VINCE HOLDING CORP.
Form 10-K
April 04, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended February 1, 2014

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

Commission File Number: 001-36212

VINCE HOLDING CORP.

(Exact name of registrant as specified in its charter)

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

1441 Broadway 6th Floor

New York, New York 10018

(Address of principal executive offices) (Zip code)

(212) 515-2600

(Registrant s telephone number, including area code)

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

Title of Each Class	Name of Exchange on Which Registered
Common Stock, $0.01 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 x No ¨

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation of S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

As of August 2, 2013, the last business day of the Registrant s most recently completed second fiscal quarter, which ended August 3, 2013, the Registrant s common stock was not publicly traded.

As of March 28, 2014, there were 36,723,727 shares of the registrant s Common Stock outstanding.

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INTRODUCTORY NOTE

On November 27, 2013, Vince Holding Corp. (VHC or the Company) completed an initial public offering (the IPO) of 11,500,000 shares of VHC common stock at a public offering price of $20.00 per share, including 1,500,000 shares of VHC common stock sold by certain stockholders of VHC. As a result of the IPO, VHC received net proceeds of $177 million, after deducting underwriting discounts, commissions and estimated offering expenses. The Company retained approximately $5 million of such proceeds for general corporate purposes and used the remaining net proceeds, together with net borrowings under its new term loan facility to repay a promissory note (the Kellwood Note Receivable) issued to Kellwood Company, LLC (Kellwood Company or Kellwood) in connection with the Restructuring Transactions (as defined herein) which occurred immediately prior to the consummation of the IPO. Proceeds from the repayment of the Kellwood Note Receivable were used to repay or discharge certain existing debt of Kellwood Company.

Prior to the IPO and the Restructuring Transactions, VHC was a diversified apparel company operating a broad portfolio of fashion brands, which included the Vince business. As a result of the IPO and Restructuring Transactions, the non-Vince businesses were separated from the Vince business, and the stockholders immediately prior to the consummation of the Restructuring Transactions (the Pre-IPO Stockholders) (through their ownership of Kellwood Holding, LLC) retained the full ownership and control of the non-Vince businesses. The Vince business is now the sole operating business of Vince Holding Corp., with the Pre-IPO stockholders retaining approximately a 68% ownership. Historical financial information for the non-Vince businesses has been presented as a component of discontinued operations, until the businesses were separated on November 27, 2013, in this annual report on Form 10-K and our Consolidated Financial Statements and related notes included herein.

DISCLOSURES REGARDING FORWARD LOOKING STATEMENTS

This annual report on Form 10-K, and any statements incorporated by reference herein, contains forward-looking statements under the Private Securities Litigation Reform Act of 1995. Such statements often include words such as may, will, should, believe, expect, seek, anticipate, intend, estimate, plan, target, project, 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 financial results or benefits anticipated. These forward-looking statements are not guarantees of actual results. 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 remain competitive in the areas of merchandise quality, price, breadth of selection, and customer service; our ability to anticipate and/or react to changes in customer demand and attract new customers; changes in consumer confidence and spending; our ability to maintain projected profit margins; unusual, unpredictable and/or severe weather conditions; the execution and management of our retail store growth, including the availability and cost of acceptable real estate locations for new store openings; the execution and management of our international expansion, including our ability to promote our brand and merchandise outside the U.S. and find suitable partners in certain geographies, our ability to expand our product offerings into new product categories including the ability find suitable licensing partners; our ability to successfully implement our marketing initiatives; our ability to protect our trademarks in the U.S. and internationally; our ability to maintain the security of electronic and other confidential information; serious disruptions and catastrophic events; changes in global economies and credit and financial markets; competition; our ability to attract and retain key personnel; commodity, raw material and other cost increases; compliance with laws, regulations and orders; changes in laws and regulations; outcomes of litigation and proceedings and the availability of insurance, indemnification and other third-party coverage of any losses suffered in connection therewith; tax matters and other factors as set forth from time to time in our Securities and Exchange Commission filings, including those described in this annual report on Form 10-K under Item 1A Risk Factors. We intend these forward-looking statements to speak only as of the time of this annual report on Form 10-K and do not undertake to update or revise them as more information becomes available.

Part I

ITEM 1. BUSINESS.

For purposes of section Vince, the Company, we, and our, refer to Vince Holding. Corp. (VHC) and our wholly owned subsidiaries, including Vince Intermediate Holding, LLC and Vince, LLC. References to Kellwood refer, as applicable, to Kellwood Holding, LLC and its consolidated subsidiaries (including Kellwood Company, LLC) or the operations of the non-Vince businesses after giving effect to the Restructuring Transactions.

Overview

Vince is a prominent, high-growth contemporary fashion brand known for modern, effortless style and everyday luxury essentials. Founded in 2002, Vince has generated strong sales momentum over the last decade. We believe that we will achieve continued success by expanding our product assortment and distribution through premier wholesale partners in the U.S. and select international markets, as well as in our own branded retail locations and on our e-commerce platform. We have a small number of wholesale partners who account for a significant portion of our net sales. Net sales to the full-price, off-price and e-commerce operations of our four largest wholesale partners were 53% of our total revenue for fiscal 2013 and 55% of our total revenue for fiscal 2012. Of these partners, each of Nordstrom, Saks Fifth Avenue and Neiman Marcus accounted for more than 10% of our total revenue for fiscal 2013 and fiscal 2012. We design our products in the U.S. and source the vast majority of our products from contract manufacturers outside the U.S., primarily in Asia and South America.

We serve our customers through a variety of channels that reinforce the Vince brand image. Our diversified channel strategy allows us to introduce our products to customers through multiple distribution points that are reported in two segments: wholesale and direct-to-consumer. Our wholesale segment is comprised of sales to premier department stores and specialty stores in the U.S. and in select international markets, with U.S. wholesale representing 71% of our fiscal 2013 sales. We believe that our success in the U.S. wholesale channel and our strong relationships with premier wholesale partners provide opportunities for continued growth. These growth initiatives include creating enhanced product assortments and brand extensions through both in-house development activities and licensing arrangements, as well as continuing the build-out of branded shop-in-shops in select wholesale partner locations. We also believe international wholesale, which represented 8% of net sales for fiscal 2013, presents a significant growth opportunity as we strengthen our presence in existing geographies and introduce Vince in new markets globally.

In 2008, we initiated a direct-to-consumer strategy with the opening of our first retail store. As of February 1, 2014, we operated 28 stores, which consist of 22 full-price retail stores and six outlet locations. Based on a combination of third-party analyses and internal projections, we believe that the U.S. market can currently support at least 100 free-standing Vince store locations. The direct-to-consumer segment also includes our website, *www.vince.com*, which was launched in 2008. The direct-to-consumer segment accounted for 21% of fiscal 2013 net sales, and we expect sales from this channel to grow as we drive productivity in existing stores, open new stores and upgrade and re-launch our website in 2014.

Vince operates on a fiscal calendar widely used by the retail industry that results in a given fiscal year consisting of a 52 or 53-week period ending on the Saturday closest to January 31 of the following year.

References to fiscal year 2013 or fiscal 2013 refer to the fiscal year ended February 1, 2014;

References to fiscal year 2012 or fiscal 2012 refer to the fiscal year ended February 2, 2013; and

References to fiscal year 2011 or fiscal 2011 refer to the fiscal year ended January 28, 2012.
Each of fiscal years 2013 and 2011 consisted of a 52-week period and fiscal year 2012 consisted of a 53-week period.

Vince Holding Corp., previously named Apparel Holding Corp., was incorporated in Delaware in February 2008 in connection with the acquisition of Kellwood Company by affiliates of Sun Capital Partners, Inc. (Sun Capital). In September 2012, Kellwood Company formed Vince, LLC and all assets constituting the Vince business were contributed to Vince, LLC at such time (the Vince Transfer). On November 27, 2013, Apparel Holding Corp. was renamed Vince Holding Corp. in connection with the consummation of the IPO. Our principal executive office is located at 1441 Broadway, 6th Floor, New York, New York 10018 and our telephone number is (212) 515-2600. Our corporate website address is *www.vince.com*.

Initial Public Offering and Restructuring Transactions

On November 27, 2013 there was a series of transactions completed in connection with the consummation of the IPO. The following is a brief summary:

- Initial public offering of 10,000,000 shares of VHC common stock at a public offering price of $20.00 per share. In connection with the IPO the underwriters exercised in full their option to purchase an additional 1,500,000 shares of VHC common stock from affiliates of Sun Capital. Shares of the Company s common stock are listed on the New York Stock Exchange (NYSE) under the ticker symbol VNCE .

- Certain restructuring transactions (Restructuring Transactions) were completed, through which:

  (i) Kellwood Holding, LLC acquired the non-Vince businesses, which include Kellwood Company, LLC, from the Company; and

  (ii) the Company continues to own and operate the Vince business, which includes Vince, LLC.

The above Restructuring Transactions separated the Vince and non-Vince businesses on November 27, 2013. Any and all debt obligations outstanding at the time of the Restructuring Transactions either remained with Kellwood Holding, LLC and its subsidiaries (i.e. the non-Vince businesses) and/or were discharged, repurchased or refinanced in connection with the consummation of the IPO. Historical financial information for the non-Vince businesses has been presented as a component of discontinued operations, until the businesses were separated on November 27, 2013 in this annual report on Form 10-K and our Consolidated Financial Statements and related notes included herein.

- Revolving Credit Facility Vince, LLC entered into a new senior secured revolving credit facility (the Revolving Credit Facility). Bank of America, N.A. (BofA) serves as administrative agent under this new facility. This revolving credit facility provides for a revolving line of credit of up to $50 million. See Revolving Credit Facility under Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in this annual report on Form 10-K.

- Term Loan Facility Vince, LLC and Vince Intermediate Holding, LLC entered into a new $175 million senior secured term loan credit facility (the Term Loan Facility) with the lenders party thereto, BofA, as administrative agent, J.P. Morgan Chase Bank and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers. See Term Loan Facility under Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in this annual report on Form 10-K.

Shared Services Agreement Vince, LLC entered into a shared services agreement with Kellwood Company, LLC on November 27, 2013 (the Shared Services Agreement) pursuant to which Kellwood Company, LLC provides support services to Vince, LLC in various operational areas including, among other things, distribution, logistics, information technology, accounts payable, credit and collections, and payroll and benefits. See Shared Services Agreement under Item 13. Certain Relationships and Related Transactions, and Director Independence in this annual report on Form 10-K.

Tax Receivable Agreement The Company entered into a tax receivable agreement with the Pre-IPO Stockholders on November 27, 2013 (the Tax Receivable Agreement). 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 certain tax benefits (including net operating losses and tax credits generated prior to the IPO and certain section 197 intangible deductions). See Tax Receivable Agreement under Item 13. Certain Relationships and Related Transactions, and Director Independence in this annual report on Form 10-K.

Brand and Products

Vince is a prominent, high-growth contemporary fashion brand known for its modern, effortless style and everyday luxury essentials. The Vince brand was founded in 2002 with a collection of stylish women s knits and cashmere sweaters that rapidly attracted a loyal customer base drawn to the casual sophistication and luxurious feel of our products. Over the last decade, Vince has generated strong sales momentum and has successfully grown to include a men s collection in 2007, denim, leather and outerwear lines in 2010, and women s footwear in 2012, which was launched through a licensing partnership. The Vince brand is synonymous with a clean, timeless aesthetic, sophisticated design and superior quality. We believe these attributes have generated strong customer loyalty and allowed us to hold a distinctive position among contemporary fashion brands. We also believe that we will achieve continued success by expanding our product assortment and distributing this expanded product assortment through our premier wholesale partners in the U.S. and select international markets, as well as through our growing number of branded retail locations and on our e-commerce platform.

Since our inception in 2002, we have offered contemporary apparel with a focus on clean and authentic design and superior quality. We believe that our differentiated design aesthetic and strong attention to detail and fit allow us to maintain premium pricing, and that the combination of quality and value positions Vince as an everyday luxury brand that encourages repeat purchases among our customers.

Over 85% of Vince s net sales were comprised of women s products with particular strength in sweaters and knit tops in fiscal 2013. Our women s line includes seasonal collections of luxurious cashmere sweaters and silk blouses, leather and suede leggings and jackets, dresses, denim, tanks and t-shirts and a growing assortment of outerwear. Our men s collection includes t-shirts, knit and woven tops, sweaters, denim, pants, blazers, outerwear and stylish leather jackets.

We have identified additional brand extension opportunities, including elevating our men s collection, expanding outerwear, women s pants and dresses, and implementing a replenishment program for core items. In addition to apparel, we currently offer women s footwear through a licensing arrangement and are preparing to launch men s footwear in 2014 with the same licensing partner. We also anticipate launching children s apparel in 2014 through a licensing partner. We are also evaluating other brand extension opportunities through both in-house development activities and licensing arrangements with third parties.

Design and Merchandising

Our product design and merchandising efforts are led by our President and Chief Creative Officer and a team of designers and merchandisers. Our design team is focused on developing an elevated collection of Vince apparel and accessories that build upon the brand s product heritage of modern, effortless style and everyday luxury essentials. The current design vision is to create a cohesive and compelling lifestyle product assortment with sophisticated head-to-toe looks for multiple wear occasions. Our design efforts are supported by well-established product development and production teams and processes that allow us to bring new products to market quickly. We are looking to further build our merchant capabilities and believe continued collaboration between design and merchandising will ensure we respond to consumer preferences and market trends with new innovative product offerings while maintaining our core fashion foundation.

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Business Segments

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

	Net Sales by Segment		
	Fiscal Year		
(in thousands)	**2013**	**2012(a)**	**2011**
Wholesale	$ 229,114	$ 203,107	$ 151,921
Direct-to-consumer	59,056	37,245	23,334
Total	$ 288,170	$ 240,352	$ 175,255

(a) Note that Fiscal 2012 contained 53 weeks. The additional week contributed approximately $17.6 million and $0.9 million of net sales to the wholesale and direct-to-consumer segments, respectively.

Wholesale Segment

Our wholesale segment is comprised of sales to premier department stores and specialty stores in the U.S. and in select international markets, with U.S. wholesale representing 71% and international wholesale representing 8% of our net sales for fiscal 2013. As of February 1, 2014, our products were sold to consumers through 2,300 doors through our wholesale partners. We had 11 shop-in-shops with our U.S. wholesale partners and 10 international shop-in-shops. Our products are currently sold in 47 countries, and we have one international free standing store in Tokyo, Japan that is operated by one of our distribution partners. Our wholesale segment also includes licensing. We signed our first licensing agreement for women s footwear in fiscal 2012. Our footwear is sold in our own stores and by our licensee to select wholesale partners, and we earn a royalty based on net sales through our wholesale partners.

Direct-to-Consumer Segment

In 2008, we initiated a direct-to-consumer strategy with the opening of our first retail store. As of February 1, 2014, we operated 28 stores, which consist of 22 full-price retail stores and six outlet locations. The direct-to-consumer segment also includes our website, *www.vince.com*, which was launched in 2008. The direct-to-consumer segment accounted for approximately 21% of fiscal 2013 net sales, and we expect sales from this channel to grow as we drive productivity in existing stores, open new stores and upgrade and re-launch our website in 2014.

The following table details the number of retail stores we operated for the past three fiscal years:

	Fiscal 2013	**Fiscal 2012**	**Fiscal 2011**
Beginning of fiscal year	22	19	16
Opened	7	3	3
Closed	(1)		

End of fiscal year	28	22	19

Marketing, Advertising and Public Relations

We use marketing, advertising and public relations as critical tools to deliver a consistent brand message. Our marketing is focused on showcasing our product and sophisticated style, as well as building an emotional connection with the customer. The Vince brand image is developed and cultivated by dedicated creative, marketing, visual merchandising and public relations teams that, along with the Vince design team and select outside agencies, work closely to ensure consistency of the brand message across various consumer touchpoints.

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We engage in a wide range of direct marketing programs that include traditional media (direct mail, print advertising, cooperative advertising with wholesale partners and outdoor advertising), digital media (email, web) and social media (Facebook, Twitter, Instagram and Pinterest) to drive traffic across channels. We believe our customers will continue to be receptive to our marketing and social media efforts, which, in management s opinion, have presented us with a strong new marketing channel to reach existing and prospective customers. We use Facebook as the main social media hub to generate conversation about the brand through daily lifestyle posts, focusing on product launches, style tips and in-store events. Social media platforms like Instagram allow us to tell our brand story creatively by offering behind-the-scenes access to events, press reviews and the Vince showroom, as well as featuring Vince enthusiasts wearing our products. In addition, the growing number of visits to *www.vince.com*, which totaled 2.6 million in fiscal 2013, representing a 50% increase from fiscal 2012, provides an opportunity to grow our customer base and communicate directly with our customers.

Our public relations team conducts a wide variety of press activities to reinforce the Vince brand image and create excitement around the brand. Vince apparel and footwear have appeared in the pages of major fashion magazines such as *Vogue, Harper s Bazaar, Elle, W, GQ, Esquire* and *Vanity Fair*. Well-known trend-setters in entertainment and fashion are also regularly seen wearing the brand.

Sourcing and Manufacturing

Vince does not own or operate any manufacturing facilities. We contract for the purchase of finished goods with manufacturers who are responsible for the entire manufacturing process, including the purchase of piece goods and trim. Although we do not have long-term written contracts, we have long-standing relationships with a diverse base of vendors which we believe to be mutually satisfactory. We work with over 30 manufacturers across five countries, with 86% of our products produced in China in fiscal 2013. For cost and control purposes, we contract with select third-party vendors in the U.S. to produce a small portion of our merchandise that includes woven pants and products manufactured with man-made fibers.

All of our garments are produced according to our specifications, and we require that all of our manufacturers adhere to strict regulatory compliance and standards of conduct. Our vendors factories are monitored by our production team to ensure quality control, and they are monitored by independent third-party inspectors we employ for compliance with local manufacturing standards and regulations on an annual basis. Our quality assurance staff in the U.S. and Asia also monitors our vendors manufacturing facilities regularly, providing technical assistance and performing in-line and final audits to ensure the highest possible quality.

Distribution Facilities

Pursuant to the Shared Services Agreement, Kellwood provides distribution facilities and services in the U.S. These services include distribution, storage and fulfillment. Kellwood will continue to provide these services until such time as we elect to terminate the provision of such services in accordance with the terms of the Shared Services Agreement. See Shared Services Agreement under Item 13 Certain Relationships and Related Transactions, and Director Independence of this annual report on Form 10-K for additional information regarding the Shared Services Agreement.

As of February 1, 2014, we operated out of three distribution centers, two located in the U.S. and one in Belgium. The primary warehouse, located in City of Industry, California, includes 75,000 square feet dedicated to fulfilling orders for our wholesale partners and retail locations. An adjacent warehouse spanning 22,000 square feet supports Vince s e-commerce business and offers additional capacity to support our projected growth over the next several years. Our space in both of the California warehouses utilize state-of-the-art warehouse management systems that are fully customer and vendor compliant and are completely integrated with our ERP (enterprise resource planning) and accounting systems.

The warehouse in Belgium is operated by a third-party logistics provider and supports our wholesale orders for customers located in Europe. The warehouse management systems of the Belgium warehouse are integrated with our ERP systems to provide us with near real-time visibility into our international distribution. We believe we have sufficient capacity in our domestic and international distribution facilities to support our continued growth.

Information Systems

Kellwood will continue to provide certain information technology services to us until such time as we elect to terminate provision of such services in accordance with the terms of the Shared Services Agreement. These services include information technology planning and administration, desktop support and help desk, our ERP system, financial applications, warehouse systems, reporting and analysis applications and our retail and e-commerce interfaces.

Our ERP system was developed from a core system that is widely used in the apparel and fashion industry, which we have customized to suit our inventory management and order processing requirements. We have integrated Oracle Financials with our ERP system to meet our financial reporting and accounting requirements. Additionally, we use a suite of third-party hosted retail applications integrated with our ERP system that provide us with merchandising, retail inventory management, point-of-sale systems, customer relationship management and retail accounting. Our retail applications are supported through a Software as a Service model, which allows for new implementations to occur quickly. Our ERP and warehouse management systems are also integrated with a hosted, third-party e-commerce platform.

Seasonality

The 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. In addition, fluctuations in 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.

Competition

We face strong competition in each of the product categories and markets where we compete on the basis of style, quality, price and brand recognition. Some of our competitors have achieved significant recognition for their brand names or have substantially greater financial, marketing, distribution and other resources than us. However, we believe that we have established a sustainable advantage and distinct position in the current marketplace, driven by a product assortment that combines classic and fashion-forward styling, and a pricing strategy that offers customers affordable luxury. Our competitors are varied but include Theory, Helmut Lang, Rag & Bone, James Perse, J. Crew, Michael Kors, Diane von Furstenberg and Tory Burch.

Employees

As of February 1, 2014, we had 355 employees, of which 213 were employed in retail stores. None of our employees are currently covered by a collective bargaining agreement, and we believe our employee relations are good.

Trademarks and Licensing

We own the *Vince* trademark for the production, marketing and distribution of our products in the U.S. and internationally. We have registered the trademark domestically and have registrations on file or pending in a number of foreign jurisdictions. We intend to continue to strategically register, both domestically and internationally, trademarks that we use today and those we develop in the future. We license the domain name for our website, *www.vince.com*, pursuant to a license agreement. Under this license agreement, we have an exclusive, irrevocable license to use the *www.vince.com* domain name without restriction at a nominal annual cost. While we may terminate such license agreement at our discretion, the agreement does not provide for termination by the licensor. We also own unregistered copyright rights in our design marks.

Available Information

We make available free of charge on our Internet website, www.vince.com, copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), as soon as reasonably practicable after filing such material electronically with, or otherwise furnishing it to, the Securities and Exchange Commission (the SEC). The reference to our website address does not constitute incorporation by reference of the information contained on the website, and the information contained on the website is not part of this annual report on Form 10-K.

ITEM 1A. RISK FACTORS.

The following risk factors should be carefully considered when evaluating our business and the forward-looking statements in this annual report on Form 10-K. See Disclosures Regarding Forward Looking Statements.

Risks Related to Our Business

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

The apparel industry has historically been subject to cyclical variations, recessions in the general economy or uncertainties regarding future economic prospects that affect consumer spending habits which could negatively impact our business overall, the carrying value of our tangible and intangible assets and specifically sales, gross margins and profitability. 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 (such as unemployment, wages, energy costs and consumer debt levels), 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.

Recent global economic conditions have included significant recessionary pressures and declines in employment levels, disposable income and actual and/or perceived wealth and further declines in consumer confidence and economic growth. These conditions have led and could lead to continued declines in consumer spending over the foreseeable future and may have resulted in a shift in consumer spending habits that makes it unlikely that spending will return to prior levels for the foreseeable future. The current depressed economic environment has been characterized by a decline in consumer discretionary spending and has disproportionately affected retailers and sellers of consumer goods, particularly those whose goods are viewed as discretionary or luxury purchases, including fashion apparel such as ours. While we have seen occasional signs of stabilization in the North American markets during 2012 and 2013, a shift towards continued recessionary conditions could adversely impact our sales volumes and overall profitability in the future. Further, the European debt crisis resulting from growing concerns that European countries could default on their national debt has caused instability in the European economy, which is one of the areas that we are currently targeting for international expansion. Continued economic volatility and declines in the value of the Euro or other foreign currencies could negatively impact the global economy as a whole. Such a condition may have a material adverse impact on the profitability and liquidity of our international operations, as well as hinder our ability to grow through expansion in the international markets.

Economic conditions have also led to a highly promotional environment and strong discounting pressure from both our wholesale partners and retail customers, which have had a negative impact on our revenues and

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profitability. This promotional environment may continue even after economic growth returns, as we expect consumer spending trends are likely to remain at historically depressed levels for the foreseeable future. The domestic and international political situation also affects consumer confidence. The threat, outbreak or escalation of terrorism, military conflicts or other hostilities around the world could lead to further decreases in consumer spending.

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 may 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. Competition is based on many factors including, without limitation, the following:

- establishing and maintaining favorable brand recognition;
- developing products that appeal to consumers;
- pricing products appropriately;
- determining and maintaining product quality;
- obtaining access to sufficient floor space in retail locations;
- providing appropriate services and support to retailers;
- maintaining and growing market share;
- hiring and retaining key employees; and
- protecting intellectual property.

Competition in the apparel and fashion industry is intense and is dominated by a number of very large brands, many of which have longer operating histories, larger customer bases, 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 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, 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. These factors may cause us to reduce our sales prices to our wholesale partners and retail consumers, which could cause our gross margins to decline if we are unable to appropriately manage inventory levels and/or otherwise offset price reductions with comparable reductions in our operating costs. If our sales prices decline and we fail to sufficiently reduce our product costs or operating expenses, our profitability may decline, which could have a material adverse effect on our business, financial condition and operating results.

Our business depends on a strong brand image, and if we are not able to maintain or enhance our brand, particularly in new markets where we have limited brand recognition, we may be unable to sell sufficient quantities of our merchandise, which would harm our business and cause our results of operations to suffer.

We believe that maintaining and enhancing the Vince brand is critical to maintaining and expanding our customer base. Maintaining and enhancing our brand may require us to make substantial investments in areas such as visual merchandising (including working with our wholesale partners to transform select Vince displays into branded shop-in-shops), marketing and advertising, employee training and store operations. A primary component of our strategy involves expanding into other geographic markets and working with existing wholesale partners, particularly within the U.S. We anticipate that, as our business expands into new markets and further penetrates existing markets, and as the markets in which we operate become increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive. Certain of our competitors in the apparel industry have faced adverse publicity surrounding the quality, attributes and performance of their products. Our brand may similarly be adversely affected if our public image or reputation is tarnished by failing to maintain high standards for merchandise quality and integrity. Any negative publicity about these types of concerns may reduce demand for our merchandise. Maintaining and enhancing our brand will depend largely on our ability to be a leader in the contemporary apparel industry and to continue to provide high quality products. If we are unable to maintain or enhance our brand image, our results of operations may suffer and our business may be harmed.

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 have a small number of wholesale partners who account for a significant portion of our net sales. Net sales to the full-price, off-price and e-commerce operations of our four largest wholesale partners were 53% of our total revenue for fiscal 2013. Of these top four partners, there were three partners, Nordstrom, Sakes Fifth Avenue and Neiman Marcus, that accounted for more than 10% each of our total revenue for fiscal 2013, and such partners collectively represented approximately 46% of our total revenue in such period. We do not have 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. Furthermore, due to the concentration of our wholesale partner base, our results of operations could be adversely affected if any of these wholesale partners fail to satisfy its payment obligations to us when due. During the past several years, the retail industry has experienced a great deal of ownership change, and we expect such change will continue. For example, Saks Fifth Avenue, one of our top four partners, was recently acquired by Hudson Bay Corporation. We cannot guarantee that our relationship with Saks Fifth Avenue will not be impacted by this ownership change and any strategic changes Saks Fifth Avenue may implement as a result. In addition, store closings by our wholesale partners decrease the number of stores carrying our products, while the remaining stores may purchase a smaller amount of our products and may reduce the retail floor space designated for our brand. In the future, retailers may further consolidate, undergo restructurings or reorganizations, realign their affiliations or reposition their stores target markets. Any of these types of actions could decrease the number of stores that carry our products or increase the ownership concentration within the retail industry. These changes could decrease our opportunities in the market, increase our reliance on a diminishing number of large wholesale partners and decrease our negotiating strength with our wholesale partners. These factors could have a material adverse effect on our business, financial condition and operating results.

We may not be able to successfully expand our wholesale partnership base or grow our presence with existing wholesale partners.

As part of our growth strategy, we intend to increase productivity and penetration with existing wholesale partners and form relationships with new, international wholesale partners. These initiatives may include the establishment of additional shop-in-shops within select department stores. The location of Vince displays or shop-in-shops within department stores is controlled in large part by our wholesale partners. Although the investments made by us and our wholesale partners in the development and installation of Vince displays and shop-in-shops decreases the risk that our wholesale partners will require us to move to a less desirable area of their store or reduce the space allocated to such displays and shops, they are not contractually prohibited from doing so or required to grant additional or more desirable space to us. As of February 1, 2014, we had 11 shop-in-shops with our U.S. wholesale partners and 10 shop-in-shops with our international wholesale partners. While expanding the number of shop-in-shops is part of our growth strategy, there can be no assurances we will be able to align our wholesale partners with this strategy and continue to receive floor space from our wholesale partners to open or expand shop-in-shops.

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Our ability to attract customers to our stores depends heavily on successfully locating our stores in suitable locations and any impairment of a store location, including any decrease in customer traffic, could cause our sales to be less than expected.

Our approach to identifying locations for our retail stores typically favors street and mall locations near luxury and contemporary retailers that we believe are consistent with our key customers demographics and shopping preferences. Sales at these stores are derived, in part, from the volume of foot traffic in these locations. Changes in areas around our existing retail locations that result in reductions in customer foot traffic or otherwise render the locations unsuitable could cause our sales to be less than expected and the related leases are generally non-cancelable. Store locations may become unsuitable due to, and our sales volume and customer traffic generally may be harmed by, among other things:

- economic downturns in a particular area;
- competition from nearby retailers selling similar apparel;
- changing consumer demographics in a particular market;
- changing preferences of consumers in a particular market;
- the closing or decline in popularity of other businesses located near our store; and
- store impairments due to acts of God or terrorism.

Our ability to successfully open and operate new retail stores depends on many factors, including, among others, our ability to:

- identify new markets where our products and brand image will be accepted or the performance of our retail stores will be successful;
- obtain desired locations, including store size and adjacencies, in targeted malls or streets;
- negotiate acceptable lease terms, including desired rent and tenant improvement allowances, to secure suitable store locations;
- achieve brand awareness, affinity and purchase intent in the new markets;

- hire, train and retain store associates and field management;
- assimilate new store associates and field management into our corporate culture;
- source and supply sufficient inventory levels; and
- successfully integrate new retail stores into our existing operations and information technology systems, which will initially be provided by Kellwood under the terms of the Shared Services Agreement.

As of February 1, 2014, we had 28 stores, which consisted of 22 full-price retail stores and six outlet locations. We plan to double our store base over the next three to five years, including opening a net total of six to eight new stores in fiscal 2014. Our new stores, however, may not be immediately profitable and we may incur losses until these stores become profitable. Unavailability of desired store locations, delays in the acquisition or opening of new stores, delays or costs resulting from a decrease in commercial development due to capital restraints, difficulties in staffing and operating new store locations or a lack of customer acceptance of stores in new market areas may negatively impact our new store growth and the costs or the profitability associated with new stores. There can be no assurance that we will open the planned number of stores in fiscal 2014 or thereafter. Any failure to successfully open and operate new stores may adversely affect our business, financial condition and operating results.

As we expand our store base, we may be unable to maintain or grow comparable store sales or average sales per square foot at the same rates that we have achieved in the past, which could cause our share price to decline.

As we expand our store base, we may not be able to maintain or grow at the same rates of comparable store sales growth that we have achieved historically. In addition, we may not be able to maintain or grow our historic average sales per square foot as we move into new markets. If our future comparable store sales or average sales per square foot decline or fail to meet market expectations, the price of our common stock could decline. In addition, the aggregate results of operations through our wholesale partners and at our retail locations have fluctuated in the past and can be expected to continue to fluctuate in the future. A variety of factors affect both comparable store sales and average sales per square foot, including, among others, consumer spending patterns, fashion trends, competition, current economic conditions, pricing, inflation, the timing of the release of new merchandise and promotional events, changes in our product assortment, the success of marketing programs and weather conditions. If we misjudge the market for our products, we may incur excess inventory for some of our products and miss opportunities for other products. These factors may cause our comparable store sales results and average sales per square foot in the future to be materially lower than recent periods or our expectations, which could harm our results of operations and result in a decline in the price of our common stock.

We have grown rapidly in recent years and we have limited operating experience as a team at our current scale of operations. If we are unable to manage our operations at our current size or are unable to manage any future growth effectively, our business results and financial performance may suffer.

We have expanded our operations rapidly since our inception in 2002, and we have limited operating experience at our current size. Our business has grown significantly over the past three years, as we have grown our total net sales from $175.3 million in fiscal 2011 to $288.2 million in fiscal 2013. We have made and are making investments to support our near and longer-term growth. If our operations continue to grow over the longer term, of which there can be no assurance, we will be required to expand our sales and marketing, product development and distribution functions, to upgrade our management information systems and other processes, and to obtain more space for our expanding administrative support and other headquarters personnel. Kellwood will continue to provide services to us under the Shared Services Agreement. Our expansion may exceed the capacity that Kellwood is able to provide, on attractive pricing terms or at all, under the terms of the Shared Services Agreement (as more fully described below in Problems with our distribution system could harm our ability to meet customer expectations, manage inventory, complete sales and achieve targeted operating efficiencies). Our continued growth could strain our existing resources, and we could experience operating difficulties, including obtaining sufficient raw materials at acceptable prices, securing manufacturing capacity to produce our products and experiencing delays in production and shipments. These difficulties would likely lead to a decrease in net revenue, income from operations and the price of our common stock.

Kellwood provides us with certain key services for our business. If Kellwood fails to perform its obligations to us or if we do not find appropriate replacement services, we may be unable to perform these services or implement substitute arrangements on a timely and cost-effective basis on terms favorable to us.

Prior to the IPO and Restructuring Transactions that closed on November 27, 2013, we operated as a business unit of Kellwood, and we have historically relied on the financial resources and the administrative and operational support systems of Kellwood to run our business. Some of the Kellwood systems we are using include ERP, human resource management systems and distribution applications. Many of these systems are complex and either highly customized or proprietary. In conjunction with our separation from Kellwood, we are in the process of separating our assets from those of Kellwood and either creating our own financial, administrative, operational and other support systems or contracting with third parties to replace Kellwood s systems that are not provided to us under the terms of the Shared Services Agreement as discussed below. In order to successfully implement our own systems and operate as a stand-alone business, we must be able to attract and retain a number of highly skilled employees. We must also obtain goods, technology and services

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without the benefit of Kellwood s purchasing power. As an entity separate from Kellwood, we may be unable to obtain such goods, technology and services at prices and on terms as favorable as those available to us prior to the separation, which could increase our costs and reduce our profitability.

We entered into a Shared Services Agreement in connection with the IPO and Restructuring Transactions on November 27, 2013. The Shared Services Agreement governs the provisions by which Kellwood provides certain support services to us, including distribution, information technology and back office support. Kellwood will provide these services until we elect to terminate the provision thereof in accordance with the terms of such agreement or, for services which require a term as a matter of law or which are based on a third-party agreement with a set term, the related termination date specified in the schedule thereto. Upon the termination of certain services, Kellwood may no longer be in a position to provide certain other related services. Assuming we proceed with our request to terminate the original services, such related services shall also be terminated in connection with such termination. The Shared Services Agreement will terminate automatically upon the termination of all services provided thereunder, unless earlier terminated by either party in connection with the other party s material breach upon 30 days prior notice to such defaulting party. After termination of the agreement, Kellwood will have no obligation to provide any services to us. See Shared Services Agreement under Item 13 Certain Relationships and Related Transactions, and Director Independence of this annual report on Form 10-K for a description of these services. The services provided under the Shared Services Agreement (as may be amended from time to time) may not be sufficient to meet our needs and we may not be able to replace these services at favorable costs and on favorable terms, if at all. In addition, Kellwood has experienced financial difficulty in the past. For example, in 2009, Kellwood s independent auditors raised substantial doubt regarding Kellwood s ability to continue as a going concern. If Kellwood encounters any issues during the transitional period which impact its ability to provide services pursuant to the Shared Services Agreement, our business could be materially harmed. Any failure or significant downtime in our own financial or administrative systems or in Kellwood s financial or administrative systems during the transitional period and any difficulty in separating our assets from Kellwood s assets and integrating newly acquired assets into our business could result in unexpected costs, impact our results or prevent us from paying our suppliers and employees and performing other administrative services on a timely basis and could materially harm our business, financial condition, results of operations and cash flows.

Any disputes that arise between us and Kellwood with respect to our past and ongoing relationships could harm our business operations.

Disputes may arise between Kellwood and us in a number of areas relating to our past and ongoing relationships, including:

- intellectual property and technology matters;
- labor, tax, employee benefit, indemnification and other matters arising from our separation from Kellwood;
- employee retention and recruiting;
- business combinations involving us;

- the nature, quality and pricing of transitional services Kellwood has agreed to provide us; and

- business opportunities that may be attractive to both Kellwood and us.

We may not be able to resolve any potential conflicts, and even if we do, the resolution may be less favorable than if we were dealing with an unaffiliated party. As of February 1, 2014, affiliates of Sun Capital, who also control Kellwood, owned approximately 68% of our common stock. Additionally, Sun Cardinal, LLC, an affiliate of Sun Capital, has the ability to designate a majority of our directors.

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 additional risks with respect to our strategy to expand internationally, including our efforts to further expand our business in Canada, select European countries, Asia and the Middle East through arrangements with international partners. Our current operations are based largely in the U.S., with international sales representing approximately 8% of net sales for fiscal 2013. 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, notwithstanding our international partners familiarity with such environments and market practices, that we will be able to penetrate or successfully operate in any market outside of the U.S. Many of these markets have different operational characteristics, including employment and labor regulations, transportation, logistics, real estate (including lease terms) and local reporting or legal requirements. Furthermore, consumer demand and behavior, as well as style preferences, size and fit, and purchasing trends, may differ in these markets and, as a result, sales of our product may not be successful, or the margins on those sales may not be in line with those that we currently anticipate. In addition, in many of these markets there is significant competition to attract and retain experienced and talented employees. Failure to develop new markets outside of the U.S. or disappointing sales growth outside of the U.S. may harm our business and results of operations.

Our plans to improve and expand our product offerings may not be successful, and the implementation of these plans may divert our operational, managerial and administrative resources, which could harm our competitive position and reduce our net revenue and profitability.

In addition to our store expansion strategy, we plan to grow our business by increasing our core product offerings, which includes expanding our men s collection, denim, outerwear, women s bottoms and dresses assortment. We also plan to develop and introduce select new product categories and pursue select additional licensing opportunities such as intimates/loungewear, men s footwear and fashion accessories.

The principal risks to our ability to successfully carry out our plans to improve and expand our product offerings are that:

- if our expected product offerings fail to maintain and enhance our brand identity, our image may be diminished or diluted and our sales may decrease;

- if we fail to find and enter into relationships with external partners with the necessary specialized expertise or execution capabilities, we may be unable to offer our planned product extensions or to realize the additional revenue we have targeted for those extensions; and

- the use of licensing partners may limit our ability to conduct comprehensive final quality checks on merchandise before it is shipped to our stores or to our wholesale partners.

In addition, our ability to successfully carry out our plans to improve and expand our product offerings may be affected by economic and competitive conditions, changes in consumer spending patterns and changes in consumer preferences and style trends. These plans could be abandoned, could cost more than anticipated and could divert resources from other areas of our business, any of which could impact our competitive position and reduce our net revenue and profitability.

Our current and future licensing arrangements may not be successful and may make us susceptible to the actions of third parties over whom we have limited control.

Our current and future licensing arrangements may not be successful and may make us susceptible to the actions of third parties over whom we have limited control. We entered into a licensing agreement when we launched women s footwear in 2012 and signed a licensing agreement in 2013 for the launch of children s apparel in 2014. We also signed agreements to launch men s footwear in 2014 through a licensing partner. In the future, we may enter into select additional licensing arrangements for product offerings which require specialized expertise. We may also enter into select licensing agreements pursuant to which we may grant third parties the right to distribute and sell our products in certain geographic areas. Although we have taken and will continue to take steps to select potential licensing partners carefully and monitor the activities of our licensing partners (through, among other things, approval rights over product design, production quality, packaging, merchandising, marketing, distribution and advertising), such arrangements may not be successful. Our licensing partners may fail to fulfill their obligations under their license agreements or have interests that differ from or conflict with our own, such as the pricing of our products and the offering of competitive products. In addition, the risks applicable to the business of our licensing partners may be different than the risks applicable to our business, including risks associated with each such partner s ability to:

- obtain capital;
- exercise operational and financial control over its business;
- manage its labor relations;
- maintain relationships with suppliers;
- manage its credit and bankruptcy risks; and
- maintain customer relationships.

Any of the foregoing risks, or the inability of any of our licensing partners to successfully market our products or otherwise conduct its business, may result in loss of revenue and competitive harm to our operations in regions or product categories where we have entered into such licensing arrangements.

Our business will suffer if we fail to respond to changing customer tastes.

Customer tastes can change rapidly. We may not be able to anticipate, gauge or respond to these changes within a timely manner. We may also not be able to continue to satisfy our customers existing tastes and preferences. If we misjudge the market for products or product groups, or if we fail to identify and respond appropriately to changing consumer demands, we may be faced with unsold finished goods inventory, which could materially adversely affect expected operating results and decrease sales, gross margins and profitability.

If we are unable to accurately forecast customer demand for our products, our manufacturers may not be able to deliver products to meet our requirements, and this could result in delays in the shipment of products to our stores and to wholesale partners.

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. However, if our inventory and planning team fails to accurately forecast customer demand, we may experience excess inventory levels or a shortage of products. There can be no assurance that we will be able to successfully manage our inventory at a level appropriate for future customer demand.

Factors that could affect our inventory management and planning team s ability to accurately forecast customer demand for our products include:

- a substantial increase or decrease in demand for our products or for products of our competitors;
- our failure to accurately forecast customer acceptance for our new products;
- new product introductions or pricing strategies by competitors;
- more limited historical store sales information for our newer markets;
- weakening of economic conditions or consumer confidence in the future, which could reduce demand for discretionary items, such as our products; and

acts or threats of war or terrorism which could adversely affect consumer confidence and spending or interrupt production and distribution of our products and our raw materials.

Because of our rapid growth, we have occasionally placed insufficient levels of desirable product with our wholesale partners and in our retail locations such that we were unable to fully satisfy customer demand at those locations. We cannot guarantee that we will be able to match supply with demand in all cases in the future, whether as a result of our inability to produce sufficient levels of desirable product or our failure to forecast demand accurately. As a result of these inabilities or failures, we may encounter difficulties in filling customer orders or in liquidating excess inventory at discount prices and may experience significant write-offs. Additionally, if we over-produce a product based on an aggressive forecast of demand, retailers may not be able to sell the product and cancel future orders or require give backs. These outcomes could have a material adverse effect on brand image and adversely impact sales, gross margins and profitability.

Our senior management team has limited experience working together as a group, and may not be able to manage our business effectively.

Our CEO, Jill Granoff, and CFO, Lisa Klinger, joined the company in 2012. Many of the other members of our senior management team, including our President and Chief Creative Officer, Karin Gregersen, have been with us less than 18 months. As a result, our senior management team has limited experience working together as a group. This lack of shared experience could negatively impact our senior management team s ability to quickly and efficiently respond to problems and effectively manage our business. If our management team is not able to work together as a group, our results of operations may suffer and our business may be harmed.

Loss of key personnel could disrupt our operations.

Our continued success is dependent on the ability to attract, 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 the inability to attract and retain other qualified executives could have a material adverse effect on our business, results of operations and financial condition.

Our competitive position could suffer if our intellectual property rights are not protected.

We believe that our trademarks and designs are of great value. From time to time, third parties have challenged, and may in the future try to challenge, our ownership of our intellectual property. In some cases, third parties with similar trademarks or other intellectual property may have pre-existing and potentially conflicting trademark registrations. We rely on cooperation from third parties with similar trademarks to be able to register our trademarks in jurisdictions in which such third parties have already registered their trademarks. We are susceptible to others imitating our products and infringing our intellectual property rights. Imitation or counterfeiting of our products or infringement of our intellectual property rights could diminish the value of our brands or otherwise adversely affect our revenues. The actions we have taken to establish and protect our trademarks and other intellectual property rights may not be adequate to prevent imitation of our products by others or to prevent others from seeking to invalidate our trademarks or block sales of our products as a violation of the trademarks and intellectual property rights of others. In addition, others may assert rights in, or ownership of, our trademarks and other intellectual property rights or in similar marks or marks that we license and/or market and we may not be able to successfully resolve these conflicts to our satisfaction. We may need to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of resources. Successful infringement claims against us could result in significant monetary liability or prevent us from selling some of our products. In addition, resolution of claims may require us to redesign our products, license rights from third parties or cease using those rights altogether. Any of these events could harm our business and cause our results of operations, liquidity and financial condition to suffer.

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We license our website domain name from a third-party. Pursuant to the license agreement (the License Agreement), our license to use *www.vince.com* will expire in 2018 and will automatically renew for successive one year periods, subject to our right to terminate the arrangement with or without cause; provided, that we must pay the applicable early termination fee and provide 30 days prior notice in connection with a termination without cause. The licensor has no termination rights under the License Agreement. Any failure by the licensor to perform its obligations under the License Agreement could adversely affect our brand and make it more difficult for users to find our website.

Problems with our distribution system could harm our ability to meet customer expectations, manage inventory, complete sales and achieve targeted operating efficiencies.

In the U.S., we rely on a distribution facility operated by Kellwood in City of Industry, California. Our ability to meet the needs of our wholesale partners and our own retail stores depends on the proper operation of this distribution facility. Kellwood will continue to provide distribution services, until we elect to terminate such services, as part of the Shared Services Agreement. We also have a warehouse in Belgium operated by a third-party logistics provider to support our wholesale orders for customers located in Europe. There can be no assurance that we will be able to enter into other contracts for an alternate or replacement distribution centers on acceptable terms or at all. Such an event could disrupt our operations. In addition, because substantially all of our products are distributed from one location, our operations could also be interrupted by labor difficulties, or by floods, fires, earthquakes or other natural disasters near such facility. We maintain business interruption insurance and are a beneficiary under similar Kellwood insurance policies related to Kellwood assets or services we utilize under the Shared Services Agreement. These policies, however, may not adequately protect us from the adverse effects that could result from significant disruptions to our distribution system. If we encounter problems with our distribution system, our ability to meet customer expectations, manage inventory, complete sales and achieve targeted operating efficiencies could be harmed. Any of the foregoing factors could have a material adverse effect on our business, financial condition and operating results.

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

Our products are primarily produced by, and purchased or procured from, independent manufacturing contractors located outside of the U.S., with approximately 93% of our total revenue for fiscal 2013 attributable to manufacturing contractors located outside of the U.S. These manufacturing contractors are located mainly in countries in Asia and South America, with approximately 86% of our purchases for fiscal 2013 attributable to manufacturing contractors located in China. A manufacturing contractor s failure to ship products to us in a timely manner or to meet the required quality standards could cause us to miss the delivery date requirements of our customers for those items. The failure to make timely deliveries may cause customers to cancel orders, refuse to accept deliveries or demand reduced prices, any of which could have a material adverse effect on us. As a result of the magnitude of our foreign sourcing, our business is subject to the following risks:

- political and economic instability in countries or regions, especially Asia, including heightened terrorism and other security concerns, which could subject imported or exported goods to additional or more frequent inspections, leading to delays in deliveries or impoundment of goods;

- imposition of regulations, quotas and other trade restrictions relating to imports, including quotas imposed by bilateral textile agreements between the U.S. and foreign countries;

imposition of increased duties, taxes and other charges on imports;

labor union strikes at ports through which our products enter the U.S.;

labor shortages in countries where contractors and suppliers are located;

a significant decrease in availability or an increase in the cost of raw materials;

restrictions on the transfer of funds to or from foreign countries;

disease epidemics and health-related concerns, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas;

- the migration and development of manufacturing contractors, which could affect where our products are or are planned to be produced;

- increases in the costs of fuel, travel and transportation;

- reduced manufacturing flexibility because of geographic distance between our foreign manufacturers and us, increasing the risk that we may have to mark down unsold inventory as a result of misjudging the market for a foreign-made product; and

- violations by foreign contractors of labor and wage standards and resulting adverse publicity.

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

We do not have written agreements with any of our third-party manufacturing contractors. As a result, any single manufacturing contractor could unilaterally terminate its relationship with us at any time. One of our manufacturers in China, with whom we have worked for over five years, accounted for the production of approximately 12% of our finished products during fiscal 2013. Supply disruptions from this manufacturer (or any of our other manufacturers) could have a material adverse effect on our ability to meet customer demands, if we are unable to source suitable replacement materials at acceptable prices or at all. Our inability to promptly replace manufacturing contractors that terminate their relationships with us or cease to provide high quality products in a timely and cost-efficient manner could have a material adverse effect on our business, financial condition and operating results.

Fluctuations in the price, availability and quality of raw materials could cause delays and increase costs and cause our operating results and financial condition to suffer.

Fluctuations in the price, availability and quality of the fabrics or other raw materials, particularly cotton, leather, and synthetics used in our manufactured apparel, could have a material adverse effect on cost of sales or our ability to meet customer demands. The prices of fabrics depend largely on the market prices of the raw materials used to produce them. The price and availability of the raw materials and, in turn, the fabrics used in our apparel may fluctuate significantly, depending on many factors, including crop yields, weather patterns, labor costs and changes in oil prices. We may not be able to create suitable design solutions that utilize raw materials with attractive prices or, alternatively, to pass higher raw materials prices and related transportation costs on to our customers. We are not always successful in our efforts to protect our business from the volatility of the market price of raw materials, and our business can be materially affected by dramatic movements in prices of raw materials. The ultimate effect of this change on our earnings cannot be quantified, as the effect of movements in raw materials prices on industry selling prices are uncertain, but any significant increase in these prices could have a material adverse effect on our business, financial condition and operating results.

Our reliance on independent manufacturers could cause delays or quality issues which could damage customer relationships.

We use independent manufacturers to assemble or produce all of our products, whether inside or outside the U.S. We are dependent on the ability of these independent manufacturers to adequately finance the production of goods ordered and maintain sufficient manufacturing capacity. The use of independent manufacturers to produce finished goods and the resulting lack of direct control could subject us to difficulty in obtaining timely delivery of products of acceptable quality. We generally do not have long-term contracts with any independent manufacturers. Alternative manufacturers, if available, may not be able to provide us with products or services of a comparable quality, at an acceptable price or on a timely basis. Identifying a suitable supplier is an involved process that requires us to become satisfied with their quality control, responsiveness and service, financial stability and labor and other ethical practices. There can be no assurance that there will not be a disruption in the supply of our products from independent manufacturers or, in the event of a disruption, that we would be able to substitute suitable alternative manufacturers in a timely manner. The failure of any independent manufacturer to perform or the loss of any independent manufacturer could have a material adverse effect on our business, results of operations and financial condition.

If our independent manufacturers fail to use ethical business practices and comply with applicable laws and regulations, our brand image could be harmed due to negative publicity.

We have established and currently maintain operating guidelines which promote ethical business practices such as fair wage practices, compliance with child labor laws and other local laws. While we monitor compliance with those guidelines, we do not control our independent manufacturers or their business practices. Accordingly, we cannot guarantee their compliance with our guidelines. A lack of demonstrated compliance could lead us to seek alternative suppliers, which could increase our costs and result in delayed delivery of our products, product shortages or other disruptions of our operations.

Violation of labor or other laws by our independent manufacturers or the divergence of an independent manufacturer s labor or other practices from those generally accepted as ethical in the U.S. or other markets in which we do business could also attract negative publicity for us and our brand. From time to time, our audit results have revealed a lack of compliance in certain respects, including with respect to local labor, safety and environmental laws. Other apparel companies have faced criticism after highly-publicized incidents or compliance issues have occurred or been exposed at factories producing their products. To the extent our manufacturers do not bring their operations into compliance with such laws or resolve material issues identified in any of our audit results, we may face similar criticism and negative publicity. This could diminish the value of our brand image and reduce demand for our merchandise. In addition, other apparel companies have encountered organized boycotts of their products in such situations. If we, or other companies in our industry, encounter similar problems in the future, it could harm our brand image, stock price and results of operations.

Monitoring compliance by independent manufacturers is complicated by the fact that expectations of ethical business practices continually evolve, may be substantially more demanding than applicable legal requirements and are driven in part by legal developments and by diverse groups active in publicizing and organizing public responses to perceived ethical shortcomings. Accordingly, we cannot predict how such expectations might develop in the future and cannot be certain that our guidelines would satisfy all parties who are active in monitoring and publicizing perceived shortcomings in labor and other business practices worldwide.

Our operating results are subject to seasonal and quarterly variations in our net revenue and income from operations, which could cause the price of our common stock to decline.

We have experienced, and expect to continue to experience, seasonal variations in our net revenue and income from operations. Seasonal variations in our net revenue are primarily related to increased sales of our products during our fiscal third and fourth quarters, reflecting our historical strength in sales during the fall and holiday seasons. Historically, seasonable variations in our income from operations have been driven principally by increased net revenue in such fiscal quarters.

Our rapid growth may have overshadowed whatever seasonal or cyclical factors might have influenced our business to date. In addition, as our revenue mix evolves over time to include more sales from additional retail stores, we may see an increase in the percentage of sales occurring during the fourth quarter. Such seasonal or cyclical variations in our business may harm our results of operations in the future, if we do not plan inventory appropriately, if customer shopping patterns fluctuate during such seasonal periods or if bad weather during the fourth quarter constrains shopping activity.

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. Increased volatility could cause our stock price to suffer in comparison to less volatile investments.

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We are subject to risks associated with leasing retail space, are generally 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, but instead lease all of our retail stores under operating leases. Our leases generally have initial terms of 10 years, and generally can be extended only for one additional 5-year term. 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 all of the cost of insurance, taxes, maintenance and utilities, and we generally cannot cancel these leases 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 have experienced circumstances in the past where landlords have attempted to invoke these contractual provisions. Although we believe we will achieve the required threshold to continue those leases, we cannot assure you that we will do 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 SG&A expenses. For example, as of February 1, 2014, we were a party to operating leases associated with our retail stores and corporate headquarters requiring future minimum lease payments of $10.1 million in the aggregate through fiscal 2014 and approximately $84.7 million thereafter. We expect that any new retail stores we open will also be leased by us under operating leases, which will further increase our operating lease expenses and require significant capital expenditures. Our substantial operating lease obligations could have significant negative consequences, including, among others:

- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring a substantial portion of our available cash to pay our rental obligations, thus reducing cash available for other purposes;
- limiting our flexibility in planning for or reacting to changes in our business or in the industry in which we compete; and
- placing us at a disadvantage with respect to some of our competitors.

We depend on cash flow 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 new 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, additional sites that we lease are likely to be subject to similar long-term non-cancelable leases. 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 other things, 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, which could cause us to close stores in desirable locations. Of our existing leases, no existing retail leases expire in fiscal 2014 and one lease expires in fiscal 2015. If we are unable to enter into new leases or renew existing leases on terms acceptable to us or be released from our obligations under leases for stores that we close, our business, profitability and results of operations may be harmed.

The Patient Protection and Affordable Care Act may materially increase our costs and/or make it harder for us to compete as an employer.

The Patient Protection and Affordable Care Act imposed new mandates on employers, including a requirement effective January 1, 2014 (which has temporarily been extended to January 1, 2015 due to a recent executive order) that employers with 50 or more full-time employees provide credible health insurance to employees or pay a financial penalty. Given our current health plan design, and assuming the law is implemented without significant changes, these mandates could materially increase our costs. Moreover, if we choose to opt out of offering health insurance to our employees, we may become less attractive as an employer and it may be harder for us to compete for qualified employees.

System security risk issues could disrupt our internal operations or information technology services, and any such disruption could negatively impact our net sales, increase our expenses and harm our reputation.

Experienced computer programmers and hackers, and even internal users, may be able to penetrate our network security and misappropriate our confidential information or that of third parties, including our customers, create system disruptions or cause shutdowns. In addition, employee error, malfeasance or other errors in the storage, use or transmission of any such information could result in a disclosure to third parties outside of our network. As a result, we could incur significant expenses addressing problems created by any such inadvertent disclosure or any security breaches of our network. This risk is heightened because we collect and store customer information, including credit card information, and use certain customer information for our marketing purposes. In addition, we rely on third parties for the operation of our website, *www.vince.com*, and for the various social media tools and websites we use as part of our marketing strategy.

Consumers are increasingly concerned over the security of personal information transmitted over the internet, consumer identity theft and user privacy, and any compromise of customer information could subject us to customer or government litigation and harm our reputation, which could adversely affect our business and growth. Moreover, we could incur significant expenses or disruptions of our operations in connection with system failures or breaches. In addition, sophisticated hardware and operating system software and applications that we procure form third parties may contain defects in design or manufacture, including bugs and other problems that could unexpectedly interfere with the operation of our systems. The costs to us to eliminate or alleviate security problems, viruses and bugs, or any problems associated with the outsourced services could be significant, and the efforts to address these problems could result in interruptions, delays or cessation of service that may impeded our sales, distribution or other critical functions. In addition to taking the necessary precautions ourselves, we require that third-party service providers implement reasonable security measures to protect our customers identity and privacy. We do not, however, control these third-party service providers and cannot guarantee that no electronic or physical computer break-ins and security breaches will occur in the future.

Changes in laws, including employment laws and laws related to our merchandise, could make conducting our business more expensive or otherwise change the way we do business.

We are subject to numerous regulations, including labor and employment, customs, truth-in-advertising, consumer 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 to change or 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.

In addition to increased regulatory compliance requirements, changes in laws could make ordinary conduct of business more expensive or require us to change the way we do business. For example, changes in federal and state minimum wage laws could raise the wage requirements for certain of our employees at our retail locations, which would increase our selling costs and may cause us to reexamine our wage structure for such employees. Other laws related to employee benefits and treatment of employees, including laws related to limitations on employee hours, supervisory status, leaves of absence, mandated health benefits, overtime pay, unemployment tax rates and citizenship requirements, could negatively impact us, by increasing compensation and benefits costs which would in turn reduce our profitability.

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.

If we are unable to attract, assimilate and retain new employees, we may not be able to grow or successfully operate our business.

To be successful in continuing to grow our business, we will need to continue to attract, assimilate, retain and motivate highly talented employees with a range of skills and experience, especially at the store management levels. Although we have recently hired and trained new store managers and experienced sales associates at several of our retail locations, competition for employees in our industry 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. These problems could be exacerbated as we embark on our strategy of opening new retail stores over the next several years. We will also need to attract 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. Furthermore, we will need to recruit employees to provide, or enter into consulting or outsourcing arrangements with respect to the provision of, services provided by Kellwood under the Shared Services Agreement when Kellwood no longer provides such services thereunder. If we are unable to attract, assimilate and retain additional employees with the necessary skills, we may not be able to grow or successfully operate our business.

Our operations are restricted by our new credit facilities entered into on November 27, 2013.

We entered into a new revolving credit facility and a new term loan facility in connection with the IPO and Restructuring Transactions closed on November 27, 2013. Our new facilities contain significant restrictive covenants. These covenants 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 will likely 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, we would be required to obtain 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. The terms of our debt obligations may restrict or delay our ability to fulfill our obligations under the Tax Receivable Agreement. In accordance with the terms of the Tax Receivable

Agreement, delayed or unpaid amounts thereunder would accrue interest at a default rate of one-year LIBOR plus 300 basis points until paid. Our obligations under the Tax Receivable Agreement could result in a failure to comply with covenants or financial ratios required by our debt financing agreements and could result in an event of default under such a debt financing. See Tax Receivable Agreement under Item 13 Certain Relationships and Related Transactions, and Director Independence of this annual report on Form 10-K for more information regarding the terms of the Tax Receivable Agreement.

We are required to pay for 85% of certain tax benefits, and could be required to make substantial cash payments in which our stockholders will not participate.

We entered into a Tax Receivable Agreement with the Pre-IPO Stockholders in connection with the IPO and Restructuring Transactions which closed on November 27, 2013. Under the Tax Receivable Agreement, we will be obligated to pay to the Pre-IPO Stockholders an amount equal to 85% of the cash savings in federal, state and local income tax realized by us by virtue of our future use of the federal, state and local net operating losses (NOLs) held by us as of November 27, 2013, together with section 197 intangible deductions (collectively, the Pre-IPO Tax Benefits). Section 197 intangible deductions means amortization deductions with respect to certain amortizable intangible assets which are held by us and our subsidiaries immediately after November 27, 2013. Cash tax savings generally will be computed by comparing our actual federal, state and local income tax liability to the amount of such taxes that we would have been required to pay had such Pre-IPO Tax Benefits not been available to us. While payments made under the Tax Receivable Agreement will depend upon a number of factors, including the amount and timing of taxable income we generate in the future and any future limitations that may be imposed on our ability to use the Pre-IPO Tax Benefits, the payments could be substantial. Assuming the federal, state and local corporate income tax rates presently in effect, no material change in applicable tax law and no limitation on our ability to use the Pre-IPO Tax Benefits under Section 382 of the U.S. Internal Revenue Code, as amended (the Code), the estimated cash benefit of the full use of these Pre-IPO Tax Benefits would be approximately $205 million, of which 85%, or approximately $173 million, is potentially payable to the Pre-IPO Stockholders under the terms of the Tax Receivable Agreement. The Tax Receivable Agreement accordingly could require us to make substantial cash payments.

Although we are not aware of any issue that would cause the U.S. Internal Revenue Service (the IRS), to challenge any tax benefits arising under the Tax Receivable Agreement, the affiliates of Sun Capital will not reimburse us for any payments previously made if such benefits subsequently were disallowed, although the amount of any tax savings subsequently disallowed will reduce any future payment otherwise owed to the Pre-IPO Stockholders. For example, if our determinations regarding the applicability (or lack thereof) and amount of any limitations on the NOLs under Section 382 of the Code were to be successfully challenged by the IRS after payments relating to such NOLs had been made to the Pre-IPO Stockholders, we would not be reimbursed by the Pre-IPO Stockholders and our recovery would be limited to the extent of future payments (if any) otherwise remaining under the Tax Receivable Agreement. As a result, in such circumstances we could make payments to the Pre-IPO Stockholders under the Tax Receivable Agreement in excess of our actual cash tax savings. Furthermore, while we will generally only make payments under the Tax Receivable Agreement after we have recognized a cash flow benefit from the utilization of the Pre-IPO Tax Benefits, (other than upon a change of control or other acceleration event), the payments required under the agreement could require us to use a substantial portion of our cash from operations for those purposes.

At the effective date of the Tax Receivable Agreement, the liability recognized was accounted for in our financial statements as a reduction of additional paid-in capital. Subsequent changes in the Tax Receivable Agreement liability will be recorded through earnings in operating expenses. Even if the NOLs are available to us, the Tax Receivable Agreement will operate to transfer significantly all of the benefit to the Pre-IPO Stockholders. Additionally, the payments we make to the Pre-IPO Stockholders under the Tax Receivable Agreement are not expected to give rise to any incidental tax benefits to us, such as deductions or an adjustment to the basis of our assets.

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Federal and state laws impose substantial restrictions on the utilization of NOL carry-forwards in the event of an ownership change, as defined in Section 382 of the Code. Under the rules, such an ownership change is generally any change in ownership of more than 50 percent of a company s stock within a rolling three-year period, as calculated in accordance with the rules. The rules generally operate by focusing on changes in ownership among stockholders considered by the rules as owning directly or indirectly 5% or more of the stock of the company and any change in ownership arising from new issuances of stock by the company.

While we have performed an analysis under Section 382 of the Code that indicates the IPO and Restructuring Transactions would not constitute an ownership change, such technical guidelines are complex and subject to significant judgment and interpretation. With the IPO and Restructuring Transactions and other transactions that have occurred over the past three years, we may trigger or have already triggered an ownership change limitation. We may also experience ownership changes in the future as a result of subsequent shifts in stock ownership. As a result, if we earn net taxable income, our ability to use the pre-change NOL carry-forwards (after giving effect to payments to be made to the Pre-IPO Stockholders under the Tax Receivable Agreement) to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us. Notwithstanding the foregoing, our analysis to date under Section 382 of the Code indicates that the IPO Restructuring Transactions have not triggered an ownership change limitation.

If we did not enter into the Tax Receivable Agreement, we would be entitled to realize the full economic benefit of the Pre-IPO Tax Benefits, to the extent allowed by federal, state and local law, including Section 382 of the Code. Subject to exceptions, the Tax Receivable Agreement is designed with the objective of causing our annual cash costs attributable to federal state and local income taxes (without regard to our continuing 15% interest in the Pre-IPO Tax Benefits) to be the same as we would have paid had we not had the Pre-IPO Tax Benefits available to offset our federal, state and local taxable income. As a result, we will not be entitled to the economic benefit of the Pre-IPO Tax Benefits that would have been available if the Tax Receivable Agreement were not in effect (except to the extent of our continuing 15% interest in the Pre-IPO Tax Benefits).

In certain cases, payments under the Tax Receivable Agreement to the Pre-IPO stockholders may be accelerated and/or significantly exceed the actual benefits we realize in respect of the Pre-IPO Tax Benefits.

Upon the election of an affiliate of Sun Capital to terminate the Tax Receivable Agreement pursuant to a change in control (as defined in the Tax Receivable Agreement) or upon our election to terminate the Tax Receivable Agreement early, all of our payment and other obligations under the Tax Receivable Agreement will be accelerated and will become due and payable. Additionally, the Tax Receivable Agreement provides that in the event that we breach any of our material obligations under the Tax Receivable Agreement by operation of law as a result of the rejection of the Tax Receivable Agreement in a case commenced under Title 11 of the United States Code (the Bankruptcy Code) then all of our payment and other obligations under the Tax Receivable Agreement will be accelerated and will become due and payable.

In the case of any such acceleration, we would be required to make an immediate payment equal to 85% of the present value of the tax savings represented by any portion of the Pre-IPO Tax Benefits for which payment under the Tax Receivable Agreement has not already been made, which upfront payment may be made years in advance of the actual realization of such future benefits. Such payments could be substantial and could exceed our actual cash tax savings from the Pre-IPO Tax Benefits. In these situations, our obligations under the Tax Receivable Agreement could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. There can be no assurance that we will have sufficient cash available or that we will be able to finance our obligations under the Tax Receivable Agreement.

If we were to elect to terminate the Tax Receivable Agreement, based on a discount rate equal to monthly LIBOR plus 300 basis points, we estimate that we would be required to pay approximately $159 million in the aggregate under the Tax Receivable Agreement.

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We could incur significant costs in complying with environmental, health and safety laws or as a result of satisfying any liability or obligation imposed under such laws.

Our operations are subject to various federal, state, local and foreign environmental, health and safety laws and regulations. We could be held liable for the costs to address contamination of any real property ever owned, operated or used as a disposal site. In addition, in the event that Kellwood becomes financially incapable of addressing the environmental liability incurred prior to the structural reorganization separating Kellwood from Vince that occurred on November 27, 2013, a third-party may file suit and attempt to allege that Kellwood and Vince engaged in a fraudulent transfer by arguing that the purpose of the separation of the non-Vince assets from Vince Holding Corp. was to insulate our assets from the environmental liability. For example, pursuant to a Consent Decree with the U.S. Environmental Protection Agency (EPA) and the State of Missouri, a non-Vince subsidiary of Vince Holding Corp., which was separated from us in the Restructuring Transactions, is conducting a cleanup of contamination at the site of a plant in New Haven, Missouri, which occurred between 1973 and 1985. Kellwood has posted a letter of credit in the amount of $5.9 million as a performance guarantee for the estimated cost of the required remediation work. If, despite the financial assurance provided by Kellwood as required by the EPA, Kellwood became financially unable to address this remediation, and if the corporate separateness of Vince is disregarded or if a fraudulent transfer is found to have occurred, we could be liable for the full amount of the remediation. If this were to occur or if we were to became liable for other environmental liabilities or obligations, it could have a material adverse effect on our business, financial condition or results of operations.

We will incur significant expenses as a result of being a public company, which will negatively impact our financial performance and could cause our results of operations and financial condition to suffer.

We will incur significant legal, accounting, insurance, share-based compensation and other expenses as a result of being a public company. The Sarbanes-Oxley Act, as well as related rules implemented by the SEC and the securities regulators and by the NYSE, have required changes in corporate governance practices of public companies. We expect that compliance with these laws, rules and regulations, including compliance with Section 404(b) of the Sarbanes-Oxley Act once we are no longer an emerging growth company, will substantially increase our expenses, including our legal and accounting costs, and make some activities more time-consuming and costly. We also expect these laws, rules and regulations to make it more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or to incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as officers. To assist in the recruitment of qualified directors, officers and other members of senior management and to help align their interests with those of our stockholders, we have made and intend to continue to make equity grants under our new management equity incentive plan (the Vince 2013 Incentive Plan). As a result of the foregoing, we expect an increase in legal, accounting, insurance, share based compensation and certain other expenses in the future, which will negatively impact our financial performance and could cause our results of operations and financial condition to suffer.

Risks Related to Our Structure and Ownership

We are a controlled company, controlled by investment funds advised by affiliates of Sun Capital, whose interests in our business may be different from yours.

Affiliates of Sun Capital owned approximately 68% of our outstanding common stock as of March 28, 2014. As such, affiliates of Sun Capital will, for the foreseeable future, have significant influence over our reporting and corporate management and affairs, and will be able to control virtually all matters requiring stockholder approval. For so long as affiliates of Sun Capital own 30% or more of our outstanding shares of common stock, Sun Cardinal, LLC, an affiliate of Sun Capital, will have the right to designate a majority of our board of directors. For so long as affiliates of Sun Capital have the right to designate a majority of our board of directors, the directors designated by affiliates of Sun Capital are expected to constitute a majority of each

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committee of our board of directors, other than the Audit Committee, and the chairman of each of the committees, other than the Audit Committee, is expected to be a director serving on such committee who is designated by affiliates of Sun Capital, provided that, at such time as we are not a controlled company under the NYSE corporate governance standards, our committee membership will comply with all applicable requirements of those standards and a majority of our board of directors will be independent directors, as defined under the rules of the NYSE (subject to applicable phase-in rules).

As a controlled company, the rules of the NYSE exempt us from the obligation to comply with certain corporate governance requirements, including the requirements that a majority of our board of directors consists of independent directors, as defined under such rules, and that we have nominating and corporate governance and compensation committees that are each composed entirely of independent directors. These exemptions do not modify the requirement for a fully independent audit committee, which is permitted to be phased-in as follows: (1) one independent committee member at the time of listing; (2) a majority of independent committee members within 90 days of our initial public offering; and (3) all independent committee members within one year of our initial public offering. Similarly, once we are no longer a controlled company, we must comply with the independent board committee requirements as they relate to the nominating and corporate governance and compensation committees, on the same phase-in schedule as set forth above, with the trigger date being the date we are no longer a controlled company . Additionally, we will have 12 months from the date we cease to be a controlled company to have a majority of independent directors on our board of directors.

Affiliates of Sun Capital control actions to be taken by us and our board of directors, including amendments to our amended and restated certificate of incorporation and amended and restated bylaws and approval of significant corporate transactions, including mergers and sales of substantially all of our assets. The directors designated by affiliates of Sun Capital have the authority, subject to the terms of our indebtedness and the rules and regulations of the NYSE, to issue additional stock, implement stock repurchase programs, declare dividends and make other decisions. The NYSE independence standards are intended to ensure that directors who meet the independence standard are free of any conflicting interest that could influence their actions as directors. Our amended and restated certificate of incorporation provides that the doctrine of corporate opportunity does not apply against Sun Capital or its affiliates, or any of our directors who are associates of, or affiliated with, Sun Capital, in a manner that would prohibit them from investing in competing businesses or doing business with our partners or customers. It is possible that the interests of Sun Capital and its affiliates may in some circumstances conflict with our interests and the interests of our other stockholders, including you. For example, Sun Capital may have different tax positions from other stockholders which could influence their decisions regarding whether and when we should dispose of assets, whether and when we should incur new or refinance existing indebtedness, especially in light of the existence of the Tax Receivable Agreement, and whether and when we should terminate the Tax Receivable Agreement and accelerate our obligations thereunder. In addition, the structuring of future transactions may take into consideration tax or other considerations of Sun Capital and its affiliates even where no similar benefit would accrue to us. See Item 13 Certain Relationships and Related Transactions, and Director Independence of this annual report on Form 10-K for additional information.

We are a holding company and we are dependent upon distributions from our subsidiaries to pay dividends and taxes and other expenses.

Vince Holding Corp. is a holding company with no material assets other than its ownership of membership interests in Vince Intermediate Holding, LLC, a holding company that has no material assets other than its interest in Vince, LLC. Neither Vince Holding Corp. nor Vince Intermediate Holding, LLC have any independent means of generating revenue. To the extent that we need funds, for a cash dividend to holders of our common stock or otherwise, and Vince Intermediate Holding, LLC or Vince, LLC is restricted from making such distributions under applicable law or regulation or is otherwise unable to provide such funds, it could materially adversely affect our liquidity and financial condition.

We file consolidated income tax returns on behalf of Vince Holding Corp. and Vince Intermediate Holding, LLC. Most of our future tax obligations will likely be attributed to the operations of Vince, LLC. Accordingly, most of the payments against the Tax Receivable Agreement will be attributed to the operations of Vince, LLC. We intend to cause Vince, LLC to pay dividends or make funds available to us in an amount sufficient to allow us to pay our taxes and any payments due to certain of our stockholders under the Tax Receivable Agreement. If, as a consequence of these various limitations and restrictions, we do not have sufficient funds to pay tax or other liabilities, we may have to borrow funds and thus our liquidity and financial condition could be materially adversely affected. To the extent that we are unable to make payments under the Tax Receivable Agreement for any reason, such payments will be deferred and will accrue interest at a default rate of one-year LIBOR plus 500 basis points until paid. See Tax Receivable Agreement under Item 13 Certain Relationships and Related Transactions, and Director Independence of this annual report on Form 10-K for more information regarding the terms of the Tax Receivable Agreement.

Anti-takeover provisions of Delaware law and our amended and restated certificate of incorporation and bylaws could delay and discourage takeover attempts that stockholders may consider to be favorable.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult without the approval of our board of directors. These provisions include:

- the classification of our board of directors so that not all members of our board of directors are elected at one time;
- the authorization of the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock;
- stockholder action can only be taken at a special or regular meeting and not by written consent following the time that Sun Capital and its affiliates cease to beneficially own a majority of our common stock;
- advance notice procedures for nominating candidates to our board of directors or presenting matters at stockholder meetings;
- removal of directors only for cause following the time that Sun Capital and its affiliates cease to beneficially own a majority of our common stock;
- allowing Sun Cardinal to fill any vacancy on our board of directors for so long as affiliates of Sun Capital own 30% or more of our outstanding shares of common stock and thereafter, allowing only our board of directors to fill vacancies on our board of directors; and
- following the time that Sun Capital and its affiliates cease to beneficially own a majority of our common stock, super-majority voting requirements to amend our bylaws and certain provisions of our certificate of

incorporation.

Our amended and restated certificate of incorporation also contains a provision that provides us with protections similar to Section 203 of the Delaware General Corporation Law (DGCL), and prevents us from engaging in a business combination, such as a merger, with a person or group who acquires at least 15% of our voting stock for a period of three years from the date such person became an interested stockholder, unless board or stockholder approval is obtained prior to acquisition. However, our amended and restated certificate of incorporation also provides that both Sun Capital and its affiliates and any persons to whom a Sun Capital affiliate sells its common stock will be deemed to have been approved by our board of directors.

These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change of control of our company, even if doing so would benefit our stockholders. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

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Any issuance of preferred stock could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock, which could depress the price of our common stock.

Our board of directors has the authority to issue preferred stock and to determine the preferences, limitations and relative rights of shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discouraging bids for our common stock at a premium over the market price, and adversely affect the market price and the voting and other rights of the holders of our common stock.

We are an emerging growth company and have elected to comply with reduced public company reporting requirements, which could make our common stock less attractive to investors.

We are an emerging growth company, as defined by the JOBS Act. For as long as we continue to be an emerging growth company, we have chosen to take advantage of certain exemptions from various public company reporting requirements. These exemptions include, but are not limited to, (i) not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, (ii) reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements, and (iii) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years after the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act of 1933, as amended (the Securities Act), which such fifth anniversary will occur in 2018. However, if certain events occur prior to the end of such five-year period, including if we become a large accelerated filer, our annual gross revenues exceed $1.0 billion or we issue more than $1.0 billion of non-convertible debt in any three-year period, we would cease to be an emerging growth company prior to the end of such five-year period. We will become a large accelerated filer the year after we have an aggregate worldwide market value of the voting and non-voting common equity held by non-affiliates of $700 million or more. We have taken advantage of certain of the reduced disclosure obligations regarding executive compensation in this annual report on Form 10-K and may elect to take advantage of other reduced burdens in future filings. As a result, the information we provide to holders of our common stock may be different than you might receive from other public reporting companies in which you hold equity interests. We cannot predict if investors will find our common stock less attractive as a result of our reliance on these exemptions. If some investors find our common stock less attractive as a result of any choice we make to reduce disclosure, there may be a less active trading market for our common stock and the price for our common stock may be more volatile.

As an emerging growth company we are not required to comply with the rules of the SEC implementing Section 404(b) of the Sarbanes-Oxley Act and therefore our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal controls over financial reporting until the year following the year we cease to be an emerging growth company. We are required, however, to comply with the SEC s rules implementing Section 302 and 404 other than 404(b) of the Sarbanes-Oxley Act. These rules require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. Though we are required to disclose changes made in our internal controls and procedures on a quarterly basis, we are not required to make our first annual assessment of our internal control over financial reporting pursuant to Section 404 until we file the annual report for the fiscal year ended January 31, 2015 (fiscal 2014). If we are unable to conclude that we have effective internal control over financial reporting, our independent registered public accounting firm is unable to provide us with an unqualified report as and when required by Section 404 or we are required to restate our financial statements, we may fail to meet our public reporting obligations and investors could lose confidence in our reported financial information, which could have a negative impact on the trading price of our stock.

Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. However, we have irrevocably elected not to avail ourselves of this extended transition period for complying with new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Our amended and restated certificate of incorporation also provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is, to the fullest extent permitted by applicable law, the sole and exclusive forum for any of the following: any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising under the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. The choice of forum provision may limit a stockholder s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We do not own any real estate. Our 16,283-square-foot principal executive and administrative offices are located at 1441 Broadway, 6th Floor, New York, New York 10018 and are leased under an agreement expiring in December 2014. Our 5,900-square-foot showroom is located at 80 W. 40th Street, New York, New York 10018 and is leased under an agreement expiring in December 2017. Our 17,640 square-foot design studios are located at 5410 Wilshire Boulevard, Los Angeles, California and are leased under an agreement expiring in January 2015. In January 2014, we signed a lease for office space at 500 Fifth Avenue, New York, NY, and expect to consolidate our New York offices into one location by the end of fiscal 2014.

As of February 1, 2014, we leased approximately 56,855 gross square feet related to our 28 retail stores. Our leases generally have initial terms of 10 years and cannot be extended or can be extended for one additional 5-year term. 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 all of the cost of insurance, taxes, maintenance and utilities. Although we generally cannot cancel these leases at our option, certain of our leases allow us, and in some cases, the lessor, to terminate the lease if we do not achieve a specified gross sales threshold.

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The following store list shows the location, opening date, type and size of our retail locations as of February 1, 2014:

Vince Location	State	Opening Date	Type	Gross Square Feet	Selling Square Feet
Robertson (Los Angeles)	CA	April 9, 2008	Street	1,151	938
Melrose (Los Angeles)	CA	September 4, 2008	Street	1,537	1,385
Washington St. (Meatpacking)	NY	February 3, 2009	Street	2,000	1,239
Prince St. (Nolita)	NY	July 25, 2009	Street	1,396	1,108
San Francisco	CA	October 15, 2009	Street	1,895	1,408
Chicago	IL	October 1, 2010	Street	2,590	1,371
Madison Ave.	NY	August 3, 2012	Street	3,503	1,928
Westport	CT	March 28, 2013	Street	1,801	1,344
Greenwich	CT	July 19, 2013	Street	2,463	1,724
Mercer St. (Soho)	NY	August 22, 2013	Street	4,500	3,080
Columbus Ave (Upper West Side)	NY	December 18, 2013	Street	4,465	3,126
Total Street (11):				**27,301**	**18,651**
Malibu	CA	August 9, 2009	Mall	797	705
Dallas	TX	August 28, 2009	Mall	1,368	1,182
Boca Raton	FL	October 13, 2009	Mall	1,547	1,199
Boston	MA	October 20, 2009	Mall	1,370	1,015
White Plains	NY	November 6, 2009	Mall	1,325	1,045
Atlanta	GA	April 16, 2010	Mall	1,643	1,356
Palo Alto	CA	September 17, 2010	Mall	2,028	1,391
Bellevue Square	WA	November 5, 2010	Mall	1,460	1,113
Manhasset	NY	April 22, 2011	Mall	1,414	1,000
Newport Beach	CA	May 20, 2011	Mall	1,656	1,242
The Grove	CA	November 20, 2012	Mall	1,862	1,160
Total Mall and Lifestyle Centers (11):				**16,470**	**12,408**
Total Full-Price (22):				**43,771**	**31,059**
Orlando	FL	July 17, 2009	Outlet	2,065	1,165
Cabazon	CA	November 11, 2011	Outlet	2,066	1,118
Riverhead	NY	November 30, 2012	Outlet	2,100	1,490
Chicago	IL	August 1, 2013	Outlet	2,611	1,828
Seattle	WA	August 30, 2013	Outlet	2,214	1,550
Las Vegas	NV	October 3, 2013	Outlet	2,028	1,420
Total Outlets (6):				**13,084**	**8,571**
Total (28):				**56,855**	**39,630**

ITEM 3. LEGAL PROCEEDINGS.

We are subject to various legal proceedings and claims, which arise in the ordinary course of our business. Although the outcome of these and other claims cannot be predicted with certainty, management does not believe that the ultimate resolution of these matters will have a material adverse effect on our financial condition, cash flows or results of operation.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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Part II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock has been traded on the New York Stock Exchange under the symbol VNCE since November 22, 2013. Prior to that time there was no public market for our stock. The following table sets forth the high and low sale prices of our common stock as reported on the New York Stock Exchange:

Market Information

Fiscal 2013	High	Low
Fourth Quarter (since November 22, 2013)	$ 32.76	$ 22.53

Record Holders

As of March 28, 2014 there were 5 record holders of our common stock.

Dividends

We have never paid cash dividends on our common stock. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business, and we do not anticipate paying any cash dividends in the foreseeable future. In addition, because we are a holding company, our ability to pay dividends depends on our receipt of cash dividends from our subsidiaries. The terms of our indebtedness substantially restrict the ability to pay dividends. See Existing Credit Facilities and Debt as of February 1, 2014 (Post IPO and Restructuring Transactions) under Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources of this annual report on Form 10-K for a description of the related restrictions.

Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, restrictions contained in current and future financing instruments and other factors that our board of directors deems relevant.

Unregistered Sales of Equity Securities

On October 3, 2013, David Falwell, Kellwood Company and VHC entered into an Option Settlement Agreement (the Option Settlement Agreement). Mr. Falwell previously held a vested and exercisable option to acquire 57,035 shares of non-voting Kellwood Company common stock under the 2010 Option Plan and a grant agreement dated August 11, 2011 (the Falwell Option). Pursuant to the Option Settlement Agreement, when Mr. Falwell exercised the Option, he received 52,422 non-voting shares of common stock of VHC from Kellwood in lieu of 57,035 shares of non-voting common stock of Kellwood Company. Kellwood Company received $127,897 from Mr. Falwell in connection with the exercise of the Falwell Option. VHC received no monetary proceeds from the exercise of the Falwell Option, and instead received 57,035 shares of non-voting stock of Kellwood Company in return for the issuance of the 52,422 non-voting shares of VHC common stock to Kellwood Company. The shares of non-voting common stock of VHC were issued to Kellwood Company pursuant to Section 4(a)(2) of the Securities Act.

Except as set forth above in the immediately preceding paragraph, we did not sell any unregistered securities from January 29, 2011 through February 1, 2014.

Use of Proceeds

On November 21, 2013, our registration statement on Form S-1 (File No. 333- 191336) was declared effective for the IPO, pursuant to which we registered the offering and sale of 11,500,000 shares of our common stock, including 1,500,000 additional shares pursuant to the underwriters option to purchase additional shares

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from the selling stockholders, at a public offering price of $20.00 per share for aggregate gross proceeds of approximately $200 million to us (with respect to the 10,000,000 shares of common stock sold by us in the offering). Goldman, Sachs & Co. and Robert W. Baird & Co. Incorporated acted as joint book-running managers of the offering and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., J.P. Morgan Securities LLC and Wells Fargo Securities, LLC acted as joint bookrunning managers in the offering.

As a result of the offering, we received net proceeds of approximately $177.0 million, after deducting underwriting discounts and commissions (with respect to the 10,000,000 primary shares) of approximately $14.0 million and offering expenses of approximately $9.0 million. None of such payments were direct or indirect payments to any of our affiliates or to our directors or officers or their associates or to persons owning 10% or more of our common stock.

We used $172 million of the net proceeds from the offering, along with $169.5 million of net borrowings under the Term Loan Facility, to repay the $341.5 million Kellwood Note Receivable. The remaining $5.0 million of the net proceeds from the offering were used for general corporate purposes.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not repurchase any shares of common stock during the three months ended February 1, 2014.

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA.

The selected historical consolidated financial data for each of the years in the three-year period ended February 1, 2014 and as of February 1, 2014 have been derived from our audited consolidated financial statements included elsewhere in this annual report on Form 10-K.

The historical results presented below are not necessarily indicative of the results expected for any future period. The information should be read in conjunction with Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations of this annual report on Form 10-K and our Consolidated Financial Statements and related notes included herein.

	Fiscal Year(1)		
(In thousands, except for share data, percentages and store counts)	**2013**	**2012**	**2011**
Statement of Operations Data:			
Net sales	$ 288,170	$ 240,352	$ 175,255
Cost of products sold	155,154	132,156	89,545
Gross profit	133,016	108,196	85,710
Selling, general and administrative expenses (2)	83,663	67,260	42,793
Income from operations	49,353	40,936	42,917
Interest expense, net (3)	18,011	68,684	81,364
Other expense, net	679	769	478
Income (loss) before income taxes	30,663	(28,517)	(38,925)
Provision for Income taxes	7,268	1,178	2,997
Net income (loss) from continuing operations	23,395	(29,695)	(41,922)
Net loss from discontinued operations, net of tax	(50,815)	(78,014)	(105,944)
Net loss	$ (27,420)	$ (107,709)	$ (147,866)
Basic earnings (loss) per share:			
Net income (loss) from continuing operations	$ 0.83	$ (1.13)	$ (1.60)
Net loss from discontinued operations, net of tax	(1.81)	(2.98)	(4.04)
Net loss	$ (0.98)	$ (4.11)	$ (5.64)
Diluted earnings (loss) per share:			
Net income (loss) from continuing operations	$ 0.83	$ (1.13)	$ (1.60)
Net loss from discontinued operations, net of tax	(1.81)	(2.98)	(4.04)
Net loss	$ (0.98)	$ (4.11)	$ (5.64)
Weighted average shares outstanding:			

Basic	28,119,794	26,211,130	26,211,130
Diluted	28,272,925	26,211,130	26,211,130

		As of	
	February 1, 2014	**February 2, 2013**	**January 28, 2012**
Balance Sheet Data:			
Cash and cash equivalents	$21,484	$317	$1,839
Working capital	65,398	9,746	(2,149)
Total assets	414,342	442,124	468,445
Long-term debt	170,000	391,434	605,292
Other liabilities (long-term)(4)	169,015		
Stockholders equity (deficit)	33,551	(561,265)	(743,021)

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(In thousands, except for share data, percentages and store counts)	Fiscal Year(1) 2013	2012	2011
Other Operating and Financial Data:			
Net Sales By Segment:			
Wholesale	$ 229,114	$ 203,107	$ 151,921
Direct-to-consumer	59,056	37,245	23,334
Total Net sales	$ 288,170	$ 240,352	$ 175,255
Total wholesale doors at end of period	2,300	2,145	1,761
Total stores at end of period	28	22	19
Comparable store sales growth (5)	20.6%	20.8%	7.6%
Depreciation and amortization	$ 2,785	$ 2,009	$ 1,701
Capital expenditures	$ 10,073	$ 1,821	$ 1,450

(1) Fiscal year ends on Saturday closest to January 31. Fiscal 2012 (ended February 2, 2013) consisted of 53 weeks. Fiscal 2013 (ended February 1, 2014) and Fiscal 2011 (ended January 28, 2012) consisted of 52 weeks.

(2) Includes the impact of public company transition costs of approximately $9,751, $9,331 and $0 in Fiscal 2013, 2012 and 2011, respectively.

(3) Interest expense prior to the Company s IPO in November 2013 is associated with the Sun Promissory and Sun Capital Loan agreements. Interest expense after the IPO in November 2013 represents interest and amortization of deferred financing costs incurred in connection with the Company s new $175,000 Term Loan facility. Annualized interest expense under the Term Loan facility, before consideration of any debt principal payments, is approximately $11,600.

(4) Other liabilities includes the impact of recording the long-term portion of the Tax Receivable Agreement with the Pre-IPO Stockholders entered into in November 2013, which represents our obligation to pay 85% of estimated cash savings on federal, state and local income taxes realized by us through our use of certain net tax assets retained by us subsequent to the completion of the IPO and Restructuring Transactions executed in November 2013.

(5) Comparable store sales includes sales at stores open at least twelve months on a 52 week basis.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This discussion summarizes our consolidated operating results, financial condition and liquidity during each of the years in the three-year period ended February 1, 2014. Our fiscal year ends on the Saturday closest to January 31. Fiscal years 2013, 2012 and 2011 ended on February 1, 2014, February 2, 2013 and January 28, 2012, respectively. Fiscal years 2013 and 2011 consisted of 52 weeks and Fiscal 2012 consisted of 53 weeks. The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this annual report on Form 10-K.

On November 27, 2013, Vince Holding Corp. completed an initial public offering of 10,000,000 shares of common stock and completed a series of Restructuring Transactions which occurred immediately prior to the IPO. As a result of the IPO and Restructuring Transactions, the non-Vince businesses were separated from the Vince business. The Vince business is now the sole operating business of Vince Holding Corp. Historical financial information for the non-Vince businesses has been included as discontinued operations until the businesses were separated on November 27, 2013.

This discussion contains forward-looking statements involving risks, uncertainties and assumptions that could cause our results to differ materially from expectations. Factors that might cause such differences include those described under Item 1A Risk Factors, Disclosures Regarding Forward-Looking Statements and elsewhere in this annual report on Form 10-K.

Executive Overview

Vince is a prominent, high-growth contemporary fashion brand known for modern, effortless style and everyday luxury essentials. Founded in 2002, Vince has generated strong sales momentum over the last decade. We believe that we will achieve continued success by expanding our product assortment distributed through premier wholesale partners in the U.S. and select international markets, as well as in our own branded retail locations and on our e-commerce platform.

As of February 1, 2014, we sold our products through 2,300 doors through our wholesale partners in the U.S. and international markets and we operated 28 retail stores, including 22 full price stores and six outlet stores, throughout the United States.

The following is a summary of Fiscal 2013 highlights:

- We completed the IPO of our common stock and realized net proceeds of approximately $177 million and we entered into a new $175 million Term Loan Facility in November 2013.

- Certain proceeds from the above were used to pay down the Kellwood Note Receivable with Kellwood Company and the Vince and Non-Vince businesses were separated in a series of Restructuring Transactions completed on November 27, 2013. Proceeds from the repayment of the Kellwood Note Receivable were used to repay or discharge certain existing debt of Kellwood Company.

In June 2013 certain indebtedness and interest owed to certain affiliates of Sun Capital were contributed to the Company and resulted in a capital contribution of approximately $407.5 million.

In November 2013, we entered into a new Revolving Credit Facility that provides for a revolving line of credit of up to $50 million.

We entered into the Shared Services Agreement with Kellwood Company LLC which provides support services to us in various operational areas including, among other things, distribution, logistics, information technology, accounts payable, credit and collections, and payroll and benefits.

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We entered into the Tax Receivable Agreement with the Pre-IPO Stockholders whereby we will pay an amount equal to 85% of the aggregate reduction in taxes payable by us from the utilization of certain tax benefits that existed at the time of the IPO.

We made a pre-payment of $5 million on the Term Loan Facility in January 2014. As of February 1, 2014 we had $170 million of debt outstanding.

Our net sales totaled $288.2 million, reflecting a 19.9% increase over prior year net sales of $240.4 million.

Our wholesale net sales increased 12.8% to $229.1 million and our direct-to-consumer net sales increased 58.6% to $59.1 million.

Operating income increased 20.6% to $49.4 million, or 17.1% of net sales.

We opened six net new retail stores during Fiscal 2013.

We serve our customers through a variety of channels that reinforce the Vince brand image. Our diversified channel strategy allows us to introduce our products to customers through multiple distribution points that are reported in two segments: wholesale and direct-to-consumer. The following is a summary of our Wholesale and Direct-to-consumer net sales for Fiscal 2013, Fiscal 2012 and Fiscal 2011:

	2013	2012	2011
Net Sales By Segment:			
Wholesale	$ 229,114	$ 203,107	$ 151,921
Direct-to-consumer	59,056	37,245	23,334
Total Net sales	$ 288,170	$ 240,352	$ 175,255

We have expanded our operations rapidly since our inception in 2002, and we have limited operating experience at our current size. Our growth in net sales has also led to increased selling, general and administrative expenses. We have made and are making investments to support our near and longer-term growth. If our operations continue to grow over the longer term, of which there can be no assurance, we will be required to expand our sales and marketing, product development and distribution functions, to upgrade our management information systems and other processes, and to obtain more space for our expanding administrative support and other headquarters personnel.

While we believe our growth strategy offers significant opportunities, it also presents risks and challenges, including among others, the risks that we may not be able to hire and train qualified associates, that our new product offerings and expanded sales channels may not maintain or enhance our brand image and that our distribution facilities and information systems may not be adequate to support our growth plans. For a more complete discussions of risks facing our business see Item 1A Risk Factors of this annual report on Form 10-K.

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Results of Operations

Fiscal 2013 Compared to Fiscal 2012

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

	Fiscal Year Ended					
	February 1, 2014		February 2, 2013		Variances	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	Percent
Statements of Operations:						
Net sales	$ 288,170	100.0%	$ 240,352	100.0%	$ 47,818	19.9%
Cost of products sold	155,154	53.8	132,156	55.0	22,998	17.4
Gross profit	133,016	46.2	108,196	45.0	24,820	22.9
Selling, general and administrative expenses	83,663	29.0	67,260	28.0	16,403	24.4
Income from operations	49,353	17.2	40,936	17.0	8,417	20.6
Interest expense, net	18,011	6.3	68,684	28.6	(50,673)	(73.8)
Other expense, net	679	0.2	769	0.3	(90)	(11.7)
Income (loss) before income taxes	30,663	10.7	(28,517)	(11.9)	59,180	(207.5)
Provision for income taxes	7,268	2.5	1,178	0.5	6,090	516.9
Net income (loss) from continuing operations	23,395	8.2	(29,695)	(12.4)	53,090	(178.8)
Net loss from discontinued operations, net of tax	(50,815)	(17.6)	(78,014)	(32.5)	27,199	(34.9)
Net loss	$ (27,420)	(9.6)%	$ (107,709)	(44.8)%	$ 80,289	(74.5)%
Basic earnings (loss) per share:						
Net income (loss) from continuing operations	$ 0.83		$ (1.13)			
Net loss from discontinued operations, net of tax	(1.81)		(2.98)			
Net loss	$ (0.98)		$ (4.11)			
Diluted earnings (loss) per share:						
Net income (loss) from continuing operations	$ 0.83		$ (1.13)			

Net loss from discontinued operations, net of taxes		(1.81)		(2.98)
Net loss	$	(0.98)	$	(4.11)
Other Operating and Financial Data:				
Total wholesale doors at end of period		2,300		2,145
Total stores at end of period		28		22
Comparable stores growth		20.6%		20.8%

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Net Sales for the fiscal year ended February 1, 2014 were $288.2 million, increasing $47.8 million, or 19.9%, versus $240.4 million for the fiscal year ended February 2, 2013. The increase in sales compared to the prior year is due to an increase in volume across both of our business segments.

(in thousands)	Net Sales by Segment Fiscal Year Ended February 1, 2014	February 2, 2013
Wholesale	$ 229,114	$ 203,107
Direct-to-consumer	59,056	37,245
Total	$ 288,170	$ 240,352

Net sales from our wholesale segment increased $26.0 million, or 12.8%, to $229.1 million in the fiscal year ended February 1, 2014 from $203.1 million in the fiscal year ended February 2, 2013. We increased volume with many of our premier wholesale partners through increased sales productivity in existing doors, including our first women s shop-in-shop at Saks Fifth Avenue, opened in September 2012, and the opening of 20 additional shop-in-shops with our domestic and international partners. Additionally, we sell our products through one international free-standing store in Tokyo that is operated by one of our distribution partners and opened in the fall of 2013.

Net sales from our direct-to-consumer segment increased $21.8 million, or 58.6%, to $59.1 million in the fiscal year ended February 1, 2014 from $37.2 million in the fiscal year ended February 2, 2013. This sales growth was due to (i) comparable retail store sales growth of 20.6% contributing $5.5 million, (ii) opening six net new stores as compared to the prior year (bringing our total retail store count to 28 as of February 1, 2014, compared to 22 as of February 2, 2013) inclusive of non-comparable sales growth contributing $12.7 million, and (iii) e-commerce sales growth contributing $3.5 million.

Gross Profit/Gross Margin rate increased 120 basis points to 46.2% for the fiscal year ended February 1, 2014 compared to 45.0% for the fiscal year ended February 2, 2013. The total margin rate increase was driven by a higher percentage of our sales coming from the direct-to-consumer segment, in which we generally recognize higher margins, and an increased percentage of full-price to off-price sales in our wholesale segment. The margin rate was unfavorably impacted during the fiscal year ended February 1, 2014 by increased inventory reserves, and increased margin assistance provided to our wholesale partners.

Selling, general and administrative expenses (SG&A) for the fiscal year ended February 1, 2014 were $83.7 million, increasing $16.4 million, or 24.4%, versus $67.3 million for the fiscal year ended February 2, 2013. The increase in SG&A expenses compared to the prior year period is primarily due to:

- Increased compensation expense of $5.5 million related to hiring and retaining certain key employees;

- Increased store expenses and depreciation expense of $4.5 million due primarily to new retail store openings;

Increased design, development and marketing expenses of $6.0 million to support our brand awareness growth efforts and the opening of new retail stores.

(in thousands)	Operating Income by Segment Fiscal Year Ended February 1, 2014	February 2, 2013
Wholesale	$ 81,822	$ 72,913
Direct-to-consumer	10,435	4,465
Subtotal	92,957	77,378
Unallocated expenses	(42,904)	(36,442)
Total operating income	$ 49,353	$ 40,936

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Operating income from our wholesale segment increased $8.9 million, or 12.2%, to $81.8 million in the fiscal year ended February 1, 2014 from $72.9 million in the fiscal year ended February 2, 2013. This increase was driven primarily from the sales volume increase of $26.0 million and a decrease in operating expenses as a percentage of wholesale sales, partially offset by a reduction in the gross margin rate primarily due to charges associated with recording additional inventory reserves. The decrease in operating expenses as a percentage of net wholesale sales resulted as our net wholesale sales grew at a rate greater than our expenses during fiscal 2013.

Operating income from our direct-to-consumer segment increased $5.9 million, or 131.1% to $10.4 million in the fiscal year ended February 1, 2014 from $4.5 million in the fiscal year ended February 2, 2013. The increase resulted primarily from the sales volume increase of $21.8 million which more than offset the additional operating expenses incurred during the period to support the sales growth.

Interest expense for the fiscal year ended February 1, 2014 was $18.0 million, decreasing $50.7 million, or 73.8%, versus $68.7 million for the fiscal year ended February 2, 2013. Interest expense decreased as we had lower average debt balances period over period. The decrease in overall debt balances was primarily to certain affiliates of Sun Capital contributing certain outstanding indebtedness to the Company in June 2013, thus eliminating interest expense on approximately $407.5 million in debt at that time. On November 27, 2013, in connection with the IPO and Restructuring Transactions, we entered into the Term Loan Facility and the Revolving Credit Facility. Annual interest expense is estimated to be $11.6 million assuming $175 million outstanding borrowings under the Term Loan Facility.

Other expense, net, was $0.7 million for the fiscal year ended February 1, 2014, decreasing $0.1 million from $0.8 million, or 11.7% for the fiscal year ended February 2, 2013.

Provision for income taxes for the fiscal year ended February 1, 2014 was $7.3 million, increasing $6.1 million, or 516.9%, versus $1.2 million for the fiscal year ended February 2, 2013. Our effective tax rate on pretax income for the fiscal year ended February 1, 2014 and the fiscal year ended February 2, 2013 was 23.7% and (4.1%), respectively. The rates for the fiscal year ended February 1, 2014 and the fiscal year ended February 2, 2013 differed from the U.S. statutory rate of 35.0% primarily due to state taxes, nondeductible interest and changes in our valuation allowances for the periods presented.

Net loss from discontinued operations

The separation of the non-Vince businesses was completed on November 27, 2013. Net loss from discontinued operations was $50.8 million for the fiscal year ended February 1, 2014, decreasing $27.2 million, or 34.9%, from a net loss of $78.0 million for the fiscal year ended February 2, 2013.

Net loss

Net loss was $27.4 million for the fiscal year ended February 1, 2014, decreasing $80.3 million, or 74.5%, from a net loss of $107.7 million for the fiscal year ended February 2, 2013. The reduction in our net loss was primarily due to increased income from operations of $8.4 million, reduced interest expense of $50.7 million and a lower net loss from discontinued operations of $27.2 million.

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Fiscal 2012 Compared to Fiscal 2011

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

	Fiscal Year Ended					
	February 2, 2013		January 28, 2012		Variances	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	Percent
Statements of Operations:						
Net sales	$ 240,352	100.0%	$ 175,255	100.0%	$ 65,097	37.1%
Cost of products sold	132,156	55.0	89,545	51.1	42,611	47.6
Gross profit	108,196	45.0	85,710	48.9	22,486	26.2
Selling, general and administrative expenses	67,260	28.0	42,793	24.4	24,467	57.2
Income from operations	40,936	17.0	42,917	24.5	(1,981)	(4.6)
Interest expense, net	68,684	28.6	81,364	46.4	(12,680)	(15.6)
Other expense, net	769	0.3	478	0.3	291	60.9
Loss before provision for income taxes	(28,517)	(11.9)	(38,925)	(22.2)	10,408	(26.7)
Provision for income taxes	1,178	0.5	2,997	1.7	(1,819)	(60.7)
Net loss from continuing operations	(29,695)	(12.4)	(41,922)	(23.9)	12,227	(29.2)
Net loss from discontinued operations, net of tax	(78,014)	(32.5)	(105,944)	(60.5)	27,930	(26.4)
Net loss	$ (107,709)	(44.8)%	$ (147,866)	(84.4)%	$ 40,157	(27.2)%
Basic and Diluted loss per share:						
Net loss from continuing operations	$ (1.13)		$ (1.60)			
Net loss from discontinued operations	(2.98)		(4.04)			
Net loss	$ (4.11)		$ (5.64)			
Other Operating and Financial Data:						
Total wholesale doors at end of period	2,145		1,761			
Total stores at end of period	22		19			

Comparable stores growth	20.8%	7.6%

Net Sales for the fiscal year ended February 2, 2013 were $240.4 million, increasing $65.1 million, or 37.1%, versus $175.3 million for the fiscal year ended January 28, 2012. The increase in sales compared to the prior year is due to an increase in volume across both of our business segments.

	Net Sales by Segment Fiscal Year Ended	
(in thousands)	**February 2, 2013**	**January 28, 2012**
Wholesale	$ 203,107	$ 151,921
Direct-to-consumer	37,245	23,334
Total	$ 240,352	$ 175,255

Net sales from our wholesale segment increased $51.2 million, or 33.7%, to $203.1 million in the fiscal year ended February 2, 2013 from $151.9 million in the fiscal year ended January 28, 2012. Our growth was primarily due to the significant expansion of the number of wholesale doors by nearly 400, or over 20% of our door base at the beginning of the fiscal year.

Net sales from our direct-to-consumer segment increased $13.9 million, or 59.6%, to $37.2 million in the fiscal year ended February 2, 2013 from $23.3 million in the fiscal year ended January 28, 2012. This sales growth was due to (i) comparable retail store sales growth of 20.8% contributing $4.4 million, (ii) opening three net new stores as compared to the prior year (bringing our total retail store count to 22 as of February 1, 2013, compared to 19 as of January 28, 2012) contributing $5.2 million, and (iii) e-commerce sales growth contributing $4.4 million.

Gross Profit/Gross Margin rate decreased 390 basis points to 45.0% for the fiscal year ended February 2, 2013 compared to 48.9% for the fiscal year ended January 28, 2012. The total margin rate decrease was driven by additional margin assistance provided to our wholesale partners, and increased penetration of off-price sales to full price sales.

Selling, general and administrative expenses for the fiscal year ended February 2, 2013 were $67.3 million, increasing $24.5 million, or 57.2%, versus $42.8 million for the fiscal year ended January 28, 2012. The increase in SG&A expenses compared to the prior year period is primarily due to:

Increased compensation expense of $15.1 million related to hiring and retaining certain key employees (including transition payments of $6.4 million to our founders) and increased expenses from expanded and dedicated resources in retail operations;

Increased occupancy and depreciation expense of $1.9 million due primarily to new retail store openings;

Increased design, development and marketing expenses of $1.9 million to support our brand awareness growth efforts and the opening of new retail stores; and

Increased corporate costs such as legal and other professional fees of $2.7 million associated with preparing to become a public company.

	Operating Income by Segment Fiscal Year Ended	
(in thousands)	February 2, 2013	January 28, 2012
Wholesale	$ 72,913	$ 62,635
Direct-to-consumer	4,465	559
Subtotal	77,378	63,194
Unallocated expenses	(36,442)	(20,277)
Total operating income	$ 40,936	$ 42,917

Operating income from our wholesale segment increased $10.3 million, or 16.4%, to $72.9 million in the fiscal year ended February 2, 2013 from $62.6 million in the fiscal year ended January 28, 2012. This increase was driven primarily from the sales volume increase of $51.2 million, partially offset by an increase in operating expenses as a percentage of wholesale sales, driven by increased compensation costs, and reduction in the gross margin rate, primarily due to higher cost of goods and increased margin assistance to our wholesale partners.

Operating income from our direct-to-consumer segment increased $3.9 million, or 650.0% to $4.5 million in the fiscal year ended February 2, 2013 from $0.6 million in the fiscal year ended January 28, 2012. The increase resulted primarily from the sales volume increase of $13.9 million which more than offset the additional operating expenses incurred during the period to support the sales growth.

Interest expense for the fiscal year ended February 2, 2013 was $68.7 million, decreasing $12.7 million, or 15.6%, versus $81.4 million for the fiscal year ended January 28, 2012. Interest expense decreased as we had lower average debt balances period over period.

Other expense, net was $0.8 million for the fiscal year ended February 2, 2013, increasing $0.3 million, or 60.9% from $0.5 million for the fiscal year ended January 28, 2012.

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Provision for income taxes for the fiscal year ended February 2, 2013 was $1.2 million, decreasing $1.8 million, or 60.7%, versus $3.0 million for the fiscal year ended January 28, 2012. Our effective tax rate on pretax income for the fiscal year ended February 2, 2013 and the fiscal year ended January 28, 2012 was (4.1%) and (7.7%), respectively. The rates for the fiscal year ended February 2, 2013 and the fiscal year ended January 28, 2012 differed from the U.S. statutory rate of 35.0% primarily due to state taxes, nondeductible interest and changes in our valuation allowances for the periods presented.

Net loss from discontinued operations

Net loss from discontinued operations was $78.0 million for the fiscal year ended February 2, 2013, decreasing $27.9 million, or 26.3%, from a net loss of $105.9 million for the fiscal year ended January 28, 2012.

Net loss

Net loss was $107.7 million for the fiscal year ended February 2, 2013, decreasing $40.2 million, or 27.2%, from a net loss of $147.9 million for the fiscal year ended January 28, 2012. The reduction in our net loss was primarily due to reduced interest expense of $12.7 million and lower net loss from discontinued operations of $27.9 million, partially offset by lower income from operations of $2.0 million.

Discontinued Operations

On November 27, 2013, in connection with the IPO and Restructuring Transactions, we separated the Vince and non-Vince businesses whereby the non-Vince business is now owned by Kellwood Holding, LLC, of which 100% of the membership interests are owned by the Pre-IPO Stockholders. As the Company and Kellwood Holding, LLC are under the common control of affiliates of Sun Capital, this separation transaction resulted in a $73.1 million adjustment to additional paid in capital on our Consolidated Balance Sheet at February 1, 2014.

As a result of the separation with the non-Vince businesses, the financial results for the non-Vince businesses, through the separation, on November 27, 2013, are now included in results from discontinued operations. The non-Vince businesses continue to operate as a stand-alone company. Due to differences in the basis of presentation for discontinued operations and the basis of presentation as a stand-alone company, the financial results of the non-Vince businesses included within discontinued operations of the Company may not be indicative of actual financial results of the non-Vince businesses as a stand-alone company.

In connection with the Restructuring Transactions, the Company issued the Kellwood Note Receivable to Kellwood Company, LLC, in the amount of $341.5 million, the proceeds of which were primarily used by Kellwood to repay, discharge or repurchase indebtedness of Kellwood Company, LLC. As a result, neither Vince Holding Corp. nor any of its consolidated subsidiaries have any obligations with respect to the Wells Fargo Facility, the Cerberus Term Loan, the Sun Term Loan Agreements, any 12.875% Notes, or any 7.625% Notes.

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The results of the non-Vince businesses included in discontinued operations for the fiscal years ended February 1, 2014, February 2, 2013 and January 28, 2012 are summarized in the following table (in thousands, except effective tax rates).

	Fiscal Year		
	2013	**2012**	**2011**
Net sales	$ 400,848	$ 514,806	$ 550,790
Cost of products sold	313,620	409,763	446,494
Gross profit	87,228	105,043	104,296
Selling, general and administrative expenses	98,016	132,871	141,248
Restructuring, environmental and other charges	1,628	5,732	3,139
Impairment of long-lived assets (excluding goodwill)	1,399	6,497	8,418
Impairment of goodwill			11,046
Change in fair value of contingent consideration	1,473	(7,162)	(1,578)
Interest expense, net	46,677	55,316	46,256
Other expense, net	498	(9,776)	1,448
Loss before income taxes	(62,463)	(78,435)	(105,681)
Income taxes	(11,648)	(421)	263
Loss from discontinued operations, net of income taxes	$ (50,815)	$ (78,014)	$ (105,944)
Effective tax rate	18.6%	0.5%	(0.2)%

Net loss from discontinued operations Fiscal 2013 Compared to Fiscal 2012

The separation of the non-Vince businesses was completed on November 27, 2013. Net loss from discontinued operations was $50.8 million for the fiscal year ended February 1, 2014, decreasing $27.2 million, or 34.9%, from a net loss of $78.0 million for the fiscal year ended February 2, 2013. Results for fiscal 2013 include two fewer months compared to fiscal 2012 and were positively impacted by income tax benefit of $11.6 million. This tax benefit was generated primarily as a result of the release of valuation allowance related to the allocation of a disallowed tax loss on the sale of a trademark to intangibles with indefinite lives, resulting in fewer deferred tax liabilities that cannot be offset against deferred tax assets for valuation allowance purposes.

Net loss from discontinued operations Fiscal 2012 Compared to Fiscal 2011

Net loss from discontinued operations was $78.0 million for the fiscal year ended February 2, 2013, decreasing $27.9 million, or 26.3%, from a net loss of $105.9 million for the fiscal year ended January 28, 2012. Results for the fiscal year ended January 28, 2012 were negatively impacted by non-cash impairment charges of $19.5 million. Of this, $11.0 million related to goodwill impairment charges due to a decrease in the near-term forecasted EBITDA of recently completed acquisitions as a result of delays in expected growth and cost synergies. The remaining $8.5

million primarily relates to impairment charges related to indefinite-lived intangible assets, primarily tradenames, as a result of declining results of certain brands. Selling, general and administrative expenses were $132.9 million, or 25.8% of net sales for the fiscal year ended February 2, 2013, decreasing $8.3 million, or 5.9%, from $141.2 million, or 25.6% of net sales for the fiscal year ended January 28, 2012.

Liquidity and Capital Resources

Vince Holding Corp. s sources of liquidity are our cash and cash equivalents, cash flows from operations and borrowings available under the Revolving Credit Facility. Our primary cash needs are capital expenditures for new stores and related leasehold improvements for our new offices, meeting our debt service requirements, paying amounts due per the Tax Receivable Agreement, and funding working capital requirements. The most significant components of our working capital are cash and cash equivalents, accounts receivable, inventories, accounts payable and other current liabilities. See Outlook below.

On November 27, 2013, in connection with the consummation of the IPO and Restructuring Transactions, all previously outstanding debt obligations either remained with Kellwood (i.e. the non-Vince businesses) or were discharged, repurchased or refinanced. In connection with the consummation of these transactions, Vince Holding Corp. entered into the Term Loan Facility and Revolving Credit Facility, which are discussed further below.

Operating Activities

	Fiscal Year		
	2013	**2012**	**2011**
Operating activities			
Net loss	$ (27,420)	$ (107,709)	$ (147,866)
Loss from discontinued operations	(50,815)	(78,014)	(105,944)
Add (deduct) items not affecting operating cash flows:			
Depreciation	2,186	1,411	1,102
Amortization of intangible assets	599	598	599
Amortization of deferred financing costs	178		
Deferred income taxes	7,225	1,147	2,979
Share-based compensation expense	347		
Capitalized PIK Interest	15,883	68,684	81,363
Loss on disposal of property, plant and equipment	262		8
Changes in assets and liabilities			
Receivables, net	(6,265)	(7,459)	(12,174)
Inventories, net	(15,069)	(8,360)	(2,592)
Prepaid expenses and other current assets	1,681	(2,455)	(490)
Accounts payable and accrued expenses	3,235	17,208	2,937
Other assets and liabilities	309	295	291
Net cash provided by operating activities continuing operations	33,966	41,374	32,101
Net cash used in operating activities discontinued operations	(54,667)	(67,408)	(70,335)
Net cash used in operating activities	$ (20,701)	$ (26,034)	$ (38,254)

Because we were financed as part of Kellwood and cash was centrally managed by Kellwood Company, our cash balance as of February 2, 2013 and January 28, 2012 primarily represents retail store deposits.

Continuing operations

Net cash provided by operating activities primarily consists of net income (loss), adjusted for certain non-cash items including PIK interest on the Sun Promissory Notes and Sun Capital Loan Agreement, which was later contributed as capital, as well as depreciation, amortization and changes in deferred income taxes and the effects of changes in working capital and other activities.

Net cash provided by operating activities during fiscal 2013 was $34.0 million, which consisted of net income of $23.4 million, impacted by non-cash items of $26.7 million and cash used in working capital of

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$16.1 million. Net cash used in working capital primarily resulted from an increase in inventory, net of $15.1 million due to increased sales volumes, new retail stores and shop-in-shops and the planned delay in timing of certain shipments to select wholesale partners. Additionally there was an increase in receivables, net of $6.3 million due to the timing of customer receipts. This was offset in part due to increases in our accounts payable and other accrued expenses of $3.2 million and a decrease in prepaid expenses of $1.7 million.

Net cash provided by operating activities during fiscal 2012 was $41.4 million, which consisted of net loss of $29.7 million, impacted by non-cash items of $71.9 million and cash used in working capital of $0.8 million. Non-cash expenses primarily consisted of PIK interest expense of $68.7 million. Net cash used in working capital primarily resulted from an increase in inventories, net of $8.4 million due to timing of inventory receipts and an increase in receivables, net of $7.5 million due to the timing of customer receipts. This was partially offset by increases in our accounts payable and other accrued expenses of $17.2 million due to the timing of vendor payments as well as the accrual of $6.4 million in transition payment to our founders, which was subsequently paid during fiscal 2013.

Net cash provided by operating activities for fiscal 2011 was $32.1 million, which consisted of net loss of $41.9 million, impacted by non-cash items of $86.1 million and cash used in working capital of $12.0 million. Non-cash expenses primarily consisted of PIK interest expense of $81.4 million. Net cash used in working capital primarily resulted from an increase in inventories, net of $12.2 million and an increase in receivables, net of $2.6 million.

Discontinued operations

Net cash used in operating activities for 2013 was $54.7 million, which consisted of net loss of $50.8 million adjusted for noncash charges of $15.3 million, and cash used in working capital of $19.2 million.

Net cash used in operating activities for 2012 was $67.4 million, which consisted of net loss of $78.0 million adjusted for noncash charges of $25.5 million, and cash used in working capital of $14.9 million.

Net cash used in operating activities for 2011 was $70.4 million, which consisted of net loss of $105.9 million adjusted for noncash charges of $51.0 million, and cash used in working capital of $15.5 million.

Investing Activities

		Fiscal Year	
	2013	**2012**	**2011**
Investing activities			
Payments for capital expenditures	$ (10,073)	$ (1,821)	$ (1,450)
Payments for contingent purchase price		(806)	(58,465)
Net cash used in investing activities continuing operations	(10,073)	(2,627)	(59,915)
Net cash (used in)/provided by investing activities discontinued operations	(5,936)	20,088	(9,637)
Net cash (used in)/provided by investing activities	$ (16,009)	$ 17,461	$ (69,552)

Continuing operations

Net cash used in investing activities represents capital expenditures, primarily related to retail store build-outs, including leasehold improvements and store fixtures, and cash payments paid to CRL Group (former owners of the Vince business) related to the acquisition of the Vince business as a result of achievement of performance goals as specified in the related purchase agreement.

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Net cash used in investing activities increased $7.5 million from $2.6 million used in investing activities during fiscal 2012 to $10.1 million used in investing activities during fiscal 2013. The increase is primarily attributable to an increase in capital expenditures of $8.3 million resulting from construction of additional retail stores during the year, additional build-out of shop-in-shops within selected wholesale partner locations, as well as costs related to the upgrade of our website, which re-launched during the first quarter of fiscal 2014.