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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended July 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ___________ to ___________

Commission File Number 0-14818

Kaspien Holdings Inc.

(Exact Name of Registrant as Specified in its Charter)

New York	14-1541629
State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
2818 N. Sullivan Rd. Ste 130 Spokane Valley, WA	99216
Address of Principal Executive Offices	Zip Code

(855) 300-2710
Registrant's Telephone Number, Including Area Code

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.01 par value per share	KSPN	NASDAQ Capital Market

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

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

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

Large accelerated filer ☐
Accelerated filer ☐
Non-accelerated filer ☒
Smaller reporting company ☒
Emerging growth company ☐

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

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $.01 par value,
2,492,568 shares outstanding as of September 1, 2021

KASPIEN HOLDINGS INC. AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, particularly in the discussion under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations." All statements other than statements of historical fact are forward-looking. Examples of forward-looking statements include, but are not limited to, statements regarding future business, future results of operations or financial condition, new or planned features, products or services, management strategies, our competitive position and the COVID-19 pandemic. You can identify many forward-looking statements by words such as "may," "will," "would," "should," "could," "expect," "aim," "anticipate," "believe," "estimate," "intend," "plan," "predict," "project," "seek," "potential," "opportunities" and other similar expressions and the negatives of such expressions. However, not all forward-looking statements contain these words. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from those expressed or implied by the forward-looking statements contained herein. Such risks and uncertainties include, among others, changes in the competitive environment, availability of new products, changes in vendor policies or relationships, general economic factors in markets where the Company's merchandise is sold, as well as those risks discussed under the caption "Risk Factors" in our most recently filed Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission (the "SEC") on April 30, 2021 (the "2021 Form 10-K"), and in our consolidated financial statements, related notes, and the other information appearing elsewhere in the 2021 Form 10-K, this quarterly report on Form 10-Q and our other filings with the SEC. Given these risks and uncertainties, you should not place undue reliance on any forward-looking statements. The forward-looking statements contained in this quarterly report on Form 10-Q are made only as of the date hereof, and we do not intend, and, except as required by law, we undertake no obligation to update any forward-looking statements contained herein after the date of this report to reflect actual results or future events or circumstances.

KASPIEN HOLDINGS INC. AND SUBSIDIARIES
PART 1. FINANCIAL INFORMATION
Item 1 - Interim Condensed Consolidated Financial Statements
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share and share amounts)

	July 31, 2021	January 30, 2021	August 1, 2020
ASSETS	Unaudited		Unaudited
CURRENT ASSETS			
Cash and cash equivalents	$ 2,570	$ 1,809	$ 3,337
Restricted cash	1,184	1,184	950
Accounts receivable	2,805	2,718	2,239
Merchandise inventory	25,024	24,515	20,576
Prepaid expenses and other current assets	1,056	564	1,085
Total current assets	32,639	30,790	28,187
Restricted cash	2,992	3,562	4,362
Fixed assets, net	2,301	2,268	2,285
Operating lease right-of-use assets	2,447	2,742	3,030
Intangible assets, net	218	732	1,246
Cash Surrender Value	4,277	3,856	3,411
Other assets	1,157	1,342	2,036
TOTAL ASSETS	$ 46,031	$ 45,292	$ 44,557
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	$ 7,599	$ 8,894	$ 9,857
Short-term borrowings	-	6,339	2,151
Accrued expenses and other current liabilities	1,941	2,512	3,812
Current portion of operating lease liabilites	622	596	571
Current portion of PPP Loan	-	1,687	1,017
Total current liabilities	10,162	20,028	17,408
Operating lease liabilities	1,942	2,258	2,564
PPP Loan	-	330	1,001
Long-term debt	5,526	5,000	4,401
Other long-term liabilities	15,721	16,187	19,613
TOTAL LIABILITIES	33,351	43,803	44,987
SHAREHOLDERS' EQUITY			
Preferred stock ($0.01 par value; 5,000,000 shares authorized; none issued)	-	-	-
Common stock ($0.01 par value; 200,000,000 shares authorized; 3,902,985, 3,336,576 and 3,235,576 shares issued, respectively)	39	33	32
Additional paid-in capital	359,016	346,495	346,457
Treasury stock at cost (1,410,417, 1,410,378 and 1,410,378 shares, respectively)	(230,170)	(230,169)	(230,169)
Accumulated other comprehensive loss	(2,007)	(2,007)	(1,473)
Accumulated deficit	(114,198)	(112,863)	(115,277)
TOTAL SHAREHOLDERS' EQUITY	12,680	1,489	(430)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 46,031	$ 45,292	$ 44,557

See Accompanying Notes to Interim Condensed Consolidated Financial Statements.

KASPIEN HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands)
(unaudited)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Net revenue	$ 34,890	$ 42,296	$ 75,507	$ 73,885
Cost of sales	26,055	31,611	56,876	55,283
Gross profit	8,835	10,685	18,631	18,602
Selling, general and administrative expenses	10,210	11,178	20,868	24,274
Loss from operations	(1,375)	(493)	(2,237)	(5,672)
Interest expense	460	406	1,015	634
Other (income) loss	(1,963)	-	(1,963)	-
Income (loss) before income tax expense	128	(899)	(1,289)	(6,306)
Income tax expense	46	-	46	-
Net income (loss)	$ 82	$ (899)	$ (1,335)	$ (6,306)
BASIC AND DILUTED INCOME PER SHARE:				
Basic income (loss) per common share	$ 0.03	$ (0.49)	$ (0.56)	$ (3.46)
Weighted average number of common shares outstanding – basic	2,491	1,825	2,404	1,823
Diluted income (loss) per common share	$ 0.03	$ (0.49)	$ (0.56)	$ (3.46)
Weighted average number of common shares outstanding – diluted	2,538	1,825	2,404	1,823

See Accompanying Notes to Interim Condensed Consolidated Financial Statements.

KASPIEN HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(amounts in thousands)
(unaudited)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Net income (loss)	$ 82	$ (899)	$ (1,335)	$ (6,306)
Amortization of pension gain	-	1	-	2
Comprehensive income (loss)	$ 82	$ (898)	$ (1,335)	$ (6,304)

See Accompanying Notes to Interim Condensed Consolidated Financial Statements.

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KASPIEN HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(dollars and shares in thousands)
(unaudited)

Thirteen Weeks Ended July 31, 2021

	Number of shares outstanding							
	Common Shares	*Treasury Shares*	Common Stock	Additional Paid-in Capital	Treasury Stock At Cost	Accumulated Other Comprehensive Loss	Retained Earnings (Accumulated Deficit)	Shareholders' Equity
Balance as of May 1, 2021	*3,889*	*(1,410)*	$ 39	$ 358,749	$ (230,170)	$ (2,007)	$ (114,280)	$ 12,332
Net income	-	-	-	-	-	-	82	82
Issuance of warrants	*3*	-	-	-	-	-	-	-
Exercise of stock options	2	-	-	51	-	-	-	51
Common stock issued- Director grants	*9*	-	-	184	-	-	-	184
Amortization of unearned compensation/restricted stock amortization	-	-	-	31	-	-	-	31
Balance as of July 31, 2021	*3,903*	*$ (1,410)*	$ 39	$ 359,016	$ (230,170)	$ (2,007)	$ (114,198)	$ 12,680

Twenty-six Weeks Ended July 31, 2021

	Number of shares outstanding							
	Common Shares	*Treasury Shares*	Common Stock	Additional Paid-in Capital	Treasury Stock At Cost	Accumulated Other Comprehensive Loss	Retained Earnings (Accumulated Deficit)	Shareholders' Equity
Balance as of January 30, 2021	*3,337*	*(1,410)*	$ 33	$ 346,495	$ (230,169)	$ (2,007)	$ (112,863)	$ 1,489
Net Loss	-	-	-	-	-	-	(1,335)	(1,335)
Other comprehensive income	-	-	-	-	-	-	-	-
Issuance of warrants	138	-	2	-	(1)	-	-	1
Sales of shares, net of expense	*417*	-	4	12,227	-	-	-	12,231
Exercise of stock options	*2*	-	-	51	-	-	-	51
Common stock issued- Director grants	*9*	-	-	184	-	-	-	184
Amortization of unearned compensation/restricted stock amortization	-	-	-	59	-	-	-	59
Balance as of July 31, 2021	*3,903*	*(1,410)*	$ 39	$ 359,016	$ (230,170)	$ (2,007)	$ (114,198)	$ 12,680

Thirteen Weeks Ended August 1, 2020

	Number of shares outstanding							
	Common Shares	*Treasury Shares*	Common Stock	Additional Paid-in Capital	Treasury Stock At Cost	Accumulated Other Comprehensive Loss	Retained Earnings (Accumulated Deficit)	Shareholders' Equity
Balance as of May 2, 2020	*3,236*	*(1,410)*	$ 32	$ 346,442	$ (230,169)	$ (1,476)	$ (114,377)	$ 451
Net Loss	-	-	-	-	-	-	(899)	(899)
Other comprehensive income	-	-	-	-	-	3	-	3
Issuance of warrants	-	-	-	-	-	-	-	-
Vested restricted shares	-	-	-	-	-	-	-	-
Common stock issued- Director grants	-	-	-	-	-	-	-	-
Amortization of unearned compensation/restricted stock amortization	-	-	-	15	-	-	-	15
Balance as of August 1, 2020	*3,236*	*$ (1,410)*	$ 32	$ 346,457	$ (230,169)	$ (1,473)	$ (115,277)	$ (430)

Twenty-six Weeks Ended August 1, 2020

	Number of shares outstanding							
	Common Shares	*Treasury Shares*	Common Stock	Additional Paid-in Capital	Treasury Stock At Cost	Accumulated Other Comprehensive Loss	Retained Earnings (Accumulated Deficit)	Shareholders' Equity
Balance as of February 1, 2020	*3,226*	*(1,409)*	$ 32	$ 345,102	$ (230,169)	$ (1,479)	$ (108,971)	$ 4,515
Net Loss	-	-	-	-	-	-	(6,306)	(6,306)
Other comprehensive income	-	-	-	-	-	6	-	6
Vested restricted shares	*4*	*(1)*	-	(9)	-	-	-	(9)
Common stock issued- Director grants	*6*	-	-	243	-	-	-	243
Amortization of unearned compensation/restricted stock amortization	-	-	-	285	-	-	-	285
Balance as of August 1, 2020	*3,236*	*$ (1,410)*	$ 32	$ 346,457	$ (230,169)	$ (1,473)	$ (115,277)	$ (430)

KASPIEN HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)
(unaudited)

	Twenty-Six Weeks Ended	
	July 31, 2021	August 1, 2020
OPERATING ACTIVITIES:		
Net loss	$ (1,335)	$ (6,306)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of fixed assets	710	493
Amortization of intangible assets	514	514
Stock-based compensation	243	284
Amortization of ROU asset	295	281
Amortization of warrant interest	139	-
Interest on long term debt	386	-
Change in cash surrender value	(421)	(57)
Forgiveness of PPP Loan	(1,963)	-
Changes in operating assets and liabilities that provide (use) cash:		
Accounts receivable	(88)	1,901
Merchandise inventory	(509)	(2,739)
Prepaid expenses and other current assets	(492)	2,054
Other long-term assets	185	-
Accounts payable	(1,294)	1,978
Accrued expenses and other current liabilities	(522)	(6,242)
Other long-term liabilities	(782)	(49)
Net cash used in operating activities	(4,934)	(7,888)
INVESTING ACTIVITIES:		
Purchases of fixed assets	(743)	(588)
Proceeds from sale of fye business	-	11,779
Net cash provided by (used in) investing activities	(743)	11,191
FINANCING ACTIVITIES:		
Proceeds from short term borrowings	-	2,151
Proceeds from long term borrowings	-	4,401
Proceeds from issuance of warrants	-	836
Proceeds from PPP loan	-	2,018
Proceeds from stock offering	12,231	-
Proceeds from exercise of stock options	51	-
Payments of PPP loan	(76)	-
Issuance of director deferred shares and RSUs	-	237
Payment of short term borrowings	(6,339)	(13,149)
Net cash provided by (used in) financing activities	5,867	(3,506)
Net increase (decrease) in cash, cash equivalents, and restricted cash	190	(203)
Cash, cash equivalents, and restricted cash, beginning of period	6,556	8,852
Cash, cash equivalents, and restricted cash, end of period	$ 6,746	$ 8,649
Interest paid	$ 142	$ 118

See Accompanying Notes to Interim Condensed Consolidated Financial Statements.

KASPIEN HOLDINGS INC. AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
July 31, 2021 and August 1, 2020

Note 1. Nature of Operations

Kaspien Holdings Inc., which, together with its consolidated subsidiaries, is referred to herein as “Kaspien”, “the Company”, “we”, “us” and “our”, was incorporated in New York in 1972. We own 100% of the outstanding common stock of Kaspien Inc, through which our principal operations are conducted. Kaspien provides a platform of software and services to empower brands to grow their online distribution channels on digital marketplaces such as Amazon, Walmart, Target, eBay, among others. The Company helps brands achieve their online retail goals through its innovative and proprietary technology, tailored strategies, and mutually beneficial partnerships.

Our mission is to optimize and grow brands on today’s leading online marketplaces. To deliver this mission, we provide a platform of software and services to empower brands to grow their online distribution channel on digital marketplaces. Our proprietary software platform of marketplace solutions has been developed with a tech-first approach over the last decade. Through our platform, more than a decade of marketplace expertise, and our subject matter expertise, Kaspien empowers brands to achieve their online retail goals. Through our diversified and flexible partnership approach, Kaspien supports brands all across their brands’ life cycle and maturity online.

The Company has positioned itself to be a brand’s ultimate online growth partner. We are guided by seven core principles:

Partner Obsession	Insights Driven
Simplicity	Innovation
Results	Ownership
Diversity and Teamwork	

Liquidity and Cash Flows:

The Company’s primary sources of liquidity are its borrowing capacity under its revolving credit facility, available cash and cash equivalents, funds raised through equity offerings and to a lesser extent, cash generated from operations. Our cash requirements relate primarily to working capital needed to operate and grow our business, including funding operating expenses and the purchase of inventory. Our ability to achieve profitability and meet future liquidity needs and capital requirements will depend upon numerous factors, including the timing and amount of our net revenue; the timing and amount of our operating expenses; the timing and costs of working capital needs; successful implementation of our strategy and planned activities; and our ability to overcome the impact of the COVID-19 pandemic.

The Company incurred a net loss of $1.3 million and $6.3 million for the twenty-six weeks ended July 31, 2021 and August 1, 2020, respectively. The decrease in the net loss was primarily attributable to an increase in net revenue and lower SG&A expenses, as well as the forgiveness of the PPP Loan discussed below. In addition, the Company has an accumulated deficit of $114.2 million as of July 31, 2021 and net cash used in operating activities for the twenty-six weeks ended July 31, 2021 was $4.9 million. Net cash used in operating activities for the twenty-six weeks ended August 1, 2020 was $7.9 million.

As disclosed in the Company's Annual Report on Form 10-K filed April 30, 2021, the Company experienced negative cash flows from operations during fiscal 2020 and 2019 and we expect to incur net losses in fiscal 2021.

Our ability to achieve profitability and meet future liquidity needs and capital requirements will depend upon numerous factors, including the timing and amount of our revenue; the timing and amount of our operating expenses; the timing and costs of working capital needs; successful implementation of our strategy and planned activities; and our ability to overcome the impact of the COVID-19 pandemic.

There can be no assurance that we will be successful in further implementing our business strategy or that the strategy will be successful in sustaining acceptable levels of sales growth and profitability. The unaudited condensed consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The unaudited condensed consolidated financial statements for the twenty-six weeks ended July 31, 2021 were prepared pursuant to the rules and regulations of the Securities and Exchange Commission. The information furnished in these unaudited condensed consolidated financial statements reflects all normal, recurring adjustments which, in the opinion of management, are necessary for the fair presentation of such financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For the next 12 months, management believes that the Company's existing liquidity will be adequate to fund its working capital needs. The ability of the Company to meet its liabilities is dependent on continued improved profitability and the other factors set forth in the preceding paragraph. Management anticipates any cash requirements due to a shortfall in cash from operations will be funded by the Company's revolving credit facility, as discussed in note 7 in the interim condensed consolidated financial statements.

As of July 31, 2021, we had cash and cash equivalents of $2.6 million, net working capital of $22.5 million, and no outstanding borrowings on our revolving credit facility, as further discussed below.

As of January 30, 2021, the Company had borrowings of $6.3 million under the Credit Facility. As of July 31, 2021 and August 1, 2020, the Company had no outstanding letters of credit. The Company had $10.1 million and $6.5 million available for borrowing under the Credit Facility as of July 31, 2021 and August 1, 2020, respectively.

On March 18, 2021, the Company closed an underwritten offering of 416,600 shares of common stock of the Company, at a price to the public of $32.50 per share. The gross proceeds of the offering were approximately $13.5 million, prior to deducting underwriting discounts and commissions and estimated offering expenses. The Company intends to use the net proceeds from the offering for general corporate purposes, including working capital to implement its strategic plans focused on brand acquisition, investments in technology to enhance its scalable platform and its core retail business.

Credit Facility

On February 20, 2020, Kaspien Inc. entered into a Loan and Security Agreement (the "Loan Agreement") with Encina Business Credit, LLC ("Encina"), as administrative agent, under which the lenders party thereto committed to provide up to $25 million in loans under a three-year, secured revolving credit facility (the "Credit Facility"). The Company borrowed $3.3 million under the Credit Facility in order to satisfy the remaining obligations of the Company under its previous credit facility.

The commitments by the lenders under the Credit Facility are subject to borrowing base and availability restrictions. Up to $5.0 million of the Credit Facility may be used for the making of swing line loans.

As of July 31, 2021, the Company had no borrowings under the Credit Facility. The Company had $10.1 million available for borrowing as of July 31, 2021.

Subordinated Debt Agreement

On March 30, 2020, the Company and Kaspien Inc. (the "Loan Parties") entered into Amendment No. 1 to the Loan Agreement (the "Amendment"). Pursuant to the Amendment, among other things, (i) the Company was added as "Parent" under the Amended Loan Agreement, (ii) the Company granted a first priority security interest in substantially all of the assets of the Company, including inventory, accounts receivable, cash and cash equivalents and certain other collateral, and (iii) the Loan Agreement was amended to (a) permit the incurrence of certain subordinated indebtedness under the Subordinated Loan Agreement (as defined below) and (b) limit the Company's ability to incur additional indebtedness, create liens, make investments, make restricted payments or specified payments and merge or acquire assets.

On March 30, 2020, the Loan Parties entered into a Subordinated Loan and Security Agreement (the "Subordinated Loan Agreement") with the lenders party thereto from time to time (the "Lenders") and TWEC Loan Collateral Agent, LLC ("Collateral Agent"), as collateral agent for the Lenders, pursuant to which the Lenders made a $5.2 million secured term loan (the "Subordinated Loan") to Kaspien Inc. with a scheduled maturity date of May 22, 2023. As of July 30, 2021, unamortized debt issuance costs of $0.1 million are included in "Long Term Debt" on the unaudited condensed consolidated balance sheet.

Directors Jonathan Marcus, Thomas Simpson, and Michael Reickert are the chief executive officer of Alimco Re Ltd. ("Alimco"), the managing member of Kick-Start III, LLC and Kick-Start IV, LLC ("Kick-Start"), and a trustee of the Robert J. Higgins TWMC Trust (the "Trust"), an affiliate of RJHDC, LLC ("RJHDC" and together with Alimco and Kick-Start, "Related Party Entities"), respectively. The Related Party Entities are parties to the Subordinated Loan Agreement.

On March 30, 2020, in conjunction with the Subordinated Loan Agreement, the Company issued warrants to purchase up to 244,532 shares of common stock with an aggregate grant date fair value of $0.8 million recorded as a discount to the Subordinated Loan Agreement, $0.5 million of which was unamortized as of January 30, 2021. As of July 31, 2021, 5,126 warrants remain outstanding.

Paycheck Protection Program

On April 17, 2020, Kaspien received loan proceeds of $2.0 million (the "PPP Loan") pursuant to the Paycheck Protection Program ("PPP") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). On June 15, 2021, the Small Business Administration ("SBA") approved the Company's application for forgiveness of the PPP Loan. The amount of the forgiveness was $1.9 million in principal and interest, which was the amount requested in the forgiveness application and was less than the original principal balance due. Following the grant of forgiveness, an outstanding balance of $76,452 was paid during the second quarter.

In addition to the aforementioned current sources of existing working capital, the Company may explore certain other strategic alternatives that may become available to the Company, as well continuing our efforts to generate additional net revenue and increase margins. However, at this time the Company has no commitments to obtain any additional funds, and there can be no assurance such funds will be available on acceptable terms or at all, should we require such additional funds. If the Company is unable to improve its operations, it may be required to obtain additional funding, and the Company's financial condition and results of operations may be materially adversely affected.

Furthermore, broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance, and may adversely impact our ability to raise additional funds, should we require such additional funds.

Impact of COVID-19

To date, as a direct result of COVID-19, most of our employees are working remotely. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition, including expenses, reserves and allowances, and employee-related amounts, will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19, including the actions taken to contain or treat it, as well as the economic impact on local, regional, national and international customers and markets, which are highly uncertain and cannot be predicted at this time. Management is actively monitoring this situation and the possible effects on its financial condition, liquidity, operations, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the response to curb its spread, currently we are not able to estimate the effects of the COVID-19 outbreak to our results of operations, financial condition, or liquidity.

In response to the rapidly evolving COVID-19 pandemic, we activated our business continuity program, led by our Executive Team in conjunction with Human Resources, to help us manage the situation. In mid-March of 2020, we transitioned our corporate office staff to work 100% remotely. While our business is not dependent on physical office locations nor travel, having a 100% remote workforce does present increased operational risk. Our leadership team believes we have the necessary controls in place to mitigate these impacts and allow the team to continue to operate effectively remotely as long as required by State guidelines.

While e-commerce has largely benefited from the closure of brick-and-mortar locations as consumer spending has been pushed online to marketplaces such as Amazon and Walmart, neither the industry nor our organization has been immune to the impact to our supply chains. During the second quarter of 2021, the Company noticed changes in consumer buying habits that may have reduced demand for its products due to recent re-openings of physical retail outlets and lifting of many restrictions by governmental authorities.

Also during the second quarter of 2021, the Company experienced increased inventory stock outs due to freight demands, lack of shipping containers and general international freight congestion due to the continued increased demand for goods being sold on ecommerce marketplaces. The COVID-19 pandemic continues to bring uncertainty to consumer demand as price increases related to raw materials, the importing of goods, including tariffs, and the cost of delivering goods to consumers has led to inflation across the United States.

It is not possible to determine the duration and scope of the pandemic, the scale and rate of economic recovery from the pandemic, any ongoing effects on consumer demand and spending patterns, or other impacts of the pandemic, and whether these or other currently unanticipated consequences of the pandemic are reasonably likely to materially affect our results of operations. The Company is actively monitoring the situation and potential impacts on its financial condition, liquidity, operations and workforce but the full extent of the impact is still highly uncertain.

Note 2. Basis of Presentation

The accompanying interim condensed consolidated financial statements consist of Kaspien Holdings Inc., its wholly owned subsidiaries, Kaspien NY, LLC (f/k/a Trans World NY Sub, Inc. (f/k/a Record Town, Inc.)) and its subsidiaries, and Kaspien, Inc. All intercompany accounts and transactions have been eliminated.

The interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. The information furnished in these unaudited interim condensed consolidated financial statements reflects all normal, recurring adjustments which, in the opinion of management, are necessary for the fair presentation of such financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of net revenue and expenses during the reporting period. Actual results could differ from those estimates. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to rules and regulations applicable to interim financial statements.

The accompanying unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended January 30, 2021 contained in the Company's Annual Report on Form 10-K filed April 30, 2021. The results of operations for the twenty-six weeks ended July 31, 2021 are not necessarily indicative of the results to be expected for the entire fiscal year ending January 29, 2022.

The Company's significant accounting policies are the same as those described in Note 1 to the Company's Consolidated Financial Statements on Form 10-K for the fiscal year ended January 30, 2021. In order to conform with industry practice, effective with the first quarter of fiscal year 2021, commission fees from online marketplaces, which were previously reported as cost of goods sold on the consolidated statements of operations, are now included in SG&A expense. Prior periods have been reclassified to conform to the current period presentation. Commission fees for the 13-week period ended July 31, 2021 were $5.1 million and commission fees of $6.3 million were reclassified for the 13-weeks ended August 1, 2020. Commission fees for the 26-week period ended July 31, 2021 were $11.0 million and commission fees of $10.9 million were reclassified for the 26-weeks ended August 1, 2020.

Note 3. Recently Announced Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which introduced an expected credit loss model for the impairment of financial assets measured at amortized cost. The model replaces the probable, incurred loss model for those assets and instead, broadens the information an entity must consider in developing its expected credit loss estimate for assets measured at amortized cost. This standard will be effective for smaller reporting companies for fiscal years beginning after December 15, 2022, however early adoption is permitted. We are currently evaluating the impact of this new standard on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, "Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans", which removes certain disclosures that are no longer cost beneficial and also includes additional disclosures to improve the overall usefulness of the disclosure requirements to financial statement users. This standard will be effective for public entities for fiscal years beginning after December 15, 2020, however early adoption is permitted. The new standard has an immaterial impact on the consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes" (Topic 740), which simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740 related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The standard also simplifies aspects of the enacted changes in tax laws or rates. This standard will be effective for public entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, however early adoption is permitted. The new standard has an immaterial impact on the consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): facilitation of the Effects of Reference Rate Reform on Financial Reporting" ("ASU 2020-04"). ASU 2020-04 provides optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. ASU 2020-04 provides, among other things, guidance that modifications of contracts within the scope of Topic 470, Debt, should be accounted for by prospectively adjusting the effective interest rate; modifications of contracts within the scope of Topic 840, Leases, should be accounted for as a continuation of the existing contract; and, changes in the critical terms of hedging relationships, caused by reference rate reform, should not result in the de-designation of the instrument, provided certain criteria are met. The Company's exposure to LIBOR rates includes its credit facility. The amendments are effective as of March 12, 2020 through December 31, 2022. Adoption is permitted at any time. The Company is currently evaluating the impact this update will have on its Condensed Consolidated Financial Statements.

Recent accounting pronouncements pending adoption not discussed above are either not applicable or are not expected to have a material impact on our consolidated financial condition, results of operations, or cash flows.

Note 4. Intangible Assets

The determination of the fair value of intangible assets acquired in a business acquisition, including the Company's acquisition of Kaspien Inc. in 2016, is subject to many estimates and assumptions. Our identifiable intangible assets that resulted from our acquisition of Kaspien Inc. consist of vendor relationships, technology and tradenames. We review amortizable intangible asset groups for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable.

Identifiable intangible assets as of July 31, 2021 consisted of the following (amounts in thousands):

	July 31, 2021				
	Weighted Average Amortization Period (in months)	Original Gross Carrying Amount	Accumulated Impairment	Accumulated Amortization	Net Carrying Amount
Technology	60	$ 6,700	$ 2,587	$ 4,048	$ 65
Trade names and trademarks	60	3,200	-	3,047	153
		$ 9,900	$ 2,587	$ 7,095	$ 218

The changes in net intangibles and goodwill from January 30, 2021 to July 31, 2021 were as follows:

(amounts in thousands)	**January 30, 2021**	**Impairment Expense**	**Amortization Expense**	**July 31, 2021**
Amortized intangible assets:				
Technology	$ 259	$ -	$ 194	$ 65
Trade names and trademarks	473	-	320	153
Net amortized intangible assets	$ 732	$ -	$ 514	$ 218

Amortization expense of intangible assets for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020 consisted of the following:

	Thirteen Weeks Ended		**Twenty-six Weeks Ended**	
(amounts in thousands)	**July 31, 2021**	**August 1, 2020**	**July 31, 2021**	**August 1, 2020**
Amortized intangible assets:				
Technology	$ 97	$ 97	$ 194	$ 194
Trade names and trademarks	160	160	320	320
Total amortization expense	$ 257	$ 257	$ 514	$ 514

The remaining amortization expense will be recognized in fiscal 2021, at which time all intangible assets will be fully amortized.

Note 5. Depreciation and Amortization

Depreciation and amortization included in selling, general and administrative expenses of the interim condensed consolidated statements of operations for the thirteen weeks ended July 31, 2021 and August 1, 2020 was $0.6 million and $0.5 million, respectively.

Depreciation and amortization included in selling, general and administrative expenses of the interim condensed consolidated statements of operations for the twenty-six weeks ended July 31, 2021 and August 1, 2020 was $1.2 million and $1.0 million, respectively.

Note 6. Restricted Cash

As a result of the death of its former Chairman, the Company holds $4.2 million in a rabbi trust, of which $1.2 million is classified as restricted cash in current assets and $3.0 million is classified as restricted cash in other assets on the accompanying interim condensed consolidated balance sheet as of July 31, 2021.

A summary of cash, cash equivalents and restricted cash is as follows (amounts in thousands):

	July 31, 2021	January 30, 2021	August 1, 2020
Cash and cash equivalents	$ 2,570	$ 1,809	$ 3,337
Restricted cash	4,176	4,746	5,312
Total cash, cash equivalents and restricted cash	$ 6,746	$ 6,555	$ 8,649

Note 7. Debt

Credit Facility
On February 20, 2020, Kaspien Inc. entered into a Loan and Security Agreement (the "Loan Agreement") with Encina Business Credit, LLC ("Encina"), as administrative agent, under which the lenders party thereto committed to provide up to $25 million in loans under a three-year, secured revolving credit facility (the "Credit Facility"). Concurrent with the sale of the fye business, theCompany borrowed $3.3 million under the Credit Facility to satisfy the remaining obligations of the Company under its previous credit facility.

The commitments by the lenders under the Credit Facility are subject to borrowing base and availability restrictions. Up to $5.0 million of the Credit Facility may be used for the making of swing line loans.

Interest under the Credit Facility accrues, subject to certain terms and conditions under the Loan Agreement, at a LIBOR Rate or Base Rate, plus, in each case, an Applicable Margin, which is determined by reference to the level of Availability as defined in the Loan Agreement, with the Applicable Margin for LIBOR Rate loans ranging from 4.00% to 4.50% and the Applicable Margin for Base Rate loans ranging from 3.00% to 3.50%.

The Credit Facility is secured by a first priority security interest in substantially all of the assets of Kaspien Inc., including inventory, accounts receivable, cash and cash equivalents and certain other collateral of the borrowers and guarantors under the Credit Facility (collectively, the "Credit Facility Parties") and by a first priority pledge by the Company of its equity interests in Kaspien Inc. The Company will provide a limited guarantee of Kaspien Inc.'s obligations under the Credit Facility.

Among other things, the Loan Agreement limits Kaspien Inc.'s ability to incur additional indebtedness, create liens, make investments, make restricted payments or specified payments and merge or acquire assets. The Loan Agreement also requires Kaspien Inc. to comply with a financial maintenance covenant.

The Loan Agreement contains customary events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to other obligations, customary ERISA defaults, certain events of bankruptcy and insolvency, judgment defaults, the invalidity of liens on collateral, change in control, cessation of business or the liquidation of material assets of the Credit Facility Parties taken as a whole, the occurrence of an uninsured loss to a material portion of collateral and failure of the obligations under the New Credit Facility to constitute senior indebtedness under any applicable subordination or intercreditor agreements.

On March 30, 2020, the Company and Kaspien Inc. (the "Loan Parties") entered into Amendment No. 1 to the Loan Agreement (the "Amendment"). Pursuant to the Amendment, among other things, (i) the Company was added as "Parent" under the Amended Loan Agreement, (ii) the Company granted a first priority security interest in substantially all of the assets of the Company, including inventory, accounts receivable, cash and cash equivalents and certain other collateral, and (iii) the Loan Agreement was amended to (a) permit the incurrence of certain subordinated indebtedness under the Subordinated Loan Agreement (as defined below) and (b) limit the Company's ability to incur additional indebtedness, create liens, make investments, make restricted payments or specified payments and merge or acquire assets.

As of July 31, 2021, the Company had no borrowings under the Credit Facility. The Company had $10.1 million available for borrowing as of July 31, 2021. As of July 31, 2021, unamortized debt issuance costs of $0.6 million related to the Credit Facility are included in Other assets on the unaudited condensed consolidated balance sheet.

The Company records short term borrowings at cost, in which the carrying value approximates fair value due to its short-term maturity.

Subordinated Loan Agreement
On March 30, 2020, the Loan Parties entered into a Subordinated Loan and Security Agreement (the "Subordinated Loan Agreement") with the lenders party thereto from time to time (the "Lenders") and TWEC Loan Collateral Agent, LLC ("Collateral Agent"), as collateral agent for the Lenders, pursuant to which the Lenders made a $5.2 million secured term loan (the "Subordinated Loan") to Kaspien Inc. with a scheduled maturity date of May 22, 2023. As of July 31, 2021, unamortized debt issuance costs of $0.1 million are included in "Long-term Debt" on the unaudited condensed consolidated balance sheet.

Interest on the Subordinated Loan accrues, subject to certain terms and conditions under the Subordinated Loan Agreement, at the rate of twelve percent (12.0%) per annum, compounded on the last day of each calendar quarter by becoming a part of the principal amount of the Subordinated Loan.

The Subordinated Loan is secured by a second priority security interest in substantially all of the assets of the Loan Parties, including inventory, accounts receivable, cash and cash equivalents and certain other collateral of the borrowers and guarantors under the Subordinated Loan Agreement (collectively, the "Second Lien Credit Facility Parties"). The Company will provide a limited guarantee of Kaspien Inc.'s obligations under the Subordinated Loan.

Among other things, the Subordinated Loan Agreement limits the Loan Parties' ability to incur additional indebtedness, create liens, make investments, make restricted payments or specified payments and merge or acquire assets.

The Subordinated Loan Agreement contains customary events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to other obligations, customary ERISA defaults, certain events of bankruptcy and insolvency, judgment defaults, the invalidity of liens on collateral, change in control, cessation of business or the liquidation of material assets of the Second Lien Credit Facility Parties taken as a whole and the occurrence of an uninsured loss to a material portion of collateral.

In conjunction with the Subordinated Debt Agreement, the Company issued warrants to purchase up to 244,532 shares of common stock to the Related Party Entities (127,208 shares for Alimco, 23,401 shares for Kick-Start, and 93,923 shares for RJHDC), subject to adjustment in accordance with the terms of the Warrants, at an exercise price of $0.01 per share. The value of the warrants of $0.8 million was allocated against the principal proceeds of the Subordinated Debt Agreement, $0.5 million of which was unamortized as of July 31, 2021. As of July 31, 2021, 5,126 warrants remain outstanding.

Paycheck Protection Program

On April 17, 2020, Kaspien received loan proceeds of $2.0 million (the "PPP Loan") pursuant to the Paycheck Protection Program ("PPP") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). On June 15, 2021, the Small Business Administration ("SBA") approved the Company's application for forgiveness of the PPP Loan. The amount of the forgiveness was $1.9 million in principal and interest, which was the amount requested in the forgiveness application and was less than the original principal balance due. Following the grant of forgiveness, an outstanding balance of $76,452 was paid during the second quarter.

Note 8. Stock Based Compensation

The Company has outstanding awards under three employee stock award plans, the 2005 Long Term Incentive and Share Award Plan, the Amended and Restated 2005 Long Term Incentive and Share Award Plan (the "Old Plans"); and the 2005 Long Term Incentive and Share Award Plan (as amended and restated April 5, 2017 (the "New Plan"). Collectively, these plans are referred to herein as the Stock Award Plans. Additionally, the Company had a stock award plan for non-employee directors (the "1990 Plan"). The Company no longer issues stock options under the Old Plans or the 1990 Plan.

Compensation expense related to the grant of stock options recognized in the twenty-six weeks ended July 31, 2021 was $58,918. In addition, compensation expense of $0.2 million related to the grant of restricted shares to members of our Board of Directors was recognized in the twenty-six weeks ended July 31, 2021. Total compensation expense recognized in the twenty-six weeks ended August 1, 2020 was $0.3 million.

Equity awards authorized for issuance under the New Plan total 250,000. As of July 31, 2021, of the awards authorized for issuance under the Stock Award Plans, 133,303 options were granted and are outstanding, 54,125 of which were vested and exercisable. Shares available for future grants of options and other share-based awards under the New Plan at July 31, 2021 were 132,669.

The following table summarizes stock award activity during the twenty-six weeks ended July 31, 2021:

	Number of Shares Subject To Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Balance January 30, 2021	133,356	$ 20.41	7.3
Granted	6,637	25.69	9.9
Forfeited	(2,887)	7.12	9.0
Canceled	(1,400)	34.60	-
Exercised	(2,403)	7.12	9.0
Balance July 31, 2021	133,303	$ 21.05	6.9
Exercisable July 31, 2021	54,125	$ 38.71	3.7

As of July 31, 2021, the intrinsic value of stock awards outstanding was $1.3 million and the intrinsic value of stock awards exercisable was $269,000.

Note 9. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss that the Company reports in the interim condensed consolidated balance sheets represents net loss, adjusted for the difference between the accrued pension liability and accrued benefit cost, net of taxes, associated with the Company's defined benefit plan. For the thirteen and twenty-six weeks ended July 31, 2021, comprehensive loss consists of net loss. For the thirteen and twenty-six weeks ended August 1, 2020, comprehensive Loss consists of net loss and the amortization of pension gains associated with Company's defined benefit.

Note 10. Defined Benefit Plan

The Company maintains a non-qualified Supplemental Executive Retirement Plan ("SERP") for certain executive officers of the Company. The SERP provides eligible executives defined pension benefits that supplement benefits under other retirement arrangements. During the twenty-six weeks ended July 31, 2021, the Company did not make any cash contributions to the SERP and presently expects to pay approximately $1.2 million in benefits relating to the SERP during fiscal 2021.

The measurement date for the SERP is the fiscal year end, using actuarial techniques which reflect estimates for mortality, turnover and expected retirement. In addition, management makes assumptions concerning future salary increases. Discount rates are generally established as of the measurement date using theoretical bond models that select high-grade corporate bonds with maturities or coupons that correlate to the expected payouts of the applicable liabilities.

The following represents the components of the net periodic pension cost related to the Company's SERP for the respective periods:

(amounts in thousands)	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Interest cost	$ 63	$ 89	$ 126	$ 178
Amortization of net gain(1)	-	(3)	-	(6)
Net periodic pension cost	$ 63	$ 86	$ 126	$ 172

(1) The amortization of net gain is related to a director retirement plan previously provided by the Company.

Note 11. Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing net loss by the weighted average common shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock (net of any assumed repurchases) that then shared in the earnings of the Company, if any. It is computed by dividing net loss by the sum of the weighted average shares outstanding and additional common shares that would have been outstanding if the dilutive potential common shares had been issued for the Company's common stock awards from the Company's Stock Award Plans.

For the thirteen week period ended July 31, 2021, the dilutive effect of employee stock options was47,207 shares.

For the thirteen week period ended August 1, 2020 and the twenty-six week periods ended July 31, 2021 and August 1, 2020, the impact of all outstanding stock awards was not considered because the Company reported net losses in those periods and such impact would be anti-dilutive. Accordingly, basic and diluted loss per share was the same. Total anti-dilutive stock awards for the twenty-six weeks ended July 31, 2021 and thirteen and twenty-six weeks ended August 2, 2020 were approximately 0.1 million shares for both periods.

Note 12. Income Taxes

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income. Management considers the scheduled reversal of taxable temporary differences, projected future taxable income and tax planning strategies in making this assessment. Based on available objective evidence, management concluded that a full valuation allowance should continue to be recorded against the Company's deferred tax assets. Management will continue to assess the need for and amount of the valuation allowance against the deferred tax assets by giving consideration to all available evidence to the Company's ability to generate future taxable income in its conclusion of the need for a full valuation allowance. Any reversal of the Company's valuation allowance will favorably impact its results of operations in the period of reversal. The Company is currently unable to determine whether or when that reversal might occur, but it will continue to assess the realizability of its deferred tax assets and will adjust the valuation allowance if it is more likely than not that all or a portion of the deferred tax assets will become realizable in the future. The Company has significant net operating loss carry forwards and other tax attributes that are available to offset projected taxable income and current taxes payable, if any, for the year ending January 30, 2021. The deferred tax impact resulting from the utilization of the net operating loss carry forwards and other tax attributes will be offset by a reduction in the valuation allowance. As of January 30, 2021, the Company had a net operating loss carry forward of $346.7 million for federal income tax purposes and approximately $219.5 million for state income tax purposes that expire at various times through 2040 and are subject to certain limitations and statutory expiration periods. The Company has not changed its overall conclusion with respect to the need for a valuation allowance against its net deferred tax assets, which remain fully reserved.

Note 13. Commitments and Contingencies

Legal Proceedings

The Company is subject to legal proceedings and claims that have arisen in the ordinary course of its business and have not been finally adjudicated. Although there can be no assurance as to the ultimate disposition of these matters, it is management's opinion, based upon the information available at this time, that the expected outcome of these matters, individually and in the aggregate, will not have a material adverse effect on the results of operations and financial condition of the Company. As a result, the liability for the cases listed below is remote.

Loyalty Memberships and Magazine Subscriptions Class Action

On November 14, 2018, three consumers filed a punitive class action complaint against the Company and Synapse Group, Inc. in the United States District Court for the District of Massachusetts, Boston Division (Case No.1:18-cv-12377-DPW) concerning enrollment in the Company's Backstage Pass VIP loyalty program and associated magazine subscriptions. The complaint alleged, among other things, that the Company's "negative option marketing" misled consumers into enrolling for membership and subscriptions without obtaining the consumers' consent. The complaint sought to represent a nationwide class of "all persons in the United States" who were enrolled in and/or charged for Backstage Pass VIP memberships and/or magazine subscriptions, and to obtain statutory and actual damages on their behalf.

On April 11, 2019, the plaintiffs voluntarily dismissed their lawsuit. On May 8, 2019, two of the plaintiffs from the dismissed lawsuit filed a similar putative class action in Massachusetts state court (Civ. Act. No. 197CV00331, Mass. Super. Ct. Hampden Cty.), based on the same allegations, but this time seeking to represent only a class of "FYE customers in Massachusetts" who were charged for VIP Backstage Pass Memberships and/or magazine subscriptions. The Company removed that lawsuit back to federal court on June 12, 2019, and then filed a motion to dismiss and/or strike the plaintiff's class action allegations on June 28, 2019. On February 2, 2021 the court granted the Company's motion, struck the class action allegations, and dismissed the individual plaintiffs' claims for lack of jurisdiction. Plaintiffs appealed the court's decision on February 24, 2021. The parties participated in a mandatory court-annexed mediation session on April 8, 2021. The parties agreed on terms to resolve the matter fully and finally, and the appeal was dismissed without material impact on the financial results of the Company.

Store Manager Class Actions

There are two pending class actions. The first, Spack v. Trans World Entertainment Corp. was originally filed in the District of New Jersey, April 2017 (the "Spack Action"). The Spack Action alleges that the Company misclassified Store Managers ("SMs") as exempt nationwide. It also alleges that Trans World improperly calculated overtime for Senior Assistant Managers ("SAMs") nationwide, and that both SMs and SAMs worked "off-the-clock." It also alleges violations of New Jersey and Pennsylvania State Law with respect to calculating overtime for SAMs. The second, Roper v. Trans World Entertainment Corp., was filed in the Northern District of New York, May 2017 (the "Roper Action"). The Roper Action also asserts a nationwide misclassification claim on behalf of SMs. Both actions were consolidated into the Northern District of New York, with the Spack Action being the lead case.

The Company has reached a settlement with the plaintiffs for both store manager class actions, which has received approval from the court. The Company reserved $0.4 million for the settlement as of January 30, 2021. During the second quarter of fiscal 2021, the Company paid the final settlement and the matter is fully resolved.

Retailer Agreement Dispute

On June 18, 2021, Vijuve Inc. filed a lawsuit against Kaspien Inc. in the United States District Court for the Eastern District of Washington (Case No. 2:21-cv-00192-SAB) concerning a Retailer Agreement that the parties entered into in September of 2020. Vijuve manufactures skin care products and face massagers. The parties agreed that Kaspien would sell Vijuve's products on Amazon. The complaint alleged that Kaspien breached the Retailer Agreement when it declined to acquiesce to Vijuve's demand that Kaspien purchase over $700,000 of products. In total, Vijuve is seeking $774,000 in damages. Kaspien believed, and still believes, that Vijuve attempted to artificially inflate its sales on Amazon to support that demand. On July 19, 2021, Kaspien filed counterclaims and alleged that Vijuve breached the contract, including by refusing to buy back inventory from Kaspien upon termination of the Retailer Agreement. Kaspien is seeking at least $229,000 from Vijuve for breach of contract and/or specific performance.

On August 9, 2021, Vijuve filed a motion to dismiss Kaspien's counterclaims. On September 2, 2021, Kaspien filed a motion for judgment on the pleadings that seeks to dismiss Vijuve's complaint. Both motions will be entertained by the Court on October 22, 2021. The Court's decisions on these two motions will dictate the course of the dispute going forward, including whether Vijuve still has a legal claim against Kaspien. With the resolution of the motions currently pending, the impact on Kaspien (if any) is not presently known.

Contingent Value Rights

On March 30, 2020, the Company entered into the Contingent Value Rights Agreement (the "CVR Agreement"), pursuant to which the Related Party Entities received contingent value rights ("CVRs") representing the contractual right to receive cash payments from the Company in an amount equal, in the aggregate, to 19.9% of the proceeds (10.35% for Alimco, 1.90% for Kick-Start, and 7.64% for RJHDC) received by the Company in respect of certain intercompany indebtedness owing to it by Kaspien Inc. and/or its equity interest in Kaspien Inc. The Company does not anticipate these contingencies being met in fiscal 2021.

Note 14. Subsequent Events

On August 20, 2021, the Company received a payment of $1.6 million for settlement of an insurance claim.

KASPIEN HOLDINGS INC. AND SUBSIDIARIES
PART 1. FINANCIAL INFORMATION
Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations
July 31, 2021 and August 1, 2020

Overview

Management's Discussion and Analysis of Financial Condition and Results of Operations provides information that the Company's management believes necessary to achieve an understanding of its financial statements and results of operations. To the extent that such analysis contains statements which are not of a historical nature, such statements are forward-looking statements, which involve risks and uncertainties The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes included elsewhere in this report and the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K as of and for the fiscal year ended January 30, 2021.

The Company operates Kaspien Inc., which provides a platform of software and services to grow a brand's online distribution channel on digital marketplaces such as Amazon, Walmart, and eBay, among others. Kaspien empowers brands to achieve their online retail goals through its innovative, proprietary technology, tailored strategies, and mutually beneficial partnerships.

Kaspien is positioning itself to be a brand's ultimate online growth partner and is guided by seven core principles:

- Partner Obsession
- Insights Driven
- Simplicity
- Innovation
- Results
- Ownership
- Diversity and Teamwork

Previously, the Company also operated fye, a chain of retail entertainment stores and e-commerce sites,**www.fye.com** and **www.secondspin.com**. On February 20, 2020, the Company consummated the sale of substantially all of the assets and certain of the liabilities relating to fye to a subsidiary of 2428391 Ontario Inc. o/a Sunrise Records ("Sunrise Records") pursuant to an Asset Purchase Agreement (as amended, the "Asset Purchase Agreement") dated January 23, 2020, by and among the Company, Record Town, Inc., Record Town USA LLC, Record Town Utah LLC, Trans World FL LLC, Trans World New York, LLC, 2428392 Inc., and Sunrise Records. (the "FYE Transaction").

The Company's results have been, and will continue to be, contingent upon management's ability to understand industry trends and to manage the business in response to those trends and general economic trends. Management monitors several key performance indicators to evaluate its performance, including:

Net Revenue: The Company measures total year over year sales growth. The Company measures its net revenue performance through several key performance indicators including number of partners and active product listings and net revenue per listing.

Cost of Sales and Gross Profit Gross profit is calculated based on the cost of product in relation to its retail selling value. Changes in gross profit are impacted primarily by net revenues levels, mix of products sold, obsolescence, distribution costs and marketplace fulfillment fees.

Gross Merchandise Value ("GMV"): The total value of merchandise sold over a given time period through a customer-to-customer exchange site. It is the measurement of merchandise value sold across all channels and partners within our platform.

Selling, General and Administrative ("SG&A") Expenses: Included in SG&A expenses are payroll and related costs, marketplace commissions, general operating and overhead expenses and depreciation charges.

Balance Sheet and Ratios: The Company views cash and working capital (current assets less current liabilities) as relevant indicators of its financial position. See Liquidity and Cash Flows section for further discussion of these items.

RESULTS OF OPERATIONS
Thirteen and Twenty-Six Weeks Ended July 31, 2021
Compared to the Thirteen and Twenty-Six Weeks Ended August 1, 2020

Net revenue and Gross profit. The following table sets forth a year-over-year comparison of the Company's Net revenue and Gross profit:

	Thirteen Weeks Ended		Change		Twenty-Six Weeks Ended		Change	
(amounts in thousands)	July 31, 2021	August 1, 2020	$	%	July 31, 2021	August 1, 2020	$	%
Net Revenue	$ 34,890	$ 42,296	$ (7,406)	-17.5%	$ 75,507	$ 73,885	$1,622	2.2%
Gross profit	8,835	10,685	(1,850)	-17.3%	18,631	18,602	29	0.2%
% to sales	25.3%	25.3%			24.7%	25.2%		

Net Revenue. Net revenue was $34.9 million for the thirteen weeks ended July 31, 2021 a 17.5% decrease from the comparable prior year period. The decrease in net revenue was primarily attributable to ongoing supply chain challenges in the FBA US Segment. Total Active Partner count as of July 31, 2021 was 792, including 655 retail partners and 136 subscription partners.

Net revenue was $75.5 million for the twenty-six weeks ended July 31, 2021 a 2.2% increase from the comparable prior year period.

The primary source of revenue is the Retail as a Service ("RaaS") model, which represented 98.7% of net revenue in the thirteen weeks ended July 31, 2021. Net revenue from non-Amazon marketplaces increased to 1.5% of net revenue from 0.7% of net revenue in the comparable period from the prior year. The increase was attributable to Target, Walmart and Other Marketplaces. Subscriptions & Other share of net revenue increased to 1.3% of net revenue during the thirteen weeks ended July 31, 2021. The increase was attributable to a 33.0% increase in Subscription GMV flowing through the platform Amazon Marketplace. Subscription GMV represented 42.2% of total GMV during the thirteen weeks ended July 31, 2021. For the same period, Total GMV increased 0.5% compared to the thirteen weeks ending May 2, 2020 due to a 23% decline in Retail GMV. The following table sets forth net revenue by marketplace as a percentage of total net revenue:

	Thirteen weeks ended					Twenty-six weeks ended				
	Jul 31, 2021		August 1, 2020		Change	Jul 31, 2021		August 1, 2020		Change
Amazon US	$ 32,642	93.6%	$ 39,922	94.4%	-18.2%	$ 70,158	92.9%	$ 69,887	94.6%	0.4%
Amazon International	1,289	3.7%	1,783	4.2%	-27.7%	3,557	4.7%	3,013	4.1%	18.1%
Other Marketplaces	507	1.5%	294	0.7%	72.4%	885	1.2%	519	0.7%	70.5%
Subtotal Retail as a Service	34,438	98.7%	41,999	99.3%	-18.0%	74,600	98.8%	73,419	99.4%	1.6%
Subscriptions	452	1.3%	297	0.7%	52.2%	907	1.2%	466	0.6%	94.6%
Net revenue	$ 34,890	100.0%	$ 42,296	100.0%	-17.5%	$ 75,507	100.0%	$ 73,885	100.0%	2.2%

Gross Profit. The following table sets forth a period over period comparison of the Company's gross profit:

	Thirteen Weeks Ended		Change		Twenty six Weeks		Change	
(amounts in thousands)	**July 31, 2021**	**August 1, 2020**	**$**	**%**	**July 31, 2021**	**August 1, 2020**	**$**	**%**
Merchandise margin	$ 15,936	$ 19,447	$ (3,510)	-18.1%	$ 34,656	$ 33,901	$ 755	2.2%
% of net revenue	45.7%	46.0%	-0.3%		45.9%	45.9%	0.0%	
Fulfillment fees	(5,393)	(6,868)	1,474	-21.5%	(11,843)	(11,865)	22	-0.2%
Warehousing and freight	(1,708)	(1,894)	187	-9.9%	(4,182)	(3,434)	(748)	21.8%
Gross profit	$ 8,835	$ 10,685	$ (1,850)	-17.3%	$ 18,631	$ 18,602	$ 29	0.2%
% of net revenue	**25.3%**	**25.3%**			**24.7%**	**25.2%**		

Gross profit was $8.8 million for the thirteen weeks ended July 31, 2021, as compared to $10.7 million for the comparable prior year period. The decrease in gross profit was primarily attributable to a reduction in net revenue on the Amazon US Platform. Gross profit as a percentage of net revenue was 25.3%, the same level as the thirteen weeks ended August 1, 2020. Merchandise margin for the thirteen week period ending July 31, 2021 was 45.7% as compared to 46.0% for the comparable prior year period. The decline in merchandise margin rate was offset by the leveraging of Fulfillment fees and Warehousing and freight expenses.

Gross profit for the twenty-six weeks ended July 31, 2021 was $18.6 million, or 24.7% of net revenue, as compared to $18.6 million, or 25.2% of net revenue for the comparable prior year period as increased net revenue was offset by higher warehousing and freight expenses.

SG&A Expenses. The following table sets forth a period over period comparison of the Company's SG&A expenses:

	Thirteen Weeks Ended		Change		Twenty-Six Weeks Ended		Change	
(amounts in thousands)	**July 31, 2021**	**August 1, 2020**	**$**	**%**	**July 31, 2021**	**August 1, 2020**	**$**	**%**
Selling expenses	$ 5,085	$ 6,262	$ (1,177)	-18.8%	$ 10,991	$ 10,868	$ 123	1.1%
General and administrative expenses	5,125	4,916	209	4.3%	9,877	13,406	(3,529)	-26.3%
Total SG&A expenses	$ 10,210	$ 11,178	$ (968)	-8.7%	$ 20,868	$ 24,274	$ (3,406)	-14.0%
As a % of total revenue	**29.3%**	**26.4%**			**27.6%**	**32.9%**		

For the thirteen weeks ended July 31, 2021, SG&A expenses decreased $1.0 million or 8.7%. The decrease in SG&A expenses was due to a $1.2 million decrease in selling expenses related to the decline in net revenue.

Consolidated depreciation and amortization expense for the thirteen weeks ended July 31, 2021 was $0.6 million as compared to $0.5 million for the comparable prior year period.

For the twenty-six weeks ended July 31, 2021, SG&A expenses decreased $3.4 million or 14.0%. The decrease in SG&A expenses was attributable to a $3.5 million decline in General and administrative expenses.

Consolidated depreciation and amortization expense for the twenty-six weeks ended July 31, 2021 was $1.2 million as compared to $1.0 million for the comparable prior year period.

Interest Expense. Interest expense was $0.5 million for the thirteen weeks ended July 31, 2021 compared to $0.4 million for the thirteen weeks ended August 1, 2020.

Interest expense was $1.0 million for the twenty-six weeks ended July 31, 2021 compared to $0.6 million for the twenty-six weeks ended August 1, 2020. The increase in interest expense was due to increased long-term borrowings. See Note 7 to the Condensed Consolidated Financial Statements for further detail on the Company's debt.

Other Income. On June 15, 2021, the Small Business Administration ("SBA") approved the Company's application for forgiveness of the PPP Loan. The amount of the forgiveness was $1.9 million in principal and interest, which was the amount requested in the forgiveness application and was less than the original principal balance due. Following the grant of forgiveness, an outstanding balance of $76,452 was paid during the second quarter.

Income Tax Expense. Based on available objective evidence, management concluded that a full valuation allowance should be recorded against the Company's deferred tax assets. As a result, there were insignificant tax expense amounts recorded during the thirteen and twenty-six week periods ended July 31, 2021 and August 1, 2020.

Net income (loss). Net income for the thirteen weeks ended July 31, 2021 was $0.1 million as compared to a net loss of $0.9 million for the comparable prior year period. The net loss for the twenty-six weeks ended July 31, 2021 was $1.3 million as compared to $6.3 million for the comparable prior year period.

LIQUIDITY

Liquidity and Cash Flows:

The Company's primary sources of liquidity are its borrowing capacity under its revolving credit facility, available cash and cash equivalents, funds raised through equity offerings and to a lesser extent, cash generated from operations. Our cash requirements relate primarily to working capital needed to operate and grow our business, including funding operating expenses and the purchase of inventory.

As disclosed in the Company's Annual Report on Form 10-K filed April 30, 2021, the Company experienced negative cash flows from operations during fiscal 2020 and 2019 and we expect to incur net losses in fiscal 2021.

Our ability to achieve profitability and meet future liquidity needs and capital requirements will depend upon numerous factors, including the timing and amount of our revenue; the timing and amount of our operating expenses; the timing and costs of working capital needs; successful implementation of our strategy and planned activities; and our ability to overcome the impact of the COVID-19 pandemic.

There can be no assurance that we will be successful in further implementing our business strategy or that the strategy will be successful in sustaining acceptable levels of sales growth and profitability. The unaudited condensed consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The unaudited condensed consolidated financial statements for the twenty-six weeks ended July 31, 2021 were prepared pursuant to the rules and regulations of the Securities and Exchange Commission. The information furnished in these unaudited condensed consolidated financial statements reflects all normal, recurring adjustments which, in the opinion of management, are necessary for the fair presentation of such financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For the next 12 months, management believes that the Company’s existing liquidity will be adequate to fund its working capital needs. The ability of the Company to meet its liabilities is dependent on continued improved profitability and the other factors set forth in the preceding paragraph. Management anticipates any cash requirements due to a shortfall in cash from operations will be funded by the Company’s revolving credit facility, as discussed in note 7 in the interim condensed consolidated financial statements.

The following table sets forth a summary of key components of cash flow and working capital:

(amounts in thousands)	As of or for the Twenty-Six Weeks Ended July 31, 2021	As of or for the Twenty-Six Weeks Ended August 1, 2020	Change $
Operating Cash Flows	$ (4,934)	$ (8,087)	$ 3,153
Investing Cash Flows	(743)	11,191	(11,934)
Financing Cash Flows	5,867	(3,307)	9,174
Capital Expenditures[1]	(743)	(588)	(155)
Cash, Cash Equivalents, and Restricted Cash[2]	6,746	8,649	(1,903)
Merchandise Inventory	25,024	20,576	4,448

(1) Included in Investing Cash Flows

(2)	Cash and cash equivalents per condensed consolidated balance sheets	$ 2,570	$ 3,337
	Add: restricted cash	4,176	5,312
	Cash, cash equivalents, and restricted cash	$ 6,746	$ 8,649

Cash used in operations was $5.0 million for the twenty-six weeks ended July 31, 2021, primarily due to net loss of $1.3 million, net of the PPP forgiveness of $1.9 million, a $1.3 million increase in accounts payable, a $0.5 million increase in inventory and a $0.5 million decrease in prepaid expenses and other current assets.

Cash used in investing activities was $0.7 million for the twenty-six weeks ended July 31, 2021, which consisted entirely of capital expenditures. Cash provided by investing activities was $11.2 million for the twenty-six weeks ended July 31, 2021, which primarily consisted from the sale of the fye business, partially offset by capital expenditures of $0.6 million.

Cash provided by financing activities was $5.9 million for the twenty-six weeks ended July 31, 2021. The primary source of cash was an underwritten offering of 416,600 shares of common stock of the Company, at a price to the public of $32.50 per share. The net proceeds of the offering were approximately $12.2 million. The Company used $6.3 million of the proceeds to pay down its Credit Facility. Cash used by financing activities was $3.3 million for the twenty-six weeks ended August 1, 2020. The primary use of cash was the payoff of the Company's previous credit facility. The payoff of the previous credit facility was partially offset by borrowings under the Credit Facility of $2.2 million, the Subordinated Loan Agreement of $5.2 million and borrowings from the Payroll Protection Program of $2.0 million.

Capital Expenditures. During the twenty-six weeks ended July 31, 2021, the Company made capital expenditures of $0.7 million. The Company currently plans to spend approximately $2.0 million for capital expenditures during fiscal 2021.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires that management apply accounting policies and make estimates and assumptions that affect results of operations and the reported amounts of assets and liabilities in the financial statements. Management continually evaluates its estimates and judgments including those related to merchandise inventory and return costs and income taxes. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Form 10-K as of and for the year ended January 30, 2021 includes a summary of the critical accounting policies and methods used by the Company in the preparation of its interim condensed consolidated financial statements. In order to conform with industry practice, effective with the first quarter of fiscal year 2021, commission fees from online marketplaces, which were previously reported as cost of goods sold on the consolidated statements of operations, are now included in SG&A expense. Prior periods have been reclassified to conform to the current period presentation. Commission fees for the 13-week period ended July 31, 2021 were $5.1 million and commission fees of $6.3 million were reclassified for the 13-weeks ended August 1, 2020. Commission fees for the 26-week period ended July 31, 2021 were $11.0 million and commission fees of $10.9 million were reclassified for the 26-weeks ended August 1, 2020.

Recent Accounting Pronouncements:

The information set forth under Note 2, Recently Adopted Accounting Pronouncements section contained in Item 1, "Notes to Interim Condensed Consolidated Financial Statements", is incorporated herein by reference.

KASPIEN HOLDINGS INC. AND SUBSIDIARIES
PART I – FINANCIAL INFORMATION

Item 3 - Quantitative and Qualitative Disclosures about Market Risk

The Company does not hold any financial instruments that expose it to significant market risk and does not engage in hedging activities. To the extent the Company borrows under its revolving credit facility, the Company is subject to risk resulting from interest rate fluctuations since interest on the Company's borrowings under its credit facility can be variable. If interest rates on the Company's revolving credit facility were to increase by 25 basis points, and to the extent borrowings were outstanding, for every $1,000,000 outstanding on the facility, interest expense would be increased by $2,500 per year. For a discussion of the Company's accounting policies for financial instruments and further disclosures relating to financial instruments, see "Nature of Operations and Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K as of and for the year ended January 30, 2020.

Item 4 – Controls and Procedures

(a) Evaluation of disclosure controls and procedures. The Company's Principal Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of July 31, 2021, have concluded that as of such date the Company's disclosure controls and procedures were effective and designed to ensure that (i) information required to be disclosed by the issuer in the reports that it files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in internal controls. There have been no changes in the Company's internal controls over financial reporting that occurred during the fiscal quarter covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

KASPIEN HOLDINGS INC. AND SUBSIDIARIES
PART II - OTHER INFORMATION

Item 1 – Legal Proceedings
The Company is subject to legal proceedings and claims that have arisen in the ordinary course of its business and have not been finally adjudicated. Although there can be no assurance as to the ultimate disposition of these matters, it is management's opinion, based upon the information available at this time, that the expected outcome of these matters, individually and in the aggregate, will not have a material adverse effect on the results of operations and financial condition of the Company. As a result, the liability for the cases listed below is remote.

Loyalty Memberships and Magazine Subscriptions Class Action
On November 14, 2018, three consumers filed a punitive class action complaint against the Company and Synapse Group, Inc. in the United States District Court for the District of Massachusetts, Boston Division (Case No.1:18-cv-12377-DPW) concerning enrollment in the Company's Backstage Pass VIP loyalty program and associated magazine subscriptions. The complaint alleged, among other things, that the Company's "negative option marketing" misled consumers into enrolling for membership and subscriptions without obtaining the consumers' consent. The complaint sought to represent a nationwide class of "all persons in the United States" who were enrolled in and/or charged for Backstage Pass VIP memberships and/or magazine subscriptions, and to obtain statutory and actual damages on their behalf.

On April 11, 2019, the plaintiffs voluntarily dismissed their lawsuit. On May 8, 2019, two of the plaintiffs from the dismissed lawsuit filed a similar putative class action in Massachusetts state court (Civ. Act. No. 197CV00331, Mass. Super. Ct. Hampden Cty.), based on the same allegations, but this time seeking to represent only a class of "FYE customers in Massachusetts" who were charged for VIP Backstage Pass Memberships and/or magazine subscriptions. The Company removed that lawsuit back to federal court on June 12, 2019, and then filed a motion to dismiss and/or strike the plaintiff's class action allegations on June 28, 2019. On February 2, 2021 the court granted the Company's motion, struck the class action allegations, and dismissed the individual plaintiffs' claims for lack of jurisdiction. Plaintiffs appealed the court's decision on February 24, 2021. The parties participated in a mandatory court-annexed mediation session on April 8, 2021. The parties agreed on terms to resolve the matter fully and finally, and the appeal was dismissed on May 3, 2021,without material impact on the financial results of the Company.

Store Manager Class Actions
There are two pending class actions. The first, Spack v. Trans World Entertainment Corp. was originally filed in the District of New Jersey, April 2017 (the "Spack Action"). The Spack Action alleges that the Company misclassified Store Managers ("SMs") as exempt nationwide. It also alleges that Trans World improperly calculated overtime for Senior Assistant Managers ("SAMs") nationwide, and that both SMs and SAMs worked "off-the-clock." It also alleges violations of New Jersey and Pennsylvania State Law with respect to calculating overtime for SAMs. The second, Roper v. Trans World Entertainment Corp., was filed in the Northern District of New York, May 2017 (the "Roper Action"). The Roper Action also asserts a nationwide misclassification claim on behalf of SMs. Both actions were consolidated into the Northern District of New York, with the Spack Action being the lead case.

The Company has reached a settlement with the plaintiffs for both store manager class actions, which has received approval from the court. The Company reserved $0.4 million for the settlement as of January 30, 2021. During the second quarter of fiscal 2021, the Company paid the final settlement and the matter is fully resolved as of June 17, 2021.

Retailer Agreement Dispute
On June 18, 2021, Vijuve Inc. filed a lawsuit against Kaspien Inc. in the United States District Court for the Eastern District of Washington (Case No. 2:21-cv-00192-SAB) concerning a Retailer Agreement that the parties entered into in September of 2020. Vijuve manufactures skin care products and face massagers. The parties agreed that Kaspien would sell Vijuve's products on Amazon. The complaint alleged that Kaspien breached the Retailer Agreement when it declined to acquiesce to Vijuve's demand that Kaspien purchase over $700,000 of products. In total, Vijuve is seeking $774,000 in damages. Kaspien believed, and still believes, that Vijuve attempted to artificially inflate its sales on Amazon to support that demand. On July 19, 2021, Kaspien filed counterclaims and alleged that Vijuve breached the contract, including by refusing to buy back inventory from Kaspien upon termination of the Retailer Agreement. Kaspien is seeking at least $229,000 from Vijuve for breach of contract and/or specific performance.

On August 9, 2021, Vijuve filed a motion to dismiss Kaspien's counterclaims. On September 2, 2021, Kaspien filed a motion for judgment on the pleadings that seeks to dismiss Vijuve's complaint. Both motions will be entertained by the Court on October 22, 2021. The Court's decisions on these two motions will dictate the course of the dispute going forward, including whether Vijuve still has a legal claim against Kaspien. With the resolution of the motions currently pending, the impact on Kaspien (if any) is not presently known.

Item 1A – Risk Factors
Risks relating to the Company's business and common stock are described in detail in Item 1A of the Company's most recently filed Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds
None.

Item 3 – Defaults Upon Senior Securities
None.

Item 4 – Mine Safety Disclosure
Not Applicable.

Item 5 – Other Information
None.

Item 6 - Exhibits

(A) Exhibits -

Exhibit No.	Description
31.1	Chief Executive Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

SIGNATURES

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

KASPIEN HOLDINGS INC.

September 14, 2021	**By: /s/ Kunal Chopra** Kunal Chopra Chief Executive Officer (Principal Executive Officer)
September 14, 2021	**By: /s/ Edwin Sapienza** Edwin Sapienza Chief Financial Officer (Principal and Chief Accounting Officer)

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES OXLEY ACT 2002

I, Kunal Chopra certify that:

(1) I have reviewed this report on Form 10–Q of the Registrant;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: September 14, 2021

/s/ Kunal Chopra

Kunal Chopra
Principal Executive Officer
Kaspien Holdings Inc.

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES OXLEY ACT 2002

I, Edwin Sapienza, Chief Financial Officer of Kaspien Holdings Inc. (the "Registrant"), certify that:

(1) I have reviewed this report on Form 10–Q of the Registrant;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: September 14, 2021

/s/ Edwin Sapienza

Edwin Sapienza
Chief Financial Officer
Kaspien Holdings Inc.

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Kaspien Holdings Inc. (the "Company") on Form 10-Q for the period ending July 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Kunal Chopra, Principal Executive Officer of the Company and Edwin Sapienza, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kunal Chopra	/s/ Edwin Sapienza
Kunal Chopra	Edwin Sapienza
Principal Executive Officer	Chief Financial Officer
September 14, 2021	September 14, 2021