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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended July 30, 2022

or

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

Commission File Number 0-14818

KASPIEN HOLDINGS INC.

(Exact Name of Registrant as Specified in its Charter)

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.01 par value per share	KSPN	NASDAQ Stock 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,
3,615,791 shares outstanding as of September 10, 2022
Kaspien Holdings Inc.

KASPIEN HOLDINGS INC. AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Form 10-Q Page No.
PART I. FINANCIAL INFORMATION	
Item 1 – Interim Condensed Consolidated Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets as of July 30, 2022, January 29, 2022 and July 31, 2021	4
Condensed Consolidated Statements of Operations – Thirteen and Twenty-Six Weeks Ended July 30, 2022 and July 31, 2021	5
Condensed Consolidated Statements of Comprehensive Loss – Thirteen and Twenty-Six Weeks Ended July 30, 2022 and July 31, 2021	6
Condensed Consolidated Statements of Shareholders' Equity – Thirteen and Twenty-Six Weeks Ended July 30, 2022 and July 31, 2021	7
Condensed Consolidated Statements of Cash Flows – Twenty-Six Weeks Ended July 30, 2022 and July 31, 2021	8
Notes to Interim Condensed Consolidated Financial Statements	9
Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3 – Quantitative and Qualitative Disclosures about Market Risk	31
Item 4 – Controls and Procedures	31
PART II. OTHER INFORMATION	
Item 1 – Legal Proceedings	32
Item 1A – Risk Factors	32
Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds	32
Item 3 – Defaults Upon Senior Securities	33
Item 4 – Mine Safety Disclosures	33
Item 5 – Other Information	33
Item 6 – Exhibits	33
Signatures	36

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 our ability to achieve profitability and meet future liquidity needs and capital requirements, future business, future results of operations or financial condition, our business strategies 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, 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 29, 2022 (the "2022 Form 10-K"), and in our consolidated financial statements, related notes, and the other information appearing elsewhere in the 2022 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)
(unaudited)

	July 30, 2022	January 29, 2022	July 31, 2021
ASSETS	Unaudited		Unaudited
CURRENT ASSETS			
Cash and cash equivalents	$ 1,309	$ 1,218	$ 2,570
Restricted cash	1,158	1,158	1,184
Accounts receivable	2,082	2,335	2,805
Merchandise inventory	29,363	29,277	25,024
Prepaid expenses and other current assets	618	649	1,056
Total current assets	34,530	34,637	32,639
Restricted cash	1,873	2,447	2,992
Fixed assets, net	2,357	2,335	2,301
Operating lease right-of-use assets	1,823	2,144	2,447
Intangible assets, net	-	-	218
Cash Surrender Value	3,768	4,154	4,277
Other assets	777	965	1,157
TOTAL ASSETS	$ 45,128	$ 46,682	$ 46,031
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	$ 7,702	$ 6,271	$ 7,599
Short-term borrowings	3,855	9,966	-
Accrued expenses and other current liabilities	2,063	2,362	1,941
Current portion of operating lease liabilities	550	649	622
Total current liabilities	14,170	19,248	10,162
Operating lease liabilities	1,416	1,608	1,942
Long-term debt	8,548	4,356	5,526
Other long-term liabilities	13,788	14,185	15,721
TOTAL LIABILITIES	37,922	39,397	33,351
SHAREHOLDERS' EQUITY			
Preferred stock ($0.01 par value; 5,000,000 shares authorized; none issued)	-	-	-
Common stock ($0.01 par value; 200,000,000 shares authorized; 3,911,825, 3,902,985 and 3,902,985 shares issued, respectively)	39	39	39
Additional paid-in capital	263,723	359,220	359,016
Treasury stock at cost (771,514, 1,410,378 and 1,410,378 shares, respectively)	(125,906)	(230,170)	(230,170)
Accumulated other comprehensive loss	(910)	(910)	(2,007)
Accumulated deficit	(129,740)	(120,894)	(114,198)
TOTAL SHAREHOLDERS' EQUITY	7,206	7,285	12,680
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 45,128	$ 46,682	$ 46,031

See Accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 30, 2022	July 31, 2021	July 30, 2022	July 31, 2021
Net revenue	$ 33,907	$ 34,890	$ 65,697	$ 75,507
Cost of sales	27,178	26,055	52,118	56,876
Gross profit	6,729	8,835	13,579	18,631
Selling, general and administrative expenses	10,201	10,210	20,719	20,868
Loss from operations	(3,472)	(1,375)	(7,140)	(2,237)
Interest expense	901	460	1,663	1,015
Other (income) loss	-	(1,963)	-	(1,963)
Income (loss) before income tax expense	(4,373)	128	(8,803)	(1,289)
Income tax expense	43	46	43	46
Net income (loss)	(4,416)	82	(8,846)	(1,335)
BASIC AND DILUTED INCOME (LOSS) PER SHARE:				
Basic income (loss) per common share	$ (1.69)	$ 0.03	$ (3.47)	$ (0.56)
Weighted average number of common shares outstanding – basic	2,613	2,491	2,553	2,404
Diluted income (loss) per common share	$ (1.69)	$ 0.03	$ (3.47)	$ (0.56)
Weighted average number of common shares outstanding – diluted	2,613	2,538	2,553	2,404

See Accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 30, 2022	July 31, 2021	July 30, 2022	July 31, 2021
Net income (loss)	$ (4,416)	$ 82	$ (8,846)	$ (1,335)
Amortization of pension gain	-	-	-	-
Comprehensive income (loss)	$ (4,416)	$ 82	$ (8,846)	$ (1,335)

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)

Thirteen Weeks Ended July 30, 2022

	Number of shares outstanding							
	Common Shares	*Treasury Shares*	Common Stock	Additional Paid-in Capital	Treasury Stock At Cost	Accumulated Other Comprehensive Loss	Retained Earnings (Accumulated Deficit)	Shareholders' Equity
Balance as of April 30, 2022	*3,903*	*(1,410)*	$ 39	$ 360,738	$ (230,170)	$ (910)	$ (125,324)	$ 4,375
Net income	-	-	-	-	-	-	(4,416)	(4,416)
Issuance of shares, net of expenses	-	*638*	-	(97,127)	104,264	-	-	7,137
Common stock issued- Director grants	*9*	-	-	41	-	-	-	41
Amortization of unearned compensation/restricted stock amortization	-	-	-	71	-	-	-	71
Balance as of July 31, 2022	*3,912*	*$ (772)*	$ 39	$ 263,723	$ (125,906)	$ (910)	$ (129,740)	$ 7,206

Twenty-Six Weeks Ended July 30, 2022

	Number of shares outstanding							
	Common Shares	*Treasury Shares*	Common Stock	Additional Paid-in Capital	Treasury Stock At Cost	Accumulated Other Comprehensive Loss	Retained Earnings (Accumulated Deficit)	Shareholders' Equity
Balance as of January 29, 2022	*3,903*	*(1,410)*	$ 39	$ 359,220	$ (230,170)	$ (910)	$ (120,894)	$ 7,285
Net Loss	-	-	-	-	-	-	(8,846)	(8,846)
Issuance of shares, net of expenses	-	*638*	-	(97,127)	104,264	-	-	7,137
Issuance of warrants	-	-	-	1,518	-	-	-	1,518
Exercise of stock options	-	-	-	-	-	-	-	-
Common stock issued- Director grants	*9*	-	-	41	-	-	-	41
Amortization of unearned compensation/restricted stock amortization	-	-	-	71	-	-	-	71
Balance as of July 31, 2022	*3,912*	*(772)*	$ 39	$ 263,723	$ (125,906)	$ (910)	$ (129,740)	$ 7,206

Thirteen Weeks Ended July 31, 2021

	Number of shares outstanding							
	Common Shares	*Treasury Shares*	Common Stock	Additional Paid-in Capital	Treasury Stock At Cost	Accumulated Other Comprehensive Loss	Retained Earnings (Accumulated Deficit)	Shareholders' Equity
Balance as of May 1, 2021	*3,889*	*(1,410)*	$ 39	$ 358,749	$ (230,170)	$ (2,007)	$ (114,280)	$ 12,332
Net income	-	-	-	-	-	-	82	82
Other comprehensive income	-	-	-	-	-	-	-	-
Issuance of warrants	-	-	-	-	-	-	-	-
Vested restricted shares	*3*	-	-	-	-	-	-	-
Exercise of stock options	*2*		-	51	-	-	-	51
Common stock issued- Director grants	*9*	-	1	184	-	-	-	184
Amortization of unearned compensation/restricted stock amortization	-	-	-	32	-	-	-	32
Balance as of July 31, 2021	*3,903*	*$ (1,410)*	$ 39	$ 359,016	$ (230,170)	$ (2,007)	$ (114,198)	$ 12,680

Twenty-Six Weeks Ended July 31, 2021

	Number of shares outstanding							
	Common Shares	*Treasury Shares*	Common Stock	Additional Paid-in Capital	Treasury Stock At Cost	Accumulated Other Comprehensive Loss	Retained Earnings (Accumulated Deficit)	Shareholders' Equity
Balance as of January 30, 2021	*3,337*	*(1,410)*	$ 33	$ 346,495	$ (230,169)	$ (2,007)	$ (112,863)	$ 1,489
Net Loss	-	-	-	-	-	-	(1,335)	(1,335)
Issuance of warrants	*138*	-	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*	-	1	184	-	-	-	185
Amortization of unearned compensation/restricted stock amortization	-	-	-	59	-	-	-	59
Balance as of July 31, 2021	*3,903*	*$ (1,410)*	$ 39	$ 359,016	$ (230,170)	$ (2,007)	$ (114,198)	$ 12,680

See Accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Twenty-Six Weeks Ended	
	July 30, **2022**	July 31, 2021
OPERATING ACTIVITIES:		
Net loss	$ (8,846)	$ (1,335)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of fixed assets	594	710
Amortization of intangible assets	-	514
Stock-based compensation	112	243
Amortization of ROU asset	321	295
Amortization of warrant interest	389	139
Interest on long term debt	612	386
Change in cash surrender value	386	(421)
Forgiveness of PPP Loan	-	(1,963)
Changes in operating assets and liabilities that provide (use) cash:		
Accounts receivable	253	(88)
Merchandise inventory	(86)	(509)
Prepaid expenses and other current assets	32	(492)
Other long-term assets	188	185
Accounts payable	1,740	(1,294)
Accrued expenses and other current liabilities	(999)	(522)
Other long-term liabilities	(589)	(782)
Net cash used in operating activities	(5,893)	(4,934)
INVESTING ACTIVITIES:		
Purchases of fixed assets	(616)	(743)
Net cash provided by (used in) investing activities	(616)	(743)
FINANCING ACTIVITIES:		
Proceeds from long term borrowings	5,000	-
Proceeds from issuance of shares, net of expense	7,137	12,231
Proceeds from exercise of stock options	-	51
Payments of PPP loan	-	(76)
Payment of short term borrowings	(6,111)	(6,339)
Net cash provided by (used in) financing activities	6,026	5,867
Net increase (decrease) in cash, cash equivalents, and restricted cash	(483)	190
Cash, cash equivalents, and restricted cash, beginning of period	4,823	6,556
Cash, cash equivalents, and restricted cash, end of period	$ 4,340	$ 6,746
Supplemental disclosures and non-cash investing and financing activities:		
Interest paid	$ 386	$ 295
Warrants issued with debt	$ 1,633	$ -

See Accompanying Notes to Interim Condensed Consolidated Financial Statements.

KASPIEN HOLDINGS INC. AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
July 30, 2022 and July 31, 2021

Note 1. Nature of Operations

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

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We are guided by 5 core principles:

- We are partner obsessed. Our customers are our partners. Every decision is focused on building mutually beneficial relationships that deliver results.
- We are insights driven. We make data actionable. Our curiosity drives us to discover opportunities early and often.
- We create simplicity. We challenge the status quo. We take the complicated and simplify it.
- We take ownership. We make things happen. We hold ourselves accountable and have a bias for action.
- We empower each other. We welcome and learn from diverse experiences. Our empathy ignites innovation and empowers meaningful change.

Liquidity and Cash Flows:

The Company’s primary sources of liquidity are its borrowing capacity under its Credit Facility, available cash and cash equivalents, and to a lesser extent, cash generated from operations. Our cash requirements relate primarily to working capital needed to operate Kaspien, including funding operating expenses, the purchase of inventory and capital expenditures.

The Company incurred a net loss of $8.8 million and $1.3 million for the twenty-six weeks ended July 30, 2022 and July 31, 2021, respectively. The increase in the net loss was primarily attributable to a decrease in sales and gross margin. In addition, the Company has an accumulated deficit of $129.7 million as of July 30, 2022 and net cash used in operating activities for the twenty-six weeks ended July 30, 2022 was $5.9 million. Net cash used in operating activities for the twenty-six weeks ended July 31, 2021 was $4.9 million.

As disclosed in the Company's Annual Report on Form 10-K filed April 29, 2022, the Company experienced negative cash flows from operations during fiscal 2021 and 2020 and we expect to incur net losses in fiscal 2022.

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, including the completed initiatives, will be successful in sustaining acceptable levels of sales growth and profitability. The 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 thirteen and twenty-six weeks ended July 30, 2022 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. The ability of the Company to meet its liabilities and to continue as a going concern is dependent on improved profitability, the strategic initiatives for Kaspien and the availability of future funding. Based on recurring losses from operations, negative cash flows from operations, the expectation of continuing operating losses for the foreseeable future, and uncertainty with respect to any available future funding, the Company has concluded that there is substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As of July 30, 2022, we had cash and cash equivalents of $1.3 million, net working capital of $20.4 million, and $3.9 in borrowings on our revolving credit facility, as further discussed below.

As of January 29, 2022, the Company had borrowings of $10.0 million under the Credit Facility. As of July 30, 2022 and July 31, 2021, the Company had no outstanding letters of credit. The Company had $7.7 million and $10.9 million available for borrowing under the Credit Facility as of July 30, 2022 and July 31, 2021, 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 used the net proceeds from the offering for general corporate purposes, including working capital to implement its strategic plans, investments in technology to enhance its scalable platform and its core retail business.

Credit Facility

On February 20, 2020, Kaspien Inc. entered into a Loan and Security Agreement (as subsequently amended, 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 four-year, secured revolving credit facility (the "Credit Facility"). Concurrent with the FYE Transaction, the Company borrowed $3.3 million under the Credit Facility in order to satisfy the remaining obligations of the Company under the previous credit facility.

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

On April 7, 2021, the Loan Parties entered into Amendment No. 2 to the Loan Agreement (the "Second Amendment". Pursuant to the Second Amendment, the In-Transit Inventory Sublimit (as defined in the Loan Agreement) was increased from $2,000,000 to $2,500,000.

On September 17, 2021, the Loan Parties entered into Amendment No. 3 to the Loan Agreement (the "Third Amendment"). 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.

On March 2, 2022, the Loan Parties entered into Amendment No. 4 to the Loan Agreement (the “Fourth Amendment”). Pursuant to the Fourth Amendment, among other things, the Credit Facility was amended to permit the incurrence of the Additional Subordinated Loan (as defined below) under the Subordinated Loan Agreement (as defined below).

As of July 30, 2022, the Company had borrowings of $3.9 under the Credit Facility. The Company had no borrowing as of July 31, 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 (the “Collateral Agent”), as collateral agent for the Lenders, pursuant to which the Lenders made a $5.2 million secured term loan (the “Subordinated Loan”) to Kaspien with a scheduled maturity date of May 22, 2023. As of July 30, 2022, 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.

Amendment No. 2 to Subordinated Loan and Security Agreement

On March 2, 2022, the Loan Parties entered into that certain Amendment No. 2 to Subordinated Loan and Security Agreement (“Amendment No. 2”) with the “Lenders and the Collateral Agent. Pursuant to Amendment No. 2, among other things, Alimco Re Ltd. (the “Tranche B Lender”) made an additional $5,000,000 secured term loan (the “Additional Subordinated Loan”) with a scheduled maturity date of March 31, 2024, which is the same maturity date as the existing loans under the Subordinated Loan Agreement.

Interest on the Additional Subordinated Loan accrues, subject to certain terms and conditions under the Subordinated Loan Agreement, at the rate of fifteen percent (15.0%) per annum, compounded on the last day of each calendar quarter by becoming a part of the principal amount of the Additional Subordinated Loan.

The Additional Subordinated Loan is also 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. The Company will provide a limited guarantee of Kaspien’s obligations under the Additional 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 borrowers and guarantors thereunder taken as a whole and the occurrence of an uninsured loss to a material portion of collateral.

The Loan Parties paid certain customary fees and expenses in connection with the Additional Subordinated Loan and Amendment No. 2.

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 14, 2022, 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 of $2.0 million. Following the grant of forgiveness, an outstanding balance of $76,452 was paid during fiscal 2021.

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 sales 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.

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.

The Company has 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 29, 2022 contained in the Company's Annual Report on Form 10-K filed April 29, 2022. The results of operations for the thirteen weeks ended July 30, 2022 are not necessarily indicative of the results to be expected for the entire fiscal year ending January 28, 2023.

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 29, 2022.

Note 3. Recently Adopted 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 March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform (Topic 848): facilitation of the Effects of Reference Rate Reform on Financial Reporting” (“ASU 2020-04”). ASU 2020-04 provides optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. ASU 2020-04 provides, among other things, guidance that modifications of contracts within the scope of Topic 470, Debt, should be accounted for by prospectively adjusting the effective interest rate; modifications of contracts within the scope of Topic 840, Leases, should be accounted for as a continuation of the existing contract; and, changes in the critical terms of hedging relationships, caused by reference rate reform, should not result in the de-designation of the instrument, provided certain criteria are met. The Company’s exposure to LIBOR rates includes its credit facility. The amendments are effective as of March 12, 2020 through December 31, 2022. Adoption is permitted at any time. The Company is currently evaluating the impact this update will have on its Condensed Consolidated Financial Statements.

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

Note 4. Intangible Assets

The determination of the fair value of intangible assets acquired in a business acquisition, including the Company’s acquisition of Kaspien in 2016, is subject to many estimates and assumptions. Our identifiable intangible assets that resulted from our acquisition of Kaspien consist of technology and tradenames. As of October 30, 2021, the intangible assets were fully amortized. Amortization expense of intangible assets for the thirteen weeks ended July 30, 2022 and July 31, 2021 consisted of the following:

	Thirteen Weeks Ended		Thirty-six Weeks Ended	
(amounts in thousands)	**July 30, 2022**	**July 31, 2021**	**July 30, 2022**	**July 31, 2021**
Amortized intangible assets:				
Technology	$ -	$ 97	$ -	$ 194
Trade names and trademarks	-	160	-	320
Total amortization expense	$ -	$ 257	$ -	$ 514

Note 5. Depreciation and Amortization

Depreciation and amortization included in selling, general and administrative expenses of the interim condensed consolidated statements of operations for the thirteen weeks ended July 30, 2022 and July 31, 2021 was $0.3 million and $0.7 million, respectively.

Depreciation and amortization included in selling, general and administrative expenses of the interim condensed consolidated statements of operations for the twenty-six weeks ended July 30, 2022 and July 31, 2021 was $0.6 million and $1.2 million, respectively.

Note 6. Restricted Cash

As a result of the death of its former Chairman, the Company holds $3.0 million in a rabbi trust, of which $1.2 million is classified as restricted cash in current assets and $1.8 million is classified as restricted cash in other assets on the accompanying interim condensed consolidated balance sheet as of July 30, 2022.

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

	July 30, 2022	January 29, 2022	July 31, 2021
Cash and cash equivalents	$ 1,309	$ 1,218	$ 2,570
Restricted cash	3,031	3,605	4,176
Total cash, cash equivalents and restricted cash	$ 4,340	$ 4,823	$ 6,746

Note 7. Debt

Credit Facility
On February 20, 2020, Kaspien Inc. entered into a Loan and Security Agreement (as subsequently amended, 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 four-year, secured revolving credit facility (the “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 from3.00% to 3.50%.

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

Among other things, the Loan Agreement limits Kaspien’s ability to incur additional indebtedness, create liens, make investments, make restricted payments or specified payments and merge or acquire assets. The Loan Agreement also requires Kaspien 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 Credit Facility to constitute senior indebtedness under any applicable subordination or intercreditor agreements.

On March 30, 2020, the Company and Kaspien (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 April 7, 2021, Loan Parties entered into Amendment No. 2 to the Loan Agreement (the "Second Amendment". Pursuant to the Second Amendment, the In-Transit Inventory Sublimit (as defined in the Loan Agreement) was increased from $2,000,000 to $2,500,000.

On September 17, 2021, the Loan Parties entered into Amendment No. 3 to the Loan Agreement (the "Third Amendment"). 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.

On March 2, 2022, the Loan Parties entered into Amendment No. 4 to the Loan Agreement ("Fourth Amendment"). Pursuant to the Fourth Amendment, among other things, the Credit Facility was amended to permit the incurrence of the Additional Subordinated Loan (as defined below) under the Subordinated Loan Agreement (as defined below).

As of July 30, 2022, the Company had borrowings of $3.9 under the Credit Facility. The Company had no borrowing as of July 31, 2021. As of July 30, 2022, 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 (the "Collateral Agent"), as collateral agent for the Lenders, pursuant to which the Lenders made a $5.2 million secured term loan (the "Subordinated Loan") to Kaspien. On September 17, 2021, the Loan Parties entered into Amendment No. 1 to the Subordinated Loan Agreement which extended the maturity of the loan to March 31, 2024. As of July 30, 2022, unamortized debt issuance costs of $0.1 million are included in "Long-Term Debt" on the 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 '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. As of July 30, 2022, 7,539 warrants remain outstanding.

The value of the warrants of $0.7 million was allocated against the principal proceeds of the Subordinated Debt Agreement, $0.2 million of which was unamortized as of July 30, 2022.

On March 2, 2022, the Loan Parties entered into that certain Amendment No. 2 to Subordinated Loan and Security Agreement ("Amendment No. 2") the "Lenders and Collateral Agent. Pursuant to Amendment No. 2, among other things, Alimco Re Ltd. (the "Tranche B Lender") made an additional $5,000,000 secured term loan (the "Additional Subordinated Loan") with a scheduled maturity date of March 31, 2024, which is the same maturity date as the existing loans under the Subordinated Loan Agreement.

Interest on the Additional Subordinated Loan accrues, subject to certain terms and conditions under the Subordinated Loan Agreement, at the rate of fifteen percent (15.0%) per annum, compounded on the last day of each calendar quarter by becoming a part of the principal amount of the Additional Subordinated Loan.

The Additional Subordinated Loan is also 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. The Company will provide a limited guarantee of Kaspien's obligations under the Additional 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 borrowers and guarantors thereunder 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 warrants to purchase up to 320,000 shares of common stock of the Company (subject to adjustment in accordance with the terms of the Warrants, the "Warrant Shares") at an exercise price of $0.01 per share. The Warrants are exercisable during the period commencing on March 2, 2022 and ending on the earlier of (a) 5:00 p.m. Eastern Standard Time on the five (5)-year anniversary thereof, or if such day is not a business day on the next succeeding business day, or (b) the occurrence of certain consolidations, mergers or similar extraordinary events involving the Company. As of July 30, 2022, all of the warrants remain outstanding.

The value of the warrants of $1.6 million was allocated against the principal proceeds of the Subordinated Debt Agreement, of which $1.3 million was unamortized as of July 30, 2022. The value of the warrants was recognized as a discount based on the relative fair value of the consideration received, as an offset to APIC, which will be amortized over the life of the loan.

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 14, 2022, 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 of $2.0 million. Following the grant of forgiveness, an outstanding balance of $76,452 was paid during fiscal 2021.

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.

Equity awards authorized for issuance under the New Plan total 250,000. As of July 30, 2022, of the awards authorized for issuance under the Stock Award Plans,69,259 options were granted and are outstanding, 30,059 of which were vested and exercisable. Shares available for future grants of options and other share-based awards under the New Plan as of July 30, 2022 were 142,596.

The following table summarizes stock award activity during the thirteen weeks ended July 30, 2022:

	Employee Stock Award Plans				
	Number of Shares Subject To Option	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term**	**Other Share Awards (1)**	**Weighted Average Grant Fair Value**
Balance January 29, 2022	85,965	$ 13.41	7.5	90,000	$ 15.39
Granted	18,750	6.16	9.9	9,000	4.59
Forfeited	(17,880)	6.50	9.1	(56,500)	13.79
Canceled	(17,306)	15.56	-	-	-
Exercised	-	-	-	(9,000)	4.59
Balance July 30, 2022	69,529	$ 11.28	8.2	33,500	$ 18.08
Exercisable July 30, 2022	30,059	$ 18.70	7.1	-	$ -

(1) Other Share Awards include deferred shares granted to executives and directors.

As of July 30, 2022, the intrinsic value of stock awards outstanding and stock awards exercisable was $0.

Note 9. Shareholders' Equity

On July 12, 2022, the Company entered into a Securities Purchase Agreement (the "PIPE Purchase Agreement") with a single institutional investor for a private placement offering ("Private Placement") of the Company's common stock (the "Common Stock") or pre-funded warrants, with each pre-funded warrant exercisable for one share of Common Stock (the "Pre-Funded Warrants"), and warrants exercisable for one share of Common Stock (the "Investor Warrants"). Pursuant to the PIPE Purchase Agreement, the Company has agreed to issue and sell 1,818,182 shares (the "Shares") of its Common Stock or Pre-Funded Warrants in lieu thereof together with Investor Warrants to purchase up to 2,457,160 shares of Common Stock. Each share of Common Stock and accompanying Investor Warrant will be sold together at a combined offering price of $3.30 per share.

The Pre-Funded Warrants are immediately exercisable, at a nominal exercise price of $0.001, and may be exercised at any time until all of the Pre-Funded Warrants are exercised in full.

The Investor Warrants have an exercise price of $3.13 per share (subject to adjustment as set forth in the warrant), are exercisable upon issuance and will expire five years from the date of issuance. The Investor Warrants contain standard adjustments to the exercise price including for stock splits, stock dividend, rights offerings and pro rata distributions.

The Private Placement closed on July 14, 2022. The Company received approximately $6 million in gross proceeds from the Private Placement, before deducting discounts and commissions and estimated offering expenses. The Company intends to use the net proceeds from the private placement for working capital and other general corporate purposes.

On July 12, 2022, the Company also entered into a Securities Purchase Agreement (the "Registered Purchase Agreement") with a single institutional investor, pursuant to which the Company agreed to issue and sell 638,978 shares (the "Registered Shares") of its Common Stock or Pre-Funded Warrants in lieu thereof, with each Pre-Funded Warrant exercisable for one share of Common Stock (the "Offering"). The Company received approximately $2 million in gross proceeds from the Offering, before deducting discounts and commissions and estimated offering expenses. The Company intends to use the net proceeds from the private placement for working capital and other general corporate purposes.

The Pre-Funded Warrants rare immediately exercisable, at a nominal exercise price of $0.001, and may be exercised at any time until all of the Pre-Funded Warrants are exercised in full. As of July 30, 2022 all Pre-Funded Warrants related to the Offering have been exercised.

Net proceeds from the Private Placement and the Offering, after deducting placement agent fees and other estimated offering expenses payable by the Company of $0.9 million, were approximately $7.1 million.

The following table summarizes information with respect to outstanding warrants to purchase common stock of the Company, all of which were exercisable, as of July 30, 2022:

	Exercise Price	Number Outstanding
$	0.001	1,818,182
$	0.01	327,539
$	0.125	2,457,160
		4,602,881

Subsequent to July 30, 2022 an additional 470,135 warrants have been exercised.

Note 10. 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. Comprehensive loss consists of net loss for all periods presented.

Note 11. 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. As of February 28, 2020, no active employees were participants in the SERP. During the thirteen weeks ended July 30, 2022, 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 2022.

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

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

(amounts in thousands)	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 30, 2022	July 31, 2021	July 30, 2022	July 31, 2021
Interest cost	$ 89	$ 63	$ 178	$ 126
Net periodic pension cost	$ 89	$ 63	$ 178	$ 126

Note 12. Basic and Diluted Loss Per Share

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

For the thirteen-week period ended July 30, 2022 and the twenty-six week periods ended July 30, 2022 and July 31, 2021, the impact of all outstanding stock awards was not considered because the Company reported net losses in those periods and such impact would be anti-dilutive. Accordingly, basic and diluted loss per share was the same. Total anti-dilutive stock awards for the twenty-six weeks ended July 31, 2021 and thirteen and twenty-six weeks ended July 30, 2022 were approximately 0.1 million shares for both periods.

For the thirteen-week period ended July 31, 2021, the dilutive effect of employee stock options was 47,207 shares.

For the thirteen-week and twenty-six periods ended July 30, 2022, the impact of all outstanding warrants was not considered because the Company reported net losses in both periods and such impact would be anti-dilutive. Accordingly, basic and diluted loss per share was the same. Total anti-dilutive warrants for the thirteen weeks and twenty-six week periods ended July 30, 2022 were approximately 4.6 million shares for both periods.

Note 13. 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 considering 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 29, 2022. 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 29, 2022, the Company had a net operating loss carry forward of $352.7 million for federal income tax purposes and approximately $214.4 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 14. 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.

On June 18, 2021, Vijuve Inc. filed a lawsuit against Kaspien Inc. in the United States District Court for the Eastern District of Washington (Case No. 2:21-cv-00192-SAB) concerning a Retailer Agreement that the parties entered into in September of 2020. Vijuve manufactures skin care products and face massagers. The parties agreed that Kaspien would sell Vijuve's products on Amazon. The complaint alleged that Kaspien breached the Retailer Agreement when it declined to acquiesce to Vijuve's demand that Kaspien purchase over $700,000 of products. In total, Vijuve is seeking $774,000 in damages. Kaspien denies that it breached the agreement. Moreover, on July 19, 2021, Kaspien filed counterclaims and alleged that Vijuve breached the contract, including by refusing to buy back inventory from Kaspien upon termination of the Retailer Agreement. Kaspien is seeking at least $229,000 from Vijuve for breach of contract and/or specific performance. A trial on all of the parties' claims is scheduled for February 21, 2023. There is no determination of outcome, thus no contingencies are recognized as of the reporting date.

On February 17, 2022, CA Washington, LLC ("CA") filed a lawsuit against Kaspien, Inc. in Wake County, North Carolina Superior Court (court file 22 CVS 2051). CA Washington, LLC claims that Kaspien, Inc. breached the contract between the parties by using CA's technology platform to facilitate sales by third parties and by using CA's technology to develop a competing platform. The lawsuit also includes an alternative claim for unjust enrichment and a claim for breach of North Carolina's Unfair and Deceptive Trade Practices Act. CA seeks an unspecified amount of damages. Kaspien removed the lawsuit to federal court in the Eastern District of North Carolina (case number 5:22-cv-00111), filed an Answer denying CA's claims, and asserted a counterclaim against CA for breach of contract and breach of the covenant of good faith and fair dealing. There is no determination of outcome, thus no contingencies are recognized as of the reporting date.

Contingent Value Rights

On March 30, 2020, the Company entered into the Contingent Value Rights Agreement (the "CVR Agreement"), pursuant to which the Related Party Entities received contingent value rights ("CVRs") representing the contractual right to receive cash payments from the Company in an amount equal, in the aggregate, to 19.9% of the proceeds (10.35% for Alimco, 1.90% for Kick-Start, and 7.64% for RJHDC) received by the Company in respect of certain intercompany indebtedness owing to it by Kaspien and/or its equity interest in Kaspien. The Company does not anticipate these contingencies being met in Fiscal 2022.

On March 2, 2022, the Company entered into a Contingent Value Rights Agreement (the "Second CVR Agreement") with the Tranche B Lender under the Subordinated Loan Agreement, pursuant to which the Tranche B Lender received contingent value rights ("Second CVRs") representing the contractual right to receive cash payments from the Company in an amount equal, in the aggregate, to 9.0% of the proceeds received by the Company in respect of certain distributions by the Company or Kaspien; recapitalizations or financings of the Company or Kaspien (with appropriate carve out for trade financing in the ordinary course); repayment of intercompany indebtedness owing to the Company by Kaspien; or sale or transfer of any stock of the Company or Kaspien.

The CVRs terminate upon the earlier to occur of (i) certain consolidations, mergers or similar extraordinary events involving Kaspien (and, if applicable, the making of a cash payment by the Company to the Lenders pursuant to the CVR Agreement in connection therewith) and (ii) March 2, 2032.

KASPIEN HOLDINGS INC. AND SUBSIDIARIES
PART 1. FINANCIAL INFORMATION

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

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. These risks include, but are not limited to, changes in the competitive environment, availability of new products, change in vendor policies or relationships, general economic factors in markets where the Company's merchandise is sold; and other factors discussed in the Company's filings with the Securities and Exchange Commission. 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 29, 2022.

Kaspien provides a platform of software and services to empower brands to grow their online distribution channels on digital marketplaces such as Amazon, Walmart and Target, among others. The Company helps brands achieve their online retail goals through its innovative and proprietary technology, tailored strategies and mutually beneficial partnerships.

We are guided by 5 core principles:

- We are partner obsessed. Our customers are our partners. Every decision is focused on building mutually beneficial relationships that deliver results.
- We are insights driven. We make data actionable. Our curiosity drives us to discover opportunities early and often.
- We create simplicity. We challenge the status quo. We take the complicated and simplify it.
- We take ownership. We make things happen. We hold ourselves accountable and have a bias for action.
- We empower each other. We welcome and learn from diverse experiences. Our empathy ignites innovation and empowers meaningful change.

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 sales performance through several key performance indicators including number of partners, active product listings and sales 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 sales levels, mix of products sold, obsolescence, distribution costs, and Amazon commissions and 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, occupancy charges, 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 Weeks and Twenty-Six Ended July 30, 2022
Compared to the Thirteen Weeks and Twenty-Six Ended July 31, 2021

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

	Thirteen Weeks Ended		Change		Twenty-Six Weeks Ended		Change	
(amounts in thousands)	**July 30, 2022**	**July 31, 2021**	**$**	**%**	**July 30, 2022**	**July 31, 2021**	**$**	**%**
Net Revenue	$ 33,907	$ 34,890	$ (983)	-2.8%	$ 65,697	$ 75,507	$ (9,810)	-13.0%
Gross profit	6,729	8,835	(2,106)	-23.8%	13,579	18,631	(5,052)	-27.1%
% to sales	19.8%	25.3%			20.7%	24.7%		

Net Revenue. Net revenue was $33.9 million for the thirteen weeks ended July 30, 2022 a 2.8% decrease from the comparable prior year period. Net revenue was $65.7 million for the twenty-six weeks ended July 30, 2022 a 13.0% decrease from the comparable prior year period.

The primary source of revenue is the Retail as a Service ("RaaS") model, which represented 98.3% of net revenue in the thirteen weeks ended July 30, 2022. The Company generates revenue across a broad array of product lines primarily through the Amazon Marketplace. Categories include apparel, baby, beauty, electronics, health & personal care, home/kitchen/grocery, pets, sporting goods, toys & art.

Total active partner count as of July 30, 2022 was approximately 172, including 150 retail partners and 22 subscription (Agency and Software as a Service) partners.

Platform GMV for the three months ended July 30, 2022 was $72.4 million as compared to $63.5 million for the three months ended July 31, 2021. Retail GMV decreased 2.5% to $35.7 million compared to $36.6 million in the comparable year-ago period. Subscription GMV increased 36.4% to $36.7 million, or 50.7% of total GMV, compared to $26.9 million, or 42.4% of total GMV, in the comparable year-ago period.

	Thirteen weeks ended					Twenty-six weeks ended				
	July 30, 2022		**July 31, 2021**		**Change**	**July 30, 2022**		**Jul 31, 2021**		**Change**
Amazon US	$ 31,978	94.3%	$ 32,642	93.6%	-2.0%	$ 61,598	93.8%	$ 70,158	92.9%	-12.2%
Amazon International	992	2.9%	1,289	3.7%	-23.0%	2,279	3.5%	3,557	4.7%	-35.9%
Other Marketplaces	350	1.0%	507	1.5%	-31.0%	780	1.2%	885	1.2%	-11.9%
Subtotal Retail as a Service	33,320	98.3%	34,438	98.7%	-3.2%	64,657	98.4%	74,600	98.8%	-13.3%
Subscriptions	587	1.7%	452	1.3%	29.8%	1,040	1.6%	907	1.2%	14.7%
Net revenue	$ 33,907	100.0%	$ 34,890	100.0%	-2.8%	$ 65,697	100.0%	$ 75,507	100.0%	-13.0%

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

(amounts in thousands)	Thirteen Weeks Ended July 30, 2022	Thirteen Weeks Ended July 31, 2021	Change $	Change %	Twenty six Weeks July 30, 2022	Twenty six Weeks Jul 31, 2021	Change $	Change %
Merchandise margin	$ 14,121	$ 15,936	$ (1,815)	-11.4%	$ 28,167	$ 34,656	$ (6,489)	-18.7%
% of net revenue	41.6%	45.7%	4.1%		42.9%	45.9%	-3.0%	
Fulfillment fees	(4,655)	(5,393)	738	-13.7%	(9,222)	(11,843)	2,621	-22.1%
Warehousing and freight	(2,739)	(1,708)	(1,031)	60.4%	(5,366)	(4,182)	(1,184)	28.3%
Gross profit	$ 6,727	$ 8,835	$ (2,108)	-23.9%	$ 13,579	$ 18,631	$ (5,052)	-27.1%
% of net revenue	**19.8%**	**25.3%**			**20.7%**	**24.7%**		

Gross profit was $6.7 million for the thirteen weeks ended July 30, 2022, as compared to $8.8 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, a decrease in merchandise margin and an increase in warehousing and freight expenses. Gross profit as a percentage of net revenue was 19.8% as compared to 25.3% for the thirteen weeks ended July 31, 2022. Merchandise margin for the thirteen-week period ending July 30, 2022 was 41.6% as compared to 42.9% for the comparable prior year period.

Gross profit for the twenty-six weeks ended July 30, 2022 was $13.6 million, or 20.7% of net revenue, as compared to $18.6 million, or 24.7% 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 July 30, 2022	Thirteen Weeks Ended July 31, 2021	Change $	Change %	Twenty-Six Weeks Ended July 30, 2022	Twenty-Six Weeks Ended July 31, 2021	Change $	Change %
Selling expenses	$ 4,876	$ 5,085	$ (209)	-4.1%	$ 9,477	$ 10,991	$ (1,514)	-13.8%
General and administrative expenses	5,325	5,125	200	3.9%	11,242	9,877	1,365	13.8%
Total SG&A expenses	$ 10,201	$ 10,210	$ (9)	-0.1%	$ 20,719	$ 20,868	$ (149)	-0.7%
As a % of total revenue	**30.1%**	**29.3%**			**31.5%**	**27.6%**		

For the thirteen weeks ended July 30, 2022, SG&A were $10.2 million, the same level as the comparable prior year period. Selling expenses decreased $0.2 million for the thirteen weeks ended July 30, 2022. General and administrative expenses increased $0.2 million for the thirteen weeks ended July 30, 2022.

Consolidated depreciation and amortization expense for the thirteen weeks ended July 30, 2022 was $0.3 million as compared to $0.6 million for the comparable prior year period.

For the twenty-six weeks ended July 30, 2022, SG&A were $20.7 million as compared to $20.9 million for the comparable prior year period. Selling expenses decreased $1.5 million for the twenty-six weeks ended July 30, 2022. General and administrative expenses increased $1.3 million for the twenty-six weeks ended July 31, 2021.

Consolidated depreciation and amortization expense for the twenty-six weeks ended July 31, 2021 was $0.5 million as compared to $1.2 million for the comparable prior year period.

Interest Expense. Interest expense was $0.9 million for the thirteen weeks ended July 30, 2022 compared to $0.5 million for the thirteen weeks ended July 31, 2021. The increase in interest expense was due to increased short and long-term borrowings.

Interest expense was $1.7 million for the twenty-six weeks ended July 30, 2022 compared to $1.0 million for the twenty-six weeks ended July 31, 2021. The increase in interest expense was due to increased short and long-term borrowings. See Note 7 to the Condensed Consolidated Financial Statements for further detail on the Company’s debt.

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 weeks ended July 30, 2022 and July 31, 2021.

Net Loss. The net loss for the thirteen weeks ended July 30, 2022 was $4.4 million as compared to net income of $0.1 million for the comparable prior year period. The net loss for the twenty-six weeks ended July 30,2022 was $8.8 million as compared to a net loss of $1.3 million for the comparable prior year period.

LIQUIDITY

Liquidity and Cash Flows:

The Company’s primary sources of liquidity are its borrowing capacity under its Credit Facility, available cash and cash equivalents, and to a lesser extent, cash generated from operations. Our cash requirements relate primarily to working capital needed to operate Kaspien, including funding operating expenses, the purchase of inventory and capital expenditures. 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.

The Company incurred a net loss of $8.8 million and $1.3 million for the twenty-six weeks ended July 30, 2022 and July 31, 2021, respectively. The increase in the net loss was primarily attributable to a decrease in sales and gross margin. In addition, the Company has an accumulated deficit of $129.7 million as of July 30, 2022 and net cash used in operating activities for the twenty-six weeks ended July 30, 2022 was $5.9 million. Net cash used in operating activities for the twenty-six weeks ended July 31, 2021 was $2.5 million.

As disclosed in the Company's Annual Report on Form 10-K filed April 29, 2022, the Company experienced negative cash flows from operations during fiscal 2021 and 2020 and we expect to incur net losses in fiscal 2022.

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, including the completed initiatives, will be successful in sustaining acceptable levels of sales growth and profitability. The 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 thirteen weeks ended July 30, 2022 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. The ability of the Company to meet its liabilities and to continue as a going concern is dependent on improved profitability, the strategic initiatives for Kaspien and the availability of future funding. Based on recurring losses from operations, negative cash flows from operations, the expectation of continuing operating losses for the foreseeable future, and uncertainty with respect to any available future funding, the Company has concluded that there is substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As of July 30, 2022, we had cash and cash equivalents of $1.3 million, net working capital of $20.4 million, and $3.9 million in borrowings on our revolving credit facility, as further discussed below. As of July 30, 2022 and July 31, 2021, the Company had no outstanding letters of credit. The Company had $7.7 million and $10.9 million available for borrowing under the Credit Facility as of July 30, 2022 and July 31, 2021, 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 used the net proceeds from the offering for general corporate purposes, including working capital to implement its strategic plans, investments in technology to enhance its scalable platform and its core retail business.

On July 12, 2022, the Company entered into a Securities Purchase Agreement (the "PIPE Purchase Agreement") with a single institutional investor for a private placement offering ("Private Placement") of the Company's common stock (the "Common Stock") or pre-funded warrants, with each pre-funded warrant exercisable for one share of Common Stock (the "Pre-Funded Warrants"), and warrants exercisable for one share of Common Stock (the "Investor Warrants"). Pursuant to the PIPE Purchase Agreement, the Company has agreed to issue and sell 1,818,182 shares (the "Shares") of its Common Stock or Pre-Funded Warrants in lieu thereof together with Investor Warrants to purchase up to 2,457,160 shares of Common Stock. Each share of Common Stock and accompanying Investor Warrant will be sold together at a combined offering price of $3.30 per share.

The Pre-Funded Warrants are immediately exercisable, at a nominal exercise price of $0.001, and may be exercised at any time until all of the Pre-Funded Warrants are exercised in full. As of July 30, 2022 all Pre-Funded Warrants have been exercised.

The Investor Warrants have an exercise price of $3.13 per share (subject to adjustment as set forth in the warrant), are exercisable upon issuance and will expire five years from the date of issuance. The Investor Warrants contain standard adjustments to the exercise price including for stock splits, stock dividend, rights offerings and pro rata distributions.

The Private Placement closed on July 14, 2022. The gross proceeds to the Company from the Private Placement, after deducting placement agent fees and other estimated offering expenses payable by the Company, were approximately $7.1 million. The Company intends to use the net proceeds from the private placement for working capital and other general corporate purposes.

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

(amounts in thousands)		As of or for the Twenty-Six Weeks Ended July 30, 2022	As of or for the Twenty-Six Weeks Ended July 31, 2021	Change $
Operating Cash Flows		$ (5,893)	$ (4,934)	$ (959)
Investing Cash Flows		(616)	(743)	127
Financing Cash Flows		6,026	5,867	159
Capital Expenditures(1)		(616)	(743)	127
Cash, Cash Equivalents, and Restricted Cash	(2)	4,340	6,746	(2,406)
Merchandise Inventory (2)		26,672	25,024	1,648
(1) Included in Investing Cash Flows				
(2) Cash and cash equivalents per condensed consolidated balance sheets		$ 1,309	$ 2,570	$ (1,261)
Add: restricted cash		3,031	4,176	(1,145)
Cash, cash equivalents, and restricted cash		$ 4,340	$ 6,746	$ (2,406)

Cash used in operations was $5.9 million for the twenty-six weeks ended July 30, 2022, primarily due to net loss of $8.8 million, a decrease of $0.9 million in accrued expenses and a decrease of $0.6 million decrease in other long-term liabilities, net of a $1.7 million increase in accounts payable.

Cash used by investing activities was $0.6 million and $0.7 million for the twenty-six weeks periods ended July 30, 2022 and July 31, 2021, which consisted entirely of capital expenditures.

Cash provided by financing activities was $6.0 million for the twenty-six weeks ended July 30, 2022. The primary source of cash was $5.0 million raised from the issuance of subordinated debt and $7.1 million from the Private Placement offering partially offset by the payment of short-term borrowings of $6.1 million.

Cash provided by financing activities was $5.9 million for the thirteen weeks ended July 31, 2021. The primary source of cash was an underwritten offering of 416,600 shares of common stock of the Company, at a price to the public of $32.50 per share. The net proceeds of the offering were approximately $12.2 million. The Company used $6.3 million of the proceeds to pay down its Credit Facility.

Capital Expenditures. During the thirteen weeks ended July 30, 2022, the Company made capital expenditures of $0.6 million. The Company currently plans to spend approximately $1.0 million for capital expenditures during fiscal 2022.

CRITICAL ACCOUNTING 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 29, 2022 includes a summary of the critical accounting policies and methods used by the Company in the preparation of its interim condensed consolidated financial statements. 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 29, 2022.

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

Not required under the requirements of a Smaller Reporting Company.

Item 4 – Controls and Procedures

(a) Evaluation of disclosure controls and procedures. The Company's Principal Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of July 30, 2022, 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.

On June 18, 2021, Vijuve Inc. filed a lawsuit against Kaspien Inc. in the United States District Court for the Eastern District of Washington (Case No. 2:21-cv-00192-SAB) concerning a Retailer Agreement that the parties entered into in September of 2020. Vijuve manufactures skin care products and face massagers. The parties agreed that Kaspien would sell Vijuve's products on Amazon. The complaint alleged that Kaspien breached the Retailer Agreement when it declined to acquiesce to Vijuve's demand that Kaspien purchase over $700,000 of products. In total, Vijuve is seeking $774,000 in damages. Kaspien denies that it breached the agreement. Moreover, on July 19, 2021, Kaspien filed counterclaims and alleged that Vijuve breached the contract, including by refusing to buy back inventory from Kaspien upon termination of the Retailer Agreement. Kaspien is seeking at least $229,000 from Vijuve for breach of contract and/or specific performance. A trial on all of the parties' claims is scheduled for February 21, 2023. There is no determination of outcome, thus no contingencies are recognized as of the reporting date.

On February 17, 2022, CA Washington, LLC ("CA") filed a lawsuit against Kaspien, Inc. in Wake County, North Carolina Superior Court (court file 22 CVS 2051). CA Washington, LLC claims that Kaspien, Inc. breached the contract between the parties by using CA's technology platform to facilitate sales by third parties and by using CA's technology to develop a competing platform. The lawsuit also includes an alternative claim for unjust enrichment and a claim for breach of North Carolina's Unfair and Deceptive Trade Practices Act. CA seeks an unspecified amount of damages. Kaspien removed the lawsuit to federal court in the Eastern District of North Carolina (case number 5:22-cv-00111), filed an Answer denying CA's claims, and asserted a counterclaim against CA for breach of contract and breach of the covenant of good faith and fair dealing. There is no determination of outcome, thus no contingencies are recognized as of the reporting date.

AWAITING LANGUAGE FROM THE ATTORNEY

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 29, 2022.

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

1. Exhibits -

Exhibit No.	Description
3.1	Certificate of Amendment of Certificate of Incorporation of Kaspien Holdings Inc., dated March 8, 2022 (incorporated by reference to Exhibit 3.1 of the Company’s Form 8-K dated March 8, 2022).
3.2	Amendment No. 4 to Bylaws of Kaspien Holdings Inc. (incorporated by reference to Exhibit 3.2 of the Company’s Form 8-K dated August 2, 2022).

10.1	Engagement Agreement dated July 11, 2022 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K dated July 14, 2022).
10.2	Securities Purchase Agreement (PIPE), dated July 12, 2022, by and among the Company and the purchasers party thereto (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K dated July 14, 2022).
10.3	Securities Purchase Agreement (Registered Offering), dated July 12, 2022, by and among the Company and the purchasers party thereto (incorporated by reference to Exhibit 10.3 of the Company’s Form 8-K dated July 14, 2022).
10.4	Form of Investor Warrant (PIPE) (incorporated by reference to Exhibit 10.4 of the Company's Form 8-K dated July 14, 2022).
10.5	Form of Pre-Funded Warrant (PIPE) (incorporated by reference to Exhibit 10.5 of the Company’s Form 8-K dated July 14, 2022).
10.6	Form of Pre-Funded Warrant (Registered Offering) (incorporated by reference to Exhibit 10.6 of the Company’s Form 8-K dated July 14, 2022).
10.7	Registration Rights Agreement, dated July 12, 2022, by and among the Company and the purchasers party thereto (incorporated by reference to Exhibit 10.7 of the Company’s Form 8-K dated July 14, 2022).
10.8	Form of Lockup Agreement (incorporated by reference to Exhibit 10.8 of the Company’s Form 8-K dated July 14, 2022).
10.9	Voting Agreement (incorporated by reference to Exhibit 10.1 of the Company’s Form 8-K dated August 2, 2022).
10.10	2005 Long Term Incentive and Share Award Plan, as amended and restated August 2, 2022 (incorporated by reference to Exhibit 10.2 of the Company’s Form 8-K dated August 2, 2022).

10.11	Form of Pre-Funded Warrant (Registered Offering) (incorporated by reference to Exhibit 10.6 of the Company’s Form 8-K dated July 14, 2022)
31.1	Chief Executive Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document (furnished herewith)
101.SCH	XBRL Taxonomy Extension Schema (furnished herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (furnished herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase (furnished herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase (furnished herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (furnished herewith)
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

SIGNATURES

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

KASPIEN HOLDINGS INC.

September 13, 2022	**By: /s/ Brock Kowalchuk** Brock Kowalchuk Principal Executive Officer (Principal Executive Officer)
September 13, 2022	**By: /s/ Edwin Sapienza** Edwin Sapienza Chief Financial Officer (Principal and Chief Accounting Officer)

Exhibit 31.1

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

I, Brock Kowalchuk 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:

    1. 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;

    2. 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;

    3. 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

    4. 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):

    1. 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

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

Dated: September 13, 2022

/s/ Brock Kowalchuk

Brock Kowalchuk
Principal Executive Officer
Kaspien Holdings Inc.

Exhibit 31.2

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

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

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

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

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

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

    1. 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;

    2. 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;

    3. 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

    4. 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):

    1. 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

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

Dated: September 13, 2022

/s/ Edwin Sapienza

Edwin Sapienza
Chief Financial Officer
Kaspien Holdings Inc.

Exhibit 32

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

In connection with the Quarterly Report of Kaspien Holdings Inc. (the "Company") on Form 10-Q for the period ending July 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Brock Kowalchuk, 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/ Brock Kowalchuk	/s/ Edwin Sapienza
Brock Kowalchuk Principal Executive Officer September 13, 2022	Edwin Sapienza Chief Financial Officer September 13, 2022