total transaction related costs of approximately $2,566 and $5,307, respectively. Of these transaction related costs, approximately $525 were incurred to acquire the investment in ABG Vince. As such, these costs were included in the initial measurement of the investment and recorded as part of the equity method investment on the Condensed Consolidated Balance Sheets. The remaining transaction related costs of $2,041 are included in selling, general and administrative ("SG&A") expense in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). The Company utilized the net proceeds received to prepay in full the Term Loan Credit Facility and to repay a portion of the outstanding borrowings under the 2018 Revolving Credit Facility (as defined in Note 5 "Long-Term Debt and Financing Arrangements"). See Note 5 "Long-Term Debt and Financing Arrangements" for further information.

Operating Agreement

On May 25, 2023, in connection with the closing (the "Closing") of the Asset Sale pursuant to the Intellectual Property Asset Purchase Agreement (the "Asset Purchase Agreement"), dated as of April 21, 2023, by and among Vince, LLC, ABG Vince, the Company and ABG Intermediate Holdings 2 LLC, Vince, LLC and ABG Vince entered into an Amended and Restated Limited Liability Company Agreement of ABG-Vince, LLC (the "Operating Agreement"), which, among other things, provides for the management of the business and the affairs of ABG Vince, the allocation of profits and losses, the distribution of cash of ABG Vince among its members and the rights, obligations and interests of the members to each other and to Vince, LLC.

The Company accounts for its 25% interest in ABG Vince under the equity method. In applying the equity method, the Company recorded the initial investment at cost and subsequently increases or decreases the carrying amount of the investment by the Company's proportionate share of net income or loss. Distributions received from ABG Vince are recognized as a reduction of the carrying amount of the investment. The Company's proportionate share of ABG Vince's net income or loss is recorded within Equity in net income of equity method investment on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). The carrying value for the Company's investment in ABG Vince is recorded within Equity method investment on the Condensed Consolidated Balance Sheets. The Company records its share of net income or loss using a one-month lag. This convention does not materially impact the Company's results.

The Company reviews its investment in ABG Vince for impairment when events or changes in circumstances indicate that an other-than-temporary decline in value may have occurred. If the carrying value of the investment exceeds its fair value and the loss in value is other than temporary, the investment is considered impaired and reduced to fair value, and the impairment is recognized in the period identified. Factors providing evidence of such a loss include changes in ABG Vince's operations or financial condition, significant continuing losses, and significant negative economic conditions, among others.

License Agreement

On May 25, 2023, in connection with the Closing, Vince, LLC and ABG Vince entered into a License Agreement (the "License Agreement"), which provides Vince, LLC with a license to use the Licensed Property in the Territory, which is defined as the United States, Canada, Andorra, Austria, Germany, Switzerland, Belgium, Netherlands, Luxembourg, France, Monaco, Liechtenstein, Italy, San Marino, Vatican City, Iceland, Norway, Denmark, Sweden, Finland, Spain, Portugal, Greece, Republic of Cyprus (excluding Northern Cyprus), United Kingdom, Ireland, Australia, New Zealand, Mainland China, Hong Kong, Macau, Taiwan, Singapore, Japan and Korea (the "Core Territory"), together with all other territories (the "Option Territory"), to the Approved Accounts (each as defined in the License Agreement). Vince, LLC is required to operate and maintain a minimum of 45 Retail Stores and Shop-in-Shops in the Territory. The Option Territory may be changed unilaterally by ABG Vince at any time after the effective date of the License Agreement.

Additionally, the License Agreement provides Vince, LLC with a license to use the Licensed Property to design, manufacture, promote, market, distribute, and sell ready-to-wear Sportswear Products and Outerwear Products (the "Core Products") and Home Décor and Baby Layettes (the "Option Products," together with the Core Products, the "Licensed Products"), which Option Products may be changed unilaterally by ABG Vince at any time after the effective date of the License Agreement.

The initial term of the License Agreement began on May 25, 2023, the date on which the Closing actually occurred, and ends at the end of the Company's 2032 fiscal year, unless sooner terminated pursuant to the terms of the License Agreement. Vince, LLC has the option to renew the License Agreement on the terms set forth in the License Agreement for eight consecutive periods of ten years each, unless the License Agreement is sooner terminated pursuant to its terms or Vince, LLC is in material breach of the License Agreement and such breach has not been cured within the specified cure period. Vince, LLC may elect not to renew the term for a renewal term.

Vince, LLC is required to pay ABG Vince a royalty on net sales of Licensed Products and committed to an annual guaranteed minimum royalty of $11,000 and annual minimum net sales as specified in the License Agreement, in each case, during the initial term of the License Agreement, except that the guaranteed minimum royalty and minimum net sales for the first contract year during the initial term will be prorated to the period beginning on the Closing Date and ending at the end of the Company's 2023 fiscal year. The annual guaranteed minimum royalty and annual minimum net sales for each subsequent renewal term will be the greater of (i) a percentage as set forth in the License Agreement of the guaranteed minimum net royalty or the minimum net sales (as applicable) of the immediately preceding contract year, and (ii) the average of actual Royalties (as defined in the License Agreement, with respect to the guaranteed minimum royalty) or actual Net Sales (as defined in the License Agreement, with respect to the annual minimum net sales) during certain years as set forth in the License Agreement of the preceding initial term or renewal term (as applicable). Vince, LLC is required to pay royalties comprised of a low single digit percentage of net sales arising from retail and e-commerce sales of Licensed Products and a mid single digit percentage of net sales arising from wholesale sales of such Licensed Products.

In the event that the annual guaranteed minimum royalty paid to ABG Vince in any given contract year is greater than the actual royalties earned by ABG Vince in the same contract year, the difference between the royalty actually earned and the annual guaranteed minimum royalty paid is credited for the next two contract years against any amount of royalty earned by ABG Vince in excess of the annual guaranteed minimum royalty paid during each such contract year, if any.

Royalty expense is included within Cost of product sold on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

(G) Recent Accounting Pronouncements: Except as noted below, the Company has considered all recent accounting pronouncements and has concluded that there are no recent accounting pronouncements that may have a material impact on its Consolidated Financial Statements, based on current information.

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13: "*Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*". The ASU requires an impairment model (known as the current expected credit loss ("CECL") model) that is based on expected losses rather than incurred losses. Under the new guidance, each reporting entity should estimate an allowance for expected credit losses, which is intended to result in more timely recognition of losses. The new standard applies to trade receivables arising from revenue transactions. Under Accounting Standards Codification 606, revenue is recognized when, among other criteria, it is probable that an entity will collect the consideration it is entitled to when goods or services are transferred to a customer. When trade receivables are recorded, they become subject to the CECL model and estimates of expected credit losses on trade receivables over their contractual life will be required to be recorded at inception based on historical information, current conditions, and reasonable and supportable forecasts. The Company adopted the guidance on January 29, 2023, the first day of fiscal 2023, which did not have a material effect on the Company's consolidated financial statements.

Note 2. Wind Down of Rebecca Taylor Business

On September 12, 2022, the Company announced its decision to wind down the Rebecca Taylor business. On September 30, 2022, the Company entered into amendments to the Term Loan Credit Facility, the 2018 Revolving Credit Facility and the Third Lien Credit Facility (as defined in Note 5 "Long-Term Debt and Financing Arrangements"), which in part, permitted the sale of the intellectual property of the Rebecca Taylor, Inc. and the Rebecca Taylor, Inc. liquidation.

On December 22, 2022, the Company's indirectly wholly owned subsidiary, Rebecca Taylor, Inc., completed the sale of its intellectual property and certain related ancillary assets to RT IPCO, LLC, an affiliate of Ramani Group for $4,250. The Company recognized a gain of $1,620 on the sale, which was recorded within Gain on sale of intangible assets in the Consolidated Statements of Operations and Comprehensive Income (Loss) during fiscal 2022. Net cash proceeds from the sale were used to repay $2,997 of borrowings under the Term Loan Credit Facility and $427 of borrowings under the 2018 Revolving Credit Facility during fiscal 2022.

On July 7, 2023, Rebecca Taylor, Inc. and Rebecca Taylor Retail Stores, LLC, each as an assignor, made a General Assignment for the Benefit of the Creditors (the "Assignment") to a respective assignee, an unaffiliated California limited liability company, pursuant to California state law. The Assignment resulted in the residual rights and assets of each of Rebecca Taylor, Inc. and Rebecca Taylor Retail Stores, LLC being assigned and transferred to such assignees. As a result, Rebecca Taylor, Inc. and Rebecca Taylor Retail Stores, LLC no longer hold any assets.

The following table presents a summary of Rebecca Taylor wind down related charges (benefits), reported within the Rebecca Taylor and Parker segment, incurred for fiscal 2023. No wind down related charges were incurred during the three and six months ended July 30, 2022.

(in thousands)	Three Months Ended July 29, 2023	Six Months Ended July 29, 2023
Selling, general and administrative expenses:		
Benefit from release of operating lease liabilities	$ (1,371)	$ (2,025)
Other advisory and liquidation costs	245	275
Total selling, general and administrative expenses	(1,126)	(1,750)
Total wind-down (benefits) charges, net	$ (1,126)	$ (1,750)

Note 3. Goodwill and Intangible Assets

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

(in thousands)	Vince Wholesale	Vince Direct-to-consumer	Rebecca Taylor and Parker	Total Net Goodwill
Balance as of January 28, 2023	$ 31,973	$ —	$ —	$ 31,973
Balance as of July 29, 2023	$ 31,973	$ —	$ —	$ 31,973

The total carrying amount of goodwill is net of accumulated impairments of $101,845.

On April 21, 2023, the Company entered into the Authentic Transaction with Authentic and as a result, the Vince tradename and Vince customer relationships were classified as held for sale and amortization of the Vince customer relationships ceased. The Company closed the Asset Sale on May 25, 2023. See Note 1 "Description of Business and Basis of Presentation - (F) Recent Transactions" for further information.

On February 17, 2023, the Company's indirectly wholly owned subsidiary, Parker Lifestyle, LLC, completed the sale of its intellectual property and certain related ancillary assets to Parker IP Co. LLC, an affiliate of BCI Brands. See Note 1 "Description of Business and Basis of Presentation - (F) Recent Transactions" for further information.

The following table presents a summary of identifiable intangible assets as of January 28, 2023:

(in thousands)	Gross Amount	Accumulated Amortization	Accumulated Impairments	Reclassification to Assets Held for Sale	Net Book Value
Balance as of January 28, 2023					
Amortizable intangible assets:					
Customer relationships	$ 31,355	$ (22,234)	$ (6,115)	$ —	$ 3,006
Tradenames (1)	13,100	(313)	(12,527)	(260)	—
Indefinite-lived intangible assets:					
Tradenames	101,850	—	(34,750)	—	67,100
Total intangible assets	$ 146,305	$ (22,547)	$ (53,392)	$ (260)	$ 70,106

(1) During the third quarter of fiscal 2022, the Parker tradename was classified as held for sale and amortization ceased.

During the second quarter of fiscal 2022, the Company determined that a triggering event had occurred in the Rebecca Taylor and Parker segment as a result of changes to the Company's long-term projections. The Company performed an interim quantitative impairment assessment of the Rebecca Taylor tradename utilizing the relief from royalty valuation approach. The relief from royalty valuation approach is dependent on a number of factors, including estimates of projected revenues, royalty rates in the category of intellectual property, discount rates and other variables. The Company estimated the fair value of the Rebecca Taylor tradename indefinite-lived intangible asset and determined that the fair value of the Rebecca Taylor tradename was below its carrying amount. Accordingly, the Company recorded an impairment charge for the Rebecca Taylor tradename indefinite-lived intangible asset of $1,700, which was recorded within Impairment of intangible assets on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and six months ended July 30, 2022. There was no such impairment charge for the three and six months ended July 29, 2023.

On December 22, 2022, the Company completed the sale of the Rebecca Taylor tradename and certain related ancillary assets to RT IPCO, LLC, an affiliate of Ramani Group. See Note 2 "Wind Down of Rebecca Taylor Business" for further information.

Amortization of identifiable intangible assets was $0 and $149 for the three and six months ended July 29, 2023, respectively, and $164 and $328 for the three and six months ended July 30, 2022, respectively.

Note 4. Fair Value Measurements

We define the fair value of a financial instrument as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We are responsible for the determination of the value of the investments carried at fair value and the supporting methodologies and assumptions. The Company's 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 July 29, 2023 or January 28, 2023. At July 29, 2023 and January 28, 2023, the Company believes that the carrying values of cash and cash equivalents, receivables, and accounts payable approximate fair value, due to the short-term maturity of these instruments. The Company's debt obligations with a carrying value of $67,506 and $113,832 as of July 29, 2023 and January 28, 2023, respectively, are at variable interest rates. Borrowings under the Company's 2023 Revolving Credit Facility are recorded at carrying value, which approximates fair value due to the frequent nature of such borrowings and repayments. The Company considers this as a Level 2 input. The fair value of the Company's Third Lien Credit Facility was approximately $28,000 as of July 29, 2023 and $27,000 as of January 28, 2023, based upon an estimated market value calculation that factors principal, time to maturity, interest rate, and current cost of debt. The Company considers this a Level 3 input.

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

Determining the fair value of goodwill and other intangible assets is judgmental in nature and requires the use of significant estimates and assumptions, including projected revenues, EBITDA margins growth rates and operating margins, long-term growth rates, working capital, royalty rates in the category of intellectual property, discount rates and future market conditions, among others, as applicable. The inputs used in determining the fair value of the ROU assets are the current comparable market rents for similar properties and a store discount rate. The fair value of the property and equipment is based on its estimated liquidation value. The measurement of fair value of these assets are considered Level 3 valuations as certain of these inputs are unobservable and are estimated to be those that would be used by market participants in valuing these or similar assets.

The following table presents the non-financial assets the Company measured at fair value on a non-recurring basis for the six months ended July 30, 2022, based on such fair value hierarchy. There were no losses on these non-financial assets taken in the six months ended July 29, 2023.

(in thousands)	Net Carrying Value of Impaired Assets as of July 30, 2022	Fair Value Measured and Recorded at Reporting Date Using: Level 1	Level 2	Level 3	Total Losses - Six Months Ended July 30, 2022	
Property and equipment	$ 242	$ —	$ —	$ 242	$ 866	(1)
Tradenames - Indefinite-lived	3,000	—	—	3,000	1,700	(2)

(1) Recorded within Impairment of long-lived assets on the Condensed Consolidated Statements of Operations and Comprehensive Loss.

(2) Recorded within Impairment of intangible assets on the Condensed Consolidated Statements of Operations and Comprehensive Loss. On December 22, 2022, the Company's indirectly wholly owned subsidiary, Rebecca Taylor, Inc., completed the sale of its intellectual property and certain related ancillary assets to RT IPCO, LLC, an affiliate of Ramani Group. See Note 2 "Wind Down of Rebecca Taylor Business" and Note 3 “Goodwill and Intangible Assets” for additional information.

Note 5. Long-Term Debt and Financing Arrangements

Debt obligations consisted of the following:

(in thousands)	July 29, 2023	January 28, 2023
Long-term debt:		
Term Loan Facilities	$ —	$ 29,378
Revolving Credit Facilities	39,677	58,498
Third Lien Credit Facility	27,829	25,956
Total debt principal	67,506	113,832
Less: current portion of long-term debt	—	3,500
Less: deferred financing costs	302	2,254
Total long-term debt	$ 67,204	$ 108,078

Term Loan Credit Facility

On September 7, 2021, Vince, LLC entered into a $35,000 senior secured term loan credit facility (the "Term Loan Credit Facility") pursuant to a Credit Agreement (the "Term Loan Credit Agreement"), as amended from time to time, by and among Vince, LLC, as the borrower, the guarantors named therein, PLC Agent, LLC, as administrative agent and collateral agent, and the other lenders from time to time party thereto. Vince Holding Corp. and Vince Intermediate Holding, LLC ("Vince Intermediate") were guarantors under the Term Loan Credit Facility. The Term Loan Credit Facility would have matured on the earlier of September 7, 2026, and 91 days after the maturity date of the 2018 Revolving Credit Facility.

On May 25, 2023, utilizing proceeds from the Asset Sale, the Company repaid all outstanding amounts of $28,724, which included accrued interest and a prepayment penalty of $553 (which is included within financing fees on the Condensed Consolidated Statements of Cash Flows), under the Term Loan Credit Facility. The Term Loan Credit Facility was terminated. The Company also repaid $850 of fees due in accordance with an amendment entered into on September 30, 2022. Additionally, the Company recorded expense of $1,755 during the three and six months ended July 29, 2023, related to the write-off of the remaining deferred financing costs. Prior to May 25, 2023, on an inception to date basis, the Company had made repayments of $7,335 on the Term Loan Credit Facility.

2023 Revolving Credit Facility

On June 23, 2023, Vince, LLC, entered into a new $85,000 senior secured revolving credit facility (the "2023 Revolving Credit Facility") pursuant to a Credit Agreement (the "2023 Revolving Credit Agreement") by and among Vince, LLC, the guarantors named therein, Bank of America, N.A. ("BofA"), as Agent, the other lenders from time to time party thereto, and BofA Securities, Inc., as sole lead arranger and sole bookrunner.

All outstanding amounts under the 2018 Revolving Credit Facility (as defined below) were repaid in full and such facility was terminated pursuant to the terms thereof as a result of all parties completing their obligations under such facility.

The 2023 Revolving Credit Facility provides for a revolving line of credit of up to the lesser of (i) the Borrowing Base (as defined in the 2023 Revolving Credit Agreement) and (ii) $85,000, as well as a letter of credit sublimit of $10,000. The 2023 Revolving Credit Agreement also permits Vince, LLC to request an increase in aggregate commitments under the 2023 Revolving Credit Facility of up to $15,000, subject to customary terms and conditions. The 2023 Revolving Credit Facility matures on the earlier of June 23, 2028, and 91 days prior to the earliest maturity date of any Material Indebtedness (as defined in the 2023 Revolving Credit Agreement), including the subordinated indebtedness pursuant to the Third Lien Credit Agreement.

Interest is payable on the loans under the 2023 Revolving Credit Facility, at Vince LLC's request, either at Term SOFR, the Base Rate, or SOFR Daily Floating Rate, in each case, with applicable margins subject to a pricing grid based on an average daily excess availability calculation. The "Base Rate" means, for any day, a fluctuating rate per annum equal to the highest of (i) the Federal Funds Rate for such day, plus 0.5%; (ii) the rate of interest in effect for such day as publicly announced from time to time by BofA as its prime rate; (iii) the SOFR Daily Floating Rate on such day, plus 1.0%; and (iv) 1.0%. During the continuance of certain specified events of default, at the election of BofA in its capacity as Agent, interest will accrue at a rate of 2.0% in excess of the applicable non-default rate.

The applicable margins for SOFR Term and SOFR Daily Floating Rate Loans are: (i) 2.0% when the average daily Excess Availability (as defined in the 2023 Revolving Credit Agreement) is greater than 66.7% of the Loan Cap (as defined in the 2023 Revolving Credit Agreement); (ii) 2.25% when the average daily Excess Availability is greater than or equal to 33.3% but less than or equal to 66.7% of the Loan Cap; and (iii) 2.5% when the average daily Excess Availability is less than 33.3% of the Loan Cap. The applicable margins for Base Rate Loans are: (a) 1.0% when the average daily Excess Availability is greater than 66.7% of the Loan Cap; (b) 1.25% when the average daily Excess Availability is greater than or equal to 33.3% but less than or equal to 66.7% of the Loan Cap; and (c) 1.5% when the average daily Excess Availability is less than 33.3% of the Loan Cap.

The 2023 Revolving Credit Facility contains a financial covenant requiring Excess Availability at all times to be no less than the greater of (i) 10.0% of the Loan Cap in effect at such time and (ii) $7,500.

The 2023 Revolving Credit Facility contains representations and warranties, covenants and events of default that are customary for this type of financing, including limitations on the incurrence of additional indebtedness, liens, burdensome agreements, investments, loans, asset sales, mergers, acquisitions, prepayment of certain other debt, the repurchase of capital stock, transactions with affiliates, and the ability to change the nature of its business or its fiscal year. The 2023 Revolving Credit Facility generally permits dividends in the absence of any default or event of default (including any event of default arising from a contemplated dividend), so long as (i) after giving pro forma effect to the contemplated dividend and on a pro forma basis for the 30-day period immediately preceding such dividend, Excess Availability will be at least the greater of 20.0% of the Loan Cap and $15,000 and (ii) after giving pro forma effect to the contemplated dividend, the Consolidated Fixed Charge Coverage Ratio (as defined in the 2023 Revolving Credit Agreement) for the 12 months preceding such dividend will be greater than or equal to 1.0 to 1.0.

All obligations under the 2023 Revolving Credit Facility are guaranteed by the Company and Vince Intermediate and any future subsidiaries of the Company (other than Excluded Subsidiaries as defined in the 2023 Revolving Credit Agreement) and secured by a lien on substantially all of the assets of the Company, Vince, LLC and Vince Intermediate and any future subsidiary guarantors, other than among others, equity interests in ABG Vince, as well as the rights of Vince, LLC under the License Agreement.

The Company incurred a total of $1,124 of financing costs. In accordance with ASC Topic 470, "Debt", these financing costs were recorded as deferred debt issuance costs (which is presented within Other assets on the Condensed Consolidated Balance Sheets) and will be amortized over the term of the 2023 Revolving Credit Facility.

As of July 29, 2023, the Company was in compliance with applicable covenants. As of July 29, 2023, $34,745 was available under the 2023 Revolving Credit Facility, net of the Loan Cap, and there were $39,677 of borrowings outstanding and $0 of letters of credit outstanding under the 2023 Revolving Credit Facility. The weighted average interest rate for borrowings outstanding under the 2023 Revolving Credit Facility as of July 29, 2023 was 8.2%.

2018 Revolving Credit Facility

On August 21, 2018, Vince, LLC entered into an $80,000 senior secured revolving credit facility (the "2018 Revolving Credit Facility") pursuant to a credit agreement, as amended and restated from time to time, by and among Vince, LLC, as the borrower, VHC and Vince Intermediate, as guarantors, Citizens Bank, N.A. ("Citizens"), as administrative agent and collateral agent, and the other lenders from time to time party thereto. On January 31, 2023, the Company repaid $125 of fees due in accordance with an amendment entered into on September 30, 2022. Upon the contemporaneous consummation of the Asset Sale, the lenders' commitments to extend credit was reduced to $70,000. The 2018 Revolving Credit Facility would have matured on June 30, 2024.

On June 23, 2023, all outstanding amounts under the 2018 Revolving Credit Facility were repaid in full and the 2018 Revolving Credit Facility was terminated pursuant to the terms thereof as a result of all parties completing their obligations under the 2018 Revolving Credit Facility. The Company recorded expense of $828 during the three and six months ended July 29, 2023, related to the write-off of the remaining deferred financing costs. Certain letters of credit remain in place with Citizens which were secured with restricted cash, totaling $5,296 as of July 29, 2023. Restricted cash is included in Prepaid Expenses and other current assets in the Condensed Consolidated Balance Sheets.

Third Lien Credit Facility

On December 11, 2020, Vince, LLC entered into a $20,000 subordinated term loan credit facility (the "Third Lien Credit Facility") pursuant to a credit agreement (the "Third Lien Credit Agreement"), as amended from time to time, dated December 11, 2020, by and among Vince, LLC, as the borrower, VHC and Vince Intermediate, as guarantors, and SK Financial Services, LLC ("SK Financial"), as administrative agent and collateral agent, and other lenders from time to time party thereto. The proceeds were received on December 11, 2020 and were used to repay a portion of the borrowings outstanding under the 2018 Revolving Credit Facility.

SK Financial is an affiliate of Sun Capital Partners, Inc. ("Sun Capital"), whose affiliates own, as of July 29, 2023, approximately 68% of the Company's common stock. The Third Lien Credit Facility was reviewed and approved by the Special Committee of the Company's Board of Directors, consisting solely of directors not affiliated with Sun Capital, which committee was represented by independent legal advisors.

Interest on loans under the Third Lien Credit Facility is payable in kind at a rate revised in connection with the Third Lien Third Amendment (as defined and discussed below) to be equal to the Daily Simple SOFR, subject to a credit spread adjustment of 0.10% per annum, plus 9.0%. During the continuance of certain specified events of default, interest may accrue on the loans under the Third Lien Credit Facility at a rate of 2.0% in excess of the rate otherwise applicable to such amount.

The Company incurred $485 in deferred financing costs associated with the Third Lien Credit Facility of which a $400 closing fee is payable in kind and was added to the principal balance. These deferred financing costs are recorded as deferred debt issuance costs which will be amortized over the remaining term of the Third Lien Credit Facility.

All obligations under the Third Lien Credit Facility are guaranteed by the Company, Vince Intermediate and the Company's existing material domestic restricted subsidiaries as well as any future material domestic restricted subsidiaries and are secured on a junior basis relative to the 2023 Revolving Credit Facility by a lien on substantially all of the assets of the Company, Vince Intermediate, Vince, LLC and the Company's existing material domestic restricted subsidiaries as well as any future material domestic restricted subsidiaries.

On April 21, 2023, Vince, LLC entered into that certain Consent and Third Amendment to Credit Agreement (the "Third Lien Third Amendment"), which, among other things, (a) permitted the sale of the intellectual property of the Vince Business contemplated in the Asset Sale, (b) replaced LIBOR as an interest rate benchmark in favor of Daily Simple SOFR, subject to a credit spread adjustment of 0.10% per annum, (c) amended the Third Lien Credit Agreement's maturity date to the earlier of (i) March 30, 2025 and (ii) 180 days after the maturity date under the ABL Credit Agreement, (d) reduced the capacity to incur indebtedness and liens, make investments, restricted payments and dispositions and repay certain indebtedness and (e) modified certain representations and warranties, covenants and events of default in respect of documentation related to the Asset Sale. The Third Lien Third Amendment became effective upon the consummation of the Asset Sale, the prepayment of the Term Loan Credit Facility in full and other transactions contemplated by the Asset Purchase Agreement.

On June 23, 2023, Vince, LLC entered into the Fourth Amendment (the "Third Lien Fourth Amendment") to the Third Lien Credit Agreement which, among other things, (a) extended the Third Lien Credit Agreement's maturity date to the earlier of (i) September 30, 2028 and (ii) 91 days prior to the earliest maturity date of any Material Indebtedness (as defined therein) other than the 2023 Revolving Credit Facility and (b) modified certain representations and warranties, covenants and events of default in respect of documentation conforming to the terms of the 2023 Revolving Credit Facility.

Note 6. Inventory

Inventories consisted of finished goods. As of July 29, 2023 and January 28, 2023, finished goods, net of reserves were $85,079 and $90,008, respectively.

Note 7. Share-Based Compensation

Employee Stock Plans

Vince 2013 Incentive Plan

In connection with the IPO, the Company adopted the Vince 2013 Incentive Plan, which provides for grants of stock options, stock appreciation rights, restricted stock and other stock-based awards. In May 2018, the Company filed a Registration Statement on Form S-8 to register an additional 660,000 shares of common stock available for issuance under the Vince 2013 Incentive Plan. Additionally, in September 2020, the Company filed a Registration Statement on Form S-8 to register an additional 1,000,000 shares of common stock available for issuance under the Vince 2013 Incentive Plan. The aggregate number of shares of common stock which may be issued or used for reference purposes under the Vince 2013 Incentive Plan or with respect to which awards may be granted may not exceed 1,000,000 shares. The shares available for issuance under the Vince 2013 Incentive Plan may be, in whole or in part, either authorized and unissued shares of the Company's common stock or shares of common stock held in or acquired for the Company's treasury. In general, if awards under the Vince 2013 Incentive Plan are canceled 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 July 29, 2023, there were 871,385 shares under the Vince 2013 Incentive Plan available for future grants. Options granted pursuant to the Vince 2013 Incentive Plan typically vest in equal installments over four years, subject to the employees' continued employment and expire on the earlier of the tenth anniversary of the grant date or upon termination as outlined in the Vince 2013 Incentive Plan. Restricted stock units ("RSUs") granted typically 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 SG&A expense for the difference between the fair market value and the discounted purchase price of the Company's common stock. During the six months ended July 29, 2023, 6,124 shares of common stock were issued under the ESPP. During the six months ended July 30, 2022, 5,079 shares of common stock were issued under the ESPP. As of July 29, 2023, there were 54,451 shares available for future issuance under the ESPP.

Stock Options

A summary of stock option activity for the six months ended July 29, 2023 is as follows:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 28, 2023	58	$ 38.77	2.7	$ —
Granted	—	$ —		
Exercised	—	$ —		
Forfeited or expired	—	$ —		
Outstanding at July 29, 2023	58	$ 38.77	2.2	$ —
Vested and exercisable at July 29, 2023	58	$ 38.77	2.2	$ —

Restricted Stock Units

A summary of restricted stock unit activity for the six months ended July 29, 2023 is as follows:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Non-vested restricted stock units at January 28, 2023	550,293	$ 9.44
Granted	73,433	$ 5.45
Vested	(170,702)	$ 10.05
Forfeited	(36,347)	$ 8.90
Non-vested restricted stock units at July 29, 2023	416,677	$ 8.53

Share-Based Compensation Expense

The Company recognized share-based compensation expense of $393 and $551, including expense of $67 and $63 related to non-employees, during the three months ended July 29, 2023 and July 30, 2022, respectively. The Company recognized share-based compensation expense of $813 and $1,160, including expense of $121 and $189 related to non-employees, during the six months ended July 29, 2023 and July 30, 2022, respectively.

Note 8. Stockholders' Equity

At-the-Market Offering

On September 9, 2021, the Company filed a shelf registration statement on Form S-3, which was declared effective on September 21, 2021 (the "Registration Statement"). Under the Registration Statement, the Company may offer and sell up to 3,000,000 shares of common stock from time to time in one or more offerings at prices and terms to be determined at the time of the sale.

On June 30, 2023, the Company entered into a Sales Agreement with Virtu Americas LLC ("Virtu"), as sales agent and/or principal (the "Virtu At-the-Market Offering") under which, the Company may sell from time to time through Virtu shares of the Company's common stock, par value $0.01 per share, having an offering price of up to $7,825. Any shares will be issued pursuant to the Company's Registration Statement. During the three months ended July 29, 2023, the Company did not make any offerings or sales of shares of common stock under the Virtu At-the-Market Offering. At July 29, 2023, $7,825 was available under the Virtu At-the-Market Offering.

The Company previously entered into an Open Market Sale Agreement[SM] with Jefferies LLC ("Jefferies At-the-Market Offering"), under which the Company was able to offer and sell, from time to time, up to 1,000,000 shares of common stock, par value $0.01 per share, which shares were included in the securities registered pursuant to the Registration Statement. Effective June 29, 2023, the Company terminated the Jefferies At-the-Market Offering. During the three months ended July 30, 2022, the Company issued and sold 68,106 shares of common stock under the Jefferies At-the-Market Offering for aggregate net proceeds of $520, at an average price of $7.64 per share. During the three months ended July 29, 2023, the Company did not make any offerings or sales of shares of common stock under the Jefferies At-the-Market Offering. During the six months ended July 30, 2022, the Company issued and sold 104,980 shares of common stock under the Jefferies At-the-Market Offering for aggregate net proceeds of $825, at an average price of $7.86 per share.

Note 9. Earnings (Loss) Per Share

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

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

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Weighted-average shares—basic	12,428,339	12,220,693	12,385,347	12,125,759
Effect of dilutive equity securities	51,328	—	84,738	—
Weighted-average shares—diluted	12,479,667	12,220,693	12,470,085	12,125,759

For the three and six months ended July 29, 2023, 389,568 and 374,826, respectively, weighted average shares of share-based compensation were excluded from the computation of weighted average shares for diluted earnings per share, as their effect would have been anti-dilutive.

Because the Company incurred a net loss for the three and six months ended July 30, 2022, weighted-average basic shares and weighted-average diluted shares outstanding are equal for these periods.

Note 10. Commitments and Contingencies

Contractual Cash Obligations

On May 25, 2023, in connection with the Closing, Vince, LLC and ABG Vince entered into the License Agreement. The initial term of the License Agreement began on May 25, 2023, the date on which the Closing actually occurred, and ends at the end of the Company's 2032 fiscal year, unless sooner terminated pursuant to the terms of the License Agreement. Vince, LLC is required to pay ABG Vince a royalty on net sales of Licensed Products and committed to an annual guaranteed minimum royalty of $11,000 during the initial term of the License Agreement, except that the guaranteed minimum royalty for the first contract year during the initial term will be prorated to the period beginning on the Closing Date and ending at the end of the Company's 2023 fiscal year. See Note 1 "Description of Business and Basis of Presentation - (F) Recent Transactions" for further information.

Litigation

The Company is a party to legal proceedings, compliance matters, environmental, as well as wage and hour and other labor claims that arise in the ordinary course of 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 11. Income Taxes

The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate for the full fiscal year. In interim periods where the entity is experiencing losses, an entity must make assumptions concerning its future taxable income and determine whether the realization of future tax benefits is more likely than not. The benefit for income taxes of $592 for the three months ended July 29, 2023 resulted from applying the Company’s estimated effective tax rate for the fiscal year to the three months income (loss) before income taxes and equity in net income of equity method investment, excluding discrete items. Discrete items for the second quarter included the $32,043 Vince IP Sale Gain and $2,041 in transaction expenses related to the transaction with Authentic Brands Group. Tax expense associated with these discrete items is not material as the Company has substantial net operating losses, both at the federal and state levels, for which a full valuation allowance is maintained against these deferred tax assets.

The benefit for income taxes of $5,877 for the six months ended July 29, 2023 was due to a $6,127 discrete tax impact from the change in classification of the Company's Vince tradename indefinite-lived intangibles to Assets Held for Sale during the first quarter of fiscal 2023, offset by $250 of tax expense from applying the Company's estimated effective tax rate for the fiscal year to the six-month income (loss) before income taxes and equity in net income of equity method investment, excluding discrete items. The change in classification of the Company's Vince tradename indefinite-lived intangibles resulted in a reversal of the non-cash deferred tax liability previously created by the amortization of indefinite-lived tradename intangible asset recognized for tax but not for book purposes, as this non-cash deferred tax liability can now be used as a source to support the realization of certain deferred tax assets related to the Company's net operating losses.

The Company's estimated effective tax rate for the fiscal year is primarily driven by the non-cash deferred tax expense created by the current period amortization of indefinite-lived goodwill for tax but not for book purposes. A portion of these deferred tax liabilities cannot be used as a source to support the realization of certain deferred tax assets related to the Company's net operating losses, which results in additional tax expense for the amortization difference for goodwill.

As of July 30, 2022, the Company was no longer anticipating annual ordinary income for the fiscal 2022 year and therefore the tax provision of $7,903 for the three and six months ended July 30, 2022 reflected the impact of applying the Company's estimated effective tax rate for the fiscal year to the six-month income (loss) before income taxes and equity in net income of equity method investment. The Company's estimated effective tax rate was driven by the non-cash deferred tax expense created by the current period amortization of indefinite-lived goodwill and intangible assets for tax but not for book purposes. A portion of these deferred tax liabilities cannot be used as a source to support the realization of certain deferred tax assets related to the Company's net operating losses which results in tax expense to record these deferred tax liabilities.

Each reporting period, the Company evaluates the realizability of its deferred tax assets and has maintained a full valuation allowance against its deferred tax assets. These valuation allowances will be maintained until there is sufficient positive evidence to conclude that it is more likely than not that these deferred tax assets will be realized.

Note 12. Leases

The Company determines if a contract contains a lease at inception. The Company has operating leases for real estate (primarily retail stores, storage and office spaces) some of which have initial terms of 10 years, and in many instances can be extended for an additional term, while the Company's more recent leases are subject to shorter terms as a result of the implementation of the strategy to pursue shorter lease terms. The Company will not include renewal options in the underlying lease term unless the Company is reasonably certain to exercise the renewal option. Substantially all of the Company's leases require a fixed annual rent, and most require the payment of additional rent if store sales exceed a negotiated amount. These percentage rent expenses are considered as variable lease costs and are recognized in the consolidated financial statements when incurred. In addition, the Company's real estate leases may also require additional payments for real estate taxes and other occupancy-related costs which it considers as non-lease components.

ROU assets and operating lease liabilities are recognized based upon the present value of the future lease payments over the lease term. As the Company's leases do not provide an implicit borrowing rate, the Company uses an estimated incremental borrowing rate based upon a combination of market-based factors, such as market quoted forward yield curves and company specific factors, such as the Company's credit rating, lease size and duration to calculate the present value.

Total lease cost is included in SG&A expense in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) and is recorded net of immaterial sublease income. Some leases have a non-cancelable lease term of less than one year and therefore, the Company has elected to exclude these short-term leases from its ROU asset and lease liabilities. Short term lease costs were immaterial for the six months ended July 29, 2023 and July 30, 2022. The Company's lease cost is comprised of the following:

	Three Months Ended		Six Months Ended	
(in thousands)	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Operating lease cost	$ 4,307	$ 6,093	$ 8,104	$ 12,413
Variable operating lease cost	57	224	85	458
Total lease cost	$ 4,364	$ 6,317	$ 8,189	$ 12,871

The operating lease cost for the six months ended July 29, 2023, included a benefit of $779 for the correction of an error recorded within SG&A expenses related to a lease modification that occurred during fiscal 2022 for a Vince retail store, leading to an overstatement of the ROU assets and an overstatement of the lease obligations in fiscal 2022.

As of July 29, 2023, the future maturity of lease liabilities are as follows:

(in thousands)	July 29, 2023
Fiscal 2023	$ 12,041
Fiscal 2024	22,562
Fiscal 2025	17,130
Fiscal 2026	13,497
Fiscal 2027	10,825
Thereafter	38,349
Total lease payments	114,404
Less: Imputed interest	(23,253)
Total operating lease liabilities	$ 91,151

The operating lease payments do not include any renewal options as such leases are not reasonably certain of being renewed as of July 29, 2023, and do not include $930 of legally binding minimum lease payments for leases signed but not yet commenced.

Note 13. Segment Financial Information

The Company has identified three 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:

- Vince Wholesale segment—consists of the Company's operations to distribute Vince brand products to major department stores and specialty stores in the United States and select international markets;
- Vince Direct-to-consumer segment—consists of the Company's operations to distribute Vince brand products directly to the consumer through its Vince branded full-price specialty retail stores, outlet stores, e-commerce platform and its subscription service Vince Unfold; and
- Rebecca Taylor and Parker segment—consisted of the Company's operations to distribute Rebecca Taylor and Parker brand products to high-end department and specialty stores in the U.S. and select international markets, directly to the

consumer through their own branded e-commerce platforms and Rebecca Taylor retail and outlet stores, and through its subscription service Rebecca Taylor RNTD.

On September 12, 2022, the Company announced its decision to wind down the Rebecca Taylor business. On December 22, 2022, the Company's indirectly wholly owned subsidiary, Rebecca Taylor, Inc., completed the sale of its intellectual property and certain related ancillary assets to RT IPCO, LLC, an affiliate of Ramani Group. Substantially all Rebecca Taylor inventory was liquidated as of January 28, 2023. Additionally, all Rebecca Taylor retail and outlet stores operated by the Company were closed as of January 28, 2023 and the e-commerce site operated by the Company ceased in December 2022.

On February 17, 2023, the Company's indirectly wholly owned subsidiary, Parker Lifestyle, LLC, completed the sale of its intellectual property and certain related ancillary assets to Parker IP Co. LLC, an affiliate of BCI Brands.

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, 2023 included in the 2022 Annual Report on Form 10-K. Unallocated corporate expenses are related to the Vince brand and are comprised of SG&A 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 Vince Wholesale and Vince Direct-to-consumer reportable segments. Unallocated corporate assets are related to the Vince brand and are comprised of the carrying values of the Company's goodwill, equity method investment and other assets that will be utilized to generate revenue for the Company's Vince Wholesale and Vince Direct-to-consumer reportable segments.

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

(in thousands)	Vince Wholesale	Vince Direct-to-consumer	Rebecca Taylor and Parker	Unallocated Corporate	Total
Three Months Ended July 29, 2023					
Net Sales (1)	$ 36,407	$ 32,930	$ 110	$ —	$ 69,447
Income (loss) before income taxes and equity in net income of equity method investment (2) (3)	11,360	1,098	1,257	14,998	28,713
Three Months Ended July 30, 2022					
Net Sales (4)	$ 46,692	$ 34,200	$ 8,302	$ —	$ 89,194
Income (loss) before income taxes and equity in net income of equity method investment (5)	12,797	(617)	(5,485)	(13,781)	(7,086)
Six Months Ended July 29, 2023					
Net Sales (1)	$ 68,874	$ 64,438	$ 191	$ —	$ 133,503
Income (loss) before income taxes and equity in net income of equity method investment (2) (3)	19,931	2,199	2,449	(1,532)	23,047
Six Months Ended July 30, 2022					
Net Sales (4)	$ 80,156	$ 68,982	$ 18,432	$ —	$ 167,570
Income (loss) before income taxes and equity in net income of equity method investment	22,960	(1,419)	(6,969)	(28,827)	(14,255)

(in thousands)	Vince Wholesale	Vince Direct-to-consumer	Rebecca Taylor and Parker	Unallocated Corporate	Total
July 29, 2023					
Total Assets	$ 95,922	$ 104,001	$ —	$ 62,463	$ 262,386
January 28, 2023					
Total Assets	$ 83,134	$ 95,499	$ 981	$ 123,731	$ 303,345

(1) Net sales for the Rebecca Taylor and Parker reportable segment for the three and six months ended July 29, 2023 consisted of $110 and $191, respectively, through wholesale distribution channels of residual revenue contracted prior to the sale of the Rebecca Taylor tradename.

(2) Rebecca Taylor and Parker reportable segment for the three months ended July 29, 2023 includes a net benefit of $1,126 from the wind down of the Rebecca Taylor business. Rebecca Taylor and Parker reportable segment for the six months ended July 29, 2023 includes a $765 gain associated

with the sale of the Parker tradename, a net benefit of $1,750 from the wind down of the Rebecca Taylor business, and $150 of transaction related expenses associated with the sale of the Parker tradename. See Note 1 "Description of Business and Basis of Presentation - (F) Recent Transactions" and Note 2 "Wind Down of Rebecca Taylor Business" for further information.

(3) Unallocated Corporate for the three and six months ended July 29, 2023 includes the $32,043 gain associated with the Asset Sale and $2,041 and $4,782, respectively, of transaction related expenses associated with the Asset Sale. See Note 1 "Description of Business and Basis of Presentation - (F) Recent Transactions" for further information.

(4) Net sales for the Rebecca Taylor and Parker reportable segment for the three and six months ended July 30, 2022 consisted of $3,906 and $8,780, respectively, through wholesale distribution channels and $4,396 and $9,652, respectively, through direct-to-consumer distribution channels.

(5) Rebecca Taylor and Parker reportable segment for the three and six months ended July 30, 2022 includes a non-cash impairment charge of $2,566 of which $1,700 is related to the Rebecca Taylor tradename and $866 is related to property and equipment.

Note 14. Related Party Transactions

Operating Agreement

On May 25, 2023, Vince, LLC and ABG Vince entered into the Operating Agreement, which, among other things, provides for the management of the business and the affairs of ABG Vince, the allocation of profits and losses, the distribution of cash of ABG Vince among its members and the rights, obligations and interests of the members to each other and to Vince, LLC. See Note 1 "Description of Business and Basis of Presentation - (F) Recent Transactions" for further information.

During the three and six months ended July 29, 2023, the Company received $0 distributions of cash under the Operating Agreement.

License Agreement

On May 25, 2023, Vince, LLC and ABG Vince entered into the License Agreement, whereby Vince, LLC is required to pay ABG Vince a royalty on net sales of Licensed Products and committed to an annual guaranteed minimum royalty of $11,000. See Note 1 "Description of Business and Basis of Presentation - (F) Recent Transactions" for further information.

During the three and six months ended July 29, 2023, the Company paid $4,195 under the License Agreement. At July 29, 2023, $1,965 was included within Prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets.

Third Lien Credit Agreement

On December 11, 2020, Vince, LLC entered into the $20,000 Third Lien Credit Facility pursuant to the Third Lien Credit Agreement, by and among Vince, LLC, as the borrower, SK Financial, as agent and lender, and other lenders from time-to-time party thereto. SK Financial is an affiliate of Sun Capital, whose affiliates own, as of July 29, 2023, approximately 68% of the Company's common stock. The Third Lien Credit Facility was reviewed and approved by the Special Committee of the Company's Board of Directors, consisting solely of directors not affiliated with Sun Capital, which committee was represented by independent legal advisors.

See Note 5 "Long-Term Debt and Financing Arrangements" for additional information.

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 net operating losses 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 July 29, 2023, the Company's total obligation under the Tax Receivable Agreement was estimated to be $0 based on the projected usage of the Pre-IPO Tax Benefits.

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 July 29, 2023 and July 30, 2022, the Company incurred expenses of $1 and $2, respectively, under the Sun Capital Consulting Agreement. During the six months ended July 29, 2023 and July 30, 2022, the Company incurred expenses of $4 and $10, respectively, under the Sun Capital Consulting Agreement.

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 Quarterly Report on Form 10-Q (this "Quarterly Report"). All amounts disclosed are in thousands except store counts, share and per share data and percentages. See Note 1 "Description of Business and Basis of Presentation" within the notes to the Condensed Consolidated Financial Statements in this Quarterly Report for further information.

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 Quarterly Report as well as in our 2022 Annual Report on Form 10-K.

Executive Overview

We are a global retail company that operates the Vince brand women's and men's ready to wear business. We serve our customers through a variety of channels that reinforces our brand image. Previously, we also owned and operated the Rebecca Taylor and Parker brands until the sale of the respective intellectual property was completed, as discussed below.

Vince, established in 2002, is a leading global luxury apparel and accessories brand best known for creating elevated yet understated pieces for every day effortless style. Vince operates 49 full-price retail stores, 17 outlet stores, its e-commerce site, *vince.com* and through its subscription service Vince Unfold, *vinceunfold.com*, as well as through premium wholesale channels globally.

On April 21, 2023 the Company entered into a strategic partnership ("Authentic Transaction") with Authentic Brands Group, LLC ("Authentic"), a global brand development, marketing and entertainment platform, whereby the Company will contribute its intellectual property to a newly formed Authentic subsidiary ("ABG Vince") for cash consideration and a membership interest in ABG Vince. The Company closed the Asset Sale on May 25, 2023. On May 25, 2023, in connection with the Authentic Transaction, Vince, LLC, entered into a License Agreement (the "License Agreement") with ABG Vince, which provides Vince, LLC with an exclusive, long-term license to use the Licensed Property in the Territory to the Approved Accounts (each as defined in the License Agreement). See Note 1 "Description of Business and Basis of Presentation - (F) Recent Transactions" to the Condensed Consolidated Financial Statements in this Quarterly Report for additional information.

Rebecca Taylor, founded in 1996 in New York City, was a contemporary womenswear line lauded for its signature prints, romantic detailing and vintage inspired aesthetic, reimagined for a modern era. On September 12, 2022, the Company announced its decision to wind down the Rebecca Taylor business. On December 22, 2022, the Company's indirectly wholly owned subsidiary, Rebecca Taylor, Inc., completed the sale of its intellectual property and certain related ancillary assets to RT IPCO, LLC, an affiliate of Ramani Group. See Note 2 "Wind Down of Rebecca Taylor Business" to the Condensed Consolidated Financial Statements in this Quarterly Report for additional information. The Rebecca Taylor collection was previously available through retail stores and outlet stores, through its branded e-commerce site and through its subscription service Rebecca Taylor RNTD, as well as through major department and specialty stores in the U.S. and in select international markets. All Rebecca Taylor retail and outlet stores operated by the Company were closed as of January 28, 2023 and the e-commerce site operated by the Company ceased in December 2022.

Parker, founded in 2008 in New York City, was a contemporary women's fashion brand that was trend focused. During the first half of fiscal 2020 the Company decided to pause the creation of new products to focus resources on the operations of the Vince and Rebecca Taylor brands. On February 17, 2023, the Company's indirectly wholly owned subsidiary, Parker Lifestyle, LLC, completed the sale of its intellectual property and certain related ancillary assets to Parker IP Co. LLC, an affiliate of BCI Brands. See Note 1 "Description of Business and Basis of Presentation - (F) Recent Transactions" to the Condensed Consolidated Financial Statements in this Quarterly Report for further information. The Parker collection was previously available through major department stores and specialty stores worldwide as well as through its e-commerce website.

The Company has identified three reportable segments: Vince Wholesale, Vince Direct-to-consumer and Rebecca Taylor and Parker.

Results of Operations

Comparable Sales

Comparable sales include our e-commerce sales in order to align with how we manage our brick-and-mortar retail stores and e-commerce online store as a combined single direct-to-consumer channel of distribution. 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.

A store is included in the comparable sales calculation after it has completed 13 full fiscal months of operations and includes stores, if any, that have been remodeled or relocated within the same geographic market the Company served prior to the relocation. Non-comparable sales include new stores which have not completed 13 full fiscal months of operations, sales from closed stores, and relocated stores serving a new geographic market. For 53-week fiscal years, we continue to adjust comparable sales to exclude the additional week. There may be variations in the way in which some of our competitors and other retailers calculate comparable sales.

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

	Three Months Ended				Six Months Ended			
	July 29, 2023		July 30, 2022		July 29, 2023		July 30, 2022	
(in thousands, except per share data and percentages)	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales
Statements of Operations:								
Net sales	$ 69,447	100.0 %	$ 89,194	100.0 %	$ 133,503	100.0 %	$ 167,570	100.0 %
Cost of products sold	37,099	53.4 %	52,822	59.2 %	71,563	53.6 %	95,563	57.0 %
Gross profit	32,348	46.6 %	36,372	40.8 %	61,940	46.4 %	72,007	43.0 %
Impairment of intangible assets	—	0.0 %	1,700	1.9 %	—	0.0 %	1,700	1.0 %
Impairment of long-lived assets	—	0.0 %	866	1.0 %	—	0.0 %	866	0.5 %
Gain on sale of intangible assets	(32,043)	(46.1)%	—	0.0 %	(32,808)	(24.6)%	—	0.0 %
Selling, general and administrative expenses	31,541	45.4 %	39,010	43.7 %	64,274	48.1 %	79,930	47.7 %
Income (loss) from operations	32,850	47.3 %	(5,204)	(5.8)%	30,474	22.8 %	(10,489)	(6.3)%
Interest expense, net	4,137	6.0 %	1,882	2.1 %	7,427	5.6 %	3,766	2.2 %
Income (loss) before income taxes and equity in net income of equity method investment	28,713	41.3 %	(7,086)	(7.9)%	23,047	17.3 %	(14,255)	(8.5)%
(Benefit) provision for income taxes	(592)	(0.9)%	7,903	8.9 %	(5,877)	(4.4)%	7,903	4.7 %
Income (loss) before equity in net income of equity method investment	29,305	42.2 %	(14,989)	(16.8)%	28,924	21.7 %	(22,158)	(13.2)%
Equity in net income of equity method investment	207	0.3 %	—	0.0 %	207	0.2 %	—	0.0 %
Net income (loss)	$ 29,512	42.5 %	$ (14,989)	(16.8)%	$ 29,131	21.8 %	$ (22,158)	(13.2)%
Earnings (loss) per share:								
Basic earnings (loss) per share	$ 2.37		$ (1.23)		$ 2.35		$ (1.83)	
Diluted earnings (loss) per share	$ 2.36		$ (1.23)		$ 2.34		$ (1.83)	

Three Months Ended July 29, 2023 Compared to Three Months Ended July 30, 2022

Net sales for the three months ended July 29, 2023 were $69,447, decreasing $19,747, or 22.1%, versus $89,194 for the three months ended July 30, 2022.

Gross profit decreased 11.1% to $32,348 for the three months ended July 29, 2023 from $36,372 in the prior year second quarter. As a percentage of sales, gross margin was 46.6%, compared with 40.8% in the prior year second quarter. The total gross margin rate increase was primarily driven by the following factors:

- The favorable impact from lower freight costs which contributed positively by approximately 550 basis points;
- The favorable impact of year-over-year adjustments to inventory reserves contributed positively by approximately 160 basis points; and
- The favorable impact from the wind down of the Rebecca Taylor business, which historically operated at a lower overall gross margin, contributed positively by approximately 120 basis points; partly offset by
- The unfavorable impact from royalty expense associated with the License Agreement with ABG Vince contributed negatively by approximately 320 basis points.

Impairment of intangible assets for the three months ended July 30, 2022 was $1,700 related to the impairment of the Rebecca Taylor tradename. See Note 3 “Goodwill and Intangible Assets” to the Condensed Consolidated Financial Statements in this Quarterly Report for further information.

Impairment of long-lived assets for the three months ended July 30, 2022 was $866 related to the impairment of property and equipment for certain Rebecca Taylor retail locations.

Gain on sale of intangible assets for the three months ended July 29, 2023 was $32,043 related to the sale of the Vince intellectual property and certain related ancillary assets. See Note 1 "Description of Business and Basis of Presentation - (F) Recent Transactions" to the Condensed Consolidated Financial Statements in this Quarterly Report for further information.

Selling, general and administrative ("SG&A") expenses for the three months ended July 29, 2023 were $31,541, decreasing $7,469, or 19.1%, versus $39,010 for the three months ended July 30, 2022. SG&A expenses as a percentage of sales were 45.4% and 43.7% for the three months ended July 29, 2023 and July 30, 2022, respectively. The change in SG&A expenses compared to the prior fiscal year period was primarily due to:

- $6,559 net decrease in total SG&A expenses resulting from the wind down of the Rebecca Taylor brand;
- $914 of decreased consulting and other third-party costs primarily due to investments in the prior year related to our customer facing technologies to further expand our omni-channel capabilities and our e-commerce platforms;
- $582 of decreased compensation and benefits, partly due to lower incentive-based compensation; and
- $531 of decreased product developments costs; partly offset by
- $2,041 of transaction related expenses associated with the Asset Sale.

Interest expense, net increased $2,255, or 119.8%, to $4,137 in the three months ended July 29, 2023 from $1,882 in the three months ended July 30, 2022, primarily due to a $1,755 write-off of deferred financing costs and a $553 prepayment penalty both associated with the termination of the Term Loan Credit Facility, as well as an $828 write-off of deferred financing costs associated with the termination of the 2018 Revolving Credit Facility.

(Benefit) provision for income taxes for the three months ended July 29, 2023 was a benefit of $592, which is due to applying the Company’s estimated effective tax rate for the fiscal year to the three months income (loss) before income taxes and equity in net income of equity method investment, excluding discrete items. Discrete items for the second quarter included the $32,043 Vince IP Sale Gain and $2,041 in transaction expenses related to the transaction with Authentic Brands Group. Tax expense associated with these discrete items is not material as the Company has substantial net operating losses, both at the federal and state levels, for which a full valuation allowance is maintained against these deferred tax assets.

The provision for income taxes was $7,903 for the three months ended July 30, 2022 which reflected the impact of applying the Company's estimated effective tax rate for the fiscal year to the six month income (loss) before income taxes and equity in net income of equity method investment. The Company's estimated effective tax rate is driven by the non-cash deferred tax expense created by the current period amortization of indefinite-lived goodwill and intangible assets for tax but not for book purposes. See Note 11 "Income Taxes" to the Condensed Consolidated Financial Statements in this Quarterly Report for further information.

Equity in net income of equity method investment for the three months ended July 29, 2023 was $207 related to the Company's 25% membership interest in ABG Vince.

Performance by Segment

The Company has identified three reportable segments as further described below:

- Vince Wholesale segment—consists of the Company's operations to distribute Vince brand products to major department stores and specialty stores in the United States and select international markets;
- Vince Direct-to-consumer segment—consists of the Company's operations to distribute Vince brand products directly to the consumer through its Vince branded full-price specialty retail stores, outlet stores, and e-commerce platform, and its subscription service Vince Unfold; and
- Rebecca Taylor and Parker segment—consisted of the Company's operations to distribute Rebecca Taylor and Parker brand products to major department stores and specialty stores in the U.S. and select international markets, directly to the consumer through their own branded e-commerce platforms and Rebecca Taylor retail and outlet stores, and through its subscription service Rebecca Taylor RNTD.

On September 12, 2022, the Company announced its decision to wind down the Rebecca Taylor business. On December 22, 2022, the Company's indirectly wholly owned subsidiary, Rebecca Taylor, Inc., completed the sale of its intellectual property and certain related ancillary assets to RT IPCO, LLC, an affiliate of Ramani Group. Substantially all Rebecca Taylor inventory was liquidated as of January 28, 2023. Additionally, all Rebecca Taylor retail and outlet stores operated by the Company were closed as of January 28, 2023 and the e-commerce site operated by the Company ceased in December 2022.

On February 17, 2023, the Company's indirectly wholly owned subsidiary, Parker Lifestyle, LLC, completed the sale of its intellectual property and certain related ancillary assets to Parker IP Co. LLC, an affiliate of BCI Brands. See Note 1 "Description of Business and Basis of Presentation - (F) Recent Transactions" to the Condensed Consolidated Financial Statements in this Quarterly Report for additional information.

Unallocated corporate expenses are related to the Vince brand and are comprised of SG&A 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 Vince Wholesale and Vince Direct-to-consumer reportable segments. In addition, unallocated corporate includes the transaction related expenses associated with the Asset Sale.

	Three Months Ended	
(in thousands)	July 29, 2023	July 30, 2022
Net Sales:		
Vince Wholesale	$ 36,407	$ 46,692
Vince Direct-to-consumer	32,930	34,200
Rebecca Taylor and Parker	110	8,302
Total net sales	$ 69,447	$ 89,194
Income (loss) from operations:		
Vince Wholesale	$ 11,360	$ 12,797
Vince Direct-to-consumer	1,098	(617)
Rebecca Taylor and Parker	1,257	(5,485)
Subtotal	13,715	6,695
Unallocated corporate (1)	19,135	(11,899)
Total income (loss) from operations	$ 32,850	$ (5,204)

(1) Unallocated corporate for the three months ended July 29, 2023 includes the $32,043 gain related to the sale of the Vince intellectual property and certain related ancillary assets.

Vince Wholesale

	Three Months Ended		
(in thousands)	July 29, 2023	July 30, 2022	$ Change
Net sales	$ 36,407	$ 46,692	$ (10,285)
Income from operations	11,360	12,797	(1,437)

Net sales from our Vince Wholesale segment decreased $10,285, or 22.0%, to $36,407 in the three months ended July 29, 2023 from $46,692 in the three months ended July 30, 2022, primarily due to lower full-price shipments resulting from a shift in timing, as well as lower off-price shipments.

Income from operations from our Vince Wholesale segment decreased $1,437, or 11.2%, to $11,360 in the three months ended July 29, 2023 from $12,797 in the three months ended July 30, 2022, primarily due to royalty expense associated with the License Agreement with ABG Vince.

Vince Direct-to-consumer

	Three Months Ended		
(in thousands)	July 29, 2023	July 30, 2022	$ Change
Net sales	$ 32,930	$ 34,200	$ (1,270)
Income (loss) from operations	1,098	(617)	1,715

Net sales from our Vince Direct-to-consumer segment decreased $1,270, or 3.7%, to $32,930 in the three months ended July 29, 2023 from $34,200 in the three months ended July 30, 2022. Comparable sales decreased $720, or 2.2%, including e-commerce, primarily due to a decrease in e-commerce traffic. Non-comparable sales declined $550, which includes new stores which have not completed 13 full fiscal months of operations and Vince Unfold. Since July 30, 2022, one net store has closed bringing our total retail store count to 66 (consisting of 49 full price stores and 17 outlet stores) as of July 29, 2023, compared to 67 (consisting of 50 full price stores and 17 outlet stores) as of July 30, 2022.

Our Vince Direct-to-consumer segment had income from operations of $1,098 in the three months ended July 29, 2023 compared to a loss from operations of $617 in the three months ended July 30, 2022. The change was primarily driven by a decrease in SG&A expenses driven by the prior year investments in our customer facing technologies to further expand our omni-channel capabilities and in our e-commerce platforms and decreased rent expense.

Rebecca Taylor and Parker

(in thousands)	Three Months Ended July 29, 2023	July 30, 2022	$ Change
Net sales	$ 110	$ 8,302	$ (8,192)
Income (loss) from operations	1,257	(5,485)	6,742

Net sales from our Rebecca Taylor and Parker segment decreased $8,192, or 98.7%, to $110 in the three months ended July 29, 2023 from $8,302 in the three months ended July 30, 2022, as a result of the wind down of the Rebecca Taylor and Parker businesses.

Our Rebecca Taylor and Parker segment had income from operations of $1,257 in the three months ended July 29, 2023 compared to a loss from operations of $5,485 in the three months ended July 30, 2022. The change was primarily driven by the wind down of the Rebecca Taylor business. In addition, income from operations for the three months ended July 29, 2023 includes a net benefit of $1,126 from the wind down of the Rebecca Taylor business, primarily related to the release of operating lease liabilities as a result of lease terminations. Loss from operations for the three months ended July 30, 2022 also included $2,566 of impairment charges related to the impairment of the Rebecca Taylor tradename and property and equipment.

Six Months Ended July 29, 2023 Compared to Six Months Ended July 30, 2022

Net sales for the six months ended July 29, 2023 were $133,503, decreasing $34,067, or 20.3%, versus $167,570 for the six months ended July 30, 2022.

Gross profit decreased 14.0% to $61,940 for the six months ended July 29, 2023 from $72,007 in the six months ended July 30, 2022. As a percentage of sales, gross margin was 46.4%, compared with 43.0% in the six months ended July 30, 2022. The total gross margin rate increase was primarily driven by the following factors:

- The favorable impact from product mix which contributed positively by approximately 380 basis points;
- The favorable impact from lower freight costs which contributed positively by approximately 360 basis points; and
- The favorable impact of year-over-year adjustments to inventory reserves contributed positively by approximately 120 basis points; partly offset by
- The unfavorable impact from higher discounts in the wholesale off-price channel contributed negatively by approximately 220 basis points;
- The unfavorable impact from an increase in promotional activity in the Direct-to-consumer segment which contributed negatively by approximately 180 basis points; and
- The unfavorable impact from royalty expense associated with the License Agreement with ABG Vince contributed negatively by approximately 165 basis points.

Impairment of intangible assets for the six months ended July 30, 2022 was $1,700 related to the impairment of the Rebecca Taylor tradename. See Note 3 "Goodwill and Intangible Assets" to the Condensed Consolidated Financial Statements in this Quarterly Report for further information.

Impairment of long-lived assets for the six months ended July 30, 2022 was $866 related to the impairment of property and equipment for certain Rebecca Taylor retail locations.

Gain on sale of intangible assets for the six months ended July 29, 2023 was $32,808, of which $32,043 is related to the sale of the Vince intellectual property and certain related ancillary assets and $765 is related to the sale of the Parker intellectual property and certain ancillary assets. See Note 1 "Description of Business and Basis of Presentation - (F) Recent Transactions" to the Condensed Consolidated Financial Statements in this Quarterly Report for further information.

SG&A expenses for the six months ended July 29, 2023 were $64,274, decreasing $15,656, or 19.6%, versus $79,930 for the six months ended July 30, 2022. SG&A expenses as a percentage of sales were 48.1% and 47.7% for the six months ended July 29, 2023 and July 30, 2022, respectively. The change in SG&A expenses compared to the prior fiscal year period was primarily due to:

- $12,498 net decrease in total SG&A expenses resulting from the wind down of the Rebecca Taylor brand;
- $1,882 of decreased compensation and benefits, partly due to lower incentive-based compensation;
- $1,696 of decreased consulting and other third-party costs primarily due to investments in the prior year related to our customer facing technologies to further expand our omni-channel capabilities and our e-commerce platforms;
- $1,611 of decreased rent expense primarily due to lease modifications;

- $890 of decreased product development costs; and
- $1,021 of decreased marketing and advertising costs; partly offset by
- $4,782 of transaction related expenses associated with the Asset Sale.

Interest expense, net increased $3,661, or 97.2%, to $7,427 in the six months ended July 29, 2023 from $3,766 in the six months ended July 30, 2022 primarily due to a $1,755 write-off of deferred financing costs and a $553 prepayment penalty both associated with the termination of the Term Loan Credit Facility, as well as an $828 write-off of deferred financing costs associated with the termination of the 2018 Revolving Credit Facility.

Benefit (provision) for income taxes for the six months ended July 29, 2023 was a benefit of $5,877. The benefit was due to a $6,127 discrete tax impact from the change in classification of the Company's Vince tradename indefinite-lived intangibles to Assets Held for Sale during the first quarter of fiscal 2023, offset by $250 of tax expense from applying the Company's estimated effective tax rate for the fiscal year to the six-months income (loss) before income taxes and equity in net income of equity method investment, excluding discrete items.

The change in classification of the Company's Vince tradename indefinite-lived intangibles resulted in a reversal of the non-cash deferred tax liability previously created by the amortization of indefinite-lived tradename intangible asset recognized for tax but not for book purposes, as this non-cash deferred tax liability can now be used as a source to support the realization of certain deferred tax assets related to the Company's net operating losses.

The Company's estimated effective tax rate for the fiscal year is primarily driven by the non-cash deferred tax expense created by the current period amortization of indefinite-lived goodwill for tax but not for book purposes. A portion of these deferred tax liabilities cannot be used as a source to support the realization of certain deferred tax assets related to the Company's net operating losses, which results in additional tax expense for the amortization difference for goodwill.

The provision for income taxes was $7,903 for the six months ended July 30, 2022, which reflected the impact of applying the Company's estimated effective tax rate for the fiscal year to the six month income (loss) before income taxes and equity in net income of equity method investment. The Company's estimated effective tax rate is driven by the non-cash deferred tax expense created by the current period amortization of indefinite-lived goodwill and intangible assets for tax but not for book purposes. See Note 11 "Income Taxes" to the Condensed Consolidated Financial Statements in this Quarterly Report for further information.

Equity in net income of equity method investment for the six months ended July 29, 2023 was $207 related to the Company's 25% membership interest in ABG Vince.

Performance by Segment

	Six Months Ended	
(in thousands)	**July 29, 2023**	**July 30, 2022**
Net Sales:		
Vince Wholesale	$ 68,874	$ 80,156
Vince Direct-to-consumer	64,438	68,982
Rebecca Taylor and Parker	191	18,432
Total net sales	$ 133,503	$ 167,570
Income (loss) from operations:		
Vince Wholesale	$ 19,931	$ 22,960
Vince Direct-to-consumer	2,199	(1,419)
Rebecca Taylor and Parker	2,449	(6,969)
Subtotal	24,579	14,572
Unallocated corporate [(1)]	5,895	(25,061)
Total income (loss) from operations	$ 30,474	$ (10,489)

(1) Unallocated corporate for the six months ended July 29, 2023 includes the $32,043 gain related to the sale of the Vince intellectual property and certain related ancillary assets.

Vince Wholesale

(in thousands)	Six Months Ended July 29, 2023	July 30, 2022	$ Change
Net sales	$ 68,874	$ 80,156	$ (11,282)
Income from operations	19,931	22,960	(3,029)

Net sales from our Vince Wholesale segment decreased $11,282, or 14.1%, to $68,874 in the six months ended July 29, 2023 from $80,156 in the six months ended July 30, 2022, primarily due to lower full-price shipments, partly due to a shift in timing.

Income from operations from our Vince Wholesale segment decreased $3,029, or 13.2%, to $19,931 in the six months ended July 29, 2023 from $22,960 in the six months ended July 30, 2022, primarily due to royalty expense associated with the License Agreement with ABG Vince.

Vince Direct-to-consumer

(in thousands)	Six Months Ended July 29, 2023	July 30, 2022	$ Change
Net sales	$ 64,438	$ 68,982	$ (4,544)
Income (loss) from operations	2,199	(1,419)	3,618

Net sales from our Vince Direct-to-consumer segment decreased $4,544, or 6.6%, to $64,438 in the six months ended July 29, 2023 from $68,982 in the six months ended July 30, 2022. Comparable sales decreased $3,469, or 5.3%, including e-commerce, primarily due to a decrease in e-commerce traffic. Non-comparable sales declined $1,075 which includes new stores which have not completed 13 full fiscal months of operations and Vince Unfold. Since July 30, 2022, one net store has closed bringing our total retail store count to 66 (consisting of 49 full price stores and 17 outlet stores) as of July 29, 2023, compared to 67 (consisting of 50 full price stores and 17 outlet stores) as of July 30, 2022.

Our Vince Direct-to-consumer segment had income from operations of $2,199 in the six months ended July 29, 2023 compared to a loss from operations of $1,419 in the six months ended July 30, 2022. The change was primarily driven by a decrease in SG&A expenses driven by a decline in rent expense, as well as the prior year investments in our customer facing technologies to further expand our omni-channel capabilities and in our e-commerce platforms.

Rebecca Taylor and Parker

(in thousands)	Six Months Ended July 29, 2023	July 30, 2022	$ Change
Net sales	$ 191	$ 18,432	$ (18,241)
Income (loss) from operations	2,449	(6,969)	9,418

Net sales from our Rebecca Taylor and Parker segment decreased $18,241, or 99.0%, to $191 in the six months ended July 29, 2023 from $18,432 in the six months ended July 30, 2022 primarily due to the wind down of the Rebecca Taylor and Parker businesses.

Our Rebecca Taylor and Parker segment had income from operations of $2,449 in the six months ended July 29, 2023 compared to a loss from operations of $6,969 in the six months ended July 30, 2022. The change was primarily driven by the wind down of the Rebecca Taylor business. In addition, income from operations for the six months ended July 29, 2023 includes a net benefit of $1,750 from the wind down of the Rebecca Taylor business, primarily related to the release of operating lease liabilities as a result of lease terminations, a $765 gain associated with the sale of the Parker tradename and $150 of transaction related expenses associated with the sale of the Parker tradename. Loss from operations for the six months ended July 30, 2022 also included $2,566 of impairment charges related to the impairment of the Rebecca Taylor tradename and property and equipment.

Liquidity and Capital Resources

Our sources of liquidity are cash and cash equivalents, cash flows from operations, if any, borrowings available under the 2023 Revolving Credit Facility and our ability to access the capital markets, including our Sales Agreement entered into with Virtu Americas LLC in June 2023 (see Note 8 "Stockholders' Equity" to the Condensed Consolidated Financial Statements in this Quarterly Report for further information). Our primary cash needs are funding working capital requirements, including royalty payments under the License Agreement, meeting our debt service requirements, 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. Based on our current expectations, we believe that our sources of liquidity will generate sufficient cash flows to meet our obligations during the next twelve months from the date these financial statements are issued.

Operating Activities

(in thousands)	Six Months Ended July 29, 2023	Six Months Ended July 30, 2022
Operating activities		
Net income (loss)	$ 29,131	$ (22,158)
Add (deduct) items not affecting operating cash flows:		
Impairment of intangible assets	—	1,700
Impairment of long-lived assets	—	866
Depreciation and amortization	2,538	3,086
Provision for bad debt	63	81
Gain on sale of intangible assets	(32,808)	—
Loss on disposal of property and equipment	140	50
Amortization of deferred financing costs	593	429
Deferred income taxes	(5,958)	7,790
Share-based compensation expense	813	1,160
Capitalized PIK Interest	1,873	1,300
Loss on debt extinguishment	3,136	—
Equity in net income of equity method investment	(207)	—
Changes in assets and liabilities:		
Receivables, net	(189)	2,396
Inventories	4,939	(50,933)
Prepaid expenses and other current assets	(2,263)	535
Accounts payable and accrued expenses	(17,947)	32,763
Other assets and liabilities	(4,014)	979
Net cash used in operating activities	$ (20,160)	$ (19,956)

Net cash used in operating activities during the six months ended July 29, 2023 was $20,160, which consisted of net income of $29,131, impacted by non-cash items of $(29,817) and cash used in working capital of $19,474. Net cash used in working capital primarily resulted from a cash outflow in accounts payable and accrued expenses of $17,947 primarily due to the timing of payments to vendors.

Net cash used in operating activities during the six months ended July 30, 2022 was $19,956, which consisted of a net loss of $22,158, impacted by non-cash items of $16,462 and cash used in working capital of $14,260. Net cash used in working capital primarily resulted from a cash outflow in inventory of $50,933 primarily due to a higher level of current season inventory and replenishment product, as well as higher product costs, partly offset by a cash inflow in accounts payable and accrued expenses of $32,763 primarily due to the timing of payments to vendors.

Investing Activities

(in thousands)	Six Months Ended July 29, 2023	Six Months Ended July 30, 2022
Investing activities		
Payments for capital expenditures	$ (377)	$ (2,360)
Transaction costs related to equity method investment	(525)	—
Proceeds from sale of intangible assets	77,525	—
Net cash provided by (used in) investing activities	$ 76,623	$ (2,360)

Net cash provided by investing activities of $76,623 during the six months ended July 29, 2023 primarily represents $76,500 of proceeds received from the sale of the Vince intangible assets and $1,025 of proceeds received from the sale of the Parker intangible assets (see Note 1 "Description of Business and Basis of Presentation - (F) Recent Transactions" to the Condensed Consolidated Financial Statements in this Quarterly Report for additional information).

Net cash used in investing activities of $2,360 during the six months ended July 30, 2022 represents capital expenditures primarily related to the investment in our e-commerce platforms, as well as retail store buildouts, including leasehold improvements and store fixtures.

Financing Activities

(in thousands)	Six Months Ended July 29, 2023	Six Months Ended July 30, 2022
Financing activities		
Proceeds from borrowings under the Revolving Credit Facilities	$ 173,665	$ 196,816
Repayment of borrowings under the Revolving Credit Facilities	(192,486)	(174,241)
Repayment of borrowings under the Term Loan Facilities	(29,378)	(875)
Proceeds from common stock issuance, net of certain fees	—	825
Tax withholdings related to restricted stock vesting	(134)	(197)
Proceeds from stock option exercises, restricted stock vesting, and issuance of common stock under employee stock purchase plan	27	41
Financing fees	(3,002)	(20)
Net cash (used in) provided by financing activities	$ (51,308)	$ 22,349

Net cash used in financing activities was $51,308 during the six months ended July 29, 2023, primarily consisting of $18,821 of net repayments of borrowings under the Company's revolving credit facilities, the repayment of $29,378 of borrowings under the Term Loan Credit Facility, and financing fees of $3,002 (which includes a $553 prepayment penalty associated with the termination of the Term Loan Credit Facility during the six months ended July 29, 2023).

Net cash provided by financing activities was $22,349 during the six months ended July 30, 2022, primarily consisting of $22,575 of net proceeds from borrowings under the 2018 Revolving Credit Facility.

Term Loan Credit Facility

On September 7, 2021, Vince, LLC entered into a $35,000 senior secured term loan credit facility (the "Term Loan Credit Facility") pursuant to a Credit Agreement (the "Term Loan Credit Agreement"), as amended from time to time, by and among Vince, LLC, as the borrower, the guarantors named therein, PLC Agent, LLC, as administrative agent and collateral agent, and the other lenders from time to time party thereto. Vince Holding Corp. and Vince Intermediate Holding, LLC ("Vince Intermediate") were guarantors under the Term Loan Credit Facility. The Term Loan Credit Facility would have matured on the earlier of September 7, 2026, and 91 days after the maturity date of the 2018 Revolving Credit Facility.

On May 25, 2023, utilizing proceeds from the Asset Sale, the Company repaid all outstanding amounts of $28,724, which included accrued interest and a prepayment penalty of $553 (which is included within financing fees on the Condensed Consolidated Statements of Cash Flows), under the Term Loan Credit Facility. The Term Loan Credit Facility was terminated. The Company also repaid $850 of fees due in accordance with an amendment entered into on September 30, 2022. Additionally, the Company recorded expense of $1,755 during the three and six months ended July 29, 2023, related to the write-off of the remaining deferred financing costs. Prior to May 25, 2023, on an inception to date basis, the Company had made repayments of $7,335 on the Term Loan Credit Facility.

2023 Revolving Credit Facility

On June 23, 2023, Vince, LLC, entered into a new $85,000 senior secured revolving credit facility (the "2023 Revolving Credit Facility") pursuant to a Credit Agreement (the "2023 Revolving Credit Agreement") by and among Vince, LLC, the guarantors named therein, Bank of America, N.A. ("BofA"), as Agent, the other lenders from time to time party thereto, and BofA Securities, Inc., as sole lead arranger and sole bookrunner.

All outstanding amounts under the 2018 Revolving Credit Facility (as defined below) were repaid in full and such facility was terminated pursuant to the terms thereof as a result of all parties completing their obligations under such facility.

The 2023 Revolving Credit Facility provides for a revolving line of credit of up to the lesser of (i) the Borrowing Base (as defined in the 2023 Revolving Credit Agreement) and (ii) $85,000, as well as a letter of credit sublimit of $10,000. The 2023 Revolving Credit Agreement also permits Vince, LLC to request an increase in aggregate commitments under the 2023 Revolving Credit Facility of up to $15,000, subject to customary terms and conditions. The 2023 Revolving Credit Facility matures on the earlier of June 23, 2028, and 91 days prior to the earliest maturity date of any Material Indebtedness (as defined in the 2023 Revolving Credit Agreement), including the subordinated indebtedness pursuant to the Third Lien Credit Agreement.

Interest is payable on the loans under the 2023 Revolving Credit Facility, at Vince LLC's request, either at Term SOFR, the Base Rate, or SOFR Daily Floating Rate, in each case, with applicable margins subject to a pricing grid based on an average daily excess availability calculation. The "Base Rate" means, for any day, a fluctuating rate per annum equal to the highest of (i) the Federal Funds Rate for such day, plus 0.5%; (ii) the rate of interest in effect for such day as publicly announced from time to time by BofA as its prime rate; (iii) the SOFR Daily Floating Rate on such day, plus 1.0%; and (iv) 1.0%. During the continuance of certain specified events of default, at the election of BofA in its capacity as Agent, interest will accrue at a rate of 2.0% in excess of the applicable non-default rate.

The applicable margins for SOFR Term and SOFR Daily Floating Rate Loans are: (i) 2.0% when the average daily Excess Availability (as defined in the 2023 Revolving Credit Agreement) is greater than 66.7% of the Loan Cap (as defined in the 2023 Revolving Credit Agreement); (ii) 2.25% when the average daily Excess Availability is greater than or equal to 33.3% but less than or equal to 66.7% of the Loan Cap; and (iii) 2.5% when the average daily Excess Availability is less than 33.3% of the Loan Cap. The applicable margins for Base Rate Loans are: (a) 1.0% when the average daily Excess Availability is greater than 66.7% of the Loan Cap; (b) 1.25% when the average daily Excess Availability is greater than or equal to 33.3% but less than or equal to 66.7% of the Loan Cap; and (c) 1.5% when the average daily Excess Availability is less than 33.3% of the Loan Cap.

The 2023 Revolving Credit Facility contains a financial covenant requiring Excess Availability at all times to be no less than the greater of (i) 10.0% of the Loan Cap in effect at such time and (ii) $7,500.

The 2023 Revolving Credit Facility contains representations and warranties, covenants and events of default that are customary for this type of financing, including limitations on the incurrence of additional indebtedness, liens, burdensome agreements, investments, loans, asset sales, mergers, acquisitions, prepayment of certain other debt, the repurchase of capital stock, transactions with affiliates, and the ability to change the nature of its business or its fiscal year. The 2023 Revolving Credit Facility generally permits dividends in the absence of any default or event of default (including any event of default arising from a contemplated dividend), so long as (i) after giving pro forma effect to the contemplated dividend and on a pro forma basis for the 30-day period immediately preceding such dividend, Excess Availability will be at least the greater of 20.0% of the Loan Cap and $15,000 and (ii) after giving pro forma effect to the contemplated dividend, the Consolidated Fixed Charge Coverage Ratio (as defined in the 2023 Revolving Credit Agreement) for the 12 months preceding such dividend will be greater than or equal to 1.0 to 1.0.

All obligations under the 2023 Revolving Credit Facility are guaranteed by the Company and Vince Intermediate and any future subsidiaries of the Company (other than Excluded Subsidiaries as defined in the 2023 Revolving Credit Agreement) and secured by a lien on substantially all of the assets of the Company, Vince, LLC and Vince Intermediate and any future subsidiary guarantors, other than among others, equity interests in ABG Vince, as well as the rights of Vince, LLC under the License Agreement.

The Company incurred a total of $1,124 of financing costs. In accordance with ASC Topic 470, "Debt", these financing costs were recorded as deferred debt issuance costs (which is presented within Other assets on the Condensed Consolidated Balance Sheets) and will be amortized over the term of the 2023 Revolving Credit Facility.

As of July 29, 2023, the Company was in compliance with applicable covenants. As of July 29, 2023, $34,745 was available under the 2023 Revolving Credit Facility, net of the Loan Cap, and there were $39,677 of borrowings outstanding and $0 of letters of credit outstanding under the 2023 Revolving Credit Facility. The weighted average interest rate for borrowings outstanding under the 2023 Revolving Credit Facility as of July 29, 2023 was 8.2%.

2018 Revolving Credit Facility

On August 21, 2018, Vince, LLC entered into an $80,000 senior secured revolving credit facility (the "2018 Revolving Credit Facility") pursuant to a credit agreement, as amended and restated from time to time, by and among Vince, LLC, as the borrower, VHC and Vince Intermediate, as guarantors, Citizens Bank, N.A. ("Citizens"), as administrative agent and collateral agent, and the other lenders from time to time party thereto. On January 31, 2023, the Company repaid $125 of fees due in accordance with an amendment entered into on September 30, 2022. Upon the contemporaneous consummation of the Asset Sale, the lenders' commitments to extend credit was reduced to $70,000. The 2018 Revolving Credit Facility would have matured on June 30, 2024.

On June 23, 2023, all outstanding amounts under the 2018 Revolving Credit Facility were repaid in full and the 2018 Revolving Credit Facility was terminated pursuant to the terms thereof as a result of all parties completing their obligations under the 2018 Revolving Credit Facility. The Company recorded expense of $828 during the three and six months ended July 29, 2023, related to the write-off of the remaining deferred financing costs. Certain letters of credit remain in place with Citizens which were secured with restricted cash, totaling $5,296 as of July 29, 2023. Restricted cash is included in Prepaid Expenses and other current assets in the Condensed Consolidated Balance Sheets.

Third Lien Credit Facility

On December 11, 2020, Vince, LLC entered into a $20,000 subordinated term loan credit facility (the "Third Lien Credit Facility") pursuant to a credit agreement (the "Third Lien Credit Agreement"), as amended from time to time, dated December 11, 2020, by and among Vince, LLC, as the borrower, VHC and Vince Intermediate, as guarantors, and SK Financial Services, LLC ("SK Financial"), as administrative agent and collateral agent, and other lenders from time to time party thereto. The proceeds were received on December 11, 2020 and were used to repay a portion of the borrowings outstanding under the 2018 Revolving Credit Facility.

SK Financial is an affiliate of Sun Capital Partners, Inc. ("Sun Capital"), whose affiliates own, as of July 29, 2023, approximately 68% of the Company's common stock. The Third Lien Credit Facility was reviewed and approved by the Special Committee of the Company's Board of Directors, consisting solely of directors not affiliated with Sun Capital, which committee was represented by independent legal advisors.

Interest on loans under the Third Lien Credit Facility is payable in kind at a rate revised in connection with the Third Lien Third Amendment (as defined and discussed below) to be equal to the Daily Simple SOFR, subject to a credit spread adjustment of 0.10% per annum, plus 9.0%. During the continuance of certain specified events of default, interest may accrue on the loans under the Third Lien Credit Facility at a rate of 2.0% in excess of the rate otherwise applicable to such amount.

The Company incurred $485 in deferred financing costs associated with the Third Lien Credit Facility of which a $400 closing fee is payable in kind and was added to the principal balance. These deferred financing costs are recorded as deferred debt issuance costs which will be amortized over the remaining term of the Third Lien Credit Facility.

All obligations under the Third Lien Credit Facility are guaranteed by the Company, Vince Intermediate and the Company's existing material domestic restricted subsidiaries as well as any future material domestic restricted subsidiaries and are secured on a junior basis relative to the 2023 Revolving Credit Facility by a lien on substantially all of the assets of the Company, Vince Intermediate, Vince, LLC and the Company's existing material domestic restricted subsidiaries as well as any future material domestic restricted subsidiaries.

On April 21, 2023, Vince, LLC entered into that certain Consent and Third Amendment to Credit Agreement (the "Third Lien Third Amendment"), which, among other things, (a) permitted the sale of the intellectual property of the Vince Business contemplated in the Asset Sale, (b) replaced LIBOR as an interest rate benchmark in favor of Daily Simple SOFR, subject to a credit spread adjustment of 0.10% per annum, (c) amended the Third Lien Credit Agreement's maturity date to the earlier of (i) March 30, 2025 and (ii) 180 days after the maturity date under the ABL Credit Agreement, (d) reduced the capacity to incur indebtedness and liens, make investments, restricted payments and dispositions and repay certain indebtedness and (e) modified certain representations and warranties, covenants and events of default in respect of documentation related to the Asset Sale. The Third Lien Third Amendment became effective upon the consummation of the Asset Sale, the prepayment of the Term Loan Credit Facility in full and other transactions contemplated by the Asset Purchase Agreement.

On June 23, 2023, Vince, LLC entered into the Fourth Amendment (the "Third Lien Fourth Amendment") to the Third Lien Credit Agreement which, among other things, (a) extended the Third Lien Credit Agreement's maturity date to the earlier of (i) September 30, 2028 and (ii) 91 days prior to the earliest maturity date of any Material Indebtedness (as defined therein) other than the 2023 Revolving Credit Facility and (b) modified certain representations and warranties, covenants and events of default in respect of documentation conforming to the terms of the 2023 Revolving Credit Facility.

Contractual Obligations

On May 25, 2023, in connection with the Closing, Vince, LLC and ABG Vince entered into the License Agreement. The initial term of the License Agreement begins on May 25, 2023, the date on which the Closing actually occurred, and ends at the end of the Company's 2032 fiscal year, unless sooner terminated pursuant to the terms of the License Agreement. Vince, LLC is required to pay ABG Vince a royalty on net sales of Licensed Products and committed to an annual guaranteed minimum royalty of $11,000 during the initial term of the License Agreement, except that the guaranteed minimum royalty for the first contract year during the initial term will be prorated to the period beginning on the Closing Date and ending at the end of the Company's 2023 fiscal year. See Note 1 "Description of Business and Basis of Presentation - (F) Recent Transactions" to the Condensed Consolidated Financial Statements in this Quarterly Report for further information.

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.

Critical Accounting Estimates

Management's discussion and analysis of financial condition and results of operations relies on our condensed consolidated financial statements, as set forth in Part I, Item 1 of this Quarterly Report, 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 estimates is included in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2022 Annual Report on Form 10-K. As of July 29, 2023, there have been no material changes to the critical accounting estimates contained therein.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of July 29, 2023.

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

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

Material Weakness in Internal Control over Financial Reporting

As described in Management's Annual Report On Internal Control Over Financial Reporting in Part II, Item 9A of our Annual Report on Form 10-K for the year ended January 28, 2023, we did not maintain adequate user access controls to ensure appropriate segregation of duties and to adequately restrict access to financial applications and data.

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

Remediation Efforts to Address the Material Weakness

To date, we made continued progress on our comprehensive remediation plan related to this material weakness by implementing the following controls and procedures:

- The Company modified its system access rights to limit the use of generic ID's, particularly in instances where those ID's possessed privileged access rights; and
- The Company effectively designed and implemented a full recertification of AX user access rights.

To fully address the remediation of deficiencies related to segregation of duties, we will need to fully remediate the deficiencies regarding systems access.

Management continues to follow a comprehensive remediation plan to fully address this material weakness. The remediation plan includes implementing and effectively operating controls related to the routine reviews of user system access and user re-certifications, inclusive of those related to users with privileged access, as well as to ensure user's access rights to systems are removed timely upon termination.

While we have reported a material weakness that is not yet remediated, we believe we have made continued progress in addressing financial, compliance, and operational risks and improving controls across the Company. Until the material weakness is remediated, we will continue to perform additional analysis, substantive testing, and other post-closing procedures to ensure that our consolidated financial statements are prepared in accordance with U.S. GAAP.

Limitations on the Effectiveness of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

During the fiscal quarter ended July 29, 2023, we implemented additional business processes and internal controls over financial reporting to address our equity method investment in ABG Vince. There were no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended July 29, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

The risk factors disclosed in the Company's 2022 Annual Report on Form 10-K, in addition to the other information set forth in this Quarterly Report on Form 10-Q, could materially affect the Company's business, financial condition or results.

The section in the Company's 2022 Annual Report on Form 10-K titled "Risks Related to our Business and Industry" is replaced in its entirety by the following:

Risks Related to Our Business and Industry

The failure to maintain our license agreement relating to the Vince brand would cause us to lose all our revenues.

On May 25, 2023, Vince, LLC, the Company's wholly owned indirect subsidiary, sold all its intellectual property assets related to the business operated under the VINCE brand to ABG Vince, an indirect subsidiary of Authentic Brands Group, LLC ("Authentic"), pursuant to the Asset Purchase Agreement, entered into by and among Vince, LLC, ABG Vince, the Company and ABG Intermediate Holdings 2 LLC. Simultaneously with the Asset Sale, Vince, LLC entered into a license agreement (the "License Agreement") with ABG Vince which provides us with a license to use the Licensed Property (as defined in the License Agreement) in the Territory, which is defined as the United States, Canada, Andorra, Austria, Germany, Switzerland, Belgium, Netherlands, Luxembourg, France, Monaco, Liechtenstein, Italy, San Marino, Vatican City, Iceland, Norway, Denmark, Sweden, Finland, Spain, Portugal, Greece, Republic of Cyprus (excluding Northern Cyprus), United Kingdom, Ireland, Australia, New Zealand, Mainland China, Hong Kong, Macau, Taiwan, Singapore, Japan and Korea (the "Core Territory"), together with all other territories (the "Option Territory"), which Option Territory may be changed unilaterally by ABG Vince at any time after the effective date of the License Agreement. Additionally, we may use the Licensed Property to design, manufacture, promote, market, distribute, and sell ready-to-wear sportswear products and outerwear products (the "Core Products") and home décor and baby layettes (the "Option Products," together with the Core Products, the "Licensed Products"), which Option Products may be changed unilaterally by ABG Vince at any time after the effective date of the License Agreement. The License Agreement has an initial term of ten years with eight options to renew for a ten-year period each.

Our revenues are generated solely from sales of products pursuant to the license granted under the License Agreement. We are required under the License Agreement, among other things, to achieve specified minimum net sales, make specified royalty payments, spend specified advertising and promotion expenditures, and maintain a minimum number of retail stores. If we do not satisfy any of the material requirements of the License Agreement, ABG Vince has the right to terminate the license or not renew the License Agreement. The failure to maintain or renew the License Agreement will cause us to lose all our revenues and have a material adverse effect on our results of operations.

Our business is impacted by ABG Vince's expansion of the Vince brand into other categories and territories.

Under the License Agreement, ABG Vince may produce and sell Vince products other than the Licensed Products and operate the Vince brand in Option Territories into which it may decide to enter in the future. ABG Vince may do so by granting additional licenses to other third parties. We are unable to control the business strategies of ABG Vince relating to the expansion of the Vince brand outside of the license granted to us under the License Agreement, including how those strategies impact our own business strategies, the quality of products produced by other Vince brand licensees as well as how the overall Vince brand image may evolve. If there is a change in the parameters of the Vince brand's design, pricing, distribution, target market or competitive set as a result of the brand's expansion into other categories and territories, we may be unable to maintain our historical product design and marketing direction or appeal to the brand's customer base as originally intended and our results of operations could be materially and adversely affected.

Our business is subject to ABG Vince's approval rights and other actions.

Under the License Agreement, ABG Vince has broad approval rights at its sole good faith discretion, including over, among other things, design direction of Licensed Products and marketing strategies, as well as any addition of new customer accounts and new retail locations. In addition, ABG Vince may remove any customer account that was pre-approved at the time of the closing of the Asset Sale if using its good faith, commercially reasonable judgment, it believes that such account is no longer consistent with the brand positioning for the Licensed Property. If ABG Vince chooses to exercise any of these approval rights, we may be unable to operate our business as intended. Furthermore, as part of the Asset Sale, our license agreements, including our e-commerce website domain name license, were sold to ABG Vince. ABG Vince will be required to maintain such license agreements going forward, and its failure to do so could materially and adversely affect our business and operations. Lastly, Vince, LLC's governance rights as a minority equity holder of ABG Vince are limited and therefore, ABG Vince could choose to take corporate actions that would materially and negatively impact the results of operations of ABG Vince, which could in turn adversely affect the amount of cash available for distribution to Vince, LLC.

Our ability to continue to have the liquidity necessary to service our debt, meet contractual payment obligations, including royalty payments under the License Agreement, and fund our operations depends on many factors, including our ability to generate sufficient cash flow from operations, maintain adequate availability under our 2023 Revolving Credit Facility or obtain other financing.

Our ability to timely service our indebtedness, meet contractual payment obligations, including royalty payments under the License Agreement, and to fund our operations will depend on our ability to generate sufficient cash, either through cash flows from operations, borrowing availability under the 2023 Revolving Credit Facility or other financing. While we expect to meet our monthly Excess Availability (as defined in the 2023 Revolving Credit Facility Agreement) covenant and believe that our other sources of liquidity will generate sufficient cash flows to meet our obligations for the next twelve months, the foregoing expectation is dependent on a number of factors, including, among others, our ability to generate sufficient cash flow from operations, our ongoing ability to manage our operating obligations, the results of any future inventory valuations and the potential borrowing restrictions imposed by our lenders based on their credit judgment, which could materially and negatively impact our borrowing capacity, the wind down of the Rebecca Taylor business, as well as macroeconomic factors. In the event that we are unable to timely service our debt, meet other contractual payment obligations or fund our other liquidity needs, we may need to refinance all or a portion of our indebtedness before maturity, seek waivers of or amendments to our contractual obligations for payment, reduce or delay scheduled expansions and capital expenditures, liquidate inventory through additional discounting, sell material assets or operations or seek other financing opportunities. There can be no assurance that these options would be readily available to us and our inability to address our liquidity needs could materially and adversely affect our operations and jeopardize our business, financial condition and results of operations, including a default under the 2023 Revolving Credit Facility which could result in all amounts outstanding under such facility becoming immediately due and payable.

Our operations are restricted by our credit facilities.

Our credit facility contains significant restrictive covenants. The 2023 Revolving Credit Facility includes covenants that may impair our financing and operational flexibility and make it difficult for us to react to market conditions and satisfy our ongoing capital needs and unanticipated cash requirements. Specifically, such covenants significantly restrict our ability and, if applicable, the ability of our subsidiaries to, among other things: incur additional debt; make certain investments and acquisitions; enter into certain types of transactions with affiliates; use assets as security in other transactions; pay dividends; sell certain assets or merge with or into other companies; guarantee the debt of others; enter into new lines of businesses; make capital expenditures; prepay, redeem, or exchange our debt; and form any joint ventures or subsidiary investments.

Our ability to comply with the covenants and other terms of our debt obligations will depend on our future operating performance. If we fail to comply with such covenants and terms, and are unable to cure such failure under the terms of our credit facilities, if applicable, we would be required to obtain additional waivers from our lenders to maintain compliance with our debt obligations. If we are unable to obtain any necessary waivers and the debt is accelerated, a material adverse effect on our financial condition and future operating performance would likely result.

We may not be able to realize the benefits of our strategic initiatives.

Our business growth depends on the successful execution of our strategic initiatives for our brands. The success of our strategic initiatives depends on a number of factors, including our ability to drive margin expansion through disciplined cost management and reduced promotional activity, position our retail and e-commerce businesses for further strategic growth, particularly through enhancement of our customer data platform to drive greater loyalty and conversion and capture broader customer base, expand our presence in Asia, Canada and select European countries, grow men's business, our ability to properly identify appropriate future growth opportunities, and other macroeconomic impacts on our business. There can be no assurance that the strategic initiatives would produce intended positive results, particularly as we adapt to the new operational landscape as a result of the Asset Sale and the entry into the License Agreement. If we are unable to realize the benefits of the strategic initiatives, our financial conditions, results of operations and cash flows could be materially and adversely affected.

We may be unable to improve our profitability.

We expect a negative impact on our operating and net income resulting from the royalty payments under the License Agreement as well as the loss of our footwear and soft accessories licenses as a result of the Asset Sale. We plan to offset such negative impact by driving margin expansion through disciplined cost management and reduced promotional activity. There is no assurance that we will be successful in implementing this strategy as such success depends on a number of factors, such as our ability to properly identify and execute cost management initiatives and macroeconomic factors that could impact our promotional cadence. If we are unable to implement the strategy to drive margin expansion, we may not be able to offset the negative impact on our financial results and our profitability may not improve as intended.

We may be unable to effectively execute our customer strategy.

One of our strategic priorities is to utilize a customer data platform and marketing strategy from which we will be able to drive customer initiatives underpinned by data and technology, creating improved segmentation and personalization for an enhanced customer experience both domestically and internationally. This will require significant investment in technology and infrastructure, as well as an increased reliance on leveraging micro and macro influencer networks to increase brand awareness and loyalty through social media and the digital dissemination of advertising campaigns. We must keep up to date with other competitive technology trends, including the use of innovative technology, creative and attractive user interfaces, and other e-commerce marketing tools such as paid search and mobile applications, among others, which may increase our costs as well as our exposure to legal and reputational liability for online content, but may not succeed in increasing sales or attracting new customers. Any failure on our part to effectively execute on our strategy to enhance our customers' experience and realize the expected return on our investment in these initiatives could negatively affect sales as well as the reputation of our brands, which could adversely impact our growth and profitability.

Our limited operating experience and brand recognition in international markets may delay our expansion strategy and cause our business and growth to suffer.

We face risks with respect to our strategy to expand internationally, including our efforts to further expand our business in Canada, select European countries, Asia, including China, and the Middle East through company-operated locations, wholesale arrangements as well as with international partners. Our current operations are based largely in the U.S., with international wholesale sales representing approximately 8% of net sales for fiscal 2022. Therefore, we have a limited number of customers and experience in operating outside of the U.S. We also do not have extensive experience with regulatory environments and market practices outside of the U.S. and cannot guarantee that we will be able to penetrate or successfully operate in any market outside of the U.S. Many of these markets also have different operational characteristics, including employment and labor regulations, transportation, logistics, real estate (including lease terms) and local reporting or legal requirements, and the impact on the international markets remains unclear. In addition, pursuant to the License Agreement, our exclusive license to operate the Vince brand may be limited by the terms of the License Agreement. Some of the regions in which we currently operate are designated as Option Territories, including the Middle East and Latin America. If Authentic chooses to operate in these Option Territories, we become unable to directly operate in those areas.

In fiscal 2021, we commenced a strategy to expand our international retail and e-commerce presence in China and a select list of neighboring countries in Asia via a joint venture arrangement. We are in the initial stages of establishing this relationship and there can be no guarantee that it will materialize. Further, we may face counterparty and/or operational risks as this joint venture arrangement makes us susceptible to the actions of our third-party partner. Our joint venture partner may have views that differ or conflict with ours, such as the timing of new store openings and the pricing of our products, or our partner may become bankrupt, which may as a practical matter subject us to our partner's liabilities in connection with the joint venture. Although we have sought and generally will seek to maintain sufficient control of any investment to permit our objectives to be achieved, we might not be able to take certain actions without the approval of our partners. Reliance on joint venture relationships and our partners exposes us to increased risk that our joint ventures will not be successful and will result in competitive harm to our brand image that could cause our expansion efforts, profitability and results of operations to suffer.

One of our strategic initiatives is to focus on our direct-to-consumer business, which includes opening retail stores in select locations under more favorable and shorter lease terms and operating and maintaining our new and existing retail stores successfully. If we are unable to execute this strategy in a timely manner, or at all, our financial condition and results of operations could be materially and adversely affected.

As part of our strategy to increase focus on our direct-to-consumer business, we continue to seek retail opportunities in targeted streets or malls with desirable size and adjacencies, typically near luxury retailers that we believe are consistent with our key customers' demographics and shopping preferences, and seek to negotiate more favorable leases including shorter terms. The success of this strategy depends on a number of factors, including the identification of suitable markets and sites, negotiation of acceptable lease terms while securing those favorable locations, including desired term, rent and tenant improvement allowances, and if entering a new market, the timely achievement of brand awareness and proper evaluation of the market particularly for locations with shorter term, affinity and purchase intent in that market, as well as our business condition in funding the opening and operations of stores. In addition, under the License Agreement, we are required to obtain prior approval from ABG Vince with respect to new retail locations which may be provided at its sole good faith discretion. We may be unable to execute this strategy as intended if ABG Vince chooses to withhold such approval. Furthermore, we may not be able to maintain the successful operation of our retail stores if the areas around our existing retail locations undergo changes that result in reductions in customer foot traffic or otherwise render the locations unsuitable, such as economic downturns in the area, changes in demographics and customer preferences, and the closing or decline in popularity of adjacent stores.

As of January 28, 2023, we operated 67 stores, including 49 company-operated Vince full-price stores and 17 company-operated Vince outlet stores throughout the United States and one company-operated Vince full price store in the United Kingdom.

During fiscal 2022 and 2020, we recorded non-cash asset impairment charges of $1,880 and $13,026, respectively, within Impairment of long-lived assets on the Consolidated Statements of Operations and Comprehensive Income (Loss) related to the impairment of property and equipment and operating lease right-of-use assets of certain retail stores with carrying values that were determined not to be recoverable and exceeded their fair value. We may in the future record further impairments of these assets.

We are subject to risks associated with leasing retail and office space, are historically subject to long-term non-cancelable leases and are required to make substantial lease payments under our operating leases, and any failure to make these lease payments when due would likely harm our business, profitability and results of operations.

We do not own any of our stores or our offices, including our New York, Los Angeles or Paris offices and showroom spaces, but instead lease all of such space under operating leases. Although a majority of our leases are subject to shorter terms as a result of the implementation of our strategy to pursue shorter lease terms, we still have some leases with initial terms of 10 years, and generally can be extended only for one additional 5-year term. Substantially all of our leases require a fixed annual rent, and most require the payment of additional rent if store sales exceed a negotiated amount. Most of our leases are "net" leases, which require us to pay the cost of insurance, taxes, maintenance, and utilities, and we generally cannot cancel these leases solely at our option. Additionally, certain of our leases allow the lessor to terminate the lease if we do not achieve a specified gross sales threshold. We cannot assure you that we will be able to achieve these required thresholds and in the event we are not able to do so, we may be forced to find an alternative store location and may not be successful in doing so. Any loss of our store locations due to underperformance may harm our results of operations, stock price and reputation.

Payments under these leases account for a significant portion of our selling, general and administrative expenses. For example, as of January 28, 2023, we were a party to 77 operating leases associated with our retail stores and our office and showroom spaces requiring future minimum lease payments of $26,072 in the aggregate through fiscal 2023 and $86,851 thereafter. Any new retail stores leased by us under operating leases will further increase our operating lease expenses, and some of those stores may require significant capital expenditures. We depend on cash flows from operations to pay our lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash flow from operating activities, and sufficient funds are not otherwise available to us from borrowings under our credit facilities or from other sources, we may not be able to service our operating lease expenses, grow our business, respond to competitive challenges or fund our other liquidity and capital needs, which would harm our business. In addition, we may remain obligated under the applicable lease for, among other things, payment of the base rent for the remaining lease term, even after the space is exited or otherwise closed (such as our temporary store closures resulting from the COVID-19 pandemic). Such costs and obligations related to the early or temporary closure of our stores or termination of our leases could have a material adverse effect on our business, results of operations, and financial condition.

If an existing or future store is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among others, paying the base rent for the balance of the lease term if we cannot negotiate a mutually acceptable termination payment. In addition, as our leases expire, we may fail to negotiate renewals, either on commercially acceptable terms or at all, or to find a suitable alternative location, which could cause us to close stores in desirable locations or in the case of office leases, incur costs in relocating our office space. In fiscal 2023, sixteen (16) of our existing store leases will expire.

A substantial portion of our revenue is derived from a small number of large wholesale partners, and the loss of any of these wholesale partners could substantially reduce our total revenue.

We historically had and continue to have a small number of wholesale partners who account for a significant portion of our net sales. Our consolidated net sales to the full-price, off-price and e-commerce operations of our largest wholesale partner comprised 16% of our total revenue for fiscal 2022. We do not have formal written agreements with any of our wholesale partners and purchases generally occur on an order-by-order basis. A decision by any of our major wholesale partners, whether motivated by marketing strategy, competitive conditions, financial difficulties or otherwise, to significantly decrease the amount of merchandise purchased from us or our licensing partners, or to change their manner of doing business with us or our licensing partners, could substantially reduce our revenue and have a material adverse effect on our profitability. In addition, due to the concentration of and/or ownership changes in our wholesale partner base, our results of operations could be adversely affected if any of these wholesale partners fails to satisfy its payment obligations to us when due or no longer takes part in the distribution arrangements. These changes could also decrease our opportunities in the market and decrease our negotiating strength with our wholesale partners. Furthermore, under the License Agreement, ABG Vince may remove any customer account that was pre-approved at the time of the closing of the Asset Sale if it believes using its good faith, commercially reasonable judgment, that such account is no longer consistent with the brand positioning for the Licensed Property or reject at its sole good faith discretion any new customer account we submit for its approval. If we lose any of our existing wholesale partners as a result of ABG Vince's decision to remove them, or if we are unable to expand our wholesale partnership or any addition of new wholesale partners is rejected by ABG Vince, our results of operations could be significantly and negatively impacted. These factors could have a material adverse effect on our business, financial condition, and operating results.

If we are unable to accurately forecast customer demand for our products, our results of operations could be materially impacted.

We stock our stores, and provide inventory to our wholesale partners, based on our or their estimates of future demand for particular products. Our inventory management and planning team determines the number of pieces of each product that we will order from our manufacturers based upon past sales of similar products, sales trend information and anticipated demand at our suggested retail prices. Our ability to accurately forecast demand for our products could be affected by many factors, including an increase or decrease in demand for our products or for products of our competitors, product introductions by competitors, unanticipated changes in general market conditions, and weakening of economic conditions or consumer confidence in future economic conditions. We cannot guarantee that we will be able to match supply with demand in all cases in the future, to produce sufficient levels of desirable product or to forecast demand accurately. If we fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of products. Inventory levels in excess of customer demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would negatively impact our gross margin, as was the case in fiscal 2022. Conversely, if we underestimate customer demand for our products, our manufacturers may not be able to deliver products to meet our requirements, and this could harm our business. There can be no assurance that we will be able to successfully manage our inventory at a level appropriate for future customer demand.

General economic conditions in the U.S. and other parts of the world, including a weakening of the economy and restricted credit markets, can affect consumer confidence and consumer spending patterns.

The success of our operations depends on consumer spending. Consumer spending is impacted by a number of factors, including actual and perceived economic conditions affecting disposable consumer income, customer traffic within shopping and selling environments, business conditions, interest rates and availability of credit and tax rates in the general economy and in the international, regional and local markets in which our products are sold, including those resulting from inflation and other macroeconomic pressures in the United States and the global economy (including rising interest rates, fears of recession and continued market volatility and instability in the banking sector), health epidemics or pandemics (including the COVID-19 pandemic), and catastrophic events, such as war (including the armed conflict between Ukraine and Russia and the related governmental and non-governmental global responses to such conflict), terrorist attacks, civil unrest, and other acts of violence. A worsening of the economy may negatively affect consumer and wholesale purchases of our products and could have a material adverse effect on our business, results of operations and financial conditions.

We have identified a material weakness in our internal control over financial reporting that could, if not remediated, result in material misstatements in our financial statements.

A material weakness continued to exist relating to our internal control over financial reporting which was previously identified in fiscal 2016. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of an entity's financial statements will not be prevented or detected on a timely basis. The material weakness will not be remediated until all necessary internal controls have been implemented, tested and determined to be operating effectively. In addition, we may need to take additional measures to address such material weakness or modify the planned remediation steps, and we cannot be certain that the measures we have taken, and expect to take, to improve our internal controls will be sufficient to address the issues identified, to ensure that our internal controls are effective or to ensure that the identified material weakness will not result in a material misstatement of our consolidated financial statements. Moreover, other material weaknesses or deficiencies may develop or be identified in the future. If we are unable to correct material weaknesses or deficiencies in internal controls in a timely manner, our ability to record, process, summarize and report financial information accurately and within the time periods specified in the rules and forms of the SEC, will be adversely affected. This failure could negatively affect the market price and trading liquidity of our common stock, cause investors to lose confidence in our reported financial information, subject us to civil and criminal investigations and penalties, and otherwise materially and adversely impact our business and financial condition.

For so long as we remain a "non-accelerated filer" under the rules of the Securities and Exchange Commission, our independent registered public accounting firm is not required to deliver an annual attestation report on the effectiveness of our internal control over financial reporting. We will cease to be a non-accelerated filer if either (i) the aggregate market value of our outstanding common stock held by non-affiliates as of the last business day of our most recently completed second fiscal quarter (our "public float") is $75,000 or more and our annual revenues for the most recently completed fiscal year are $100,000 or more or (ii) our public float is $700,000 or more, in which case we would become subject to the requirement for an annual attestation report by our independent registered public accounting firm on the effectiveness of our internal control over financial reporting.

Failure to comply with laws and regulations could adversely impact our business.

We are subject to numerous domestic and international laws, regulations and advisories, including labor and employment, wage and hour, customs, truth-in-advertising, consumer protection, data and privacy protection, and zoning and occupancy laws and ordinances that regulate retailers generally or govern the importation, promotion and sale of merchandise and the operation of stores and warehouse facilities. If these regulations were violated by our management, employees, vendors, independent manufacturers or partners, the costs of certain goods could increase, or we could experience delays in shipments of our products, be subject to fines or penalties, or suffer reputational harm, which could reduce demand for our merchandise and hurt our business and results of operations. Moreover, changes in product safety or other consumer protection laws could lead to increased costs to us for certain merchandise, or additional labor costs associated with readying merchandise for sale. It is often difficult for us to plan and prepare for potential changes to applicable laws and future actions or payments related to such changes could be material to us.

Intense competition in the apparel and fashion industry could reduce our sales and profitability.

As a fashion company, we face intense competition from other domestic and foreign apparel, footwear and accessories manufacturers and retailers. Competition has and may continue to result in pricing pressures, reduced profit margins, lost market share or failure to grow our market share, any of which could substantially harm our business and results of operations. Some of our competitors have more established relationships with a broader set of suppliers, greater brand recognition and greater financial, research and development, marketing, distribution and other resources than we do. These capabilities of our competitors may allow one or more of them to better withstand downturns in the economy or apparel and fashion industry. Any increased competition, or our failure to adequately address any of these competitive factors which we have seen from time to time, could result in reduced sales, which could adversely affect our business, financial condition, and operating results.

Competition, along with such other factors as consolidation within the retail industry and changes in consumer spending patterns, could also result in significant pricing pressure and cause the sales environment to be more promotional, as it has been in recent years, impacting our financial results. For instance, we operated through a highly promotional sales environment during fiscal 2022 which had a negative impact on our operating results. If promotional pressure remains intense, either through actions of our competitors or through customer expectations, this may cause a further reduction in our sales and gross margins and could have a material adverse effect on our business, financial condition and operating results.

If we lose any key personnel, are unable to attract key personnel, or assimilate and retain our key personnel, we may not be able to successfully operate or grow our business.

Our continued success is dependent on our ability to attract, assimilate, retain, and motivate qualified management, designers, administrative talent, and sales associates to support existing operations and future growth. Competition for qualified talent in the apparel and fashion industry is intense, and we compete for these individuals with other companies that in many cases have greater financial and other resources. The loss of the services of any members of senior management or board of directors or the inability to attract and retain qualified executives or members of our board of directors could have a material adverse effect on our business, results of operations and financial condition. In addition, we will need to continue to attract, assimilate, retain, and motivate highly talented employees with a range of other skills and experience. Competition for employees in our industry, especially at the store management levels, is intense and we may from time to time experience difficulty in retaining our associates or attracting the additional talent necessary to support the growth of our business. We will also need to attract, assimilate, and retain other professionals across a range of disciplines, including design, production, sourcing, and international business, as we develop new product categories and continue to expand our international presence.

Our operating results may be subject to seasonal and quarterly variations in our net revenue and income from operations.

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, consumer confidence as well as the impact from 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. Any future seasonal or quarterly fluctuations in our results of operations may not match the expectations of market analysts and investors to assess the longer-term profitability and strength of our business at any particular point, which could lead to increased volatility in our stock price.

Our goodwill could become further impaired, which may require us to take significant non-cash charges against earnings.

In accordance with Financial Accounting Standards Board ASC Topic 350 Intangibles-Goodwill and Other ("ASC 350"), goodwill is tested for impairment at least annually and in an interim period if a triggering event occurs. Determining the fair value of goodwill is judgmental in nature and requires the use of significant estimates and assumptions, including estimates of projected revenues, EBITDA margins, long-term growth rates, working capital and discount rates, among others. We base our estimates on assumptions we believe to be reasonable, but which are unpredictable and inherently uncertain. Actual future results may differ from those estimates. It is possible that our current estimates of future operating results could change adversely and impact the evaluation of the recoverability of the remaining carrying value of goodwill, the impact of which could be material. There can be no assurances that we will not be required to record further charges in our financial statements, which would negatively impact our results of operations during the period in which any impairment of our goodwill is determined.

Our competitive position could suffer if the intellectual property rights relating to the Vince brand are not protected.

As a result of the Asset Sale, the intellectual property rights relating to the Vince brand will be protected and enforced by Authentic and we have no control over their actions to do so. If Authentic does not protect the intellectual property rights of the Vince brand, we may become unable to operate our business as intended, which could harm our business and cause our results of operations, liquidity, and financial condition to suffer.

We may be unable to successfully complete the wind down of the Rebecca Taylor business.

On September 12, 2022, the Company announced its decision to wind down the Rebecca Taylor business. The execution of the wind down is subject to various remaining risks and uncertainties surrounding the actions of customers, vendors and other counterparties, including legal risks associated with the wind down. As a result, we may not be able to successfully complete the wind down of the Rebecca Taylor business or the overall cost of the wind down may exceed our expectations. Furthermore, if we are unable to successfully complete the wind down of the Rebecca Taylor business or the cost exceeds our expectations, the Vince business may be adversely impacted.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
10.1	Credit Agreement, dated as of June 23, 2023, by and among Vince, LLC, the guarantors named therein, Bank of America, N.A., as Agent, the other lenders from time to time party thereto, and BofA Securities, Inc., as sole lead arranger and sole bookrunner *(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 26, 2023)*.
10.2	Fourth Amendment to Credit Agreement, dated as of June 23, 2023, by and among Vince, LLC as the borrower, SK Financial Services, LLC, as agent and the other lenders from time to time party thereto *(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 26, 2023)*.
10.3	Sales Agreement, dated as of June 30, 2023, between the Company and Virtu Americas LLC *(incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 30, 2023)*.
10.4	Contractor Services Agreement, dated as of June 16, 2023, by and between the Company and Michael Hand.
10.5	Amended and Restated Limited Liability Company Agreement of ABG-Vince LLC (f/k/a ABG-Viking, LLC), dated as of May 25, 2023, by and between ABG Intermediate Holdings 2 LLC and Vince, LLC *(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 25, 2023)*.
10.6	License Agreement, dated as of May 25, 2023, by and between ABG-Vince LLC (f/k/a ABG-Viking, LLC) as licensor and Vince, LLC as licensee *(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 25, 2023)*.
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.INS	Inline XBRL Instance - *the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.*
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation
101.PRE	Inline XBRL Taxonomy Extension Presentation
101.LAB	Inline XBRL Taxonomy Extension Labels
101.DEF	Inline XBRL Taxonomy Extension Definition
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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>**Date**</u>		**Vince Holding Corp.**
September 15, 2023	By:	/s/ Michael Hand
		Michael Hand
		Interim Chief Financial Officer
		(as duly authorized officer, and principal financial officer)

Exhibit 10.4

CONTRACTOR SERVICES AGREEMENT

Client	
Name: **Vince Holding Corp.**	Contact: Lee Meiner
Address: 500 Fifth Avenue, 20th Floor, New York, NY 10110	Phone: [Phone Number]
	E-Mail: lmeiner@vince.com
Contractor	
Name: Michael Hand	Contact: Michael Hand
Address: [Home Address]	Phone: [Phone Number]
	E-Mail: [E-mail address]

This Services Agreement ("Agreement") is entered into on _Jun 16, 2023_____________ (the "Effective Date") between the Client listed above ("Client") and the Contractor listed above ("Contractor"). This Agreement includes and incorporates the above table, as well as the attached Terms and Conditions, and contains, among other things, warranty disclaimers and liability limitations.

Client:	Contractor:
By: /s/ Lee Meiner	By: /s/ Michael Hand
Name: Lee Meiner	Name: Michael Hand
Title: Chief People Officer	Title: Interim CFO

TERMS AND CONDITIONS

DESCRIPTION OF SERVICES. Beginning on _June 20, 2023_ Contractor will provide to Client the following services described in the attached Exhibit (collectively, the "Services").

FEES. In consideration for the Services to be performed by Contractor under this Agreement, the Client will pay Contractor at the rate of _$16,000 / week_. Client will pay the full amount of weekly Services Fees invoices within 5 business days of receipt. A security deposit equal to one week of services, _$16,000_, is required prior to commencement of any services for Client. The deposit will be applied against the final invoice, and any unused portion will be refunded.

REIMBURSEMENT OF BUSINESS EXPENSES. Additionally, the Client will pay Contractor for the following expenses when incurred while this Agreement between Contractor and the Client exists: all travel expenses to and from all work sites and all pre-approved business-related travel including airfare, meals, car rental, mileage, hotel/lodging and other generally acceptable travel expenses. Client will reimburse the Contractor directly for business expenses incurred. If preferred by Client, Client can provide Contractor with a corporate credit card for expenses.

CUSTOMER PAYMENTS AND BILLING. Client will pay BluWave, LP ("BluWave"), the payment processor, the fees for the Project in accordance with its agreement with BluWave. Contractor hereby directs Client to make all payments due hereunder to BluWave and agrees that any payments made to BluWave discharge Client's obligation to make such payments to Contractor.

THIRD PARTY BENEFICIARY. Client and Contractor understand and agree that BluWave is an intended third-party beneficiary of this agreement and that BluWave has the right to enforce its rights hereunder on its own behalf.

WARRANTIES. Contractor does not make any representations or warranties as to the accuracy of the information or work product provided by Contractor under the terms of this agreement and/or results that may be obtained based on the use of such information or work product.

TERM. This Agreement will terminate on _September 1, 2023 unless agreed in writing by both Client and Contractor to extend or with notice given by one party to the other 7 days prior to termination.

WORK PRODUCT OWNERSHIP. Any copyrightable works, ideas, discoveries, inventions, patents, products, or other information (collectively the "Work Product") developed in whole or in part by Contractor in connection with the Services will be the exclusive property of Client. Upon request, Contractor will execute all documents necessary to confirm or perfect the exclusive ownership of Client to the Work Product.

CONFIDENTIALITY. Contractor, and its employees, agents, or representatives will not at any time or in any manner, either directly or indirectly, use for the personal benefit of Contractor, or divulge, disclose, or communicate in any manner, any information that is proprietary to Client. Contractor and its employees, agents, and representatives will protect such information and treat it as strictly confidential. This provision will continue to be effective after the termination of this Agreement.

INDEPENDENT CONTRACTOR STATUS. Contractor acknowledges and agrees that its relationship to the Client is that of an independent contractor and vendor rendering professional services. Further, consistent with Contractor's status as an independent contractor/vendor of the Clients, neither Contractor nor any of its owners, principals, officers, directors, affiliates, employees or agents (if applicable) shall be entitled to participate in or receive any compensation or benefits from the Client, that the Client provides or makes available to their respective employees pursuant to legal requirements or otherwise including, without limitation, worker's compensation insurance, travel accident insurance, medical/dental insurance, life insurance, short- term and/or state disability insurance or benefits, long-term disability insurance, holiday pay, sick pay, paid vacation, bonuses, salary continuation pay, leaves of absence (paid or unpaid), pension plan benefits, retirement savings plan benefits or lease vehicle benefits. Contractor is solely responsible for:

(i) compensating any of its employees and agents who provide any services to a Client on Contractor's behalf, including, without limitation, wages and employee benefits;

(ii) reporting to all applicable government agencies all amounts paid to such employees and agents;

(iii) withholding and payment of all payroll taxes including, without limitation, unemployment insurance, Federal Insurance Contributions Act and Federal Unemployment Tax Act;

(iv) compliance with all applicable laws with respect to Contractor's employees and agents including, without limitation, those requiring and regulating workers' compensation insurance, reporting of independent contractors, issuance of Forms W-2 and 1099, the Immigration Reform Control Act, and equal employment opportunity laws.

DIRECTOR AND OFFICER COVERAGE. Client will add Contractor as a covered individual under the corporate director and officer insurance. Coverages and limits will be equal to that of the incumbent CFO.

NOTICE. Any notice or communication required or permitted under this Agreement shall be sufficiently given if delivered in person, by electronic mail, or by certified mail, return receipt requested, to the addresses listed above or to such other address as one party may have furnished to the other in writing. The notice shall be deemed received when delivered or signed for, or on the third day after mailing if not signed for.

WAIVER OF CONTRACTUAL RIGHT. The failure of either party to enforce any provision of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Agreement.

LIMITATION OF LIABILITY. NOTWITHSTANDING ANYTHING TO THE CONTRARY AND TO THE FULLEST EXTENT PERMITTED BY LAW, CONTRACTOR AND ITS SUPPLIERS (INCLUDING BUT NOT LIMITED TO ALL EQUIPMENT AND TECHNOLOGY SUPPLIERS), OFFICERS, PARTNERS, AFFILIATES, REPRESENTATIVES, CONTRACTORS, AND EMPLOYEES SHALL NOT BE RESPONSIBLE OR LIABLE WITH RESPECT TO ANY SUBJECT MATTER OF THIS AGREEMENT OR TERMS AND CONDITIONS RELATED THERETO UNDER ANY CONTRACT, NEGLIGENCE, STRICT LIABILITY, OR OTHER THEORY: (A) FOR ERROR OR INTERRUPTION OF USE OR FOR LOSS OR INACCURACY OR CORRUPTION OF DATA OR COST OF PROCUREMENT OF SUBSTITUTE GOODS, SERVICES, OR TECHNOLOGY OR LOSS OF BUSINESS; (B) FOR ANY INDIRECT, EXEMPLARY, INCIDENTAL, SPECIAL, OR CONSEQUENTIAL DAMAGES; (C) FOR ANY MATTER BEYOND CONTRACTOR'S REASONABLE CONTROL; (D) FOR ANY ACT OR OMISSION OF CONTRACTOR OR ANY OF ITS PARTNERS, SHAREHOLDERS, MEMBERS, DIRECTORS, MANAGERS, OFFICERS, EMPLOYEES, AFFILIATES, OR AGENTS; OR (E) FOR ANY AMOUNTS THAT, TOGETHER WITH AMOUNTS ASSOCIATED WITH ALL OTHER CLAIMS, EXCEED (75% OF) THE FEES PAID BY CLIENT TO CONTRACTOR FOR THE SERVICES UNDER THIS AGREEMENT IN THE 12 MONTHS PRIOR TO THE ACT THAT GAVE RISE TO THE LIABILITY, IN EACH CASE, WHETHER OR NOT CLIENT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE FOREGOING LIMITATION SHALL NOT APPLY TO ANY LIABILITY ARISING OUT OF THE GROSS NEGLIGENCE

OR WILLFUL MISCONDUCT OF CONTRACTOR OR ANY OF THE CONTRACTOR PARTIES DESCRIBED ABOVE.

ENTIRE AGREEMENT. This Agreement constitutes the entire contract between the parties. All terms and conditions contained in any other writings previously executed by the parties regarding the matters contemplated herein shall be deemed to be merged herein and superseded hereby. No modification of this Agreement shall be deemed effective unless in writing and signed by the parties hereto.

AMENDMENT. This Agreement may be modified or amended if the amendment is made in writing and signed by both parties.

SEVERABILITY. If any provision of this Agreement shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If a court finds that any provision of this Agreement is invalid or unenforceable, but that by limiting such provision it would become valid and enforceable, then such provision shall be deemed to be written, construed, and enforced as so limited.

APPLICABLE LAW AND VENUE. The parties agree to submit to the exclusive jurisdiction and venue in the state and federal courts sitting in the State of New York for any and all disputes, claims and actions arising from or in connection with this Agreement.

EXHIBIT A

Services to be performed:

Interim CFO Services(at least two days per week worked out of the Client's New York offices); provided, that, from June 20, 2023 until June 30, 2023, the Contractor shall provide transition services working with the incumbent Chief Financial Officer. The Contractor shall be appointed the Interim Chief Financial Officer of the Client as of July 1, 2023.

Exhibit 31.1

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

I, Jonathan Schwefel, 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; and

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/ Jonathan Schwefel

Jonathan Schwefel
Chief Executive Officer
(principal executive officer)
September 15, 2023

Exhibit 31.2

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

I, Michael Hand, 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; and

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/ Michael Hand

Michael Hand
Interim Chief Financial Officer
(principal financial and accounting officer)

September 15, 2023

Exhibit 32.1

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 July 29, 2023 as filed with the Securities and Exchange Commission (the “Report”), Jonathan Schwefel, 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/ Jonathan Schwefel

Jonathan Schwefel
Chief Executive Officer
(principal executive officer)

September 15, 2023

Exhibit 32.2

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 July 29, 2023 as filed with the Securities and Exchange Commission (the “Report”), Michael Hand, Interim 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/ Michael Hand

Michael Hand
Interim Chief Financial Officer
(principal financial and accounting officer)

September 15, 2023