

**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 October 30, 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

State or Other Jurisdiction of Incorporation or Organization

14-1541629

I.R.S. Employer Identification No.

2818 N. Sullivan Rd. Ste 130

Spokane Valley, WA

Address of Principal Executive Offices

99216

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

Non-accelerated filer

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 December 1, 2021

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

Form 10-Q  
Page No.

**PART I. FINANCIAL INFORMATION**

|  |    |
|--|----|
| <b>Item 1 – Interim Condensed Consolidated Financial Statements (Unaudited)</b>  |    |
| <a href="#">Condensed Consolidated Balance Sheets at October 30, 2021, January 30, 2021 and October 31, 2020</a>                                       | 4  |
| <a href="#">Condensed Consolidated Statements of Operations – Thirteen and Thirty-nine Weeks Ended October 30, 2021 and October 31, 2020</a>           | 5  |
| <a href="#">Condensed Consolidated Statements of Comprehensive Loss – Thirteen and Thirty-nine Weeks Ended October 30, 2021 and October 31, 2020</a>   | 6  |
| <a href="#">Condensed Consolidated Statements of Shareholders’ Equity – Thirteen and Thirty-nine Weeks Ended October 30, 2021 and October 31, 2020</a> | 7  |
| <a href="#">Condensed Consolidated Statements of Cash Flows – Thirteen and Thirty-nine Weeks Ended October 30, 2021 and October 31, 2020</a>           | 8  |
| <a href="#">Notes to Interim Condensed Consolidated Financial Statements</a>   | 9  |
| <a href="#">Item 2 - Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>   | 23 |
| <a href="#">Item 3 – Quantitative and Qualitative Disclosures about Market Risk</a>  | 30 |
| <a href="#">Item 4 – Controls and Procedures</a>   | 30 |
| <b>PART II. OTHER INFORMATION</b>  |    |
| <a href="#">Item 1 – Legal Proceedings</a>   | 31 |
| <a href="#">Item 1A- Risk Factors</a>  | 32 |
| <a href="#">Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds</a>   | 32 |
| <a href="#">Item 3 – Defaults Upon Senior Securities</a>   | 32 |
| <a href="#">Item 4 – Mine Safety Disclosures</a>   | 32 |
| <a href="#">Item 5 – Other Information</a>   | 32 |
| <a href="#">Item 6 – Exhibits</a>  | 32 |
| <a href="#">Signatures</a>   | 33 |

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## 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)

|  | October 30,<br>2021 | January 30,<br>2021 | October 31,<br>2020 |
|--|---------------------|---------------------|---------------------|
|  | Unaudited           |                     | Unaudited           |
| <b>ASSETS</b>  |                     |                     |                     |
| <b>CURRENT ASSETS</b>  |                     |                     |                     |
| Cash and cash equivalents  | \$ 1,754            | \$ 1,809            | \$ 2,396            |
| Restricted cash  | 1,158               | 1,184               | 950                 |
| Accounts receivable  | 2,566               | 2,718               | 2,465               |
| Merchandise inventory  | 30,248              | 24,515              | 27,204              |
| Prepaid expenses and other current assets  | 760                 | 564                 | 836                 |
| Total current assets   | <u>36,486</u>       | <u>30,790</u>       | <u>33,851</u>       |
| Restricted cash  | 2,732               | 3,562               | 4,082               |
| Fixed assets, net  | 2,251               | 2,268               | 2,343               |
| Operating lease right-of-use assets  | 2,284               | 2,742               | 2,887               |
| Intangible assets, net   | -                   | 732                 | 989                 |
| Cash Surrender Value   | 4,413               | 3,856               | 3,438               |
| Other assets   | 1,074               | 1,342               | 1,787               |
| TOTAL ASSETS   | <u>\$ 49,240</u>    | <u>\$ 45,292</u>    | <u>\$ 49,377</u>    |
| <b>LIABILITIES</b>   |                     |                     |                     |
| <b>CURRENT LIABILITIES</b>   |                     |                     |                     |
| Accounts payable   | \$ 6,743            | \$ 8,894            | \$ 8,559            |
| Short-term borrowings  | 5,858               | 6,339               | 8,483               |
| Accrued expenses and other current liabilities   | 2,685               | 2,512               | 4,745               |
| Current portion of operating lease liabilities   | 636                 | 596                 | 583                 |
| Current portion of PPP Loan  | -                   | 1,687               | 1,356               |
| Total current liabilities  | <u>15,922</u>       | <u>20,028</u>       | <u>23,726</u>       |
| Operating lease liabilities  | 1,764               | 2,258               | 2,412               |
| PPP Loan   | -                   | 330                 | 662                 |
| Long-term debt   | 4,161               | 5,000               | 4,581               |
| Other long-term liabilities  | 15,515              | 16,187              | 15,857              |
| TOTAL LIABILITIES  | <u>37,362</u>       | <u>43,803</u>       | <u>47,238</u>       |
| <b>SHAREHOLDERS' EQUITY</b>  |                     |                     |                     |
| 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   | 359,100             | 346,495             | 346,470             |
| 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)             | (1,470)             |
| Accumulated deficit  | (115,084)           | (112,863)           | (112,724)           |
| TOTAL SHAREHOLDERS' EQUITY   | <u>11,878</u>       | <u>1,489</u>        | <u>2,139</u>        |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY   | <u>\$ 49,240</u>    | <u>\$ 45,292</u>    | <u>\$ 49,377</u>    |

*See Accompanying Notes to Interim Condensed Consolidated Financial Statements.*

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

|  | <u>October 30,</u><br><u>2021</u> | <u>October 31,</u><br><u>2020</u> | <u>October 30,</u><br><u>2021</u> | <u>October 31,</u><br><u>2020</u> |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Net revenue  | \$ 32,172                         | \$ 38,913                         | \$ 107,680                        | \$ 112,799                        |
| Cost of sales  | 24,168                            | 29,312                            | 81,044                            | 84,595                            |
| Gross profit   | 8,004                             | 9,601                             | 26,636                            | 28,204                            |
| Selling, general and administrative expenses                   | 10,018                            | 10,213                            | 30,886                            | 34,487                            |
| Loss from operations   | (2,014)                           | (612)                             | (4,250)                           | (6,283)                           |
| Interest expense   | 439                               | 381                               | 1,455                             | 1,015                             |
| Other income   | (1,567)                           | -                                 | (3,530)                           | -                                 |
| Income (loss) before income tax expense                        | (886)                             | (993)                             | (2,175)                           | (7,298)                           |
| Income tax expense (benefit)                                   | -                                 | (3,545)                           | 46                                | (3,545)                           |
| Net income (loss)  | \$ (886)                          | \$ 2,552                          | \$ (2,221)                        | \$ (3,753)                        |
| <b>BASIC AND DILUTED INCOME PER SHARE:</b>                     |                                   |                                   |                                   |                                   |
| Basic income (loss) per common share                           | \$ (0.36)                         | \$ 1.40                           | \$ (0.92)                         | \$ (2.06)                         |
| Weighted average number of common shares outstanding – basic   | 2,491                             | 1,825                             | 2,404                             | 1,823                             |
| Diluted income (loss) per common share                         | \$ (0.36)                         | \$ 1.39                           | \$ (0.92)                         | \$ (2.06)                         |
| Weighted average number of common shares outstanding – diluted | 2,491                             | 1,829                             | 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)

|                              | <u>Thirteen Weeks Ended</u>       |                                   | <u>Thirty-nine Weeks Ended</u>    |                                   |
|------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|                              | <u>October 30,</u><br><u>2021</u> | <u>October 31,</u><br><u>2020</u> | <u>October 30,</u><br><u>2021</u> | <u>October 31,</u><br><u>2020</u> |
| Net income (loss)            | \$ (886)                          | \$ 2,552                          | \$ (2,221)                        | \$ (3,753)                        |
| Amortization of pension gain | -                                 | 1                                 | -                                 | 3                                 |
| Comprehensive income (loss)  | <u>\$ (886)</u>                   | <u>\$ 2,553</u>                   | <u>\$ (2,221)</u>                 | <u>\$ (3,750)</u>                 |

*See Accompanying Notes to Interim Condensed Consolidated Financial Statements.*

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

| <b>Thirteen Weeks Ended October 30, 2021</b>                        |                          |                            |                         |   |                                       |   |  |                                 |
|---|--------------------------|----------------------------|-------------------------|---|---------------------------------------|---|--|---------------------------------|
| <i>Number of shares outstanding</i>                                 |                          |                            |                         |   |                                       |   |  |                                 |
|   | <i>Common<br/>Shares</i> | <i>Treasury<br/>Shares</i> | <i>Common<br/>Stock</i> | <i>Additional<br/>Paid-in<br/>Capital</i> | <i>Treasury<br/>Stock<br/>At Cost</i> | <i>Accumulated<br/>Other<br/>Comprehensive<br/>Loss</i> | <i>Retained<br/>Earnings<br/>(Accumulated<br/>Deficit)</i> | <i>Shareholders'<br/>Equity</i> |
| Balance as of July 31, 2021   | 3,903                    | (1,410)                    | \$ 39                   | \$ 359,016                                | \$ (230,170)                          | \$ (2,007)  | \$ (114,198)   | \$ 12,680                       |
| Net income  | -                        | -                          | -                       | -   | -                                     | -   | (886)  | (886)                           |
| Issuance of warrants  | -                        | -                          | -                       | -   | -                                     | -   | -  | -                               |
| Exercise of stock options   | -                        | -                          | -                       | -   | -                                     | -   | -  | -                               |
| Common stock issued- Director grants                                | -                        | -                          | -                       | -   | -                                     | -   | -  | -                               |
| Amortization of unearned compensation/restricted stock amortization | -                        | -                          | -                       | 84  | -                                     | -   | -  | 84                              |
| Balance as of October 30, 2021                                      | <u>3,903</u>             | <u>\$ (1,410)</u>          | <u>\$ 39</u>            | <u>\$ 359,100</u>                         | <u>\$ (230,170)</u>                   | <u>\$ (2,007)</u>                                       | <u>\$ (115,084)</u>  | <u>\$ 11,878</u>                |

| <b>Thirty-nine Weeks Ended October 30, 2021</b>                     |                          |                            |                         |   |                                       |   |  |                                 |
|---|--------------------------|----------------------------|-------------------------|---|---------------------------------------|---|--|---------------------------------|
| <i>Number of shares outstanding</i>                                 |                          |                            |                         |   |                                       |   |  |                                 |
|   | <i>Common<br/>Shares</i> | <i>Treasury<br/>Shares</i> | <i>Common<br/>Stock</i> | <i>Additional<br/>Paid-in<br/>Capital</i> | <i>Treasury<br/>Stock<br/>At Cost</i> | <i>Accumulated<br/>Other<br/>Comprehensive<br/>Loss</i> | <i>Retained<br/>Earnings<br/>(Accumulated<br/>Deficit)</i> | <i>Shareholders'<br/>Equity</i> |
| Balance as of January 30, 2021                                      | 3,337                    | (1,410)                    | \$ 33                   | \$ 346,495                                | \$ (230,169)                          | \$ (2,007)  | \$ (112,863)   | \$ 1,489                        |
| Net Loss  | -                        | -                          | -                       | -   | -                                     | -   | (2,221)  | (2,221)                         |
| 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 | -                        | -                          | -                       | 143                                       | -                                     | -   | -  | 143                             |
| Balance as of October 30, 2021                                      | <u>3,903</u>             | <u>(1,410)</u>             | <u>\$ 39</u>            | <u>\$ 359,100</u>                         | <u>\$ (230,170)</u>                   | <u>\$ (2,007)</u>                                       | <u>\$ (115,084)</u>  | <u>\$ 11,878</u>                |

| <b>Thirteen Weeks Ended October 31, 2020</b>                        |                          |                            |                         |   |                                       |   |  |                                 |
|---|--------------------------|----------------------------|-------------------------|---|---------------------------------------|---|--|---------------------------------|
| <i>Number of shares outstanding</i>                                 |                          |                            |                         |   |                                       |   |  |                                 |
|   | <i>Common<br/>Shares</i> | <i>Treasury<br/>Shares</i> | <i>Common<br/>Stock</i> | <i>Additional<br/>Paid-in<br/>Capital</i> | <i>Treasury<br/>Stock<br/>At Cost</i> | <i>Accumulated<br/>Other<br/>Comprehensive<br/>Loss</i> | <i>Retained<br/>Earnings<br/>(Accumulated<br/>Deficit)</i> | <i>Shareholders'<br/>Equity</i> |
| Balance as of August 1, 2020  | 3,236                    | (1,410)                    | \$ 32                   | \$ 346,457                                | \$ (230,169)                          | \$ (1,473)  | \$ (115,276)   | \$ (429)                        |
| Net Loss  | -                        | -                          | -                       | -   | -                                     | -   | 2,552  | 2,552                           |
| Other comprehensive income  | -                        | -                          | -                       | -   | -                                     | 3   | -  | 3                               |
| Amortization of unearned compensation/restricted stock amortization | -                        | -                          | -                       | 13  | -                                     | -   | -  | 13                              |
| Balance as of October 31, 2020                                      | <u>3,236</u>             | <u>\$ (1,410)</u>          | <u>\$ 32</u>            | <u>\$ 346,470</u>                         | <u>\$ (230,169)</u>                   | <u>\$ (1,470)</u>                                       | <u>\$ (112,724)</u>  | <u>\$ 2,139</u>                 |

| <b>Thirty-nine Weeks Ended October 31, 2020</b>                     |                          |                            |                         |   |                                       |   |  |                                 |
|---|--------------------------|----------------------------|-------------------------|---|---------------------------------------|---|--|---------------------------------|
| <i>Number of shares outstanding</i>                                 |                          |                            |                         |   |                                       |   |  |                                 |
|   | <i>Common<br/>Shares</i> | <i>Treasury<br/>Shares</i> | <i>Common<br/>Stock</i> | <i>Additional<br/>Paid-in<br/>Capital</i> | <i>Treasury<br/>Stock<br/>At Cost</i> | <i>Accumulated<br/>Other<br/>Comprehensive<br/>Loss</i> | <i>Retained<br/>Earnings<br/>(Accumulated<br/>Deficit)</i> | <i>Shareholders'<br/>Equity</i> |
| Balance as of February 1, 2020                                      | 3,226                    | (1,409)                    | \$ 32                   | \$ 345,102                                | \$ (230,169)                          | \$ (1,479)  | \$ (108,971)   | \$ 4,515                        |
| Net Loss  | -                        | -                          | -                       | -   | -                                     | -   | (3,753)  | (3,753)                         |
| Other comprehensive income  | -                        | -                          | -                       | 836                                       | -                                     | 9   | -  | 845                             |
| Vested restricted shares  | 4                        | (1)                        | -                       | (9)                                       | -                                     | -   | -  | (9)                             |
| Common stock issued- Director grants                                | 6                        | -                          | -                       | 243                                       | -                                     | -   | -  | 243                             |
| Amortization of unearned compensation/restricted stock amortization | -                        | -                          | -                       | 298                                       | -                                     | -   | -  | 298                             |
| Balance as of October 31, 2020                                      | <u>3,236</u>             | <u>\$ (1,410)</u>          | <u>\$ 32</u>            | <u>\$ 346,470</u>                         | <u>\$ (230,169)</u>                   | <u>\$ (1,470)</u>                                       | <u>\$ (112,724)</u>  | <u>\$ 2,139</u>                 |

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

|   | <b>Thirty-nine Weeks Ended</b> |                     |
|---|--------------------------------|---------------------|
|   | October 30,<br>2021            | October 31,<br>2020 |
| <b>OPERATING ACTIVITIES:</b>  |                                |                     |
| Net loss  | \$ (2,221)                     | \$ (3,753)          |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                |                     |
| Depreciation of fixed assets  | 1,064                          | 783                 |
| Amortization of intangible assets   | 732                            | 771                 |
| Stock-based compensation  | 327                            | 296                 |
| Amortization of ROU asset   | 458                            | 424                 |
| Amortization of warrant interest  | 191                            | -                   |
| Interest on long term debt  | 570                            | -                   |
| Change in cash surrender value  | (557)                          | (84)                |
| Reversal of ASC 740 liability   | -                              | (3,545)             |
| Forgiveness of PPP Loan   | (1,963)                        | -                   |
| Changes in operating assets and liabilities that provide (use) cash:        |                                |                     |
| Accounts receivable   | 150                            | 1,695               |
| Merchandise inventory   | (5,732)                        | (9,367)             |
| Prepaid expenses and other current assets                                   | (196)                          | 2,531               |
| Other long-term assets  | 268                            | -                   |
| Accounts payable  | (2,150)                        | 679                 |
| Accrued expenses and other current liabilities                              | 236                            | (5,295)             |
| Other long-term liabilities   | (1,166)                        | (407)               |
| Net cash used in operating activities                                       | <u>(9,990)</u>                 | <u>(15,272)</u>     |
| <b>INVESTING ACTIVITIES:</b>  |                                |                     |
| Purchases of fixed assets   | (1,046)                        | (935)               |
| Proceeds from sale of fye business  | -                              | 11,779              |
| Net cash provided by (used in) investing activities                         | <u>(1,046)</u>                 | <u>10,844</u>       |
| <b>FINANCING ACTIVITIES:</b>  |                                |                     |
| Proceeds from short term borrowings   | 5,858                          | 8,483               |
| Proceeds from long term borrowings  | -                              | 4,581               |
| 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                               | -                              | 235                 |
| Payment of long term borrowings   | (1,600)                        | -                   |
| Payment of short term borrowings  | (6,339)                        | (13,149)            |
| Net cash provided by financing activities                                   | <u>10,125</u>                  | <u>3,004</u>        |
| Net increase (decrease) in cash, cash equivalents, and restricted cash      | (911)                          | (1,424)             |
| Cash, cash equivalents, and restricted cash, beginning of period            | 6,555                          | 8,852               |
| Cash, cash equivalents, and restricted cash, end of period                  | <u>\$ 5,644</u>                | <u>\$ 7,428</u>     |

See Accompanying Notes to Interim Condensed Consolidated Financial Statements.



**KASPIEN HOLDINGS INC. AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**  
**October 30, 2021 and October 31, 2020**

**Note 1. Nature of Operations**

Kaspian Holdings Inc., which, together with its consolidated subsidiaries, is referred to herein as “Kaspian”, “the Company”, “we”, “us” and “our”, was incorporated in New York in 1972. We own 100% of the outstanding common stock of Kaspian Inc, through which our principal operations are conducted. Kaspian 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, Kaspian empowers brands to achieve their online retail goals. Through our diversified and flexible partnership approach, Kaspian 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 \$2.2 million and \$3.8 million for the thirty-nine weeks ended October 30, 2021 and October 31, 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 \$115.1 million as of October 30, 2021 and net cash used in operating activities for the thirty-nine weeks ended October 30, 2021 was \$10.0 million. Net cash used in operating activities for the thirty-nine weeks ended October 31, 2020 was \$15.3 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 thirty-nine weeks ended October 30, 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 October 30, 2021, we had cash and cash equivalents of \$1.8 million, net working capital of \$20.6 million, and outstanding borrowings on our revolving credit facility of \$5.9 million, as further discussed below.

As of January 30, 2021, the Company had borrowings of \$6.3 million under the Credit Facility. As of October 30, 2021 and October 31, 2020, the Company had no outstanding letters of credit. The Company had \$6.8 million and \$3.8 million available for borrowing under the Credit Facility as of October 30, 2021 and October 31, 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, the Company and Kaspian Inc. entered into a Loan and Security Agreement (the "Loan Agreement") with Eclipse Business Capital LLC (f/k/a Encina Business Credit, LLC) ("Eclipse"), 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.

On March 30, 2020, the Company and Kaspian 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 September 17, 2021, the Company and Kaspian Inc. entered into Amendment No. 3 to Loan and Security Agreement (the “Third Amendment”), pursuant to which the parties thereto amended the Loan Agreement. Pursuant to the Third Amendment, among other things, (i) the maturity of the credit facility has been extended to February 20, 2024, and the early termination fees have been accordingly reset; (ii) the LIBOR floor has been reduced to 1.00%; (iii) up to \$4,000,000 of acquisitions are now allowed without Eclipse’s consent, subject to satisfaction of various conditions, including the Company having a trailing twelve month fixed charge coverage ratio of 1.20x and Excess Availability greater than the greater of (x) 20% of the average Borrowing Base for each 30 day period immediately prior to, and pro forma for, the purchase and (y) \$1,500,000.

As of October 30, 2021, the Company had borrowings of \$5.9 million under the Credit Facility. The Company had \$6.8 million available for borrowing as of October 30, 2021.

#### **Subordinated Debt 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 Kaspian Inc. with a scheduled maturity date of May 22, 2023. During the thirteen-weeks ended October 30, 2021, the Company received proceeds of \$1.6 million related to the settlement of an insurance claim which was used to pay down the Subordinated Loan. On September 17, 2021, the Loan Parties entered into Amendment No. 1 to Subordinated Loan and Security Agreement which extended the maturity of the loan to March 31, 2024. As of October 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 October 30, 2021, 5,126 warrants remain outstanding.

### **Paycheck Protection Program**

On April 17, 2020, Kaspian 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 third 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 thirty-nine weeks ended October 30, 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 thirteen-week periods ended October 30, 2021 and October 31, 2020 were \$4.6 million and \$5.7 million, respectively. Commission fees for the thirty-nine week periods ended October 30, 2021 and October 31, 2020 were \$15.6 million and \$16.6 million respectively.

### **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 Kaspian Inc. in 2016, is subject to many estimates and assumptions. Our identifiable intangible assets that resulted from our acquisition of Kaspian 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 October 30, 2021 consisted of the following (amounts in thousands):

|                            | <b>October 30, 2021</b>                                      |   |                           |                             |                           |
|----------------------------|--|---|---------------------------|-----------------------------|---------------------------|
|                            | Weighted<br>Average<br>Amortization<br>Period<br>(in months) | Original<br>Gross<br>Carrying<br>Amount | Accumulated<br>Impairment | Accumulated<br>Amortization | Net<br>Carrying<br>Amount |
| Technology                 | 60   | \$ 6,700                                | \$ 2,587                  | \$ 4,113                    | \$ -                      |
| Trade names and trademarks | 60   | 3,200                                   | -                         | 3,200                       | -                         |
|                            |  | <u>\$ 9,900</u>                         | <u>\$ 2,587</u>           | <u>\$ 7,313</u>             | <u>\$ -</u>               |

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

| <b>(amounts in thousands)</b>   | <b>January 30,<br/>2021</b> | <b>Impairment<br/>Expense</b> | <b>Amortization<br/>Expense</b> | <b>October 30,<br/>2021</b> |
|---------------------------------|-----------------------------|-------------------------------|---------------------------------|-----------------------------|
| Amortized intangible assets:    |                             |                               |                                 |                             |
| Technology                      | \$ 259                      | \$ -                          | \$ 259                          | \$ -                        |
| Trade names and trademarks      | 473                         | -                             | 473                             | -                           |
| Net amortized intangible assets | <u>\$ 732</u>               | <u>\$ -</u>                   | <u>\$ 732</u>                   | <u>\$ -</u>                 |

Amortization expense of intangible assets for the thirteen and thirty-nine weeks ended October 30, 2021 and October 31, 2020 consisted of the following:

| <b>(amounts in thousands)</b> | <b>Thirteen Weeks Ended</b> |                             | <b>Thirty-nine Weeks Ended</b> |                             |
|-------------------------------|-----------------------------|-----------------------------|--------------------------------|-----------------------------|
|                               | <b>October 30,<br/>2021</b> | <b>October 31,<br/>2020</b> | <b>October 30,<br/>2021</b>    | <b>October 31,<br/>2020</b> |
| Amortized intangible assets:  |                             |                             |                                |                             |
| Technology                    | \$ 65                       | \$ 97                       | \$ 259                         | \$ 291                      |
| Trade names and trademarks    | 153                         | 160                         | 473                            | 480                         |
| Total amortization expense    | <u>\$ 218</u>               | <u>\$ 257</u>               | <u>\$ 732</u>                  | <u>\$ 771</u>               |

As of October 30, 2021, the intangible assets are 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 October 30, 2021 and October 31, 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 thirty-nine weeks ended October 30, 2021 and October 31, 2020 was \$1.8 million and \$1.5 million, respectively.

**Note 6. Restricted Cash**

As a result of the death of its former Chairman, the Company holds \$3.9 million in a rabbi trust, of which \$1.2 million is classified as restricted cash in current assets and \$2.7 million is classified as restricted cash in other assets on the accompanying interim condensed consolidated balance sheet as of October 30, 2021.

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

|  | <b>October 30,<br/>2021</b> | <b>January 30,<br/>2021</b> | <b>October 31,<br/>2020</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| Cash and cash equivalents                        | \$ 1,754                    | \$ 1,809                    | \$ 2,396                    |
| Restricted cash                                  | 3,890                       | 4,746                       | 5,032                       |
| Total cash, cash equivalents and restricted cash | <u>\$ 5,644</u>             | <u>\$ 6,555</u>             | <u>\$ 7,428</u>             |

**Note 7. Debt****Credit Facility**

On February 20, 2020, the Company and Kaspian Inc. entered into a Loan and Security Agreement (the “Loan Agreement”) with Eclipse Business Capital LLC (f/k/a Encina Business Credit, LLC) (“Eclipse”), 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, the Company 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 Kaspian 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 Kaspian Inc. The Company will provide a limited guarantee of Kaspian Inc.’s obligations under the Credit Facility.

Among other things, the Loan Agreement limits Kaspian 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 Kaspian 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 Kaspian 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 September 17, 2021, the Company and Kaspian Inc. entered into Amendment No. 3 to Loan and Security Agreement (the “Third Amendment”), pursuant to which the parties thereto amended the Loan Agreement. Pursuant to the Third Amendment, among other things, (i) the maturity of the credit facility has been extended to February 20, 2024, and the early termination fees have been accordingly reset; (ii) the LIBOR floor has been reduced to 1.00%; (iii) up to \$4,000,000 of acquisitions are now allowed without Eclipse’s consent, subject to satisfaction of various conditions, including the Company having a trailing twelve month fixed charge coverage ratio of 1.20x and Excess Availability greater than the greater of (x) 20% of the average Borrowing Base for each 30 day period immediately prior to, and pro forma for, the purchase and (y) \$1,500,000.

As of October 30, 2021, the Company had borrowings of \$5.9 million under the Credit Facility. The Company had \$6.8 million available for borrowing as of October 30, 2021. As of October 30, 2021, unamortized debt issuance costs of \$0.1 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 Kaspian Inc. with a scheduled maturity date of May 22, 2023. On September 17, 2021, the Loan Parties entered into Amendment No. 1 to Subordinated Loan and Security Agreement which extended the maturity of the loan to March 31, 2024. As of October 30, 2021, unamortized debt issuance costs of \$0.1 million are included in “Long Term Debt” on the unaudited condensed consolidated balance sheet. As of October 30, 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 October 30, 2021. As of October 30, 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. The Company no longer issues stock options under the Old Plans.

Compensation expense related to the grant of stock options recognized in the thirty-nine weeks ended October 30, 2021 was \$0.1 million. In addition, compensation expense of \$0.2 million related to the grant of restricted shares was recognized in the thirty-nine weeks ended October 30, 2021. Total compensation expense recognized in the thirty-nine weeks ended October 31, 2020 was \$0.3 million.

Equity awards authorized for issuance under the New Plan total 250,000. As of October 30, 2021, of the awards authorized for issuance under the Stock Award Plans, 141,713 share-based awards were granted and are outstanding, 34,152 of which were vested and exercisable. Shares available for future grants of options and other share-based awards under the New Plan at October 30, 2021 were 102,509.

The following table summarizes stock award activity during the thirty-nine weeks ended October 30, 2021:

|                              | Number of<br>Shares<br>Subject To<br>Option | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Term | Other<br>Share<br>Awards | Weighted<br>Average<br>Grant Fair<br>Value |
|------------------------------|---|--|---|--------------------------|--|
| Balance January 30, 2021     | 133,356                                     | \$ 20.41                                 | 7.3   | -                        | \$ -                                       |
| Granted                      | 6,637                                       | 25.69                                    | 9.8   | 43,000                   | 19.24                                      |
| Forfeited                    | (6,977)                                     | 10.04                                    | 9.0   | -                        | -  |
| Canceled                     | (28,900)                                    | 53.29                                    | -   | -                        | -  |
| Exercised                    | (2,403)                                     | 7.12                                     | 9.0   | (3,000)                  | 20.41                                      |
| Balance October 30, 2021     | 101,713                                     | \$ 12.44                                 | 8.4   | 40,000                   | \$ 18.98                                   |
| Exercisable October 30, 2021 | 34,152                                      | \$ 18.88                                 | 7.5   | -                        | \$ -                                       |

As of October 30, 2021, the intrinsic value of stock awards outstanding was \$0.6 million and the intrinsic value of stock awards exercisable was \$195,000.

**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 thirty-nine weeks ended October 30, 2021, comprehensive loss consists of net loss. For the thirteen and thirty-nine weeks ended October 31, 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 thirty-nine weeks ended October 30, 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 |                     | Thirty-nine Weeks Ended |                     |
|---|----------------------|---------------------|-------------------------|---------------------|
|   | October 30,<br>2021  | October 31,<br>2020 | October 30,<br>2021     | October 31,<br>2020 |
| Interest cost                           | \$ 63                | \$ 89               | \$ 189                  | \$ 266              |
| Amortization of net gain <sup>(1)</sup> | -                    | (3)                 | -                       | (9)                 |
| Net periodic pension cost               | \$ 63                | \$ 86               | \$ 189                  | \$ 257              |

<sup>(1)</sup> 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 October 30, 2021 and the thirty-nine week periods ended October 30, 2021 and October 31, 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 thirty-nine weeks ended October 30, 2021 and thirteen and thirty-nine weeks ended October 31, 2020 were approximately 17,762 shares for both periods.

For the thirteen-week period ended October 31, 2020, the dilutive effect of employee stock options was 4,000 shares.

**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 Kaspian 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 Kaspian would sell Vijuve's products on Amazon. The complaint alleged that Kaspian breached the Retailer Agreement when it declined to acquiesce to Vijuve's demand that Kaspian purchase over \$700,000 of products. In total, Vijuve is seeking \$774,000 in damages. Kaspian believed, and still believes, that Vijuve attempted to artificially inflate its sales on Amazon to support that demand. On July 19, 2021, Kaspian filed counterclaims and alleged that Vijuve breached the contract, including by refusing to buy back inventory from Kaspian upon termination of the Retailer Agreement. Kaspian 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 Kaspian's counterclaims. On September 3, 2021, Kaspian filed a motion for judgment on the pleadings that seeks to dismiss Vijuve's complaint. On October 22, 2021, the Court denied the motion. It also denied Vijuve's attempt to dismiss the Company's counterclaims. A scheduling conference has been scheduled for December 16, 2021. With the resolution of the motions currently pending, the impact on Kaspian (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 Kaspian Inc. and/or its equity interest in Kaspian Inc. The Company does not anticipate these contingencies being met in fiscal 2021.

**KASPIEN HOLDINGS INC. AND SUBSIDIARIES**  
**PART 1. FINANCIAL INFORMATION**  
**Item 2 - Management's Discussion and Analysis of Financial Condition and**  
**Results of Operations**  
**October 30, 2021 and October 31, 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 Kaspian 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. Kaspian empowers brands to achieve their online retail goals through its innovative, proprietary technology, tailored strategies, and mutually beneficial partnerships.

Kaspian 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](http://www.fye.com) and [www.secondspin.com](http://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 Amazon 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, third party 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 Thirty-nine Weeks Ended October 30, 2021**  
**Compared to the Thirteen and Thirty-nine Weeks Ended October 31, 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:

| (amounts in thousands) | Thirteen Weeks Ended |             | Change     |        | Thirty-nine Weeks Ended |             | Change     |       |
|------------------------|----------------------|-------------|------------|--------|-------------------------|-------------|------------|-------|
|                        | October 30,          | October 31, | \$         | %      | October 30,             | October 31, | \$         | %     |
|                        | 2021                 | 2020        |            |        | 2021                    | 2020        |            |       |
| <b>Net Revenue</b>     | \$ 32,172            | \$ 38,913   | \$ (6,741) | -17.3% | \$ 107,680              | \$ 112,799  | \$ (5,119) | -4.5% |
| <b>Gross profit</b>    | 8,004                | 9,601       | (1,597)    | -16.6% | 26,636                  | 28,204      | (1,568)    | -5.6% |
| <b>% to sales</b>      | 24.9%                | 24.7%       |            |        | 24.7%                   | 25.0%       |            |       |

**Net Revenue.** Net revenue was \$32.2 million for the thirteen weeks ended October 30, 2021, a 17.3% 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 October 30, 2021 was 781, including 628 retail partners and 153 subscription partners.

Net revenue was \$107.7 million for the thirty-nine weeks ended October 30, 2021, a 4.5% decrease from the comparable prior year period.

The primary source of revenue is the Retail as a Service (“RaaS”) model, which represented 98.5% of net revenue in the thirteen weeks ended October 30, 2021. For the thirteen weeks ended October 30, 2021, Net revenue from non-Amazon marketplaces increased to 1.7% of net revenue from 0.6% 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 1.5% of net revenue during the thirteen weeks ended October 30, 2021. The increase was attributable to a 14.9% increase in Subscription GMV flowing through the platform Amazon Marketplace. Subscription GMV represented 47.3% of total GMV during the thirteen weeks ended October 30, 2021. For the same period, total GMV decreased 5.0% compared to the thirteen weeks ending October 31, 2020 due to a 17.8% decline in Retail GMV. The following table sets forth net revenue by marketplace as a percentage of total net revenue:



|                              | Thirteen weeks ended |        |                  |        |        |            | Thirty-nine weeks ended |            |                  |        |        |  |
|------------------------------|----------------------|--------|------------------|--------|--------|------------|-------------------------|------------|------------------|--------|--------|--|
|                              | October 30, 2021     |        | October 31, 2020 |        | Change |            | October 30, 2021        |            | October 31, 2020 |        | Change |  |
| Amazon US                    | \$ 30,423            | 94.6%  | \$ 36,221        | 93.1%  | -16.0% | \$ 100,581 | 93.4%                   | \$ 106,369 | 94.3%            | -5.4%  |        |  |
| Amazon International         | 738                  | 2.3%   | 2,078            | 5.3%   | -65.5% | 4,295      | 4.0%                    | 5,076      | 4.5%             | -15.4% |        |  |
| Other Marketplaces           | 543                  | 1.7%   | 240              | 0.6%   | 126.5% | 1,428      | 1.3%                    | 564        | 0.5%             | 153.2% |        |  |
| Subtotal Retail as a Service | 31,704               | 98.5%  | 38,524           | 99.0%  | -17.7% | 106,304    | 98.7%                   | 112,009    | 99.3%            | -5.1%  |        |  |
| Subscriptions                | 468                  | 1.5%   | 389              | 1.0%   | 20.4%  | 1,375      | 1.3%                    | 790        | 0.7%             | 74.1%  |        |  |
| Net revenue                  | \$ 32,172            | 100.0% | \$ 38,913        | 100.0% | -17.3% | \$ 107,679 | 100.0%                  | \$ 112,799 | 100.0%           | -4.5%  |        |  |

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

| (amounts in thousands)  | Thirteen Weeks Ended |                  | Change     |            | Thirty-nine Weeks Ended |                  | Change     |            |
|-------------------------|----------------------|------------------|------------|------------|-------------------------|------------------|------------|------------|
|                         | October 30, 2021     | October 30, 2020 | \$         | %          | October 30, 2021        | October 30, 2020 | \$         | %          |
|                         | Merchandise margin   | \$ 14,653        | \$ 17,978  | \$ (3,325) | -18.5%                  | \$ 49,309        | \$ 51,879  | \$ (2,570) |
| % of net revenue        | 45.5%                | 46.2%            | -0.7%      |            | 45.8%                   | 46.0%            | -0.2%      |            |
| Fulfillment fees        | (4,375)              | (6,479)          | 2,104      | -32.5%     | (16,218)                | (18,343)         | 2,125      | -11.6%     |
| Warehousing and freight | (2,274)              | (1,898)          | (376)      | 19.8%      | (6,455)                 | (5,332)          | (1,123)    | 21.1%      |
| Gross profit            | \$ 8,004             | \$ 9,601         | \$ (1,597) | -16.6%     | \$ 26,636               | \$ 28,204        | \$ (1,568) | -5.6%      |
| % of net revenue        | 24.9%                | 24.7%            |            |            | 24.7%                   | 25.0%            |            |            |

Gross profit was \$8.0 million for the thirteen weeks ended October 30, 2021, as compared to \$9.6 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 24.9%, as compared to 24.7% for the thirteen weeks ended October 31, 2020. Merchandise margin for the thirteen-week period ending October 30, 2021 was 45.5% as compared to 46.2% 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 thirty-nine weeks ended October 30, 2021 was \$26.6 million, or 24.7% of net revenue, as compared to \$28.2 million, or 25.0% 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:

| (amounts in thousands)              | Thirteen Weeks Ended |                  | Change   |            | Thirty-Nine Weeks Ended |                  | Change     |            |
|-------------------------------------|----------------------|------------------|----------|------------|-------------------------|------------------|------------|------------|
|                                     | October 30, 2021     | October 31, 2020 | \$       | %          | October 30, 2021        | October 31, 2020 | \$         | %          |
|                                     | Selling expenses     | \$ 4,580         | \$ 5,710 | \$ (1,130) | -19.8%                  | \$ 15,571        | \$ 16,578  | \$ (1,007) |
| General and administrative expenses | 5,438                | 4,503            | 935      | 20.8%      | 15,315                  | 17,909           | (2,594)    | -14.5%     |
| Total SG&A expenses                 | \$ 10,018            | \$ 10,213        | \$ (195) | -1.9%      | \$ 30,886               | \$ 34,487        | \$ (3,601) | -10.4%     |
| As a % of total revenue             | 31.1%                | 26.2%            |          |            | 28.7%                   | 30.6%            |            |            |

For the thirteen weeks ended October 30, 2021, SG&A expenses decreased \$0.2 million or 1.9%. The decrease in SG&A expenses was due to a \$1.1 million decrease in selling expenses related to the decline in net revenue.

[Index](#)

Consolidated depreciation and amortization expense for the thirteen weeks ended October 30, 2021 was \$0.6 million as compared to \$0.5 million for the comparable prior year period.

For the thirty-nine weeks ended October 30, 2021, SG&A expenses decreased \$3.6 million or 10.4%. The decrease in SG&A expenses was due to a \$1.0 million decrease in selling expenses related to the decline in net revenue and a \$2.6 million decline in General and administrative expenses.

Consolidated depreciation and amortization expense for the thirty-nine weeks ended October 30, 2021 was \$1.8 million as compared to \$1.6 million for the comparable prior year period.

**Interest Expense.** Interest expense was \$0.4 million for the thirteen weeks ended October 30, 2021, the same level as the thirteen weeks ended October 31, 2020.

Interest expense was \$1.5 million for the thirty-nine weeks ended October 30, 2021 compared to \$1.0 million for the thirty-nine weeks ended October 31, 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.** During the thirteen-weeks ended October 30, 2021, the Company recognized income of \$1.6 million related to the settlement of an insurance claim.

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 thirty-nine week period ended October 31, 2021.

**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 thirty-nine week periods ended October 30, 2021 and October 31, 2020.

**Net income (loss).** Net loss for the thirteen weeks ended October 30, 2021 was \$0.9 million as compared to net income of \$2.6 million for the comparable prior year period.

The net loss for the thirty-nine weeks ended October 30, 2021 was \$2.2 million as compared to \$3.8 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 thirty-nine weeks ended October 30, 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<br>Thirty-Nine Weeks Ended |                     | Change   |
|---|---|---------------------|----------|
|   | October 30,<br>2021                         | October 31,<br>2020 | \$       |
| Operating Cash Flows  | \$ (9,990)                                  | \$ (15,272)         | \$ 5,282 |
| Investing Cash Flows  | (1,047)                                     | 10,884              | (11,931) |
| Financing Cash Flows  | 10,125                                      | 3,004               | 7,121    |
| Capital Expenditures <sup>(1)</sup>                                     | (1,047)                                     | (935)               | (112)    |
| Cash, Cash Equivalents, and Restricted Cash                             | (2) 5,644                                   | 7,428               | (1,784)  |
| Merchandise Inventory <sup>(2)</sup>                                    | 30,248                                      | 27,204              | 3,044    |
| (1) Included in Investing Cash Flows                                    |   |                     |          |
| (2) Cash and cash equivalents per condensed consolidated balance sheets |   |                     |          |
|   | \$ 1,754                                    | \$ 2,396            |          |
| Add: restricted cash  | <u>3,890</u>                                | <u>5,032</u>        |          |
| Cash, cash equivalents, and restricted cash                             | <u>\$ 5,644</u>                             | <u>\$ 7,428</u>     |          |

Cash used in operations was \$10.0 million for the thirty-nine weeks ended October 30, 2021, primarily due to net loss of \$2.2 million, net of the PPP forgiveness of \$1.9 million, a \$2.2 million decrease in accounts payable and a \$5.7 million increase in inventory.

Cash used in investing activities was \$1.0 million for the thirty-nine weeks ended October 30, 2021, which consisted entirely of capital expenditures. Cash provided by investing activities was \$10.9 million for the thirty-nine weeks ended October 30, 2021, which primarily consisted of proceeds from the sale of the fye business, partially offset by capital expenditures of \$0.9 million.

Cash provided by financing activities was \$10.1 million for the thirty-nine weeks ended October 30, 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 provided by financing activities was \$3.0 million for the thirty-nine weeks ended October 31, 2020. The primary source of cash was borrowings under the Credit Facility of \$8.5 million, the Subordinated Loan Agreement of \$5.2 million and borrowings from the Payroll Protection Program of \$2.0 million, partially offset by the payoff of the previous credit facility of \$13.1 million.

**Capital Expenditures.** During the thirty-nine weeks ended October 30, 2021, the Company made capital expenditures of \$1.0 million. The Company currently plans to spend approximately \$1.5 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 October 30, 2021 were \$5.1 million and commission fees of \$6.3 million were reclassified for the 13-weeks ended October 31, 2020. Commission fees for the 26-week period ended October 30, 2021 were \$11.0 million and commission fees of \$10.9 million were reclassified for the 26-weeks ended October 31, 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, 2021.

**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 October 30, 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 Kaspian 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 Kaspian would sell Vijuve's products on Amazon. The complaint alleged that Kaspian breached the Retailer Agreement when it declined to acquiesce to Vijuve's demand that Kaspian purchase over \$700,000 of products. In total, Vijuve is seeking \$774,000 in damages. Kaspian believed, and still believes, that Vijuve attempted to artificially inflate its sales on Amazon to support that demand. On July 19, 2021, Kaspian filed counterclaims and alleged that Vijuve breached the contract, including by refusing to buy back inventory from Kaspian upon termination of the Retailer Agreement. Kaspian 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 Kaspian's counterclaims. On September 3, 2021, Kaspian filed a motion for judgment on the pleadings that seeks to dismiss Vijuve's complaint. On October 22, 2021, the Court denied the motion. It also denied Vijuve's attempt to dismiss the Company's counterclaims. A scheduling conference has been scheduled for December 16, 2021. With the resolution of the motions currently pending, the impact on Kaspian (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 -**

| <b>Exhibit No.</b>   | <b>Description</b>   |
|----------------------|--|
| <a href="#">10.1</a> | Amendment No. 3 to Loan and Security Agreement dated September 17, 2021 - incorporated by reference to Exhibit 10.1 to the Company's Form 8-K. Filed on September 20, 2021. Commission File No. 0-14818.             |
| <a href="#">10.2</a> | Amendment No. 1 to Subordinated Loan and Security Agreement dated September 17, 2021 - incorporated by reference to Exhibit 10.2 to the Company's Form 8-K Filed on September 20, 2021. Commission File No. 0-14818. |
| <a href="#">31.1</a> | Chief Executive Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.   |
| <a href="#">31.2</a> | Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.   |
| <a href="#">32</a>   | 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.**

December 14, 2021

**By: /s/ Kunal Chopra**  
\_\_\_\_\_  
Kunal Chopra  
Chief Executive Officer  
(Principal Executive Officer)

December 14, 2021

**By: /s/ Edwin Sapienza**  
\_\_\_\_\_  
Edwin Sapienza  
Chief Financial Officer  
(Principal and Chief Accounting Officer)

**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: December 14, 2021

/s/ Kunal Chopra

\_\_\_\_\_  
Kunal Chopra  
Principal Executive Officer  
Kaspian Holdings Inc.

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

I, Edwin Sapienza, Chief Financial Officer of Kaspian 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: December 14, 2021

/s/ Edwin Sapienza  
Edwin Sapienza  
Chief Financial Officer  
Kaspian Holdings Inc.

**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 October 30, 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  
\_\_\_\_\_  
Kunal Chopra  
Principal Executive Officer  
December 14, 2021

/s/ Edwin Sapienza  
\_\_\_\_\_  
Edwin Sapienza  
Chief Financial Officer  
December 14, 2021

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