

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended February 1, 2020

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 No. 0-18640

APEX GLOBAL BRANDS INC.

(Exact name of registrant as specified in charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-4182437
(IRS Employer
Identification No.)

5990 Sepulveda Boulevard
Sherman Oaks, CA 91411
(818) 908-9868

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices) Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.02 par value per share	APEX	Nasdaq Capital Market

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

None

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Emerging Growth Company	☐	Smaller Reporting 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 accountant standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☐ No ☒

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

As of August 2, 2019, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$8.0 million (computed by reference to the price at which the registrant's common stock was last sold on August 2, 2019, as reported by the Nasdaq Capital Market). For purposes of this calculation, it has been assumed that shares of common stock held by each director, officer and person who beneficially owns 10% or more of the outstanding common stock of the registrant are held by affiliates of the registrant. The treatment of these persons as affiliates for purposes of this calculation is not, and shall not be considered, a determination as to whether such persons are affiliates of the registrant for any other purpose.

As of April 16, 2020, the registrant had 5,570,530 shares of its common stock, issued and outstanding.

APEX GLOBAL BRANDS INC.
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED FEBRUARY 1, 2020

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I</u>	
Item 1 . Business	4
Item 1A. Risk Factors	8
Item 1B. Unresolved Staff Comments	20
Item 2. Properties	20
Item 3 . Legal Proceedings	20
Item 4. Mine Safety Disclosures	20
<u>PART II</u>	
Item 5 . Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	21
Item 6 . Selected Financial Data	21
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	23
Item 8 . Financial Statements	34
Item 9 . Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	57
Item 9A. Controls and Procedures	57
Item 9B. Other information	57
<u>PART III</u>	
Item 10 . Directors and Executive Officers and Corporate Governance	59
Item 11 . Executive Compensation	62
Item 12 . Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	68
Item 13 . Certain Relationships and Related Transactions, and Director Independence	71
Item 14 . Principal Accounting Fees and Services	73
<u>PART IV</u>	
Item 15 . Exhibits and Financial Statement Schedules	74
Item 16. Form 10-K Summary	74

As used in this Annual Report, “Apex Global Brands”, the “Company”, “we”, “us” and “our” refer to Apex Global Brands Inc. and its consolidated subsidiaries, unless the context indicates or requires otherwise. Additionally, as used herein, “Fiscal 2020” refers to our fiscal year ending February 1, 2020; “Fiscal 2019” refers to our fiscal year ended February 2, 2019.

We own the registered trademarks or trademark applications for Cherokee®, Hi-Tec®, Magnum®, 50 Peaks®, Interceptor®, Hawk Signature®, Tony Hawk®, Everyday California®, Carole Little®, Saint Tropez-West®, Chorus Line®, All That Jazz®, Sideout®, Sideout Sport®, and others. Although we do not use the “®” symbol in each instance in which one of our trademarks appears in this Annual Report, this should not be construed as any indication that we will not assert our rights thereto to the fullest extent under applicable law. All other trademarks, trade names and service marks included in this Annual Report are the property of their respective owners.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report, our quarterly reports on Form 10-Q, other filings we make with the Securities and Exchange Commission (the “SEC”), and press releases and other written or oral statements we may make from time to time may contain “forward-looking statements” within the meaning of the Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements are statements other than historical facts that relate to future events or circumstances or our future performance. The words “anticipates”, “believes”, “estimates”, “plans”, “expects”, “objectives”, “goals”, “aims”, “hopes”, “may”, “might”, “will”, “likely”, “should” and similar words or expressions are intended to identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

Forward-looking statements in this Annual Report include statements about, among other things:

- our goals or expectations for our future performance, including anticipated revenue and expense levels and projections about other elements of our results of operations;
- expectations about our sources of capital and other matters relating to our liquidity;
- our ability to manage the various licensing and selling models we use in our operations;
- expected trends in the retail industry, including apparent trends relating to our different licensing models;
- the competitive environment in which we operate and the nature and impact of competitive developments in our industry;
- our expectations about consumer acceptance and sales levels of products bearing our brands;
- the anticipated impact on our business and performance of factors relating to our licensees’ and franchisees’ businesses and operations;
- the likelihood of sustained or increased sales by, or royalty revenues from, our existing licensees and franchisees;
- our prospects for obtaining new licensees and franchisees;
- the success of any new licensee or franchisee relationships we may establish, including the level of royalty revenues they may generate;
- our prospects for identifying and successfully acquiring new brands;
- the success and importance of any acquisitions, divestitures, investments or other strategic relationships or transactions we may announce, including our ability to integrate acquired brands or businesses into our operations and achieve the intended benefits of any such acquisitions;

- *our business and growth strategies, including our ability to successfully implement these strategies and their expected impact on our business and our performance;*
- *our expectations about the geographic and customer markets that show the most promise for acceptance of our brands and increased sales of products bearing our brands;*
- *general economic, political and market conditions;*
- *the expected or potential impact of the novel coronavirus (COVID-19) pandemic, and the related responses of the government, consumers, and the company, on our business, financial condition and results of operations; and*
- *the impact of the above factors and other future events on the market price and trading volume of our common stock.*

Forward-looking statements are based on our current views, expectations and assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance, achievements or stock prices to be materially different from any future results, performance, achievements or stock prices expressed or implied by the forward-looking statements. Such risks, uncertainties and other factors include, among others, those described in Item 1A, “Risk Factors” in this Annual Report. In addition, we operate in a competitive and rapidly evolving industry in which new risks emerge from time to time, and it is not possible for us to predict all of the risks we may face, nor can we assess the impact of all factors on our business or the extent to which any factor or combination of factors could cause actual results to differ from our expectations. As a result of these and other potential risks and uncertainties, forward-looking statements should not be relied on or viewed as predictions of future events because some or all of them may turn out to be wrong. Forward-looking statements speak only as of the date they are made and, except as required by law, we undertake no obligation to update any of the forward-looking statements we make to reflect future events or developments or changes in our expectations or for any other reason.

We qualify all of our forward-looking statements by this cautionary note.

PART I

Item 1. BUSINESS

Overview

Apex Global Brands is a global marketer and manager of a portfolio of fashion and lifestyle brands that we own, brands that we create, and brands that we develop for others. Cherokee Inc. changed its name to Apex Global Brands Inc. effective June 27, 2019. Company-owned brands, which are licensed in multiple consumer product categories and retail tiers around the world, include Cherokee, Hi-Tec, Magnum, 50 Peaks, Interceptor, Hawk Signature, Tony Hawk, Everyday California, Carole Little, Sideout and others. As part of our business strategy, we also regularly evaluate other brands and trademarks for acquisition into our portfolio. We believe the strength of our brand portfolio and platform of design, product development and marketing capabilities has made us one of the leading global licensors of style-focused lifestyle brands for apparel, footwear, accessories and home products.

We have licensing relationships with recognizable retail partners in their global locations to provide them with the rights to design, manufacture and sell products bearing our brands, and we also have licensing relationships with manufacturers and distributors for the manufacture and sale of products bearing our brands. As a brand marketer and manager, we do not directly sell product ourselves. Rather, we earn royalties when our licensees sell licensed products bearing the trademarks that we own, or when they sell products that we have designed and developed.

We provide our licensees with access to our proprietary 360-degree platform and believe that our brand marketing and media outreach, product design and development capabilities, and growth strategies and tactics have allowed Apex Global Brands to address the growing power of the consumer and the present and future needs of our wholesale and retail business partners and licensees. Based on consumer research, retail insights and brand insights that we continually measure, evaluate and incorporate into our 360-degree platform, we believe Apex Global Brands has become a key strategic partner to our licensees. We believe our licensing partners rely on our *vision*, which defines the growth potential and trajectories of our brands, the *agility* we afford to them through our 360-degree platform, which is designed to quickly seize opportunities and integrate new innovations, and the opportunity to realize global, multi-channel, multi-category *scale* through our portfolio of lifestyle brands and our platform capabilities. As of February 1, 2020, we had 42 continuing license agreements in approximately 144 countries. These arrangements include relationships with Walmart, Soriana, Comercial Mexicana, TJ Maxx, Tottus, Arvind, Reliance Retail, Tharanco, Martes Sports, Hi-Tec Europe, Hi-Tec South Africa, JD Sports, Black's and Lidl, in addition to regional distributors.

Licensing and Other Selling Models

Direct to Retail

In Direct to Retail licensing, or “DTR” licensing, we grant retailers a “territory” or “channel-specific” license to use our trademarks on certain categories of merchandise. We collaborate with our licensees’ product development staff and merchandisers on design direction, packaging, marketing and other aspects pertaining to the products sold with our trademarks, and in some cases our licensees modify or expand the designs or create their own designs to suit their seasonal, regional and category needs. In several cases, the licensee is responsible for designing and manufacturing the merchandise, although many products are subject to our pre-approved packaging, graphics and quality control standards and many of our licensees’ marketing campaigns are subject to similar oversight. We plan to continue to solicit new licensees using our DTR licensing model in new territories and additional product categories as we seek to expand this part of our business.

The DTR licensing model generally offers each licensee, or retailer, the exclusive right to market multiple categories of products with a recognized brand within their territory, thereby offering licensees the ability to enhance their marketing strategies and achieve a competitive advantage over competing retailers. We believe that this differentiation can also provide the retailer/licensee an opportunity to command a “premium” for our brand offering over private label price points, which can result in increased profit margins for the licensee, even after royalties have been paid to the licensor. The licensees generally directly source their own merchandise, thereby eliminating the licensor’s exposure to inventory and manufacturing risk while allowing the licensees to benefit from large economies of scale.

Many of the world’s largest retailers have successfully introduced, and continue to introduce, new brands based on the DTR licensing model. Examples of retailers participating in the DTR licensing model include Walmart, Carrefour, Lidl and C&A, among others.

Our DTR licensing strategy is premised on the proposition that, for many retailers worldwide, most aspects of the moderately priced apparel, accessory, footwear and home categories, including product development, design, merchandising, sourcing and distribution, can be executed most effectively by these retailers themselves, who typically command significant economies of scale, but also interact daily with their end consumers. We believe many of these retailers may be able to obtain higher gross margins on sales and increase store traffic by sourcing, stocking and selling licensed products bearing widely recognized brand names (such as our brands) than by carrying only private label goods or by carrying only branded products obtained from third-party vendors. We also believe many retailers may be able to achieve enhanced profitability with our DTR licensing model because it allows them to avoid the substantial marketing costs associated with establishing and maintaining an in-store brand.

Wholesale

We also license our brands to manufacturers and distributors based on wholesale arrangements. Wholesale licensing arrangements generally involve licensing to manufacturers and distributors that produce and/or import various categories of apparel, accessories, footwear and home products under our trademarks and trademarks owned by third parties and sell the licensed products to retailers, which then resell the products to consumers.

We have several new wholesale arrangements for the Cherokee, Hawk Signature and Tony Hawk brands. In addition, we are primarily relying on a wholesale licensing strategy for global sales of our Hi-Tec, Magnum, 50 Peaks and Interceptor brands.

Design Services

We provide product design and development services for retailers that prefer to sell brands that they own. We believe that our 360-degree platform provides the key ingredients for retailers to efficiently produce product ranges that are tailored for their target consumers and the retailers' specific business needs. Our retail partners can rely on our product development and design capabilities, which are supported by our retail and brand marketing abilities, focusing their resources instead on retail operations. We expect that together this will lead to increased rates of sale, greater sell-through and improved retail performance.

Brand Portfolio

Cherokee

Cherokee is an iconic, American family-lifestyle brand, offering classic, casual and comfortable products at affordable prices. Cherokee, which was initially launched as a footwear line in 1973, seeks to produce timeless classics, inspired by vintage Americana while continually being updated to account for modern trends. After four decades, the Cherokee brand stands for confident, effortless and relaxed American style. We believe this heritage positions the Cherokee brand for future growth and further international expansion. Cherokee branded products are sold internationally across multiple age ranges in a wide range of categories, including casual sportswear, sweaters, outerwear, active wear, dresses, denim, swimwear, sleepwear, accessories, home décor, textiles, outdoor furnishings and camping gear.

Royalty revenues from global sales of Cherokee branded products were \$6.7 million and \$9.7 million in Fiscal 2020 and Fiscal 2019, respectively, which accounted for 32% and 40% of our total royalty revenues in these years. Our wholesale distributor licenses offer a variety of categories of products bearing the Cherokee brand to retailers in the United States. A large majority of our Cherokee brand royalties are now derived from multiple DTR license agreements with various retailers outside the United States, many of which have been in place for several years.

Hi-Tec, Magnum, 50 Peaks and Interceptor

Founded in 1974 and based in the Netherlands, the Hi-Tec footwear brand seeks to produce quality shoes for a fair price that are "comfortable anywhere". Hi-Tec is known for its comfortable and lightweight hiking and walking shoes, and also produces technical outdoor footwear and various other types of shoes. The Hi-Tec brand is one of the world's leaders in sports and outdoor footwear. Magnum produces work boot footwear, specific-purpose tactical boots and uniform footwear. 50 Peaks is a high spec, technical outdoor footwear brand that was born out of the accomplishments of adventurer Adrian Crane, who climbed the 50 highest peaks in each of the 50 states in the USA in a record time of 101 days. Interceptor is a tactical footwear brand sold internationally, with primary distribution through Walmart U.S. Hi-Tec and Magnum products are sold throughout the world in Europe, the United States, Canada, South Africa, the Middle East, South and Central America, Oceania and Asia.

Royalty revenues from global sales of Hi-Tec, Magnum, 50 Peaks and Interceptor branded products were \$10.5 and \$11.6 million in Fiscal 2020 and Fiscal 2019, respectively, which accounted for 50% and 47% of our total royalty revenues in those years.

Hawk Signature and Tony Hawk

Tony Hawk is among the most well-known athletes in skateboarding history and is the founder of the Hawk Signature and Tony Hawk apparel lines. The Tony Hawk brand is designed for comfort, flexibility and durability and it embodies the “skate culture” lifestyle, combining style with performance. The Hawk Signature and Tony Hawk brands have expanded our presence in the department store and specialty channels of distribution.

Hawk Signature and Tony Hawk branded products are distributed to a variety of retailers in the United States, including specialty, mid-tier, regional, mass market, off-price and club stores, by several wholesale distributors under license agreements with these distributors. In addition, we have separate wholesale license agreements with others to supply Hawk Signature and Tony Hawk apparel in China, Japan, South Korea and throughout Europe. Royalty revenues from global sales of Hawk Signature and Tony Hawk branded products were \$0.3 and \$0.6 million in Fiscal 2020 and Fiscal 2019, respectively, which accounted for 1% and 3% of our total royalty revenues in those years.

Everyday California

Crafted in Southern California, Everyday California is designed to embody the California spirit and celebrate living life to the fullest. From California’s snowcapped mountains to its sandy shores, Everyday California apparel and accessories for men and women are the perfect match for any journey. Everyday California was born out of a desire to share the California state of mind and the notion that adventure is just around the corner. We acquired the Everyday California brand in May 2015. In addition to the United States, Everyday California is distributed in Mexico and Japan.

Point Cove

Point Cove was created in-house by Apex Global Brands' design team in close collaboration with Reliance Trends, a chain of retail stores in India. The brand was launched in September 2015 and brings a combination of playfulness and sophistication to Reliance Trends stores in key categories, including apparel, accessories and footwear, for kids ages 2-14. The collection features bold colors that bring the California spirit to India.

Carole Little

Carole Little was founded in 1975 by designer Carole Little through her love for contemporary clothing. The Carole Little brand became recognized for colorful and unusual prints, soft two-piece outfits and dresses, and has an ageless, independent attitude for the self-confident woman.

Sideout

Conceived in 1983 by a California volleyball player, the Sideout brand took root at the beach, harnessing the easy spirit of a casual California lifestyle. Ideal for a game of beach volleyball or a breezy vacation, Sideout products perform in quality, functionality and originality by offering casual, hip and cool clothing, footwear and accessories at affordable prices.

Royalties and Other Revenues

Our rights to receive royalties for sales of products bearing our brands or products we have developed and designed are set forth in the terms of our license agreements with various retailers and wholesalers. The royalty rates we receive from our licensees vary depending on the terms of each licensing agreement. Generally, our DTR license agreements include royalty rates based on a percentage of the retailer’s sales of licensed products. Some of our DTR license agreements provide for fixed royalty rates, and other DTR license agreements provide for royalty rates that may decrease or otherwise fluctuate during a year as the retailer achieves sales volume thresholds. For wholesale license agreements, royalty rates are generally based on a fixed percentage of wholesale sales from the wholesaler to the retailer or a fixed percentage of manufacturing costs.

In some cases, we require the licensee to guarantee a minimum royalty payment to us each year, although the amount of this minimum payment can vary significantly from licensee to licensee and is typically lower for wholesale licensees than for DTR licensees. We do not have a significant concentration of fixed minimum payments in any one licensee. As of February 1, 2020, we had contractual rights to receive over \$50.0 million forward-facing minimum royalty revenues over the next ten years, excluding any revenues that may be guaranteed in connection with future contract renewals.

Royalties are generally paid within 30 days after a quarterly selling period as defined in the applicable license agreement. To ensure our licensees are reporting and calculating the appropriate royalties, our license agreements grant us the right to audit our licensees' royalty reports to validate the amount of sales or purchases reported and royalties paid.

Trademarks and Other Intellectual Property Rights

We hold various trademarks, including Cherokee®, Hi-Tec®, Magnum®, 50 Peaks ® , Interceptor ® , Hawk Signature®, Tony Hawk®, Everyday California®, Carole Little®, Saint Tropez-West®, Chorus Line®, All That Jazz®, Sideout®, Sideout Sport® and others for numerous categories of apparel and other goods. These trademarks are registered with the United States Patent and Trademark Office, and we also hold trademarks or trademark applications for each of these brand names and others with similar government agencies in a number of other countries. Our trademark registrations typically expire after seven to ten years depending on the jurisdiction, although we intend, and expect to be able, to renew these trademarks for as long as we continue to use them. Our business is dependent on our trademarks, and we monitor unauthorized uses of these trademarks on an ongoing basis. In addition to trademarks, we also rely on know-how, trade secrets and contractual restrictions to protect our intellectual property rights domestically and internationally.

Competition

Merchandise bearing our brand names and goods that we have developed and are subject to intense competition. Competing brands with respect to our Cherokee brand include Polo Ralph Lauren, Tommy Hilfiger, and private label brands (developed by retailers) such as Faded Glory, Arizona and Route 66, and competing brands with respect to the Hi-Tec and Magnum brands include Columbia, Merrell, Keen, North Face, Timberland, Bates, Wolverine and other private label brands. Our other brands also face competition from these and other numerous brands. Factors that shape the competitive environment for our brands include quality of garment or accessory construction and design, brand name, style and color selection, price, fashion and other trends, avenue of purchase (including in stores and online), and the manufacturer's ability to respond quickly to retailer and consumer demand.

Our business plan focuses on creating strategic alliances with major retailers and wholesalers for their sale of products bearing our brands or products that we have developed and designed. We license our trademarks directly to retailers, and we engage wholesalers to manufacture and distribute products bearing our brands and sell these products to retailers. We also develop and design products for retailers that prefer to sell products bearing their own brand names. Therefore, our degree of success is dependent on the strength of our brands, consumer acceptance of our brands, our licensees' ability to design, manufacture and sell products bearing our brands and our licensees' ability to sell products we have developed and designed, all of which is dependent on the ability of us and our licensees to respond to ever-changing consumer demands. In addition, we compete with companies that own other brands and trademarks, as these companies could enter into similar licensing arrangements with retailers and wholesalers in the United States and internationally. These arrangements could be with our existing retail and wholesale partners, thereby competing with us for consumer attention and limited floor or rack space in the same stores in which our branded products are sold, and vying with us for the time and resources of the retailers and wholesale licensees that manufacture and distribute our products.

Seasonality

Our business and performance do not reflect significant seasonality trends. However, to the extent royalty revenues grow from our new wholesale licensees, we expect our revenues may shift toward the latter half of our fiscal year, which would be consistent with the normal, holiday-based seasonal pattern of retail sales.

Government Regulations

Our business practices in international markets are subject to the requirements of the U.S. Foreign Corrupt Practices Act (the "FCPA") and any applicable foreign anti-bribery laws. We are also subject to various laws that are generally applicable to businesses in our industry, such as work safety and labor laws that govern certain of our operations and our employee relations. Our violation of any of these laws could subject us to significant fines, criminal sanctions and other penalties, which could have a material adverse effect on our business and results of operations.

Employees

As of February 1, 2020, we employed 37 persons. None of our employees are represented by labor unions, and we believe that our employee relations are satisfactory.

Financial Information about Geographic Areas

Approximately 77% and 75% of our revenues were derived from our international licensees in Fiscal 2020 and Fiscal 2019, respectively, and we face risks related to these foreign operations. See Item 1A, “Risk Factors” for information about these risks, and see Note 13 to our consolidated financial statements included in this Annual Report for certain financial information by geographic area.

General Information

Apex Global Brands was incorporated in Delaware in 1988. We maintain a website at www.apexglobalbrands.com, and our Nasdaq trading symbol is “APEX”. We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act available free of charge on our website as soon as reasonably practicable after we file these materials with, or furnish them to, the SEC. All references to our website in this Annual Report are inactive textual references, and the contents of our website are not incorporated in or otherwise considered part of this Annual Report.

Item 1A. RISK FACTORS

The occurrence of any of the risks, uncertainties and other factors described below and elsewhere in this Annual Report and the other documents we file with the SEC could have a material adverse effect on our business, financial condition, results of operations and stock price, and could cause our future business, financial condition, results of operations and stock price to differ materially from our historical results and the results contemplated by any forward-looking statements we may make herein, in any other document we file with the SEC, or in any press release or other written or oral statement we may make. You should carefully consider all of these risks and the other information in this Annual Report and the other documents we file with the SEC before making any investment decision with respect to our securities. The risks described below and elsewhere in this Annual Report are not the only ones we face. Additional risks we are not presently aware of or that we currently believe are immaterial may also impair our business, financial condition and results of operations or cause our stock price to decline.

Risks Related to Our Business

We face risks related to the impact of the COVID-19 pandemic and the related protective public health measures.

In March 2020, the World Health Organization recognized the outbreak of a novel coronavirus, COVID-19, as a pandemic. Our business has been materially adversely affected by the effects of COVID-19 and the related protective public health measures. Our business depends upon purchases and sales of our branded products by our licensees, and the prevalence of shelter-in-place orders in the regions where our products are sold, together with the closure of many of our licensees’ or their customers’ stores, have resulted in significant declines in our royalties, which will likely continue for some period of time. In response to the decline in revenues, we have implemented cost savings measures, including pay reductions, employee furloughs and other measures. We can provide no assurance that these cost savings measures will not cause our business operations and results to suffer. The decline and anticipated decline in our revenues also exposes us to the risk that we will remain non-compliant with the covenants in our credit facility, which creates risk that our lender will exercise its rights to accelerate the amounts payable and foreclose on our assets. We have not been designated as an essential business, and therefore all of our employees are working remotely, which may result in inefficiencies and lost opportunities. In addition, the responses of the federal, international, state and regional governments to the pandemic, including the shelter-in-place orders and the allocation of healthcare resources to treating those infected with the virus, has caused and may continue to cause a significant decline in retail sales, including sales of our branded products by our licensees. Other adverse effects of the pandemic on our business could include disruptions or restrictions on our employees’ ability to travel, as well as temporary closures of the facilities of the manufacturers and distributors of our branded products, which could cause further or extended declines in sales and royalties. In addition, the continued spread of COVID-19, or the occurrence of other epidemics, could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for our branded products and further adversely impact our results of operations.

There are numerous uncertainties associated with the coronavirus outbreak, including the number of individuals who will become infected, whether a vaccine or cure that mitigates the effect of the virus will be synthesized, and, if so, when such vaccine or cure will be ready to be used, and the extent of the protective and preventative measures that have been put in place by both governmental entities and other businesses and those that may be put in place in the future. Any, or all, of the foregoing uncertainties could have a material adverse effect on our results of operations, financial position and/or cash flows.

Our business is subject to intense competition.

Merchandise bearing our brand names and goods that we have developed and designed are subject to intense competition. Competing brands with respect to our Cherokee brand include Polo Ralph Lauren, Tommy Hilfiger, and private label brands (developed by retailers) such as Faded Glory, Arizona and Route 66, and competing brands with respect to the Hi-Tec and Magnum brands include Columbia, Merrell, Keen, North Face, Timberland, Bates, Wolverine and other private label brands. Our other brands also face competition from these and other numerous brands. Factors that shape the competitive environment for our brands include quality of garment or accessory construction and design, brand name, style and color selection, price, fashion and other trends, avenue of purchase (including in stores and online), and the manufacturer's ability to respond quickly to retailer and consumer demand.

Our business plan focuses on creating strategic alliances with major retailers and wholesalers for their sale of products bearing our brands through the licensing of our trademarks directly to retailers, engaging wholesalers to manufacture and distribute products bearing our brands and sell these products to retailers, and entering into design services agreements with retailers and wholesalers to develop and design products bearing the brands that those retailers and wholesalers own. Therefore, our degree of success is dependent on the strength of our brands, consumer acceptance of our brands, our licensees' ability to design, manufacture and sell products bearing our brands and our other licensees' ability to sell products in their stores that we have developed and designed, all of which is dependent on the ability of us and our licensees to respond to ever-changing consumer demands. We cannot control the level of consumer acceptance of our brands and changing preferences and trends may lead customers to purchase other products. Further, we cannot control the level of resources that our other licensees commit to supporting their brands for which we have developed and designed product. Our licensees may choose to support products bearing other brands to the detriment of our brands because our agreements generally do not prevent them from licensing or selling other products, including products bearing competing brands.

In addition, we compete with companies that own other brands and trademarks, as these companies could enter into similar licensing arrangements with retailers and wholesalers in the United States and internationally. These arrangements could be with our existing retail and wholesale partners, thereby competing with us for consumer attention and limited floor or rack space in the same stores in which our branded products are sold, and vying with us for the time and resources of the retailers and wholesale licensees that manufacture and distribute our products. These companies may be able to respond more quickly to changes in retailer, wholesaler and consumer preferences and devote greater resources to brand acquisition, development and marketing. We may not be able to compete effectively against these companies.

If we or our brands are unable to compete successfully against current and future competitors, we may be unable to sustain or increase demand for products bearing our brands, or we may be unable to develop and design products bearing brands owned by our licensees that compete successfully in the retail market place, which could have a material adverse effect on our reputation, prospects, performance and financial condition.

We are subject to the risks of the retail business that apply to retailers selling our products.

There are numerous risks and other factors applicable to the businesses of retailers (including our DTR licensees and retailers to which our wholesale licensees distribute products) that can impact the sale of products that bear our brands and, with respect to our other licensees, the sale of products that we have developed and designed that bear their brands and are sold in their stores. Any decline in retail sales of our branded products or products that we have designed for others could adversely affect our revenues.

Factors that may adversely affect retailers and their sales of products include, among others: (i) the ongoing impacts of COVID-19; (ii) consumer preferences regarding fashion trends and styles, which can be region-dependent and subject to rapid and significant fluctuations; (iii) consumer preferences regarding where to shop; (iv) the growth of online shopping and the ability of a retailer to market and sell products through these avenues; (v) fluctuating retail prices; (vi) the reputation of or general consumer perceptions about the retailers that sell our brands; (vii) security breaches or other cybersecurity incidents; (viii) shifts in the seasonality of shopping patterns; (ix) weather, environmental or other conditions that may impact consumer shopping activity; (x) changes in the availability or cost of capital in light of a retailer's financial condition, capital requirements and other factors; (xi) labor strikes or other interruptions that impact supply chains and transport vendors; (xii) the impact of excesses or shortages of retail or manufacturing capacity; (xiii) changes in the cost of accepting various payment

methods and changes in the rate of utilization of these payment methods; (xiv) material acquisitions or dispositions; (xv) investments in new business strategies; (xvi) the success or failure of significant new business ventures or technologies; (xvii) general business and operational risks, including, among others, the ability to obtain and maintain desirable store locations, litigation risks, departures of key personnel or other employee matters; (xviii) actions taken or omitted to be taken by legislative, regulatory, judicial and other government authorities and officials; (xix) natural disasters, the outbreak of war, acts of terrorism or other significant national or international events; and (xx) the other risks discussed in these risk factors.

We have incurred a significant amount of indebtedness, our level of indebtedness and restrictions under our indebtedness could adversely affect our operations and liquidity, and we are currently in violation of certain financial covenants under our credit facility.

On August 3, 2018, we entered into a senior secured credit facility that provided a \$40.0 million term loan, and \$13.5 million of subordinated promissory notes. The credit facility was amended on January 30, 2019 to provide an additional term loan of \$5.3 million. As of February 1, 2020, outstanding borrowings under the term loans were \$44.1 million, and outstanding borrowings under subordinated promissory notes were \$13.5 million. The term loans mature in August 2021 and require quarterly principal payments and monthly interest payments based on LIBOR plus a margin. The subordinated promissory notes mature in November 2021. Interest is payable monthly on the subordinated promissory notes, but no periodic amortization payments are required.

The senior secured credit facility imposes various restrictions and covenants regarding the operation of our business, including covenants that require us to obtain the lender's consent before we can, among other things and subject to certain limited exceptions: (i) incur additional indebtedness or additional liens on our property; (ii) consummate acquisitions, dispositions, mergers or consolidations; (iii) make any change in the nature of our business; (iv) enter into transactions with our affiliates; or (v) repurchase or redeem any outstanding shares of our common stock or pay dividends or other distributions, other than stock dividends, to our stockholders. The senior secured credit facility also imposes financial covenants that set financial standards we are required to maintain, including the requirement to maintain specified levels of Adjusted EBITDA, as defined in the credit agreement (\$9.5 million for the trailing twelve months as of February 1, 2020), and maintain a minimum cash balance of \$1.0 million. We are also required to maintain a borrowing base comprising the value of our trademarks that exceeds the outstanding balance of the term loan. If the borrowing base is less than the outstanding term loan at any measurement period, then we would be required to repay a portion of the term loan to eliminate such shortfall. Further, as collateral for the credit facility, we have granted a first priority security interest in favor of the lender in substantially all of our assets (including trademarks), and our indebtedness is guaranteed by our subsidiaries. If we do not comply with these requirements or if there is a change of control of the Company, it would be an event of default.

Our operating results for the twelve months ended November 2, 2019 and February 1, 2020 resulted in violations of the minimum Adjusted EBITDA covenant, which were events of default. However, our senior lender has agreed to forbear from enforcing its rights under the senior secured credit facility through July 27, 2020. Our financial projections indicate that there is a significant risk of further violations of the minimum Adjusted EBITDA covenant or minimum cash covenant beyond the forbearance period agreed to with our senior lender. If any such future violation or other event of default occurs under the credit facility that is not forborne, cured or waived in accordance with the terms of the credit facility, we would be subject to significant risks, including the right of our lender to terminate its obligations under the credit facility, declare all or any portion of the borrowed amounts then outstanding to be accelerated and due and payable, and/or exercise any other right or remedies it may have under applicable law, including foreclosing on our and/or our subsidiaries' assets that serve as collateral for the borrowed amounts. Furthermore, a default under our term loan agreement would also trigger a default under our subordinated promissory note agreements, which would give those lenders the right to terminate their obligations under the subordinated promissory note agreements and accelerate the payment of those promissory notes. If any of these rights were to be exercised, our financial condition and ability to continue operations would be materially jeopardized. If we are unable to meet obligations to lenders and other creditors, we may have to significantly curtail or even cease operations. We are evaluating potential sources of working capital, including the disposition of certain assets, and we believe that certain provisions of the CARES Act passed by the U.S. Congress in March 2020 will result in additional liquidity. We recently received proceeds of \$0.7 million from a promissory note issued by one of our banks under the Paycheck Protection Program included in the CARES Act, and the NOL carryback provisions of the CARES Act are expected to result in federal refund claims of approximately \$8.0 million. Our plans also include the evaluation of strategic alternatives to enhance shareholder value. However, there is no assurance that we will be able to execute these plans or continue to operate as a going concern.

Additionally, even if we are able to avoid a further event of default under the credit facility, the amount of our outstanding indebtedness, which is substantial, could have an adverse effect on our operations and liquidity, including by, among other things: (i) making it more difficult for us to pay or refinance our debts as they become due during adverse economic and industry conditions, because we may not have sufficient cash flows to make our scheduled debt payments; (ii) causing us to use a larger portion of our cash flows to fund interest and principal payments, thereby reducing the availability of cash to fund working capital, product development, capital expenditures and other business activities; (iii) making it more difficult for us to take advantage of significant business opportunities, such as acquisition opportunities or other strategic transactions, and to react to changes in market or industry conditions; and (iv) limiting our ability to borrow additional monies in the future to fund the activities and expenditures described above and for other general corporate purposes as and when needed, which could force us to suspend, delay or curtail business prospects, strategies or operations.

Our future capital needs may be uncertain, and we may need to raise additional funds in the future, which may not be available when needed, on acceptable terms or at all.

Our capital requirements in future periods may be uncertain and could depend on many factors, including, among others: (i) acceptance of, and demand for, our brands; (ii) the extent to which we invest in our existing brand portfolio or any new brands; (iii) the number and timing of our acquisitions and other strategic transactions; (iv) the costs of developing new brands; (v) the costs associated with our efforts to expand our business; and (vi) the costs of litigation and enforcement activities to protect and defend our trademarks. We may need to raise additional funds to meet our capital requirements. However, these or any other necessary funds may not be available when needed, on favorable terms or at all. If we issue equity or convertible debt securities to raise additional funds, as we did with our refinancing of our senior secured credit facility in August 2018 and additional borrowings under our new facility in January 2019, our existing stockholders may experience dilution and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing stockholders. If we incur additional debt to raise funds, as we did with our senior secured credit facility, we may become over-leveraged, and we may become subject to restrictive financial or operating covenants that could limit our ability to operate our business and expose us to significant risks in the event of any compliance failure. Moreover, in light of our current level of indebtedness, which is significant, additional debt or equity capital may not be available on terms we consider advantageous or favorable to us. In addition, we may seek equity and/or debt financing from sources that expose us to additional risks or negative effects, such as, for example, obtaining funding from related parties in transactions that create conflicts of interest between us and the related party, as we did with our arrangement of purchases by certain of our directors, officers and large stockholders of participation interests in our credit facility in December 2017 and the exchange of those participation interests into junior subordinated notes in our new credit facility in August 2018. Further, we may incur substantial costs in pursuing future capital-raising transactions, including investment banking, legal and accounting fees, printing and distribution expenses and other costs.

If we cannot raise funds when needed, on acceptable terms or at all, we may not be able to develop or enhance our brand portfolio or marketing initiatives, execute our business plan, take advantage of future opportunities, or respond to competitive pressures or customer requirements. Any of these outcomes may materially harm our business, results of operations and financial condition.

Our wholesale licensing arrangements subject us to a number of risks.

We have entered into several wholesale arrangements in connection with a significant shift in our business strategy, from our historical focus on a DTR licensing model to a substantially greater focus on wholesale licensing for many of our key brands. Although we believe our wholesale licensing arrangements may have certain benefits, these arrangements are subject to a number of risks and our beliefs could turn out to be wrong. If any of these risks occur and we do not achieve the intended or expected benefits of our strategy shift toward wholesale arrangements, our results of operations, liquidity and financial condition could be materially adversely affected. Moreover, we have less experience with the wholesale licensing model than the DTR licensing model and we may find it difficult to develop reliable forecasts and expectations regarding royalty revenues from these arrangements, either of which could harm our business and our operating results.

The terms of our wholesale licensing arrangements differ in certain important ways from the terms of our DTR licensing arrangements. For instance, the minimum annual royalty obligations under our wholesale licensing arrangements are significantly smaller than the minimum annual royalty obligations in some of our DTR licensing arrangements. Also, our new wholesale license agreements for the Cherokee brand and the Hi-Tec and Magnum brands are not subject to reducing royalty rates based on cumulative sales levels, as was our former license agreement with Target for the Cherokee brand. These different terms could have a material impact on our performance. For example, the consistent royalty rates of these wholesale licensing arrangements could cause our performance and cash flows to be more strongly influenced by the seasonality of the retail business and thus subject to more material fluctuations between periods, and the lower minimum royalty obligations could cause our aggregate annual royalty revenues to decline if retail sales volume for our brands decreases and we become dependent on minimum royalty obligations. These effects on our performance could become increasingly significant in future periods, to the extent our new wholesale licensees gain traction over time with new retailers and consumer bases and the proportion of our royalty revenues from these licensees increases, or if we pursue similar wholesale arrangements in the future.

Additionally, in wholesale licensing arrangements, we have limited ability to control various aspects of the manufacturing process, including access to raw materials, the timing of delivery of finished products, the quality of finished products and manufacturing costs. Our wholesale licensees may not be able to produce finished products of the quality or in the quantities that are sufficient to meet retailer and consumer demand in a timely manner or at all, which could result in an inability to generate revenues from any such products and loss of confidence in our brands. Interruptions or delays in the manufacturing process can occur at any time and for a variety of reasons, many of which are outside our control, including, among others, unforecasted spikes in demand, shortages of raw materials, labor disputes, backlogs, insufficient devotion of resources to the manufacture of products bearing our brands, or problems that may arise with manufacturing operations or facilities or our wholesale licensees' businesses generally. On the other hand, our wholesale licensees may produce inventory in excess of retailer and consumer demand, in which case over-supply may cause retail prices of products bearing our brands to decline. Further, we compete with other brand owners for the time and resources of our wholesale licensees, which could curtail or limit our ability to engage new or maintain relationships with existing wholesale licensee partners on acceptable terms or at all. Further, the unplanned loss of any of our wholesale licensees could lead to inadequate market coverage for retail sales of products bearing our brands, create negative impressions of us and our brands with retailers and consumers, and add downward pricing pressure on products bearing our brands as a result of liquidating a former wholesaler's inventory of such products. The occurrence of any of these risks could adversely impact our reputation, performance and financial condition.

We rely on the accuracy of our licensees' sales reports for reporting and collecting our royalty revenues, and if these reports are untimely or incorrect, our revenues could be delayed or inaccurately reported or collected

Most of our royalty revenues are generated from retailers that manufacture and sell products bearing our brands in their stores and on their websites, and from wholesalers that manufacture and distribute products bearing our brands and sell these products to retailers. In addition, we generate revenues from licensees that sell products that we have developed and designed. Under our existing agreements, our licensees pay us fees based on their sales of products or, for some of our wholesale licensees, based on their manufacturing costs. As a result, we rely on our licensees to accurately report their sales or costs in collecting our license and design fees, preparing our financial reports, projections and budgets and directing our sales and marketing efforts. Although all of our agreements permit us to audit our licensees, if any of them understate their sales or costs, we may not collect and recognize the royalty revenues to which we are entitled on a timely basis or at all, or we may endure significant expense to obtain compliance.

We utilize various licensing and selling models in our operations, and our success is dependent on our ability to manage these different models.

In addition to the DTR licensing model, we also focus some of our key brands on a wholesale licensing strategy, and we use a product development and design model for brands owned by others. Although we believe these various licensing and design models could have certain benefits, these models could themselves be unsuccessful and our beliefs could turn out to be wrong. Moreover, our pursuit of these different models could divert management's attention and other resources, including time and capital. As a result, our future success depends in part on our ability to successfully manage these multiple licensing and design models. If we are unable to do so, our performance, financial condition and prospects could be materially harmed.

Our business continues to depend in part on the success of our Direct to Retail licensing model.

Our DTR licensing model continues to be an important part of our operations. We believe the DTR licensing model has become more widely accepted by many retailers worldwide, and our business plan is based in part on the success of this model with our existing retail licensees and with new retailers we may solicit to license our brands under this model in new territories and additional product categories. However, our beliefs regarding the DTR licensing model may turn out to be wrong, and it may not achieve or sustain increased acceptance or its use by retailers could decline. If our existing or potential future retail licensees do not perceive the DTR licensing model to be advantageous to them, which could occur for a variety of reasons, they may move away from this model and pursue alternatives, such as purchasing from wholesalers or manufacturing private label products. In that event, this aspect of our business may prove unsuccessful and our financial condition and performance could suffer material adverse effects.

The failure of our licensees to sell products that generate royalties to us, to pay us royalties pursuant to their license agreements with us, or to renew these agreements could negatively affect our results of operations and financial condition.

Our revenues are dependent on royalty payments made to us under our license and design services agreements. Although some of our license agreements guarantee a minimum royalty payment to us each year, the failure of our licensees to satisfy these or the other obligations under their agreements with us, their decision to not renew their agreements with us or their inability to grow or maintain their sales of products bearing our brands or their businesses generally could cause our revenues to decline. These events or circumstances could occur for a variety of reasons, many of which are outside our control, including business and operational risks that impact our licensees' ability to make payments and sell products generally, such as obtaining and maintaining desirable store locations and consumer acceptance and presence; retaining key personnel, including the specific individuals who work on sales and marketing for products bearing our brands; and liquidity and capital resources risks. Further, while we historically have been dependent on our relationships with Target and Kohl's, the failure by any of our other key licensees or the concurrent failure by several licensees to meet their financial obligations to us or to renew their license agreements with us could materially and adversely impact our results of operations and our financial condition.

Our business may be negatively impacted by general economic conditions.

Our performance is subject to worldwide economic conditions and the corresponding impact on levels of consumer spending, which may affect our licensees' retail sales. It is difficult to predict future levels of consumer spending, and any such predictions are inherently uncertain. Many factors affect the level of consumer spending in the industry in which we operate, including, among others, prevailing economic conditions; levels of employment, salaries and wage rates; energy costs; interest rates; the availability of consumer credit; tax rates; and consumer confidence in future economic conditions. Further, our industry is heavily influenced by general economic cycles, as purchases of apparel, footwear, accessories and home products tend to decline in periods of economic uncertainty, slowdown or recession because disposable income typically declines during these periods. As a result, the risks associated with our business are generally more acute in these periods. For instance, general uncertainty in U.S. economic, political, regulatory, and market conditions has increased following the results of the 2016 U.S. presidential election due to the unpredictability of the policies and direction of the current administration, and these uncertainties may result in decreased confidence in the U.S. or global economy and decreased levels of consumer spending. In addition to decreased consumer spending generally, periods of uncertainty, slowdown or recession may be accompanied by decreased demand for, or additional downward pricing pressure on, the products carrying our brands. Accordingly, any prolonged economic slowdown, a lengthy or severe recession or any other negative trend in the U.S. or global economy would likely have a material adverse effect on our results of operations, financial condition and business prospects.

We are subject to additional risks associated with the international scope of our operations.

Many of our licensees are located outside the United States, and we aim to expand our international revenues. In addition, we have subsidiaries and employees in Amsterdam.

We face numerous risks in doing business outside the United States, including, among others: (i) the ongoing worldwide impacts of COVID-19; (ii) our general lack of experience operating foreign subsidiaries; (iii) unusual, unfamiliar or burdensome foreign laws or regulatory requirements, including tax, labor, contract, intellectual property protection and other laws, and unexpected changes to these laws or requirements; (iv) difficulties complying with the laws of multiple jurisdictions; (v) uncertainties in some jurisdictions related to developing legal and regulatory systems and standards for economic and business activities, property ownership and the application of contract rights; (vi) tariffs, trade protection measures, import or export licensing requirements, trade embargos, and other trade barriers, about which there is increased uncertainty following the results of the 2016 U.S. presidential election and the trade policies of the current administration, including withdrawal from the Trans-Pacific Partnership and proposed revision to the North American Free Trade Agreement; (vii) difficulties attracting and retaining qualified personnel to conduct our foreign operations or manage our foreign licensees and franchisees; (viii) challenges relating to labor and employment matters, including differing employment practices and requirements regarding health, safety and other working conditions in foreign jurisdictions; (ix) competition from foreign companies; (x) longer accounts receivable collection cycles and difficulties collecting accounts receivable from international licensees and franchisees; (xi) less effective and less predictable protection and enforcement of our intellectual property rights in some jurisdictions; (xii) changes in the political or economic condition of a specific country or region, particularly in emerging markets; (xiii) potentially adverse tax consequences from the several U.S. and foreign jurisdictions in which we are subject to taxation; and (xiv) cultural differences in the conduct of business. Any one or more of these factors could cause our international revenues to decline or could cause us to fail to execute on our business strategy involving international expansion. In addition, our business practices in international markets are subject to the requirements of the FCPA and applicable foreign anti-bribery laws, any violation of which could subject us to significant fines, criminal sanctions and other penalties.

Our international royalty revenues are typically denominated in U.S. dollars. However, because our international licensees and franchisees operate in other currencies, fluctuations in the value of the U.S. dollar relative to these foreign currencies have an impact on our royalty revenues, which could materially affect our results of operations and cash flows. The primary foreign currencies in which our licensees operate are the Euro, the Great British Pound, the Mexican Peso, the South African Rand, the Japanese Yen, the Chinese Yuan, the Indian Rupee and the Canadian Dollar. We do not currently engage in currency hedging activities to limit the risk of exchange rate fluctuations.

Some of our licensees have contracts with government entities that are subject to unique risks.

Some of our licensees for our Hi-Tec family of footwear brands have, and expect to maintain, long-term contracts with various foreign government entities. In addition to normal business risks, including the other risks discussed in these risk factors, our licensees' contracts with government entities are often subject to unique risks, some of which are beyond our or their control. For instance, long-term government contracts and related orders are subject to cancellation if adequate appropriations for subsequent performance periods are not made. As a result, the termination of funding for a government program supporting any of our licensees' government contracts could result in a loss of anticipated future revenues from that contract, which could have a negative impact on our operations because our royalty revenues from the licensee attributable to the government contract would also cease. In periods of global or local political tension or unrest or decreased spending, these risks could be amplified. In addition, government entities are often able to modify, curtail or terminate contracts at their convenience and without prior notice and would only be required to pay for work completed and commitments made at the time of the termination. Any such modification, curtailment or termination of significant government contracts products bearing our Hi-Tec family of footwear brands could have a material adverse effect on our licensees' sales of these products, which in turn, could have a material adverse effect on our results of operations and financial condition.

Our business and the success of our products could be harmed if we are unable to maintain the strength of our brands.

Our success is dependent on the strength of our brands. If we are unable to timely and appropriately respond to changes to consumer preferences and demands, which are subject to significant fluctuations, the strength of our brands may be impaired. Even if we do react timely and appropriately to these changes, consumers may still consider one or more of our brands to be outdated or associated with styles that are no longer popular. In the past, many companies in our industry have experienced periods of rapid growth in sales and revenues followed by periods of declining sales and losses. Our business may be similarly affected.

We are dependent on our intellectual property rights, especially our trademarks, and we may not be able to successfully protect our rights, or we may become involved in costly legal proceedings relating to these rights or the intellectual property rights of third parties.

Our trademarks are vital to our business. We hold various trademarks for our brand names, which are registered with the United States Patent and Trademark Office. We also hold trademarks or trademark applications for our brand names with similar government agencies in a number of other countries, although the laws of many countries may not protect our intellectual property rights to the same extent as the laws of the United States and, as a result, adequate protection in these jurisdictions may be unavailable or limited in spite of our efforts to safeguard these rights. In addition, our efforts to establish and protect our trademarks and other proprietary rights might not prevent imitation of our brands or products bearing our brands, other infringement of our rights, challenges to our intellectual property ownership, the loss of license or franchise revenues or other negative effects. Further, any insufficiency in the protection of our trademarks and other intellectual property rights could reduce the value of our brands, which could limit the ability of our licensees and franchisees to effectively compete for market share. If any of these events were to occur, our business, prospects, financial condition, results of operations and liquidity could be materially harmed.

In addition, in the future, we may decide to assert infringement claims against third parties, and one or more parties may assert infringement claims against us. Any resulting litigation could result in significant expense and divert the efforts of our management and other personnel, whether or not such litigation is determined in our favor. Further, any adverse ruling in any such matter could reduce the value of our intellectual property assets and our licenses, which could result in limitations on our ability to market and license our brands and have a material adverse effect on our business, financial condition and results of operations.

We may become involved in other litigation or government or administrative proceedings that may materially affect us.

From time to time, we may become involved in various legal proceedings relating to matters incidental to the ordinary course of our business, including commercial, employment, class action and other litigation and claims. We may also be the subject of government and other regulatory investigations, audits and proceedings, including in connection with any claim of our violation of the laws, rules and regulations applicable to our business, such as federal, state and foreign franchise laws, anti-bribery laws and work safety and labor laws, among others. These matters can be time-consuming, divert management's attention and resources and result in significant legal and other expenses. Furthermore, because litigation and administrative or government proceedings are inherently unpredictable, any of these proceedings could result in unfavorable outcomes, which could include monetary damages or fines and other sanctions. Any such result could have a material adverse effect on our business, results of operations or financial condition.

We are dependent on our key management and other personnel.

Our success is highly dependent on the continued services of our key executives, including of Henry Stupp, our Chief Executive Officer and a member of our board of directors. We have a relatively small number of employees, and the leadership and experience of Mr. Stupp and our other executives and key employees are important to the successful implementation of our business and marketing strategies. We do not carry key person life insurance covering any of our executives or other employees. The loss of the services of Mr. Stupp or our other executives or key employees could have a material adverse effect on our business prospects, financial condition, results of operations and liquidity.

We may encounter risks and difficulties in connection with acquisitions or other strategic transactions, and we may not realize the expected benefits of these transactions.

We regularly evaluate opportunities to acquire or represent new brands, and we have completed several such acquisitions during the past several years. We expect to continue to consider opportunities to acquire or make investments in other brands or to engage in other strategic transactions that could enhance our portfolio or enable us to expand to new markets. Our experience integrating acquired assets and businesses is limited, and we may not be successful in realizing the expected benefits of any acquisition we may pursue. Our future success depends, in part, on our ability to manage an expanding portfolio of brands, which could involve significantly increased costs and pose substantial challenges for management.

Acquisitions and other strategic transactions can involve numerous risks and difficulties, including, among others: (i) challenges assimilating new brands or other assets into our business and our brand licensing model; (ii) problems maintaining and enforcing standards, procedures, controls, policies and information systems; (iii) difficulties and costs in combining the operations and personnel of an acquired business with our operations and personnel, including any failure to retain key employees, customers, vendors, manufacturers or other service providers or partners of an acquired business, any failure to convert and integrate acquired assets into our brand licensing business model, and challenges forecasting revenues and expenses for newly acquired brands or businesses; (iv) significant or unanticipated costs associated with an acquisition, including incurrence of contingent liabilities, amortization charges associated with acquired assets, write-offs of goodwill or intangible assets, capital expenditures and accounting, legal and other transaction expenses; (v) any inability to realize the intended or expected synergies or other benefits of an acquisition or transaction, particularly if our assumptions about sales, revenues, operating expenses and costs of acquired assets or businesses turn out to be wrong; (vi) diversion of management's attention from our existing brand portfolio; (vii) adverse effects on existing business relationships; (viii) risks associated with foreign acquisitions or otherwise entering new geographic or customer markets, including regional differences in consumer preferences, branding standards and the general conduct of business, less effective and less predictable protection and enforcement of intellectual property rights in some foreign jurisdictions and the other risks related to doing business outside the United States discussed elsewhere in these risk factors; and (ix) risks associated with new types of business arrangements in which we have no or limited prior experience. Accordingly, our recent acquisitions and any future strategic transactions we pursue may not result in the anticipated benefits and could have a material adverse effect on our business, results of operations, financial condition and prospects.

In addition, future acquisitions may require us to obtain additional equity or debt financing, which may not be available when needed, on favorable terms or at all. If we seek to finance future acquisitions or other strategic transactions by issuing equity or convertible debt securities or by incurring other types of indebtedness, we may experience the risks associated with these transactions that are described elsewhere in these risk factors.

Our strategic and marketing initiatives may not be successful.

We have invested significant funds and management time in furtherance of our global strategic and marketing initiatives, which are designed to strengthen our brands, assist our licensees in generating increased sales of products bearing our brands and build value for our stockholders over the long term. We expect to continue and, in some cases, expand these initiatives in future periods. While we are hopeful that our efforts in executing these initiatives will grow our business and build stockholder value, we may not be successful in doing so and these initiatives may not result in the intended or expected benefits. Any failure by us to execute our strategic initiatives, or the failure of these initiatives to cause our revenues to grow, could have a materially adverse impact on our operating results and financial performance.

Significant disruptions of information technology systems, breaches of data security, or unauthorized disclosures of sensitive data or personally identifiable information could adversely affect our business and could subject us to liability or reputational damage.

Our business is increasingly dependent on critical, complex, and interdependent information technology (“IT”) systems, including Internet-based systems, some of which are managed or hosted by third parties, to support business processes as well as internal and external communications. The size and complexity of our IT systems make us potentially vulnerable to IT system breakdowns, malicious intrusion, and computer viruses, which may result in the impairment of our ability to operate our business effectively.

In addition, our systems and the systems of our third-party providers and collaborators are potentially vulnerable to data security breaches which may expose sensitive data to unauthorized persons or to the public. Such data security breaches could lead to the loss of confidential information, trade secrets or other intellectual property, or could lead to the public exposure of personal information (including personally identifiable information) of our employees, customers, business partners, and others. In addition, the increased use of social media by our employees and contractors could result in inadvertent disclosure of sensitive data or personal information, including but not limited to, confidential information, trade secrets and other intellectual property.

Any such disruption or security breach, as well as any action by us or our employees or contractors that might be inconsistent with the rapidly evolving data privacy and security laws and regulations applicable within the United States and elsewhere where we conduct business, could result in enforcement actions by U.S. states, the U.S. Federal government or foreign governments, liability or sanctions under data privacy laws that protect personally identifiable information, regulatory penalties, other legal proceedings such as but not limited to private litigation, the incurrence of significant remediation costs, disruptions to our development programs, business operations and collaborations, diversion of management efforts and damage to our reputation, which could harm our business and operations. Because of the rapidly moving nature of technology and the increasing sophistication of cybersecurity threats, our measures to prevent, respond to and minimize such risks may be unsuccessful.

In addition, the European Parliament and the Council of the European Union adopted a comprehensive general data privacy regulation (“GDPR”) in 2016 to replace the current European Union Data Protection Directive and related country-specific legislation. The GDPR took effect in May 2018 and governs the collection and use of personal data in the European Union. The GDPR, which is wide-ranging in scope, will impose several requirements relating to the consent of the individuals to whom the personal data relates, the information provided to the individuals, the security and confidentiality of the personal data, data breach notification and the use of third-party processors in connection with the processing of the personal data. The GDPR also imposes strict rules on the transfer of personal data out of the European Union to the United States, enhances enforcement authority and imposes large penalties for noncompliance, including the potential for fines of up to €20 million or 4% of the annual global revenues of the infringer, whichever is greater.

Changes in our effective tax rates or tax provisions or adverse outcomes resulting from examination of our income tax returns could adversely affect our financial results.

We are subject to income tax in the United States, California and certain other state jurisdictions. In addition, we are also subject to taxation in several foreign jurisdictions, which may have unusual, unfamiliar or particularly burdensome tax laws. Our global tax structure could be negatively impacted by various factors, including changes in the tax rates in jurisdictions in which we earn income or changes in tax laws or interpretations of tax laws in the jurisdictions in which we operate, any of which could impact our future effective income tax rates. Our effective tax rates could also be affected by changes in the valuation of our deferred tax assets and liabilities. Any increase in our effective tax rate could adversely affect our reported financial results or the way in which we conduct our business.

Significant judgment is required in determining our provision for income taxes, as there are many transactions and calculations in the ordinary course of our business that involve uncertain tax determinations. If we are audited by tax authorities, these authorities could disagree with our judgments about our tax provisions. Although we believe our tax estimates are reasonable, the final determination of tax authorities in the event of such an audit could be materially different from our historical income tax provisions and accruals. Any adverse result in such an audit or related litigation could materially negatively affect our income tax provision and results of operations in the period or periods for which the determination is made. Moreover, any such audits or litigation, regardless of its outcome, could distract management and be expensive to defend, which could negatively affect our results of operations, liquidity and financial condition.

Compliance with securities laws, regulations and financial reporting standards could increase our costs and pose challenges for our management team, and any compliance failures could materially harm our business.

Existing laws, regulations, listing requirements and other standards relating to corporate governance and public disclosure significantly increase the costs and risks associated with operating as a publicly traded company in the United States. Our management team devotes significant time and financial resources to try to comply with existing and evolving standards for public companies. Notwithstanding our efforts, it is possible that financial and other public reports we are obligated to file may not be considered timely, accurate or complete, in which case we may be forced to devote additional time and capital resources to further improve our public reporting systems and processes. In addition, any noncompliance with public reporting requirements could subject us to sanctions or investigation by regulatory authorities, such as the SEC, which could involve fines or other penalties, and could also adversely affect our financial results, result in a loss of investor confidence in the reliability of our financial information and other public disclosures and jeopardize the listing of our common stock on the Nasdaq Capital Market, as described elsewhere in these risk factors. If any of these risks were to occur, our business and reputation could be materially adversely affected, and the market price of our common stock could materially decline.

Further, the SEC has passed, promulgated or proposed new rules on a variety of subjects, including, for example, preparing and filing financial statements, establishing and disclosing clawback and hedging policies and disclosing additional executive compensation information. The existence of new and proposed laws and regulations relating to financial reporting or other disclosure obligations or that impose additional or more stringent compliance requirements could create uncertainties for public companies, make it more difficult to attract and retain qualified executive officers and members of our board of directors, particularly to serve on our audit and compensation committees, and generate significantly increased costs if we are required to add additional accounting or other staff, engage consultants or change our internal practices in order to comply with the new requirements. The occurrence of any of these outcomes could significantly harm our business, financial condition and performance.

Risks Related to Our Common Stock

The trading price of our common stock may be volatile, and shares of our common stock are relatively illiquid.

The trading price of our common stock has been, and is likely to continue to be, subject to material fluctuations. These fluctuations can be caused by various factors, including, among others: (i) the ongoing impacts of COVID-19; (ii) our financial results and financial condition, including our liquidity; (iii) our ability to maintain compliance with our obligations, including our credit facility; (iv) the successful completion of any acquisition or strategic transaction, including the integration of the acquired assets or businesses and realization of the intended or expected synergies and other benefits; (v) any announcements by us, our retail partners or our competitors regarding or affecting the retail environment, the reputation of our brands, our existing or any new license agreements and brand representations, or acquisitions, strategic alliances or other transactions; (vi) recruitment or departure of key personnel; (vii) changes in our financial guidance, if any, expectations for our financial results in the investment community, or the recommendations of any securities analysts that elect to follow our common stock; (viii) any material weaknesses in our internal control over financial reporting or any failures to comply with our public reporting requirements; (ix) market conditions in the retail industry and the economy as a whole; and (x) the other risks described in these risk factors.

Further, as a result of our relatively small public float, our common stock may be less liquid, and the trading price for our common stock may be more affected by relatively small volumes of trading, than is the case for the common stock of companies with broader public ownership.

We are not currently in compliance with certain Nasdaq listing requirements. If we are not able to regain compliance with these requirements, our common stock may be delisted from trading on the Nasdaq Stock Market, which could have a material adverse effect on us and our stockholders.

On June 5, 2018, we received a deficiency letter from the Nasdaq Stock Market (“Nasdaq”) notifying us that, because the bid price of our common stock closed below \$1.00 per share for 30 consecutive business days, we were no longer in compliance with Nasdaq’s minimum bid price rule, which is a requirement for continued listing on the Nasdaq Global Market. Nasdaq’s rules require that we would need to regain compliance with this rule by December 3, 2018. On December 4, 2018, however, we received a letter from Nasdaq notifying us that our transfer to the Nasdaq Capital Market was approved and that we had been granted an additional 180-day extension period to regain compliance with the minimum bid price rule. This 180-day period expired on June 3, 2019. We received another letter from Nasdaq on June 4, 2019 indicating their intent to delist our securities from the Nasdaq Capital Market on June 13, 2019 because we had not achieved the required minimum bid price unless we requested an appeal of this determination. We filed our appeal on June 6, 2019 and met with the Nasdaq Hearings Panel in August 2019. The Nasdaq Hearings Panel accepted our compliance plan, which resulted in the September 2019 one-for-three reverse stock split described in Note 1 to our condensed consolidated financial statements included in this report. On October 30, 2019, The Nasdaq Hearings Panel granted our continued listing on Nasdaq subject to further review after December 2, 2019. On December 11, 2019, we received a letter from Nasdaq informing us that the Nasdaq Hearings Panel determined that we had regained compliance with the minimum bid price rule. As a result, the Nasdaq Hearings Panel determined that we were in compliance with all applicable listing standards required for listing on The Nasdaq Capital Market. However, based on our recent bid price history, the Nasdaq Hearings Panel imposed a Hearings Panel monitor pursuant to Nasdaq Listing Rule 5815(d)(4)(A), through December 2, 2020. On April 3, 2020, we received notice from the Nasdaq indicating that, based upon the Company’s non-compliance with the minimum closing bid price requirement of \$1.00 per share, as set forth in Nasdaq Listing Rule 5550(a)(2) (the “Rule”), for the prior 30-consecutive business day period, the Company’s securities were subject to suspension and delisting unless the Company timely requests a hearing before the Nasdaq Hearings Panel. We were not provided the 180-day compliance period typically granted to issuers under Nasdaq Listing Rule 5810(c)(3) (A) because we were already under the jurisdiction of the Nasdaq Hearings Panel. We filed our appeal on April 10, 2020, which stays any further action by Nasdaq at least pending the ultimate conclusion of the hearing process. On April 16, 2020, Nasdaq announced it was providing temporary relief from the Rule as a result of the COVID-19 pandemic and related extraordinary market conditions. Compliance requirements will resume on July 1, 2020. If we have not regained compliance with the Rule by the date that compliance requirements resume, the hearings process will resume. At the hearing, if it becomes necessary, we would expect to present our plan to regain compliance with the Rule and request an extension within which to do so. The Nasdaq Hearings Panel has the discretion to grant us an extension through no later than September 30, 2020 plus the incremental days of the temporary relief period; however, there can be no assurance that the Nasdaq Hearings Panel will grant our request or that we will be able to evidence compliance with the applicable listing criteria within the period of time that may be provided by the Nasdaq Hearing Panel.

If we fail to continue to comply with the minimum bid price rule or with any other Nasdaq requirement in the future, our common stock could be delisted from trading on Nasdaq. Such an event could cause our common stock to be classified as a “penny stock,” among other potentially detrimental consequences, and could severely limit the liquidity of our common stock and materially adversely affect the price of our common stock.

We may fail to meet publicly announced financial guidance or other expectations about our business, which would cause our common stock to decline in value.

From time to time, we may provide forward-looking financial guidance regarding our performance. Any such guidance would be based on our then-current views, expectations and assumptions and could be materially different than our actual results. Additionally, securities analysts or others in the investment community may publish expectations for our financial results, which also could be materially different than our actual results. These differences could occur for a variety of reasons, such as, for instance, changes to the assumptions used to forecast or calculate the financial guidance or expectations, or the occurrence of risks related to our performance and our business, including those discussed in these risk factors, among others. Any failure to meet any financial guidance or expectations regarding our future performance could harm our reputation and cause our stock price to decline.

We may not pay dividends regularly or at all in the future.

Determinations regarding the payment of dividends are subject to the discretion of our board of directors. As a result, we may not pay any dividends in future periods, whether or not we generate sufficient cash to do so. In addition, pursuant to our credit facility, subject to limited exceptions, we are prohibited from paying dividends or making other distributions to our stockholders without our lender’s consent. As a result, any return on an investment in our common stock may be limited to an appreciation in the value of our common stock.

Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.

The sale by our stockholders of substantial amounts of our common stock in the public market, or the perception that such sales could occur upon the expiration of any statutory holding period, such as under Rule 144 under the Securities Act, upon expiration of any lock-up periods applicable to outstanding shares, or upon our issuance of new shares as a result of the exercise of outstanding options or warrants or the vesting of restricted stock units, could cause the market price of our common stock to fall. The availability for sale of a substantial number of shares of our common stock, whether or not sales have occurred or are occurring, also could make it more difficult for us to raise additional financing through the sale of equity or equity-related securities in the future when needed, on acceptable terms or at all.

Our certificate of incorporation allows our board of directors to issue up to 1,000,000 shares of “blank check” preferred stock.

Our certificate of incorporation allows our board of directors to issue up to 1,000,000 shares of “blank check” preferred stock without any action by our stockholders. Subject to the restrictions under our credit facility, such shares of preferred stock may be issued on terms determined by our board of directors in its discretion, and may have rights, preferences and privileges superior to those of our common stock. For instance, such shares of preferred stock could have liquidation preferences that are senior to the liquidation rights applicable to our common stock, could have superior voting or conversion rights, which could adversely affect the voting power of the holders of our common stock, or could have other terms that negatively impact the voting control or other rights of our common stockholders. Additionally, the ownership interest of holders of our common stock would be diluted following the issuance of any shares of our preferred stock. Further, the preferred stock could be utilized, under certain circumstances, as a method for discouraging, delaying or preventing a change in control of our Company, even at a time or under circumstances when you or other stockholders may prefer such a change in control.

A small number of our stockholders beneficially own a significant portion of our common stock and therefore are able to exert significant influence over our corporate decisions, including the election of directors and a change of control. The interests of these stockholders may differ from yours.

A small number of stockholders beneficially own a significant portion of our common stock. As a result, these parties may be able to influence or control matters requiring approval by our stockholders, including the election of directors and mergers, acquisitions or other extraordinary transactions. These parties may have interests that differ from ours or yours, and they may vote in ways with which you disagree and that may be adverse to your interests. This concentration of ownership may also have the effect of delaying, preventing or deterring a change of control of our Company, which could deprive our stockholders of an opportunity to receive a premium for their shares of our common stock as part of a sale of our Company. Conversely, this concentration of ownership may facilitate a change of control at a time or under circumstances when you and other stockholders may prefer not to sell. Further, this concentration of ownership could adversely affect the prevailing market price for our common stock.

Item 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 2. PROPERTIES

We lease an 11,399 square foot office facility in Sherman Oaks, California, which serves as our corporate headquarters. The lease for this facility will expire on October 31, 2024, subject to our option to renew the lease for an additional five years thereafter.

Item 3. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of our business. The impact and outcome of litigation, if any, is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that could harm our business. We are not currently aware of any such legal proceedings or claims to which we are a party or to which our property is subject that we believe will have, individually or in the aggregate, a material effect on our business, financial condition or results of operations.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information, Dividends and Holders

Our common stock trades on the Nasdaq Capital Market under the trading symbol “APEX”. There were no dividends declared or paid during Fiscal 2020 or Fiscal 2019.

As of April 13, 2020, the approximate number of holders of record of our common stock was 38. This figure does not include an indeterminable number of beneficial holders whose shares may be held of record by brokerage firms and clearing agencies.

From time to time, our board of directors may, in its discretion, declare cash dividends depending on our financial condition, results of operations, cash flow, capital requirements, compliance with our senior secured credit facility and other factors deemed relevant by our board of directors. See the discussion under “Liquidity and Capital Resources” in Item 7, “Management’s Discussion and Analysis” and Note 7 to the consolidated financial statements included in Item 8, “Financial Statements” for information about the restrictions on dividends contained in our credit facility.

Item 6. SELECTED FINANCIAL DATA

The following financial information has been derived from our consolidated financial statements. Our consolidated financial statements for Fiscal 2020 and Fiscal 2019 and for each of the two years ended February 1, 2020 are included in this Annual Report and have been audited by our independent registered public accounting firm. You should read this information together with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 8, “Consolidated Financial Statements”.

(In thousands, except per share data)	Year Ended				
	February 1, 2020 (i)	February 2, 2019 (i)	February 3, 2018 (i)	January 28, 2017 (i)	January 30, 2016
Income Statement Data:					
Revenues	\$ 21,041	\$ 24,444	\$ 29,365	\$ 34,022	\$ 34,654
Selling, general and administrative expenses	13,255	14,638	25,446	19,106	16,553
Stock-based compensation and stock warrant charges	1,032	890	3,789	2,380	2,222
Business acquisition and integration costs	284	307	7,537	11,498	1,234
Restructuring charges	1,134	5,755	2,080	3,782	—
Intangible asset and goodwill impairment charge	9,100	—	35,500	—	—
Gain on sale of assets	—	(479)	—	—	—
Depreciation and amortization	1,167	1,478	1,408	1,483	1,329
Operating (loss) income	(4,931)	1,855	(46,395)	(4,227)	13,316
(Loss) income before income taxes	(13,832)	(9,638)	(52,831)	(5,464)	12,791
Net (loss) income	(11,500)	(11,539)	(55,861)	(8,722)	8,433
Basic (loss) earnings per share	(2.12)	(2.45)	(12.48)	(2.79)	2.91
Diluted (loss) earnings per share	(2.12)	(2.45)	(12.48)	(2.79)	2.85
Cash dividends declared per share	—	—	—	—	—
Balance Sheet Data:					
(In thousands)	February 1, 2020	February 2, 2019	February 3, 2018	January 28, 2017	January 30, 2016
Working capital	\$ (58,118)	\$ (917)	\$ (48,200)	\$ (6,979)	\$ 3,010
Total assets	82,922	93,111	101,729	153,081	70,548
Long-term debt, including current portion	56,044	54,454	46,105	46,732	23,524
Stockholders’ equity	5,347	15,122	24,115	72,318	42,071

(In thousands, except percentages)	Year Ended				
	February 1, 2020 (1)	February 2, 2019 (1)	February 3, 2018 (1)	January 28, 2017 (1)	January 30 2016
Non-GAAP and Other Data:					
Adjusted EBITDA (2)	\$ 7,786	\$ 9,806	\$ 3,919	\$ 14,916	\$ 18,101
Selling, general and administrative expenses ratio (3)	63.0%	59.9%	86.7%	56.2%	47.8%
Return on average stockholders' equity (4)	(112.4)%	(64.1)%	(115.9)%	(15.2)%	23.5%

(1) Fiscal 2020, Fiscal 2019, Fiscal 2018 and Fiscal 2017 include the operations of Hi-Tec since its acquisition on December 7, 2016.

(2) Adjusted EBITDA is defined as net income before (i) interest expense, (ii) other expense, (iii) provision for income taxes, (iv) depreciation and amortization, (v) gain on sale of assets, (vi) intangible asset impairment charge, (vii) restructuring charges, (viii) business acquisition and integration costs and (ix) stock-based compensation and stock warrant charges. Adjusted EBITDA is not defined under generally accepted accounting principles ("GAAP") and it may not be comparable to similarly titled measures reported by other companies. We use Adjusted EBITDA, along with other GAAP measures, as a measure of profitability, because Adjusted EBITDA helps us compare our performance on a consistent basis by removing from our operating results the impact of our capital structure, the effect of operating in different tax jurisdictions, the impact of our asset base, which can differ depending on the book value of assets and the accounting methods used to compute depreciation and amortization, and the cost of acquiring or disposing of businesses and restructuring our operations. We believe it is useful to investors for the same reasons. Adjusted EBITDA has limitations as a profitability measure in that it does not include the interest expense on our long-term debt, our provision for income taxes, the effect of our expenditures for capital assets and certain intangible assets, or the costs of acquiring or disposing of businesses and restructuring our operations, or our non-cash charges for stock-based compensation and stock warrants. A reconciliation from net (loss) from operations as reported in our consolidated statement of operations to Adjusted EBITDA is as follows:

(In thousands)	Year Ended				
	February 1, 2020	February 2, 2019	February 3, 2018	January 28, 2017	January 30 2016
Net (loss) income	\$ (11,500)	\$ (11,539)	\$ (55,861)	\$ (8,722)	\$ 8,433
Provision for income taxes	(2,332)	1,901	3,030	3,258	4,358
Interest expense	8,809	8,220	6,500	1,661	711
Other expense (income)	92	3,273	(64)	(424)	(186)
Depreciation and amortization	1,167	1,478	1,408	1,483	1,329
Gain on sale of assets	—	(479)	—	—	—
Intangible asset and goodwill impairment loss	9,100	—	35,500	—	—
Restructuring charges	1,134	5,755	2,080	3,782	—
Business acquisition and integration costs	284	307	7,537	11,498	1,234
Stock-based compensation and stock warrant charges	1,032	890	3,789	2,380	2,222
Adjusted EBITDA	<u>\$ 7,786</u>	<u>\$ 9,806</u>	<u>\$ 3,919</u>	<u>\$ 14,916</u>	<u>\$ 18,101</u>

(3) Computed based on selling, general and administrative expenses divided by revenues.

(4) Computed based on net (loss) income from continuing operations divided by the average of beginning and ending stockholders' equity.

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

As used in this discussion and analysis, “Apex Global Brands”, the “Company”, “we”, “us” and “our” refer to Apex Global Brands Inc. and its consolidated subsidiaries, unless the context indicates or requires otherwise. Additionally, “Fiscal 2020” refers to our fiscal year ending February 1, 2020; “Fiscal 2019” refers to our fiscal year ending February 2, 2019. We have a 52- or 53-week fiscal year ending on the Saturday nearest to January 31. This results in a 53-week fiscal year approximately every four or five years. Fiscal 2018 was a 53-week fiscal year, while each of Fiscal 2020, Fiscal 2019 were 52-week fiscal years. This discussion and analysis should be read together with the consolidated financial statements and related notes included in this annual report on Form 10-K.

Forward-Looking Statements

In addition to historical information, this discussion and analysis contains “forward-looking statements” within the meaning of the Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements other than historical facts that relate to future events or circumstances or our future performance. The words “anticipates”, “believes”, “estimates”, “plans”, “expects”, “objectives”, “goals”, “aims”, “hopes”, “may”, “might”, “will”, “likely”, “should” and similar words or expressions are intended to identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this discussion and analysis include statements about, among other things, our future financial and operating performance, our future liquidity and capital resources, our business and growth strategies and anticipated trends in our business and our industry. Forward-looking statements are based on our current views, expectations and assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance, achievements or stock prices to be materially different from any future results, performance, achievements or stock prices expressed or implied by the forward-looking statements. Such risks, uncertainties and other factors include, among others, those described in Item 1A, “Risk Factors” in this Annual Report. In addition, we operate in a competitive and rapidly evolving industry in which new risks emerge from time to time, and it is not possible for us to predict all of the risks we may face, nor can we assess the impact of all factors on our business or the extent to which any factor or combination of factors could cause actual results to differ from our expectations. As a result of these and other potential risks and uncertainties, forward-looking statements should not be relied on or viewed as predictions of future events because some or all of them may turn out to be wrong. Forward-looking statements speak only as of the date they are made and, except as required by law, we undertake no obligation to update any of the forward-looking statements we make in this discussion and analysis to reflect future events or developments or changes in our expectations or for any other reason.

Overview

Apex Global Brands is a global marketer and manager of a portfolio of fashion and lifestyle brands that we own, brands that we create, and brands that we develop for others. Company-owned brands, which are licensed in multiple consumer product categories and retail channels around the world, include Cherokee, Hi-Tec, Magnum, 50 Peaks, Interceptor, Hawk Signature, Tony Hawk, Everyday California, Carole Little, Sideout and others. As part of our business strategy, we also regularly evaluate other brands and trademarks for acquisition into our portfolio. We believe the strength of our brand portfolio and platform of design, product development and marketing capabilities has made us one of the leading global licensors of style-focused lifestyle brands for apparel, footwear, accessories and home products.

We have licensing relationships with recognizable retail partners in their global locations to provide them with the rights to design, manufacture and sell products bearing our brands. We refer to this strategy as our “Direct to Retail” or “DTR” licensing model. We also have license agreements with manufacturers and distributors for the manufacture and sale of products bearing our brands, which we refer to as “wholesale” licensing. In addition, we have relationships with other retailers that sell products we have developed and designed. As a brand marketer and manager, we do not directly sell product ourselves. Rather, we earn royalties when our licensees sell licensed products bearing the trademarks that we own or that we have designed and developed.

For certain of our key legacy brands, including Cherokee, Hawk Signature and Tony Hawk, we have shifted our strategy for U.S. sales from DTR licensing to wholesale licensing. In addition, we are primarily pursuing a wholesale licensing strategy for global sales of our Hi-Tec, Magnum, Interceptor and 50 Peaks brands. We believe wholesale licensing arrangements help to diversify our sources of revenue and licensee or other partner relationships, and may provide additional avenues to obtain brand recognition and grow our Company.

We derive revenues primarily from licensing our trademarks to retailers and wholesalers all over the world, and we are continually pursuing relationships with new retailers, wholesalers and others in order to expand the reach of our existing brands into new geographic and customer markets and new types of stores and other selling mediums. As of February 1, 2020, we had 42 continuing license agreements in approximately 144 countries. These arrangements include relationships with Walmart, Soriana, Comercial Mexicana, TJ Maxx, Tottus, Arvind, Reliance Retail, Tharanco, Martes Sports, Hi-Tec Europe, Hi-Tec South Africa, JD Sports, Black's and Lidl. As of February 1, 2020, we had contractual rights to receive over \$55.0 million of forward-facing minimum royalty revenues, excluding any revenues that may be guaranteed in connection with contract renewals.

The terms of our royalty arrangements vary for each of our licensees. We receive quarterly royalty statements and periodic sales and purchasing information from our licensees and franchisees. However, our licensees and franchisees are generally not required to provide, and typically do not provide, information that would enable us to determine the specific reasons for period-to-period fluctuations in sales or purchases. As a result, we do not typically have sufficient information to determine the effects on our operations of changes in price, volume or mix of products sold.

Recent Developments

COVID-19 Global Pandemic

Our business has been materially adversely affected by the effects of the global pandemic of COVID-19 and the related protective public health measures that began in earnest in March 2020. Our business depends upon purchases and sales of our branded products by our licensees, and the prevalence of shelter-in-place orders in the regions where our products are sold, together with the closure of many of our licensees' or their customers' stores, have resulted in significant declines in our royalties, which will likely continue for some period of time, and various of our licensees have requested extensions of time for them to pay their royalties to us. Our licensees manufacture and distribute goods that carry our brands, and the temporary closures of the facilities used by our licensees to perform these functions could cause further or extended declines in sales and royalties.

In response to the decline in revenues, we have implemented cost savings measures, including pay reductions, employee furloughs and other measures. We can provide no assurance that these cost savings measures will not cause our business operations and results to suffer. Our current forecasts indicate that we will generally be able to maintain our profit margins as a result of these efforts, even though the amount of anticipated profit is lower. It is not possible to predict with certainty the impact that the shelter-in-place orders and other business restrictions will have on our licensees and, therefore, our royalty revenues in the future. The ultimate impact will be greater the longer these restrictions remain in place.

The decline and anticipated decline in our revenues also exposes us to the risk that we will remain non-compliant with the covenants in our credit facility, which creates risk that our lender will exercise its rights to accelerate the amounts payable and foreclose on our assets. For further information, refer to the *credit facilities* section below under the caption, Liquidity and Capital Resources.

We have not been designated as an essential business, and therefore our offices in Sherman Oaks California and Amsterdam in the Netherlands have been closed. However, the nature of the work performed by our employees does not require us to assemble in our facilities, and we have successfully implemented work-from-home strategies using technologies that we generally had in place before the onset of the pandemic. These strategies may result in inefficiencies and lost opportunities, but they are not expected to materially affect our internal control over financial reporting. In previous years, we have successfully implemented cloud-based accounting systems that provide for remote access. We are also unable to travel to meetings with our licensees or their customers, which historically has been an important component of our business strategy. Our use of video conferencing technologies has been expanded and has proven effective, yet business opportunities may be diminished or lost due to the lack of in-person contact.

In March 2020, the federal government passed the CARES Act, which has several provisions that are expected to be beneficial to our Company. On April 20, 2020, we received a \$0.7 million loan under the Paycheck Protection Program that is being implemented by the Small Business Administration and multiple commercial banks across the country. We anticipate that a substantial portion of this loan will be forgiven based on the amount we incur for payroll, rent and utilities in the eight weeks following the grant date of the loan. The portion of the loan that is not forgiven will bear interest at 1.0% per annum and will mature two years from the date of funding.

The CARES Act also enacted changes in the federal income tax loss carryback rules that we expect will benefit us. Net operating losses that we incurred in Fiscal 2018, Fiscal 2019 and Fiscal 2020 can now be carried back either two or five years to tax years when we paid significant taxes. Initial estimates of the refundable taxes and foreign tax credits are approximately \$8.0 million, including approximately \$6.0 million to \$7.0 million from losses incurred in Fiscal 2018 and Fiscal 2019. These amounts are subject to change as we prepare the necessary filings. We are in the process of preparing such carryback tax filings, however, the timing of receiving such refunds is uncertain and can range from approximately three to twelve months or more depending on the operations of the Internal Revenue Service. Additional carryback refund claims will also be made based on the final determination of our tax net operating loss for Fiscal 2020. The receipt of these tax refunds would significantly enhance our liquidity.

Reverse Stock Split

In September 2019, we effected a one-for-three reverse stock split of our common stock. The reverse stock split reduced the number of our Company's outstanding shares of common stock from approximately 16.6 million shares to approximately 5.5 million shares and reduced the number of authorized shares of common stock from 30.0 million shares to 10.0 million shares. Unless the context otherwise requires, all share and per share amounts in these consolidated financial statements have been revised to reflect the reverse stock split, including reclassifying an amount equal to the reduction in par value of our common stock to additional paid-in capital.

Revenue Overview

We typically enter into license agreements with retailers, manufacturers and distributors for a certain brand in specific product categories over explicit territories, which can include one country or groups of countries and territories. Our royalty revenues are globally diversified, generated from multiple licensees in the following geographic regions:

(In thousands, except percentages)	Year Ended					
	February 1, 2020		February 2, 2019			
U.S. and Canada	\$	5,223	25%	\$	6,383	26%
EMEA		5,229	25%		8,015	33%
Asia and Pacific		7,168	34%		6,046	25%
Latin America		3,421	16%		4,000	16%
Revenues	\$	21,041	100%	\$	24,444	100%

United States and Canada. A substantial portion of our royalty revenues in the U.S. and Canada come from wholesale license arrangements for the sale of footwear bearing our Hi-Tec, Magnum and Interceptor brands. The U.S. has increased tariff rates on apparel and footwear, and we believe our licensees who use manufacturing facilities in countries subject to increased tariffs have taken steps to offset the impact of higher tariffs, including moving production to countries not subject to higher tariffs and negotiating lower costs with existing suppliers. Nonetheless, our royalty revenues have decreased as our licensees adapt to this new tariff environment.

EMEA. Revenues from our licensees in the United Kingdom and other countries in this region decreased by 8% as a component of our total revenues compared to Fiscal 2019. Pan European royalties from our Cherokee brand licensee in Fiscal 2019 repeated at lower levels in Fiscal 2020, and our South African Cherokee licensee did not renew their license at the end of Fiscal 2019. Royalties from our Hi-Tec and Magnum licensee in the United Kingdom were also lower in Fiscal 2020. Sales of products by certain of our licensees that operate in Europe were negatively affected by the economic uncertainty surrounding Brexit. We believe this had a negative effect on these licensees' businesses during Fiscal 2020 and a corresponding negative impact on our royalty revenues.

Asia and Pacific. The growth in our royalty revenues in the Asia/Pacific region came primarily from our product development and design services agreement with a major retailer in the People's Republic of China. We are providing our product design and development expertise for a brand that they own, which we believe will efficiently enhance their retail operations. Our Cherokee licensee in Japan opted to not renew their license at the end of Fiscal 2020. This is expected to decrease our revenues in this region in Fiscal 2021, and possibly longer, as we transition to a new licensee.

Latin America. Our royalty revenues in Latin America resulted primarily from our Cherokee Brand and Everyday California licensees in Mexico, Peru and Chile. Our Hi-Tec and Magnum brands are also distributed in various other countries in Latin America.

Results of Operations

The table below contains certain information about our operations from our consolidated statements of operations along with other data and percentages. Historical results are not necessarily indicative of results to be expected in future periods.

(In thousands, except percentages)	Year Ended			
	February 1, 2020		February 2, 2019	
Revenues:				
Cherokee	\$ 6,741	32.0%	\$ 9,706	39.7%
Hi-Tec, Magnum, Interceptor and 50 Peaks	10,525	50.0%	11,564	47.3%
Hawk	258	1.2%	602	2.5%
Other brands	3,517	16.7%	2,572	10.5%
Total revenues	21,041	100.0%	24,444	100.0%
Operating expenses:				
Selling, general and, administrative expenses	13,255	63.0%	14,638	59.9%
Stock-based compensation and stock warrant charges	1,032	4.9%	890	3.6%
Business acquisition and integration costs	284	1.3%	307	1.3%
Restructuring charges	1,134	5.4%	5,755	23.5%
Intangible assets and goodwill impairment charge	9,100	43.2%	—	0.0%
Gain on sale of assets	—	0.0%	(479)	-2.0%
Depreciation and amortization	1,167	5.5%	1,478	6.0%
Total operating expenses	25,972	123.4%	22,589	92.4%
Operating (loss) income	(4,931)	-23.4%	1,855	7.6%
Interest expense and other expense	(8,901)	-42.3%	(11,493)	-47.0%
Loss before income taxes	(13,832)	-65.7%	(9,638)	-39.4%
(Benefit) provision for income taxes	(2,332)	-11.0%	1,901	7.7%
Net loss	\$ (11,500)	-54.7%	\$ (11,539)	-47.1%
Non-GAAP data:				
Adjusted EBITDA ⁽¹⁾	\$ 7,786		\$ 9,806	

- (1) We define Adjusted EBITDA as net income before (i) interest expense, (ii) other expense, (iii) provision for income taxes, (iv) depreciation and amortization, (v) intangible asset impairment charge, (vi) gain on sale of assets, (vii) restructuring charges, (viii) business acquisition and integration costs and (ix) stock-based compensation and stock warrant charges. Adjusted EBITDA is not defined under generally accepted accounting principles (“GAAP”) and it may not be comparable to similarly titled measures reported by other companies. We use Adjusted EBITDA, along with other GAAP measures, as a measure of profitability, because Adjusted EBITDA helps us compare our performance on a consistent basis by removing from our operating results the impact of our capital structure, the effect of operating in different tax jurisdictions, the impact of our asset base, which can differ depending on the book value of assets and the accounting methods used to compute depreciation and amortization, and the cost of acquiring or disposing of businesses and restructuring our operations. We believe it is useful to investors for the same reasons. Adjusted EBITDA has limitations as a profitability measure in that it does not include the interest expense on our long-term debt, our provision for income taxes, the effect of our expenditures for capital assets and certain intangible assets, or the costs of acquiring or disposing of businesses and restructuring our operations, or our non-cash charges for stock-based compensation and stock warrants. See a reconciliation of this non-GAAP financial measure to our consolidated statement of operations in Item 6. of this Annual Report.

Fiscal 2020 Compared to Fiscal 2019

The decrease in royalty revenues in Fiscal 2020 was primarily due to the decrease in Cherokee, Hi-Tec and Magnum royalties from our European licensees, the expiration of our Cherokee license in South Africa at the end of Fiscal 2019, the impact of higher tariffs and the sale of our Flip Flop Shops franchise business in June 2018. These decreases were partially offset by a full year of revenues in Fiscal 2020 from our new design services agreement with a retailer in China, which started midway through Fiscal 2019

Cherokee

Cherokee branded products have been distributed in the United States under wholesale licensing arrangements generally for the past several years. Prior to that, sales of Cherokee branded products in the United States were governed by our DTR license agreement with Target. These new wholesale arrangements consist of multiple license agreements with different distributors that include higher royalty rates but lower minimum annual royalty obligations, as compared to our previous license agreement with Target. A large majority of our Cherokee brand royalties are now derived from multiple DTR license agreements with various retailers outside the United States, many of which have been in place for multiple years. Our DTR licensee in South Africa opted to not renew their Cherokee brand license at the end of Fiscal 2019, and our pan-European Cherokee brand licensee reduced their planned sales of Cherokee product in Fiscal 2020. These factors are the primary reasons for the decrease in Cherokee brand royalties. Our overall royalty revenues from our licensees' sales of Cherokee branded products decreased 31% to \$6.7 million in Fiscal 2020 from \$9.7 million in Fiscal 2019, primarily due to the expiration of multiple license agreement during Fiscal 2019.

Hi-Tec, Magnum, Interceptor and 50 Peaks

In December 2016, we completed the Hi-Tec Acquisition whereby we acquired the intellectual property of Hi-Tec, including the Hi-Tec, Magnum, Interceptor and 50-Peaks brands and related trademarks. At that time and in the following year, we entered into wholesale license agreements with certain of Hi-Tec's operating partners and/or distributors to sell Hi-Tec, Magnum, Interceptor and 50 Peaks branded products in the United States, Canada, the United Kingdom, continental Europe, Latin America, the Middle East, Russia, Asia Pacific, South Africa and other territories. These arrangements are structured similarly to our other wholesale licensing arrangements. Issues surrounding Brexit and increased tariffs on footwear and apparel in the United States negatively impacted our Fiscal 2020 royalties from licensees of Hi-Tec, Magnum, Interceptor and 50 Peaks in comparison to Fiscal 2019. Overall, our royalty revenues from our licensees' sales of Hi-Tec, Magnum, Interceptor and 50-Peaks branded products decreased 9% to \$10.5 million in Fiscal 2020 from \$11.6 million in Fiscal 2019.

Hawk Signature and Tony Hawk

Hawk Signature and Tony Hawk branded products have been distributed in the United States under wholesale licensing arrangements generally for the past several years. Prior to that, sales of Hawk Signature and Tony Hawk branded products in the United States were made under our DTR license agreement with Kohl's. We also had a DTR license agreement with a Canadian retailer for the distribution of these products, which did not renew at the end of Fiscal 2019. Royalty revenues from our license agreements for the sale of Hawk Signature and Tony Hawk branded products decreased to \$0.3 million in Fiscal 2020 from \$0.6 million in Fiscal 2019.

Other Brands

Our product development and design services agreement with a major retailer in the People's Republic of China started in the middle of Fiscal 2019, and having a full year of revenues from this agreement in Fiscal 2020 is the primary reason for the increase in revenues from other brands. This increase was partially offset by the disposition of our Flip Flop Shops franchise business in the second quarter of Fiscal 2019. Royalty revenues from our other brands increased 37% to \$3.5 million in Fiscal 2020 from \$2.6 million in Fiscal 2019.

Operating Expenses

Selling, general and administrative expenses decreased 9% to \$13.3 million in Fiscal 2020 from \$14.6 million in Fiscal 2019. These ongoing expenses include payroll, employee benefits, marketing, sales, legal, rent, information systems and other administrative costs that are part of our ongoing operations. This \$1.3 million decrease reflects our restructuring plans that we implemented during Fiscal 2020 and Fiscal 2019 to improve our organizational efficiencies by eliminating redundant positions and unneeded facilities, and by terminating various consulting and marketing contracts. We incurred a \$1.1 million charge in Fiscal 2020 and a \$5.8 million charge in Fiscal 2019 as a result of implementing these plans. We believe that these changes eliminate unnecessary costs and enable us to operate effectively going forward as we leverage one executive structure to manage our business globally.

Stock-based compensation and stock warrant charges in Fiscal 2020 totaled \$1.0 million compared to \$0.9 million in Fiscal 2019, and comprises charges related to stock option and restricted stock grants. We incurred \$0.3 million of legal, due diligence and other costs related to business acquisition and integration in both Fiscal 2020 and Fiscal 2019.

We own various trademarks that are considered to have indefinite lives, while others are being amortized over their estimated useful lives. We also have furniture, fixtures and other equipment that is being amortized over their useful lives. Our royalty revenues from Hi-Tec, Magnum and Interceptor were significantly below previous forecasts for the third quarter of Fiscal 2020, which affected our revenue projections in the near term for these brands. As these trademarks have indefinite lives and are not being amortized, we updated our projected cash flows for these brands and determined that the fair values of these trademarks were not in excess of their carrying values, and as a result, an impairment charge of \$5.0 million was recorded during year ended February 1, 2020 to adjust these trademarks to their estimated fair value. The fair value of the Company's Interceptor brand was in excess of its carrying value, so no impairment charge was necessary based on the interim test. However, the Company believes that increased tariffs and global trade wars have negatively impacted the competitive and economic environment in which Interceptor operates, and an indefinite life is no longer supported. Accordingly, the Interceptor trademark with estimated value of \$2.1 million is now being amortized over its estimated remaining useful life. During the fourth quarter of Fiscal 2020, management completed its evaluation of key inputs used to estimate the fair value of its indefinite lived trademarks and determined that the interim impairment charge was appropriate.

Our goodwill impairment test, which is required at least annually, is based primarily on the relationship between our market capitalization and the book value of our equity adjusted for an estimated control premium and other factors that may indicate our market capitalization does not represent fair value. Our impairment test at the end of Fiscal 2020 indicated that the Company's goodwill was impaired, and an impairment charge of \$4.1 million was recorded to reduce goodwill to its estimated fair value.

The assumptions we use to estimate fair value of our indefinite lived intangibles and goodwill may change materially as we re-evaluate them in light of the COVID-19 global pandemic when we complete the accounting for our first quarter financial results for the three months ending May 2, 2020 or in future periods. These new assumptions may indicate the need for future impairment charges if revenues are projected at that point to be significantly below current forecasts and/or if our market capitalization remains low.

Interest Expense and Other Income

Interest expense was \$8.8 million in Fiscal 2020 compared to \$8.2 million in Fiscal 2019. In addition to our normal interest expense that is based on LIBOR and amortizing deferred financing charges, the remaining \$3.2 million of unamortized deferred financing costs associated with our former credit facility were charged to other expense as a result of the repayment in Fiscal 2019.

Provision for Income Taxes

In Fiscal 2020, our effective tax rate was 16.8% while for Fiscal 2019, it was negative 19.7%. Prior to Fiscal 2020, the benefits of the deferred tax assets of the foreign subsidiaries we acquired in the Hi-Tec Acquisition were not being recognized due to the cumulative losses generated by those foreign subsidiaries. Even though we generated pretax losses in Fiscal 2019, we did not recognize tax benefits in that year, but we recorded an income tax provision of \$1.9 million primarily as a result of deferred tax valuation allowances. In Fiscal 2020, however, we obtained approval to combine certain of our subsidiaries in the Netherlands as one tax filing group. This determination allowed the Company to recognize tax benefits for a majority of the remaining uncertain tax positions taken in prior years. The Hi-Tec and Magnum indefinite-lived trademarks acquired in the Hi-Tec Acquisition result in a deferred tax liability that has an indefinite life and cannot be used as a source of taxable income to support the realization of other deferred tax assets. Accordingly, the valuation allowance reserves for the deferred tax assets in these foreign jurisdictions and results in a "naked credit" for these indefinite-lived trademarks. This naked credit would only result in a cash obligation when the underlying trademark assets were sold, but it results in deferred tax expense as the trademark assets are amortized for tax purposes. This naked credit, which has historically been denominated in euros, also fluctuated in Fiscal 2020 and Fiscal 2019 due to changes in the exchange rate between euros and U.S. dollars.

The benefits of tax losses in our U.S. tax jurisdiction are not being recognized primarily because of accumulated losses generated. However, the CARES Act, which was enacted by the U.S. government in March 2020, enables us to carry back certain federal net operating losses to previous fiscal years when we reported taxable and paid federal income taxes. We are in the process of finalizing the impact of these carrybacks and expect such benefits to be recorded in our consolidated financial statements in the first quarter of Fiscal 2021 when the law was passed. Our current estimate of these benefits is approximately \$8.0 million, which is subject to change, and is expected to be received in various installments as our carry back claims and amended returns are received and processed by the Internal Revenue Service. The timing of such refunds cannot be assured.

Net Loss and Adjusted EBITDA

Our net loss was \$11.5 million in Fiscal 2020 and \$11.5 million in Fiscal 2019 as a result of the above factors, which equates to a loss of \$2.12 per share and \$2.45 per share on a diluted basis in Fiscal 2020 and Fiscal 2019, respectively. Our Adjusted EBITDA decreased to \$7.8 million in Fiscal 2020 from \$9.8 million in Fiscal 2019.

Liquidity and Capital Resources

We generally finance our working capital needs and capital investments with operating cash flows, terms loans, subordinated promissory notes and lines of credit. On August 3, 2018, entered into a \$40.0 million term loan and \$13.5 million of subordinated promissory notes, and on January 30, 2019, we obtained an incremental \$5.3 million term loan. On December 31, 2019 we issued a \$0.3 million subordinated promissory note to our former landlord as partial consideration for an early lease termination.

Cash Flows

We used \$2.4 million of cash in our operating activities related to our continuing operations in Fiscal 2020 compared to \$8.6 million of cash used in Fiscal 2019. This \$6.2 million improvement in cash flow from continuing operations resulted primarily from using less cash to fund our restructuring obligations and accounts payable in Fiscal 2020 in comparison to Fiscal 2019. This improvement in cash flow was partially offset by lower collections from our licensees in Fiscal 2020 in comparison to Fiscal 2019 when we collected cash from our sales and distribution business that was sold to International Brands Group during the fourth quarter of Fiscal 2018.

We used \$0.2 million of cash from our investing activities in Fiscal 2020 compared to \$5.3 million provided by investing activities in Fiscal 2019. Capital investments in both years comprise our continual expenditures to maintain our trademarks around the world, along with recurring capital investments in property and equipment. Fiscal 2019 also includes \$5.6 million received from the disposition of our Flip Flop Shops franchise business and the sale of our remaining sales and distribution operations of Hi-Tec to International Brands Group.

Our financing activities used \$0.4 million of cash in Fiscal 2020. Principal repayments on our term loans were partially offset by proceeds received from the exercise of stock warrants. In Fiscal 2019, we refinanced our former credit facility, resulting in net proceeds of \$5.5 million after the payment of debt issuance costs.

Credit Facilities and CARES Act Benefits

On August 3, 2018, we replaced our previous credit facility with a combination of a new senior secured credit facility, which provided a \$40.0 million term loan, and \$13.5 million of subordinated secured promissory notes. On January 30, 2019, the credit facility was amended to provide an additional \$5.3 million term loan. The term loans mature in August 2021 and require quarterly principal payments and monthly interest payments based on LIBOR plus a margin. The additional \$5.3 million term loan also requires interest of 3.0% payable in kind with such interest being added to the principal balance of the loan. The term loans are secured by substantially all of our assets and are guaranteed by our subsidiaries. The \$13.5 million of subordinated promissory notes mature in November 2021, and they are secured by a second priority lien on substantially all of our assets and guaranteed by our subsidiaries. Interest is payable monthly on the subordinated promissory notes, but no periodic amortization payments are required. The subordinated promissory notes are subordinated in rights of payment and priority to the term loan but otherwise have economic terms substantially similar to the term loan. Excluding the interest payable in kind, the weighted-average interest rate on both the term loan and subordinated promissory notes at February 1, 2020 was 11.0%. Outstanding borrowings under the senior secured credit facility were \$44.1 million at February 1, 2020, and outstanding subordinated secured promissory notes were \$13.5 million.

The term loan is subject to a borrowing base and includes financial covenants and obligations regarding the operation of our business that are customary in facilities of this type, including limitations on the payment of dividends. Financial covenants include the requirement to maintain specified levels of Adjusted EBITDA, as defined in the credit agreement (approximately \$9.5 million for the trailing twelve months as of February 1, 2020), and maintain a minimum cash balance of \$1.0 million. We are required to maintain a borrowing base comprising the value of our trademarks that exceeds the outstanding balance of the term loan. If the borrowing base is less than the outstanding term loan at any measurement period, then we would be required to repay a portion of the term loan to eliminate such shortfall.

Our operating results for the twelve months ended November 2, 2019 and twelve months ended February 1, 2020 resulted in violations of the minimum Adjusted EBITDA covenant, which are events of default. Revenues for the third quarter of Fiscal 2020 were lower than the Company's previous forecasts due to lower than expected royalties reported by the Company's licensees, which were negatively impacted by the economic uncertainty surrounding Brexit, global trade wars and increasing tariffs on footwear and apparel, along with the weakening of the British pound sterling and euro in relation to the U.S. dollar. In response, management enacted certain cash savings measures, and although operating results improved during the three months ended February 1, 2020, the cash savings measures and operational improvements were not enough to regain compliance with the Adjusted EBITDA covenant. Our latest financial projections, which have been revised to account for the current information we have regarding the potential impact of the COVID-19 global pandemic, indicate that there is a significant risk of further violations of the minimum Adjusted EBITDA covenant beyond the forbearance period agreed to with our senior lender.

Our senior lender has agreed to forbear from enforcing its rights under the senior secured credit facility through July 27, 2020. Beginning with May 1, 2020 and continuing through the term of the forbearance agreement, interest and loan amortization payments will not be paid in cash, but an equivalent amount will be added to the principal amount of the term loans to be repaid in future periods. Our required minimum cash balance was reduced during the forbearance period, and the senior lender agreed that the proceeds from the April 2020 Paycheck Protection Program promissory note of \$0.7 million can be used for the working capital purposes specified under the promissory note. We are required during the forbearance period to evaluate strategic alternatives designed to provide liquidity to repay the term loans under the senior secured credit facility. In exchange for these concessions, the senior lender will receive an additional fee totaling 2% of the then outstanding loan balance when the debt is repaid.

Future compliance failures would subject us to significant risks, including the right of our senior lender to terminate their obligations under the Credit Facility, declare all or any portion of the borrowed amounts then outstanding to be accelerated and due and payable, and/or exercise any other right or remedies they may have under applicable law, including foreclosing on our assets that serve as collateral for the borrowed amounts. If any of these rights were to be exercised, our financial condition and ability to continue operations would be materially jeopardized. If we are unable to meet our obligations to our lenders and other creditors, we may have to significantly curtail or even cease operations. Because of this uncertainty, there is substantial doubt about our ability to continue as a going concern. We are evaluating potential sources of working capital, including the disposition of certain assets, and we believe that the NOL carryback provisions of the CARES Act will result in additional liquidity, although the timing of these cash inflows is uncertain. We received \$0.7 million of proceeds on April 20, 2020 from a promissory note issued by one of our banks under the Paycheck Protection Program included in the CARES Act, and NOL carryback claims are expected to total approximately \$8.0 million. We estimated that receipt of these tax refunds could range from three to 12 months from the date of this filing. Our plans also include the evaluation of strategic alternatives to enhance shareholder value. There is no assurance that we will be able to execute these plans or continue to operate as a going concern.

On December 28, 2018, we borrowed \$2.0 million on a subordinated basis from a large stockholder and two board members to provide working capital. These notes were repaid on January 30, 2019 with proceeds from the additional term loan under the Company's senior secured credit facility.

In connection with the refinancing on August 3, 2018, we issued warrants to purchase 397,666 shares of our common stock to our term loan lenders at an exercise price of \$1.35 per share, and we issued warrants to purchase 533,333 shares of our common stock to certain holders of our subordinated promissory notes at an exercise price of \$1.50 per share. Each warrant is exercisable on issuance and has a seven-year life. Warrants to purchase 230,000 shares of the Company's common stock were also issued to the Company's term loan lenders in connection with the additional \$5.3 million term loan on January 30, 2019 at an exercise price of \$2.28 per share with a 7-year life. The fair values of these warrants were \$1.2 million on their grant dates as determined using a Black Scholes option pricing model and were included as a noncash component of deferred financing costs. The underlying shares of these warrants were registered for resale in November 2018. In the first quarter of Fiscal 2020 and the 4th quarter of Fiscal 2019, the 533,333 stock warrant shares issued to our subordinated promissory note holders were exercised and converted into our common stock for a cash exercise price of \$0.8 million.

The following table shows the lenders, their relationship to the company, the loan amounts provided at the time and the stock warrants issued to such investors, if any:

(Dollars in thousands)	Term Loan and Junior Note Amounts	Stock Warrant Shares
Term Loan lenders, unrelated parties	\$ 40,000	397,666
Additional Term Loan lenders, unrelated parties	5,250	230,000
Cove Street Capital, LLC, large stockholder	9,000	415,000
Jess Ravich, board member and large stockholder	4,400	118,333
Henry Stupp, Chief Executive Officer and board member	100	—
	<u>\$ 58,750</u>	<u>1,160,999</u>

Lease Obligation

In November 2019, we entered into a lease termination agreement for our office building in Amsterdam, and accordingly, the lease terminated as of December 31, 2019 rather than continue through December 2026. The compensation for early termination were cash payments totaling \$0.6 million and a subordinated note of \$0.3 million, excluding VAT, reducing our lease obligation by \$2.4 million.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). To prepare these financial statements, we must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Judgment is also required about the disclosure of contingent liabilities and other matters. Estimates are subject to an inherent degree of uncertainty by their nature, and actual results could differ materially from these estimates. We believe the following discussion addresses the critical accounting policies that are necessary to understand and evaluate our reported financial results.

Revenue Recognition and Deferred Revenue

We adopted ASC 606 using the modified retrospective method as of February 4, 2018, the beginning of the first quarter of Fiscal 2019. The adoption of the new guidance primarily affected the recognition of minimum guaranteed royalties in our license agreements that have historically been recognized as earned in accordance with those agreements, while under this new standard, such royalties are generally recognized on a straight-line basis over the term of the license agreements. Accordingly, for license agreements with escalating minimum guaranteed royalties, revenues will generally be higher during the early years of the license agreement than they would have been under the previous guidance. The cumulative effect on adoption of ASC 606 totaled \$0.3 million, which was charged to accrued revenue or deferred revenue with a corresponding credit to accumulated deficit, for all contracts not completed as of the adoption date. The comparative information has not been restated. As a result of adopting ASC 606, we recognized \$0.9 and \$1.1 million of additional revenue in Fiscal 2020 and Fiscal 2019, respectively.

The Company recognizes contract liabilities as deferred revenue when licensees prepay royalties, or from license fees, up-front payments and milestone payments that have not yet been earned. Deferred revenue is classified as current or noncurrent depending on when it is anticipated to be recognized. The Company recognizes contract assets as accrued revenue when minimum guaranteed royalties are recognized that have not yet been earned under the license agreements. Accrued revenue is classified as current or noncurrent depending on when the asset is anticipated to be charged to revenue. Our performance obligations are to maintain our licensed intellectual property, and in some cases, to provide product development and design services.

Our license agreements include audit rights to allow us to validate the amount of royalties received. Differences between amounts initially recognized and amounts subsequently determined under audit are recognized when the differences become known and are considered collectible. We regularly enforce our intellectual property rights and pursue third parties that are utilizing our trademarks without a license. Royalties generated from these enforcement proceedings are recognized when they are determined and considered collectible. We consider revenue recognition to be a critical accounting policy because of the significance of revenues to our operating results.

Intangible Assets and Goodwill

We hold various trademarks that are registered with the United States Patent and Trademark Office and similar government agencies in a number of other countries. Acquired trademarks are either capitalized and amortized on a straight-line basis over their estimated useful lives, or classified as an indefinite-lived asset and not amortized if no legal, regulatory, contractual, competitive, economic, or other factors limit their useful lives. We routinely evaluate the remaining useful life of trademarks that are not being amortized to determine whether events or circumstances continue to support an indefinite useful life. Goodwill represents the excess of purchase price over the fair value of assets acquired in business combinations and is not amortized. Indefinite lived trademarks and goodwill are evaluated annually in our fourth quarter for impairment or when events or circumstances indicate a potential impairment, and an impairment loss is recognized to the extent that the asset's carrying amount or the reporting unit's book value exceeds its fair value. We estimate the fair values of our indefinite-lived trademarks, in part, based on discounted cash flow models that include assumptions determined by us regarding projected revenues, operating costs and discount rates. Our expectations regarding license agreement renewals are also considered, along with forecasts of revenues from replacement licensees for those that have terminated.

We restructured our operations in Fiscal 2019 to improve our organizational efficiencies, and we no longer evaluate financial information and business activities of the business acquired in the Hi-Tec Acquisition on a standalone basis. Consequently, our operations now comprise one reportable segment, which consists of a single operating segment and reporting unit. Because we only have one reporting unit, our goodwill impairment test is based primarily on the relationship between our market capitalization and the book value of our equity adjusted for an estimated control premium and other factors that may indicate our market capitalization does not represent fair value. The annual goodwill impairment test at the end of Fiscal 2020 indicated that the Company's goodwill was impaired, and an impairment charge of \$4.1 million was recorded to reduce goodwill to its estimated fair value.

Our revenues from our Hi-Tec, Magnum and Interceptor brands were significantly below previous forecasts for the third quarter of Fiscal 2020. This was identified as an interim impairment indicator for the related indefinite lived trademarks during the preparation of our interim financial statements, and we performed an interim impairment test based on updated cash flow projections and discounted cash flows based on estimated weighted average costs of capital (income approach). We determined that the fair values of its Hi-Tec and Magnum trademarks were not in excess of their carrying values, and as a result, an interim impairment charge of \$5.0 million was recorded during the third quarter to adjust these trademarks to their estimated fair values. The fair value of the Company's Interceptor brand was in excess of its \$2.1 million carrying value, so no impairment charge was necessary based on the interim test. However, the Company believes that increased tariffs and global trade wars have negatively impacted the competitive and economic environment in which Interceptor operates, and an indefinite life is no longer supported. Accordingly, the Interceptor trademark is now being amortized over its estimated remaining useful life. During the fourth quarter, we completed our evaluation of key inputs used to estimate the fair value of our indefinite lived trademarks and determined that the interim impairment charge was appropriate.

The discounted cash flow model used in determining the fair values of our indefinite-lived trademarks requires extensive use of accounting judgment and financial estimates. Future events could cause us to conclude that impairment indicators exist, and therefore our trademarks could be further impaired. The valuation of our trademarks is affected by, among other things, our business plan for the future and estimated results of future operations. Changes in the business plan, operating results, or application of alternative assumptions that are different than the estimates used to develop the valuations of the assets may materially impact their valuation. The assumptions we use to estimate fair value of our indefinite lived intangibles and goodwill may change materially as we re-evaluate them in light of the COVID-19 global pandemic when we complete the accounting for our first quarter financial results for the three months ending May 2, 2020 or in future periods. These new assumptions may indicate the need for future impairment charges if revenues are projected at that point to be significantly below current forecasts and/or if our market capitalization remains low.

Income Taxes

We use the asset and liability method of accounting for income taxes. Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income during the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. In assessing the need for a valuation allowance, we consider estimates of future taxable income and ongoing prudent and feasible tax planning strategies. We record the tax effect of equity issuances within the income statement. We account for uncertainty in

income taxes based on financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. A tax position is initially recognized in our financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions are measured as the largest amount of tax benefit with a greater than 50% likelihood of being realized upon final settlement with the tax authority, assuming full knowledge of the position and all relevant facts. When we establish or reduce the valuation allowance against deferred tax assets, and when our uncertain tax positions are resolved or our judgment about these tax positions change, our provision for income taxes will increase or decrease, which could have a material impact on our financial position or results of operations.

Recent Accounting Pronouncements

See Note 1 to our consolidated financial statements included in this Annual Report for a description of recent accounting pronouncements.

Off-Balance Sheet Arrangements

We do not have off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition or results of operations.

Item 8. FINANCIAL STATEMENTS

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
APEX GLOBAL BRANDS INC.	
Report of Deloitte & Touche LLP, Independent Registered Public Accounting Firm	35
Consolidated Balance Sheets at February 1, 2020 and February 2, 2019	36
Consolidated Statements of Operations for Each of the Two Years in the Period Ended February 1, 2020	37
Consolidated Statements of Stockholders' Equity For Each of the Two Years in the Period Ended February 1, 2020	38
Consolidated Statements of Cash Flows For Each of the Two Years in the Period Ended February 1, 2020	39
Notes to Consolidated Financial Statements	40

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Apex Global Brands Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Apex Global Brands Inc. and subsidiaries (formerly Cherokee Inc.) (the "Company") as of February 1, 2020 and February 2, 2019, the related consolidated statements of operations, stockholders' equity, and cash flows, for each of the two years in the period ended February 1, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 1, 2020 and February 2, 2019, and the results of its operations and its cash flows for each of the two years in the period ended February 1, 2020, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has violated certain financial covenants related to its Senior Secured Credit Facility resulting in current classification of the debt. The Company has inadequate cash on hand to meet such obligations, which raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Los Angeles, California

April 30, 2020

We have served as the Company's auditor since 2017.

APEX GLOBAL BRANDS INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	February 1, 2020	February 2, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,209	\$ 4,284
Accounts receivable, net	4,962	4,363
Other receivables	157	339
Prepaid expenses and other current assets	1,431	857
Total current assets	7,759	9,843
Property and equipment, net	319	620
Intangible assets, net	59,110	64,751
Goodwill	12,152	16,252
Accrued revenue and other assets	3,582	1,645
Total assets	<u>\$ 82,922</u>	<u>\$ 93,111</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and other current liabilities	\$ 6,282	\$ 7,834
Current portion of long-term debt	56,044	1,300
Deferred revenue—current	3,551	1,626
Total current liabilities	65,877	10,760
Long-term liabilities:		
Long-term debt	—	53,154
Deferred income taxes	9,515	11,268
Long-term lease liabilities	1,389	—
Other liabilities	794	2,807
Total liabilities	77,575	77,989
Commitments and Contingencies (Note 8)		
Stockholders' Equity:		
Preferred stock, \$.02 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, \$.02 par value, 10,000,000 shares authorized, shares issued 5,570,530 (February 1, 2020) and 4,900,318 (February 2, 2019)	111	98
Additional paid-in capital	78,541	76,829
Accumulated deficit	(73,305)	(61,805)
Total stockholders' equity	5,347	15,122
Total liabilities and stockholders' equity	<u>\$ 82,922</u>	<u>\$ 93,111</u>

See notes to consolidated financial statements.

APEX GLOBAL BRANDS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Year Ended	
	February 1, 2020	February 2, 2019
Revenues	\$ 21,041	\$ 24,444
Operating expenses:		
Selling, general and administrative expenses	13,255	14,638
Stock-based compensation and stock warrant charges	1,032	890
Business acquisition and integration costs	284	307
Restructuring charges	1,134	5,755
Intangible assets and goodwill impairment charge	9,100	—
Gain on sale of assets	—	(479)
Depreciation and amortization	1,167	1,478
Total operating expenses	25,972	22,589
Operating (loss) income	(4,931)	1,855
Other income (expense):		
Interest expense	(8,809)	(8,220)
Other expense, net	(92)	(3,273)
Total other expense, net	(8,901)	(11,493)
Loss before income taxes	(13,832)	(9,638)
(Benefit) provision for income taxes	(2,332)	1,901
Net loss	\$ (11,500)	\$ (11,539)
Net loss per share:		
Basic loss per share	\$ (2.12)	\$ (2.45)
Diluted loss per share	\$ (2.12)	\$ (2.45)
Weighted average common shares outstanding:		
Basic	5,412	4,710
Diluted	5,412	4,710

See notes to consolidated financial statements.

APEX GLOBAL BRANDS INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Par Value</u>			
Balance, February 3, 2018	4,666	93	74,564	(50,542)	24,115
Adoption of ASC 606	—	—	—	275	275
Stock-based compensation	—	—	890	—	890
Equity issuances	234	5	180	—	185
Stock warrants	—	—	1,196	—	1,196
Net loss	—	—	—	(11,539)	(11,539)
Balance, February 2, 2019	4,900	\$ 98	\$ 76,829	\$ (61,805)	\$ 15,122
Stock-based compensation	—	—	1,032	—	1,032
Equity issuances	671	13	569	—	582
Stock warrants	—	—	111	—	111
Net loss	—	—	—	(11,500)	(11,500)
Balance, February 1, 2020	<u>5,571</u>	<u>\$ 111</u>	<u>\$ 78,541</u>	<u>\$ (73,305)</u>	<u>\$ 5,347</u>

See notes to consolidated financial statements.

APEX GLOBAL BRANDS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended	
	February 1, 2020	February 2, 2019
Cash flows from operating activities:		
Net loss from continuing operations	\$ (11,500)	\$ (11,539)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,167	1,478
Restructuring charges	1,134	5,755
Intangible assets and goodwill impairment charge	9,100	—
Amortization of deferred financing costs	2,316	3,903
Deferred income taxes and noncurrent provisions	(3,440)	971
Stock-based compensation and stock warrant charges	1,143	989
Gain on sale of assets	—	(479)
Changes in operating assets and liabilities, net of effects from business dispositions:		
Accounts receivable	(599)	5,635
Other receivables	182	133
Prepaid expenses and other current assets	(574)	396
Other assets	(2,049)	(1,265)
Accounts payable and other current liabilities	(2,412)	(12,255)
Long-term lease liabilities	1,389	—
Deferred revenue	1,708	(2,282)
Net cash used in operating activities	(2,435)	(8,560)
Net cash (used in) provided by operating activities from discontinued operations	(—)	(1,380)
Cash flows from investing activities:		
Capital investments	(224)	(253)
Proceeds from business dispositions	—	5,576
Net cash (used in) provided by investing activities	(224)	5,323
Cash flows from financing activities:		
Proceeds from term loans, promissory notes and line of credit	—	49,250
Payments on term loan and line of credit	(950)	(40,000)
Debt issuance costs	(48)	(3,708)
Issuance of common stock	582	185
Net cash (used in) provided by financing activities	(416)	5,727
(Decrease) increase in cash and cash equivalents	(3,075)	1,110
Cash and cash equivalents, beginning of period	4,284	3,174
Cash and cash equivalents, end of period	\$ 1,209	\$ 4,284
Cash paid for:		
Income taxes	\$ 1,222	\$ 1,267
Interest	\$ 5,437	\$ 6,862
Noncash investing and financing activities:		
Issuance of subordinated promissory note for lease termination	\$ 275	\$ —
Conversion of related party junior participation interests to subordinated promissory notes	\$ —	\$ 11,500

See notes to consolidated financial statements.

APEX GLOBAL BRANDS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Company Business and Summary of Significant Accounting Policies

Apex Global Brands Inc. and subsidiaries (the “Company”) is an international marketer and manager of a portfolio of fashion and lifestyle brands, primarily licensing product in the apparel, footwear, home products and accessories categories. The Company’s brands include Cherokee, Hi-Tec, Magnum, Interceptor, 50 Peaks, Hawk Signature, Tony Hawk, Everyday California, Carole Little and Sideout.

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of Apex Global Brands Inc., Hi-Tec and its other subsidiaries. Cherokee Inc. changed its name to Apex Global Brands Inc. effective June 27, 2019. Intercompany accounts and transactions have been eliminated in consolidation. The Company’s fiscal year comprises a 52- or 53-week period ending on the Saturday nearest to January 31. The fiscal years ended February 1, 2020 (“Fiscal 2020”) and February 2, 2019 (“Fiscal 2019”) are both 52-week periods.

The Company’s functional currency is the U.S. dollar. Substantially all of the Company’s revenues are denominated in U.S. dollars, even though they may be generated from agreements with licensee in foreign countries. A large majority of the Company’s operating expenses are also denominated in U.S. dollars and any expenses that are not denominated in U.S. dollars are recorded using the average exchange rate during the period. Monetary foreign currency assets and liabilities are reported using the exchange rate at the end of the reporting period. Any gains or losses from exchange rate fluctuations are included in other income (expense) in the consolidated statements of operations.

Liquidity and Going Concern

The accompanying consolidated financial statements have been prepared on the going concern basis of accounting, which assumes the Company will continue to operate as a going concern and which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. Under the Company’s senior secured credit facility, the Company is required to maintain specified levels of Adjusted EBITDA as defined (\$9.5 million for the trailing twelve months as of February 1, 2020) and maintain a minimum cash balance of \$1.0 million. The Company’s operating results for the twelve months ended November 2, 2019 and twelve months ended February 1, 2020 resulted in violations of this minimum Adjusted EBITDA covenant, which are events of default. Revenues for the three months ended November 2, 2019 were lower than the Company’s previous forecasts due to lower than expected royalties reported by the Company’s licensees, which were negatively impacted by the economic uncertainty surrounding Brexit, global trade wars and increasing tariffs on footwear and apparel, and the weakening of the British pound sterling and euro in relation to the U.S. dollar. In response, management enacted certain cash savings measures, and although operating results improved during the three months ended February 1, 2020, the cash savings measures and operational improvements were not enough to regain compliance with the Adjusted EBITDA covenant. Subsequent to the fiscal year ended February 1, 2020, the Company’s business has been materially adversely affected by the effects of the global pandemic of COVID-19 and the related protective public health measures. The Company’s business depends upon purchases and sales of products bearing the Company’s brands by the Company’s licensees, and the prevalence of shelter in place orders in the regions where these products are sold, together with the closure of many retail stores of the Company’s licensees, have resulted in significant declines in the Company’s royalties beginning in the first quarter of Fiscal 2021, which will likely continue for some period of time. In response to the decline in revenues, the Company has implemented further cost savings measures, including pay reductions, employee furloughs and other measures. The Company has classified its debt as current as financial projections, which now reflect the impact of the COVID-19 pandemic, indicate that there is a significant risk of further violations of the minimum Adjusted EBITDA covenant beyond the forbearance period agreed to with the Company’s senior lender.

The Company’s senior lender has agreed to forbear from enforcing its rights under the senior secured credit facility through July 27, 2020. Beginning with May 1, 2020 and continuing through the term of the forbearance agreement, interest and loan amortization payments will not be paid in cash, but an equivalent amount will be added to the principal amount of the term loans to be repaid in future periods. The required minimum cash balance to be maintained by the Company was reduced during the forbearance period, and the senior lender agreed that the proceeds from the April 2020 Paycheck Protection Program promissory note of \$0.7 million can be used by the Company for the working capital purposes specified under the promissory note. The Company is required during the forbearance period to evaluate strategic alternatives designed to provide liquidity to repay the term loans under the senior secured credit facility. In exchange for these concessions, the senior lender will receive an additional fee totaling 2% of the then outstanding loan balance when the debt is repaid.

Future compliance failures under the senior secured credit facility, other than the Adjusted EBITDA covenant violations described above, would subject the Company to significant risks, including the right of its senior lender to terminate its obligations under the senior secured credit facility, declare all or any portion of the borrowed amounts then outstanding to be accelerated and due and payable, and/or exercise any other right or remedies it may have under applicable law, including foreclosing on the Company's and/or its subsidiaries' assets that serve as collateral for the borrowed amounts. If any of these rights were to be exercised, the Company's financial condition and ability to continue operations would be materially jeopardized. If the Company is unable to meet obligations to lenders and other creditors, the Company may have to significantly curtail or even cease operations. The Company is evaluating potential sources of working capital, including the disposition of certain assets, and believes that the NOL carryback provisions of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act passed by the U.S. Congress in March 2020 will result in additional liquidity, although the timing of these future cash receipts is uncertain. The Company received \$0.7 million of proceeds on April 20, 2020 from a promissory note issued by one of the Company's banks under the Paycheck Protection Program included in the CARES Act, and NOL carryback claims are expected to total approximately \$8.0 million. Management's plans also include the evaluation of strategic alternatives to enhance shareholder value. There is no assurance that the Company will be able to execute these plans. Because of this uncertainty, there is substantial doubt about the Company's ability to continue as a going concern.

Reverse Stock Split

On September 27, 2019, the Company effected a one-for-three reverse stock split (the "Reverse Stock Split") of its common stock. The Reverse Stock Split reduced the number of the Company's outstanding shares of common stock from approximately 16.6 million shares to approximately 5.5 million shares and reduces the number of authorized shares of common stock from 30.0 million shares to 10.0 million shares. Unless the context otherwise requires, all share and per share amounts in these consolidated financial statements have been revised to reflect the Reverse Stock Split, including reclassifying an amount equal to the reduction in par value of our common stock to additional paid-in capital.

Cash and Cash Equivalents

Money market funds and highly liquid debt instruments purchased with original maturities of three months or less are considered cash equivalents. Carrying values approximate fair value.

Property and Equipment

Furniture and fixtures, computer equipment and software are recorded at cost and depreciated on a straight-line basis over their estimated useful lives, ranging from three to seven years. Leasehold improvements are recorded at cost and amortized on a straight-line basis over their estimated useful lives or related lease term, whichever is shorter.

Intangible Assets, Goodwill and Other Long-Lived Assets

The Company holds various trademarks that are registered with the United States Patent and Trademark Office and similar government agencies in a number of other countries. Acquired trademarks are either capitalized and amortized on a straight-line basis over their estimated useful lives, or classified as indefinite-lived assets and not amortized if no legal, regulatory, contractual, competitive, economic, or other factors limit their useful lives. The Company routinely evaluates the remaining useful life of trademarks that are not being amortized to determine whether events or circumstances continue to support an indefinite useful life. Trademark registration and renewal costs are capitalized and amortized on a straight-line basis over their estimated useful lives. Goodwill represents the excess of purchase price over the fair value of assets acquired in business combinations and is not amortized. Indefinite lived trademarks and goodwill are evaluated annually in the Company's fourth quarter for impairment or when events or circumstances indicate a potential impairment, and an impairment loss is recognized to the extent that the asset's carrying amount exceeds its fair value. The Company estimates the fair values of its indefinite-lived trademarks based on discounted cash flow models and market place multiples that include assumptions determined by the Company's management regarding projected revenues, operating costs and discount rates. Management's expectations regarding license agreement renewals are also considered, along with forecasts of revenues from replacement licensees for agreements that have terminated. The Company's goodwill impairment test is based primarily on the relationship between the Company's market capitalization and the book value of equity adjusted for an estimated control premium and other factors that may indicate our market capitalization does not represent fair value. Amortizing trademarks and other long-lived assets are tested for recoverability using undiscounted cash flow models.

Deferred Financing Costs and Debt Discounts

Deferred financing costs and debt discounts are reflected in the balance sheets as a reduction of long-term debt and are amortized into interest expense over the life of the debt using the effective interest method.

Revenue Recognition and Deferred Revenue

In May 2014, the Financial Accounting Standards Board (“FASB”) issued a comprehensive new revenue recognition standard (“ASC 606”) that superseded previous existing revenue recognition guidance and was adopted by the Company using the modified retrospective method as of February 4, 2018, the beginning of the first quarter of its fiscal year ended February 2, 2019. The adoption of the new guidance primarily affected the recognition of minimum guaranteed royalties under the Company’s agreements with its licensees that have historically been recognized as earned in accordance with the underlying license agreements. Under this new standard, such royalties are generally recognized on a straight-line basis over the term of the license agreement. Accordingly, for license agreements with escalating minimum guaranteed royalties, revenues will generally be higher during the early years of the license agreement than they would have been under the previous guidance. Royalties are typically earned based on the licensees’ retail or wholesale sales of licensed products, or based on the cost of producing the licensed goods. Revenues from license fees, up-front payments and milestone payments, which are received in connection with other rights and services that represent continuing obligations of the Company, are deferred and recognized in accordance with the license agreements. The cumulative effect on adoption of ASC 606 totaled \$0.3 million, resulting in a charge to accrued revenue and an adjustment to deferred revenue with a corresponding credit to accumulated deficit for all contracts not completed as of the adoption date. As a result of applying ASC 606, the Company recognized additional revenue of \$0.9 million and \$1.1 million for the years ended February 1, 2020 and February 2, 2019, respectively.

The Company recognizes contract liabilities as deferred revenue when licensees prepay royalties, or from license fees, up-front payments and milestone payments that have not yet been earned. Deferred revenue is classified as current or noncurrent depending on when it is anticipated to be recognized. Deferred revenue totaled \$3.8 million and \$2.2 million at February 1, 2020 and February 2, 2019, respectively. Revenue recognized in the fiscal year ended February 1, 2020 and February 2, 2019 that was included in deferred revenue at February 2, 2019 and February 3, 2018 was \$1.6 million and \$2.7 million, respectively. The Company recognizes contract assets as accrued revenue when minimum guaranteed royalties are recognized that have not yet been earned under the license agreements. The Company typically bills and receives payments from customers on a quarterly basis for royalties earned or for minimum guaranteed royalties that have historically been recognized as earned in accordance with the underlying license agreements. Accrued revenue is classified as current or noncurrent depending on when the asset is anticipated to be charged to revenue. Accrued revenue totaled \$2.2 million and \$1.4 million at February 1, 2020 and February 2, 2019, respectively. Current portion of accrued revenue at February 1, 2020 was \$0.5 million included in prepaid expenses and other assets.

The Company’s performance obligations are to maintain its licensed intellectual property, and in some cases, to provide product development and design services. As of February 1, 2020, the Company had a contractual right to receive approximately \$50.0 million of aggregate minimum licensing revenue through the remaining terms of the current licenses, excluding any renewals, which is primarily expected to be recognized approximately over the next 10 years.

Marketing and Advertising

Generally, the Company’s licensees fund their own advertising programs. Marketing, advertising and promotional costs incurred by the Company are charged to selling, general and administrative expense as incurred and were approximately \$1.3 million and \$1.0 million during the fiscal years ended February 1, 2020 and February 2, 2019, respectively.

Rent Expense

For the fiscal year ended February 2, 2019, rent expense was recognized on a straight-line basis over the term of the lease. Beginning with the fiscal year ended February 1, 2020, the Company adopted the provisions of Topic 842, which is described below under the caption, “*Recent Accounting Pronouncements*”.

Stock-Based Compensation

Stock option grants and restricted stock awards to employees and directors are measured and recognized as compensation expense based on estimated fair values, which are determined using option valuation models. These models are based on assumptions about stock price volatility, interest rates, dividend rates and other factors. The estimated fair value is amortized over the vesting period of the award using the graded amortization method.

Restructuring Charges

Restructuring charges consist of severance, lease termination, contract termination and other restructuring-related costs. A liability for severance costs is recognized when the plan of termination has been communicated to the affected employees and is measured at its fair value at the communication date. Lease and contract termination costs are recognized at the date the Company ceases using the rights conveyed by the lease or contract and are measured at fair value, which is determined based on the remaining contractual lease obligations reduced by estimated sublease rentals, if any.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income during the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. In assessing the need for a valuation allowance, the Company considers estimates of future taxable income and ongoing prudent and feasible tax planning strategies. The Company records the tax effect of equity issuances within the income statement.

The Company accounts for uncertainty in income taxes based on financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. A tax position is initially recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions are measured as the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority, assuming full knowledge of the position and all relevant facts.

Earnings (Loss) Per Share

Basic earnings (loss) per share ("EPS") is computed by dividing the net (loss) income attributable to common stockholders by the weighted-average number of common shares outstanding during the period, while diluted EPS additionally includes the dilutive effect of outstanding stock options and warrants as if such securities had been exercised at the beginning of the period. The computation of diluted common shares outstanding excludes outstanding stock options and warrants that are antidilutive.

Warrants

The Company has issued warrants to purchase shares of its common stock to one of its Hi-Tec licensees and to certain of its lenders and investors. Because the warrants are assessed to be equity in nature, they are measured at fair value at inception. The warrants issued to the Company's licensee are recognized as additional paid-in capital and contra revenue over the period the revenue from the license is expected to be recognized in accordance with Accounting Standards Codification ("ASC") 605-60-25 and ASC 505-50-S99-1. The warrants issued to the Company's lenders and investors are recognized as additional paid-in capital and, if issued related to a modification of existing debt, are charged directly to operating expenses in the Company's statements of operations. Alternatively, the fair value of warrants issued in connection with new borrowings or the extinguishment of existing borrowings is capitalized and amortized into interest expense over the life of the new debt using the effective interest method.

Fair Value of Financial Instruments

The carrying value of accounts receivable and accounts payable approximates fair value due to their short-term nature. The carrying value of the Company's long-term debt approximates fair value as these borrowings bear interest at floating rates.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosures of contingent assets and liabilities. While management bases its estimates on assumptions it believes are reasonable under the circumstances, these estimates by their nature are subject to an inherent degree of uncertainty. Actual results could differ materially from these estimates.

Recent Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board (“FASB”) issued a new accounting standard update (“ASU”) to simplify the accounting for income taxes. The new guidance removes certain exceptions for recognizing deferred taxes for investments, performing intra-period allocation and calculating income taxes in interim periods. It also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. This guidance will be effective for the first quarter of the Company’s Fiscal 2023, which will end on January 28, 2023. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments-Credit Losses (“Topic 326”). For trade receivables, the Company will be required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. This new standard is effective for the Company’s fiscal year ending January 30, 2021 (“Fiscal 2021”). The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements, but does not expect the impact to be material.

In March 2016, the FASB issued authoritative guidance which modified existing guidance for off-balance sheet treatment of a lessee’s operating leases (“Topic 842”). The standard requires a lessee to recognize assets and liabilities related to long-term leases that were classified as operating leases under previous guidance. An asset is recognized related to the right to use the underlying asset, and a liability is recognized related to the obligation to make lease payments over the term of the lease. These amounts are determined based on the present value of the lease payments over the lease term. The standard also requires expanded disclosures about leases. The Company adopted this standard as of the beginning of Fiscal 2020, electing the transition option that allowed it not to restate the comparative periods in its financial statements in the year of adoption and to carry forward its historical assessment of whether contracts are, or contain, leases, along with its historical assessment of lease classifications and initial direct costs.

The Company’s leases obligations comprise primarily individual leases for office space without multiple components. The Company determines if an arrangement is or contains a lease at inception by evaluating various factors, including whether a vendor’s right to substitute an identified asset is substantive. Lease classification is determined at the lease commencement date when the leased assets are made available for use. For the Company’s long-term leases, operating leases obligations are included in other current liabilities and long-term lease liabilities, and right-of-use assets are included in accrued revenue and other assets. The Company does not have any material finance leases. The operating lease obligations and right-of-use assets recognized on adoption of Topic 842 were \$4.7 million and \$4.6 million, respectively. The difference between the total right-of-use assets and total lease liabilities recorded on adoption is primarily due to the derecognition of prepaid rent expenses.

The Company uses estimates of its incremental borrowing rate (IBR) based on the information available at the lease commencement date in determining the present value of lease payments. In determining the appropriate IBR, the Company considers information including, but not limited to, its credit rating, the lease term, and the currency in which the arrangement is denominated. For leases which commenced prior to our adoption of Topic 842, we used the estimated IBR on the date of adoption. When the Company has the sole option to either renew or terminate a lease, the present value of the right-of-use asset and lease obligation includes the extension period when it is reasonably certain that the Company will exercise the option. Lease expense is recognized on a straight-line basis over the lease term.

2. Accounts Receivable

Accounts receivable consists of the following:

(In thousands)	February 1, 2020	February 2, 2019
Accounts receivable	\$ 5,491	\$ 4,990
Allowance for doubtful accounts	(529)	(627)
	<u>\$ 4,962</u>	<u>\$ 4,363</u>

An allowance for doubtful accounts is provided for based on the Company's assessment of various factors that may affect the Company's licensees' ability to pay, such as historical experience, age of accounts receivable balances, credit quality of the Company's licensees, current economic conditions and bankruptcy.

3. Property and Equipment

Property and equipment consists of the following:

(In thousands)	February 1, 2020	February 2, 2019
Computer Equipment	\$ 609	\$ 642
Software	370	276
Furniture and Fixtures	1,902	1,946
Leasehold Improvements	412	807
	<u>3,293</u>	<u>3,671</u>
Accumulated depreciation	(2,974)	(3,051)
	<u>\$ 319</u>	<u>\$ 620</u>

4. Intangible Assets

Intangible assets consists of the following:

(In thousands)	February 1, 2020			February 2, 2019		
	Gross Amount	Accumulated Amortization	Net Book Value	Gross Amount	Accumulated Amortization	Net Book Value
Amortizable trademarks	\$ 30,153	(20,600)	\$ 9,553	\$ 27,899	(19,835)	\$ 8,064
Indefinite lived trademarks	49,557	—	49,557	56,687	—	56,687
	<u>\$ 79,710</u>	<u>\$ (20,600)</u>	<u>\$ 59,110</u>	<u>\$ 84,586</u>	<u>\$ (19,835)</u>	<u>\$ 64,751</u>

The Hi-Tec Acquisition during Fiscal 2017 resulted in trademarks valued at \$52.4 million that were classified as indefinite lived and not subjected to amortization. Other indefinite lived trademarks include certain Cherokee brand trademarks that were acquired in historical transactions. The Company's revenues from its Hi-Tec, Magnum and Interceptor brands, which were acquired in the Hi-Tec Acquisition, were significantly below previous forecasts for the three months ended November 2, 2019. This was identified as an interim impairment indicator for the related indefinite lived trademarks during the preparation of the Company's interim financial statements, and management performed an interim impairment test based on updated cash flow projections and discounted cash flows based on estimated weighted average costs of capital (income approach). The Company determined that the fair values of its Hi-Tec and Magnum trademarks were not in excess of their carrying values, and as a result, an interim impairment charge of \$5.0 million was recorded during the three months ended November 2, 2019 to adjust these trademarks to their estimated fair values. The fair value of the Company's Interceptor brand was in excess of its \$2.1 million carrying value, so no impairment charge was necessary based on the interim test. However, the Company believes that increased tariffs and global trade wars have negatively impacted the competitive and economic environment in which Interceptor operates, and an indefinite life is no longer supported. Accordingly, the Interceptor trademark is now being amortized over its estimated remaining useful life. During the fourth quarter, management completed its evaluation of key inputs used to estimate the fair value of its indefinite lived trademarks and determined that the interim impairment charge was appropriate.

The Company has acquired other trademarks that are being amortized over their estimated useful lives, which average 10 years with no residual values. Amortization of intangible assets was \$0.8 million and \$0.8 million for Fiscal 2020 and Fiscal 2019, respectively. Expected amortization of intangible assets for fiscal years ending in 2021, 2022, 2023, 2024 and 2025 is approximately \$0.7 million, \$0.7 million, \$0.6 million, \$0.6 million, and \$0.6 million, respectively. Trademark registration and renewal costs capitalized during Fiscal 2020 and Fiscal 2019 totaled \$0.1 million in both years. Weighted-average useful life for intangible assets acquired during the year was approximately 10 years.

The Company's goodwill amounting to \$16.3 million arose from historical acquisitions and the Hi-Tec Acquisition that occurred during Fiscal 2017. Goodwill is tested at least annually for impairment in the Company's fourth quarter, and because the Company has one reporting unit, the impairment test is based primarily on the relationship between the Company's market capitalization and the book value of its equity adjusted for an estimated control premium. The annual goodwill impairment test in the fourth quarter of the fiscal year ended February 1, 2020 indicated that the Company's goodwill was impaired, and an impairment charge of \$4.1 million was recorded to reduce goodwill to its estimated fair value of \$12.2 million.

5. Accounts Payable and Other Current Liabilities

Accounts Payable and other current liabilities consists of the following:

(In thousands)	February 1, 2020	February 2, 2019
Accounts payable	\$ 2,814	\$ 3,120
Accrued employee compensation and benefits	413	376
Restructuring plan liabilities	1,677	3,003
Income taxes payable	291	473
Other liabilities	1,087	862
	<u>\$ 6,282</u>	<u>\$ 7,834</u>

6. Restructuring Plans

The Company incurred restructuring charges in Fiscal 2018 and Fiscal 2017 related to the Hi-Tec Acquisition and its integration into the Company's ongoing operations (the "Hi-Tec Plan"). Restructuring charges were also incurred in the fourth quarter of Fiscal 2018 as the Company's staff was realigned to appropriately support its then current business (the "FY18 Plan"). Furthermore, during Fiscal 2019 and continuing into Fiscal 2020, the Company took additional steps designed to improve its organizational efficiencies by eliminating redundant positions and unneeded facilities, and by terminating various consulting and marketing contracts (the "FY19 Plan").

Restructuring charges include the following:

(In thousands)	Year Ended	
	February 1, 2020	February 2, 2019
Severance costs	\$ 78	\$ 1,241
Contract termination costs	79	3,314
Leases, net of sublease	931	469
Service costs	46	731
	<u>\$ 1,134</u>	<u>\$ 5,755</u>

Payments against the restructuring plan obligations were as follows:

(In thousands)	FY19 Plan	FY18 Plan	Hi-Tec Plan	Total
Balance, February 3, 2018	—	1,031	2,501	3,532
Restructuring charges	5,755	—	—	5,755
Payments during the period	(2,995)	(987)	(2,302)	(6,284)
Balance, February 2, 2019	\$ 2,760	\$ 44	\$ 199	\$ 3,003
Restructuring charges	1,134	—	—	1,134
Payments during the period	(2,245)	(44)	(171)	(2,460)
Balance, February 1, 2020	\$ 1,649	\$ —	\$ 28	\$ 1,677

7. Debt

On August 3, 2018, the Company entered into a new senior secured credit facility, which provided a \$40.0 million term loan and \$13.5 million of subordinated promissory notes (the “Junior Notes”). These credit facilities replaced the Company’s previous senior secured credit facility that was entered into in connection with the closing of the Hi-Tec Acquisition in Fiscal 2017. On January 30, 2019, the senior secured credit facility was amended to provide an additional term loan of \$5.3 million. On December 31, 2019 the Company issued a \$0.3 million subordinated promissory note to its former landlord as partial consideration for an early lease termination. The term loans mature in August 2021 and require quarterly principal payments and monthly interest payments based on LIBOR plus a margin. The additional \$5.3 million term loan also requires interest of 3.0% payable in kind with such interest being added to the principal balance of the loan. The term loans are secured by substantially all the assets of the Company and are guaranteed by the Company’s subsidiaries. The Junior Notes mature in November 2021, and they are secured by a second priority lien on substantially all of the assets of Company and guaranteed by the Company’s subsidiaries. Interest is payable monthly on the Junior Notes, but no periodic amortization payments are required. The Junior Notes are subordinated in rights of payment and priority to the term loans but otherwise have economic terms substantially similar to the term loans. Excluding the interest payable in kind, the weighted-average interest rate on the term loans, Junior Notes and additional subordinated promissory note at February 1, 2020 was 11.0%.

The term loans are subject to a borrowing base and include financial covenants and obligations regarding the operation of the Company’s business that are customary in facilities of this type, including limitations on the payment of dividends. Financial covenants include the requirement to maintain specified levels of EBITDA, as defined in the agreement, and maintain a specified level of cash on hand. (See Note 1, Liquidity and Going Concern.) The Company is required to maintain a borrowing base comprising the value of the Company’s trademarks that exceeds the outstanding balance of the term loans. If the borrowing base is less than the outstanding term loans at any measurement period, then the Company would be required to repay a portion of the term loans to eliminate such shortfall. Events of default include, among other things, the occurrence of a change of control of the Company, and a default under the senior secured credit facility would also trigger a default under the Junior Notes agreements. The Company’s operating results for the twelve months ended November 2, 2019 and February 1, 2020 resulted in a violation of the minimum Adjusted EBITDA covenant, which is an event of default. However, the Company’s lender has agreed to forbear from enforcing its rights under the senior secured credit facility through July 27, 2020. (See Note 1, Liquidity and Going Concern.)

The former credit facility included \$11.5 million of junior participation interests that were held by a large stockholder, one of the board members and major stockholder, and the chief executive officer who is also one of the board members. These junior participation interests, along with \$2.0 million of cash from the large stockholder, were exchanged into \$13.5 million of the new Junior Notes referred to above with these same parties. On December 28, 2018, the Company entered into subordinated note agreements with a large stockholder and two board members to provide working capital. These notes totaled \$2.0 million in principal and were repaid on January 30, 2019 with proceeds from the additional term loan under the Company’s senior secured credit facility.

Outstanding borrowings under the term loans and the Junior Notes were \$57.9 million at February 1, 2020, and borrowings at February 2, 2019 were \$58.6 million. The unamortized deferred financing costs associated with these borrowings were \$1.8 million and \$4.1 million at February 1, 2020 and February 2, 2019, respectively. The outstanding borrowings at February 1, 2020 were classified as current liabilities as a result of noncompliance with certain covenants required by the credit facilities.

Principal repayments to be made during the next two years relating to outstanding borrowings under the term loans and the Junior Notes are as follows:

(Dollars in thousands)	Repayment on Principal
Fiscal 2021	1,400
Fiscal 2022	56,475
Total future principal repayments	<u>\$ 57,875</u>

8. Commitments and Contingencies

The Company indemnifies certain customers against liability arising from third-party claims of intellectual property rights infringement related to the Company's trademarks. These indemnities appear in the licensing agreements with the Company's customers, are not limited in amount or duration and generally survive the expiration of the contracts. The Company is unable to determine a range of estimated losses that it could incur related to such indemnities since the amount of any potential liabilities cannot be determined until an infringement claim has been made.

The Company is involved from time to time in various claims and other matters incidental to the Company's business, the resolution of which is not presently expected to have a material adverse effect on the Company's financial position, results of operations or liquidity. Estimated reserves for contingent liabilities, including threatened or pending litigation, are recorded as liabilities in the financial statements when the outcome of these matters is deemed probable and the liability is reasonably estimable.

The Company has non-cancellable operating lease agreements with various expiration dates for office space and equipment. Certain lease agreements include options to renew, which are not reasonably certain to be exercised and therefore are not factored into our determination of the present value of lease obligations.

As of February 1, 2020, the weighted-average remaining lease term is 4.9 years, and the weighted-average IBR is 8.8%. The right-of-use assets as of February 1, 2020 was \$1.6 million. Future minimum commitments under non-cancellable operating leases as of February 1, 2020 are as follows:

(In thousands)	Operating Leases
Fiscal 2021	\$ 430
Fiscal 2022	442
Fiscal 2023	425
Fiscal 2024	434
Fiscal 2025	333
Total future minimum lease payments	2,064
Less imputed interest	(381)
Present value of operating lease liabilities	<u>\$ 1,683</u>

Total operating lease costs excluding variable lease costs and sublease income expense was \$0.5 million and \$0.8 million for Fiscal 2020 and Fiscal 2019, respectively. Cash paid for operating lease obligations is consistent with operating lease costs for the period,

Future minimum lease payments prior to the Company's adoption of Topic 842 as of February 2, 2019 were as follows:

(Dollars in thousands)	Operating Leases
Fiscal 2020	\$ 854
Fiscal 2021	865
Fiscal 2022	876
Fiscal 2023	857
Fiscal 2024	863
Thereafter	1,673
Total future minimum lease payments	<u>\$ 5,988</u>

9. Stockholders' Equity

In connection with the refinancing on August 3, 2018, the Company issued warrants to purchase 397,666 shares of the Company's common stock to its term loan lenders at an exercise price of \$1.35 per share and issued warrants to purchase 533,333 shares of the Company's common stock to certain of its Junior Notes lenders at an exercise price of \$1.50 per share. Each warrant is exercisable on issuance and has a seven-year life. Warrants to purchase 230,000 shares of the Company's common stock were also issued to the Company's term loan lenders in connection with the additional \$5.3 million term loan on January 30, 2019 at an exercise price of \$2.28 per share with a 7-year life. The fair values of these warrants were \$1.2 million on their grant dates as determined using a Black Scholes option pricing model and were included as components of deferred financing costs in the Company's balance sheet with an offset to equity. The following table shows the lenders, their relationship to the Company, the loan amounts provided at the time, and the stock warrants issued to such investors, if any:

(Dollars in thousands)	Term Loan and Junior Note Amounts	Stock Warrant Shares
Term Loan lenders, unrelated parties	\$ 40,000	397,666
Additional Term Loan lenders, unrelated parties	5,250	230,000
Cove Street Capital, LLC, large stockholder	9,000	415,000
Jess Ravich, board member and large stockholder	4,400	118,333
Henry Stupp, Chief Executive Officer and board member	100	—
	<u>\$ 58,750</u>	<u>1,160,999</u>

The Company issued warrants to a licensee in Fiscal 2017 in connection with its acquisition of its Hi-Tec, Magnum and Interceptor brands. The Company also granted warrants in Fiscal 2018 in connection with the purchase of junior interests in the Company's former credit facility and in connection with a private place of equity securities.

Outstanding stock warrants consist of the following:

	Year Ended			
	February 1, 2020		February 2, 2019	
	Outstanding Stock Warrant Shares	Average Exercise Price Per Share	Outstanding Stock Warrant Shares	Average Exercise Price Per Share
Unexercisable warrants issued to licensee	26,667	\$ 30.00	26,667	\$ 30.00
Exercisable warrants issued to licensee	13,333	30.00	13,333	30.00
Warrants issued to junior note holders	170,369	6.75	585,370	3.03
Warrants issued in private placement	108,898	12.66	108,898	12.66
Warrants issued to term loan lenders	627,666	1.68	627,666	1.68
	<u>946,933</u>	<u>\$ 5.06</u>	<u>1,361,934</u>	<u>\$ 3.96</u>

Stock warrants of 415,000 shares were exercised in Fiscal 2020 at an exercise price of \$1.50 per share, and stock warrants of 118,333 shares were exercised in Fiscal 2019 at \$1.50 per share.

Stock-Based Compensation

Effective July 16, 2013, the Company's stockholders approved the Apex Global Brands Inc. 2013 Stock Incentive Plan, which was amended and restated effective June 6, 2016 (the "2013 Plan"), and which generally replaced the Company's previous stock option plans to provide for the issuance of stock-based awards to officers, other employees and directors. The 2013 Plan authorizes 400,000 shares of common stock to be issued and 157,496 shares of common stock previously reserved but unissued under previous plans.

Stock options issued to employees are granted at the market price on the date of grant, generally vest over a three-year period, and generally expire seven to ten years from the date of grant. The Company has also granted non-plan stock options to certain executives as a material inducement for employment. The Company estimates the fair value of stock-based payment awards on the date of grant using the Black-Scholes option-pricing model. The compensation expense recognized for all stock-based awards is net of estimated forfeitures over the award's service period. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service period as a component of operating expenses in the statements of operations, and amounted to \$1.0 million and \$0.9 million for Fiscal 2020 and Fiscal 2019, respectively.

The estimated fair value of stock options granted was estimated using the following assumptions:

	Year End	
	February 2, 2019	
Expected dividend yield	—%	
Expected volatility	67.8 to	84.5
Risk-free interest rate	2.4% to	2.6%
Expected life (in years)	3.0 to	3.7
Estimated forfeiture rate	—% to	10.0%

No stock options were granted in Fiscal 2020. The expected dividend yield is based on past dividends paid and the current dividend yield at the time of grant, and the expected stock price volatility is based on the historical volatility of the Company's stock price. The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant with an equivalent remaining term. The expected life of the stock options is based on historical experience of similar options, giving consideration to the contractual terms, vesting schedules and expectations of future employee behavior.

Changes in shares under options are summarized as follows:

(Dollar amounts in thousands, except per share amounts)	Shares	Weighted Average Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding, at February 3, 2018	125,113	\$ 31.79	4.2	—
Granted	35,333	\$ 1.77		
Exercised	—	\$ —		
Canceled/forfeited	(21,611)	\$ 34.01		
Outstanding, at February 2, 2019	138,835	\$ 23.80	3.5	—
Granted	—	—		
Exercised	—	\$ —		
Canceled/forfeited	(63,111)	38.04		
Outstanding, at February 1, 2020	75,724	\$ 11.94	3.3	—
Vested and Exercisable at February 1, 2020	66,168	\$ 11.95	2.8	—

The weighted-average grant date fair value of stock options granted under the 2013 Plan was \$0.32 for Fiscal 2019. The aggregate intrinsic values shown in the table above represent the difference between the Company's closing stock price on February 1, 2020 and the exercise price, multiplied by the number of shares subject to in-the-money stock options that would have been received by the option holders if all option holders exercised their stock options on January 31, 2020 (the last trading day of Fiscal 2020). There were no stock option exercises in Fiscal 2020 and 2019.

As of February 1, 2020, total unrecognized stock-based compensation expense related to non-vested stock options was insignificant. The total fair value of all stock options that vested was approximately \$0.1 million and \$0.1 million during Fiscal 2020 and Fiscal 2019, respectively.

In addition to stock options, the Compensation Committee of the Board of Directors has granted performance stock units and restricted stock units to members of the Board of Directors and to each of the Company's executive officers under the 2013 Plan. The Compensation Committee has approved the grant of restricted stock units to compensate the Company's non-executive directors for a portion of their services in Fiscal 2020 totaling \$0.4 million. The Company intends to grant these restricted stock units as shares become available under the 2013 Plan. No performance stock units were granted in Fiscal 2020 or Fiscal 2019, and previously granted performance stock units are not expected to vest because share price targets are not expected to be met during the 3-year performance period.

Stock-based compensation expense for performance stock units and restricted stock units is reported as a component of operating expenses and was approximately \$0.5 million and \$0.7 million for Fiscal 2020 and Fiscal 2019, respectively.

Changes in performance stock units and restricted stock units are summarized as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested stock at February 3, 2018	70,995	\$ 22.92
Granted	328,205	2.27
Vested	(116,251)	11.31
Forfeited	(48,298)	9.74
Unvested stock at February 2, 2019	234,651	\$ 2.49
Granted	206,367	1.77
Vested	(277,588)	1.93
Forfeited	(26,323)	3.60
Unvested stock at February 1, 2020	137,107	\$ 2.33

As of February 1, 2020, total unrecognized stock-based compensation expense related to performance stock units and restricted stock units was approximately \$0.3 million, which is expected to be recognized over a weighted-average period of approximately 1.7 years.

10. Significant Contracts and Concentrations of Risk

Concentrations of credit risk within the Company's accounts receivable are minimal due to the limited amount of uncollected receivables and the nature of the Company's licensing business. Generally, the Company does not require collateral or other security to support licensee receivables. Four licensees accounted for approximately 45% of accounts receivable at February 1, 2020, and two licensees accounted for approximately 27% of revenues in Fiscal 2020. Two licensees accounted for approximately 29% of accounts receivable at February 2, 2019, and one licensee accounted for approximately 10% of revenues in Fiscal 2019.

11. Taxes on Income

Geographic sources of loss before income taxes are as follows:

(In thousands)	Year Ended	
	February 1, 2020	February 2, 2019
United States	\$ (4,490)	\$ (7,399)
Foreign	(9,342)	(2,239)
Loss before income taxes	<u>\$ (13,832)</u>	<u>\$ (9,638)</u>

The provision for income taxes as shown in the accompanying consolidated statements of operations includes the following:

(In thousands)	Year Ended	
	February 1, 2020	February 2, 2019
Current:		
Federal	\$ —	\$ —
State	79	(11)
Foreign	1,029	941
	<u>1,108</u>	<u>930</u>
Deferred:		
Federal	—	—
State	(27)	37
Foreign	(3,413)	934
	<u>(3,440)</u>	<u>971</u>
	<u>\$ (2,332)</u>	<u>\$ 1,901</u>

The provision for income taxes differs from the amounts computed using the statutory United States federal income tax rate as shown in the table below. Nondeductible transaction costs arose in the Hi-Tec Acquisition.

(In thousands, except percentages)	Year Ended			
	February 1, 2020		February 2, 2019	
Tax expense at U.S. statutory rate	\$ (2,905)	21.0%	\$ (2,023)	21.0%
State income taxes, net of federal income tax benefit	443	(3.2)	265	(2.7)
Stock-based compensation	151	(1.1)	262	(2.7)
Adjustments to unrecognized tax benefits	(2,769)	20.0	(380)	3.9
Nondeductible expenses	6	—	12	(0.1)
Nondeductible transaction costs	—	—	21	(0.2)
Valuation allowance	3,388	(24.5)	4,616	(47.9)
Foreign Taxes	630	(4.6)	381	(4.0)
Indefinite-lived intangible assets	(1,429)	10.3	(787)	8.2
Other	153	(1.1)	(466)	4.8
	<u>\$ (2,332)</u>	<u>16.8%</u>	<u>\$ 1,901</u>	<u>(19.7)%</u>

A summary of deferred income tax assets and liabilities is as follows:

(In thousands)	Year Ended	
	February 1, 2020	February 2, 2019
Deferred tax assets:		
Deferred revenue	\$ 16	\$ 9
Amortization	1,576	3,855
Other	271	359
Employee compensation	106	242
Interest expense carryforward	1,844	1,277
Net operating loss and credit carryforwards	31,095	26,089
Valuation Allowance	(34,759)	(31,472)
Total deferred income tax assets	149	359
Deferred tax liabilities:		
Amortization	(9,664)	(11,627)
Total deferred income tax liabilities	(9,664)	(11,627)
Net deferred income tax liabilities	<u>\$ (9,515)</u>	<u>\$ (11,268)</u>

The Company acquired various net operating loss and credit carryforwards as part of the Hi-Tec Acquisition, and generated additional net operating loss carryforwards in Fiscal 2018, Fiscal 2019 and Fiscal 2020. Federal and state net operating loss carryforwards totaled \$44.2 million and \$19.4 million, respectively, at February 1, 2020. As a result of recent tax law changes, \$27.1 million of the Company's federal net operating loss carryforwards do not expire, while \$17.1 million of the Company's federal and all of the Company's state net operating loss carryforwards expire beginning in 2026. Foreign net operating loss carryforwards were \$68.3 million at February 1, 2020 and begin to expire in 2021. The Company has foreign tax and other credit carryforwards of \$4.1 million at February 1, 2020 that begin to expire in 2023. The utilization of certain federal and state net operating loss and credit carryforwards acquired in connection with the Hi-Tec Acquisition are subject to annual limitations under Section 382 of the Internal Revenue Code of 1986 and similar state provisions.

Primarily as a result of impairment charges related to certain trademarks, the Company's U.S. operations have sustained a cumulative pretax loss over the last three fiscal years. Accordingly, the Company has provided a valuation allowance of \$12.9 million at February 1, 2020 to reduce the carrying value of the underlying deferred tax assets to zero. This valuation allowance will be maintained until there is sufficient positive evidence to conclude that it is more likely than not that these deferred tax assets will be realized. The Company continues to maintain a valuation allowance related to deferred tax assets of the foreign subsidiaries acquired in the Hi-Tec Acquisition, primarily due to the cumulative losses generated in these jurisdictions, and which amounted to \$21.9 million at February 1, 2020. The Hi-Tec and Magnum indefinite-lived trademarks acquired in the Hi-Tec Acquisition result in a deferred tax liability that has an indefinite life and cannot be used as a source of taxable income to support the realization of other deferred tax assets. Accordingly, the valuation allowance reserves for the deferred tax assets in these foreign jurisdictions and results in a "naked credit" for these indefinite-lived trademarks. This naked credit would only result in a cash obligation when the underlying trademark assets were sold.

During the fourth quarter of the fiscal year ended February 1, 2020, management identified an immaterial error related to the remeasurement of the naked credit. The Company used an incorrect exchange rate in the fiscal year ended February 2, 2019 when converting the deferred tax liability from euros to U.S. dollars, resulting in a \$0.8 million overstatement of the income tax provision for that period. Management concluded that the impact of this error was not material and has corrected the consolidated financial statements and other financial information presented in this Annual Report on Form 10-K to properly reflect the income tax provision and naked credit. See Note 14 for further information.

The Company currently does not have unremitted earnings attributable to foreign subsidiaries.

The Company recorded a \$3.9 million reserve for uncertain tax positions in Fiscal 2017 as part of Hi-Tec acquisition. Gross unrecognized tax benefits are reflected in the accompanying balance sheets as reductions in deferred tax assets or in other long-term liabilities if there are no net operating loss carryforwards available to offset them. The Company was granted approval in Fiscal 2020 to combine certain of its subsidiaries in the Netherlands as one tax filing group. This determination allowed the Company to recognize certain tax benefits from uncertain tax positions taken in prior years. A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, is as follows:

(In thousands)	Year Ended	
	February 1, 2020	February 2, 2019
Gross unrecognized tax benefits at beginning of year	\$ 3,416	\$ 3,846
Additions:		
Tax positions taken in the current year	—	426
Reductions:		
Tax positions taken in prior years	(2,729)	(261)
Lapse in statute of limitations	—	(595)
Gross unrecognized tax benefits at year end	<u>\$ 687</u>	<u>\$ 3,416</u>

Interest and penalties related to unrecognized tax benefits are included within the provision for income taxes in the statements of operations. Interest recognized related to unrecognized tax benefits was a reversal (benefit) of \$0.1 million for Fiscal 2020 and an expense of \$0.1 million for Fiscal 2019.

The timing of resolution with taxing authorities is not predictable or certain, but the Company believes it is reasonably possible that \$0.7 million of unrecognized tax benefits will be recognized in the next twelve months due to a retroactive change in the composition of a consolidated tax filing group or expiration of the applicable statute of limitations. At February 1, 2020, approximately \$0.4 million of unrecognized tax benefits would, if recognized, impact the Company's effective tax rate.

The Company files income tax returns in the U.S. federal, California and certain other state jurisdictions. For federal income tax purposes, the Fiscal 2017 and later tax years remain open for examination by the tax authorities under the normal three-year statute of limitations. For state tax purposes, the Fiscal 2016 and later tax years remain open for examination by the tax authorities under a four-year statute of limitations.

12. Defined Contribution Plan

The Company maintains a defined contribution plan under Section 401(k) of the Internal Revenue Code, under which the Company makes contributions to match the contributions made by employees participating in the plan. These matching contributions were approximately \$0.1 million and \$0.2 million for Fiscal 2020 and Fiscal 2019, respectively.

13. Segment Reporting and Geographic Information

The Company's operations comprise one reportable segment, which consists of a single operating segment and reporting unit. Revenues by geographic area based upon the licensees' country of domicile comprise the following:

(In thousands)	Year Ended	
	February 1, 2020	February 2, 2019
U.S. and Canada	\$ 5,223	\$ 6,383
EMEA ⁽¹⁾	5,229	8,015
Asia and Pacific	7,168	6,046
Latin America	3,421	4,000
Total	<u>\$ 21,041</u>	<u>\$ 24,444</u>

(1) EMEA includes Europe, Middle East and Africa, with Europe comprising 70% and 66% of revenues during Fiscal 2020 and Fiscal 2019, respectively

Long-lived assets located in the United States and outside the United States amount to \$0.2 million and \$0.2 million, respectively, at February 1, 2020, and \$0.2 million and \$0.4 million, respectively, at February 2, 2019.

14. Correction of an Immaterial Error in Prior Period Financial Statements

During the fourth quarter of the fiscal year ended February 1, 2020, management identified an immaterial error related to the remeasurement of the deferred tax liability, or naked credit, related to the indefinite-lived trademarks acquired in the Hi-Tec Acquisition. The Company used an incorrect exchange rate in the fiscal year ended February 2, 2019 when converting the deferred tax liability from euros to U.S. dollars, resulting in a \$0.8 million overstatement of both the income tax provision and deferred tax liability for that period.

The Company assessed the materiality of this discrepancy from a qualitative and quantitative perspective and concluded that the impact of the error is not material. Therefore, the correction of the error did not require the amendment of the Company's previously filed Annual Report on Form 10-K. The Company has corrected its consolidated financial statements for all periods presented in this Annual Report on Form 10-K, as well as the unaudited interim financial information presented in Note 15.

The impact of the correction on the Company's consolidated statement of operations and balance sheet for the fiscal year ended February 2, 2019 is as follows (there was no impact on total operating cash flows in the consolidated statement of cash flows):

(in thousands, except per share amounts)	Year Ended February 2, 2019	
	As Reported	As Revised
Provision for income taxes	\$ 2,688	\$ 1,901
Net loss	\$ (12,326)	\$ (11,539)
Net loss per share:		
Basic	\$ (2.62)	\$ (2.45)
Diluted	\$ (2.62)	\$ (2.45)

(in thousands)	February 2, 2019	
	As Reported	As Revised
Deferred income taxes	\$ 12,055	\$ 11,268
Total liabilities	\$ 78,776	\$ 77,989
Total stockholders' equity	\$ 14,335	\$ 15,122

15. Unaudited Quarterly Results

A summary of quarterly financial data (unaudited) is presented below, which includes the correction to net (loss) income and basic and diluted (loss) earnings per share for the fourth quarter of Fiscal 2019 to reflect the \$0.8 million immaterial correction related to income taxes. (See Note 14 above).

(In thousands, except per share data)	Fiscal 2020			
	May 4, 2019	August 3, 2019	November 2, 2019	February 1, 2020
Revenues	\$ 5,052	\$ 5,603	\$ 4,894	\$ 5,492
Net loss before income taxes	(1,620)	(571)	(6,136)	(5,505)
Net (loss) income	(2,258)	(1,267)	(6,828)	(1,147)
Basic (loss) earnings per share ⁽¹⁾	(0.44)	(0.23)	(1.23)	(0.21)
Diluted (loss) earnings per share ⁽¹⁾	(0.44)	(0.23)	(1.23)	(0.21)

(In thousands, except per share data)	Fiscal 2019			
	May 5, 2018	August 4, 2018	November 3, 2018	February 2, 2019
Revenues	\$ 5,402	\$ 7,073	\$ 5,842	\$ 6,127
Net (loss) earnings before income taxes	(1,903)	(8,002)	154	113
Net (loss) income	(2,741)	(9,053)	63	192
Basic (loss) earnings per share ⁽¹⁾	(0.59)	(1.94)	0.01	0.04
Diluted (loss) earnings per share ⁽¹⁾	(0.59)	(1.94)	0.01	0.04

⁽¹⁾ Quarterly computations of per share amounts are made independently and, as a result, the sum of per share amounts for the four quarters in any one fiscal year may not add to the per share amount for such fiscal year.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined under Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management carried out an evaluation of the effectiveness of our disclosure controls and procedures. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of February 1, 2020.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management assessed the effectiveness of our internal control over financial reporting as of February 1, 2020 based on the framework in Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013) ("COSO"). Based on this assessment under the COSO framework, management concluded that our internal control over financial reporting was effective as of February 1, 2020.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fourth quarter of Fiscal 2020 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Inherent Limitations of Disclosure Controls and Procedures and Internal Control Over Financial Reporting

In designing our disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of our controls and procedures must reflect that resource constraints exist, and management necessarily applies its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Because of these inherent limitations, our disclosure and internal controls may not prevent or detect all instances of fraud, misstatements or other control issues. In addition, projections of any evaluation of the effectiveness of disclosure or internal controls to future periods are subject to risks, including, among others, that controls may become inadequate because of changes in conditions or that compliance with policies or procedures may deteriorate.

ITEM 9B. OTHER INFORMATION

We reported Adjusted EBITDA for the 12 months ended February 1, 2020 that was below the required minimum in our senior secured credit facility. In response, we entered into a series of extensions of our previous forbearance agreement with our senior lender, and on April 30, 2020, we entered into a fourth amendment to financing agreement and forbearance agreement with Gordon Brothers Finance Company and Gordon Brothers Brands, our senior lenders (the "Forbearance Agreement"), whereby the senior lenders have agreed not to enforce their rights to declare an event of default and accelerate the payment of all amounts due under our senior secured credit facility through July 27, 2020 resulting from our failure to meet the Adjusted EBITDA threshold and maintain a borrowing base value that exceeds the outstanding balance of the term loans. Beginning with May 1, 2020 and continuing through the term of the Forbearance Agreement, interest and loan amortization payments will not be paid in cash, but an equivalent amount will be added to the principal amount of the term loans to be repaid in future periods. Our required minimum cash balance was reduced during the forbearance period, and the senior lender

agreed that the proceeds from the April 2020 Paycheck Protection Program promissory note of \$0.7 million can be used for the working capital purposes specified under the promissory note. We are required during the forbearance period to evaluate strategic alternatives designed to provide liquidity to repay the term loans under the senior secured credit facility. Any failure by us to satisfy the requirements of the Forbearance Agreement or any other breach under the senior secured credit facility during the forbearance period would give the senior lenders the right to terminate the Forbearance Agreement, to declare an event of default under the senior credit facility and accelerate the amounts due thereunder.

PART III**Item 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE****Directors**

The table below shows, for each of our directors, his or her name; age as of April 30, 2020; business experience and qualifications, including principal occupation or employment and principal business of the employer, if any, for at least the past five years; certain other directorships held by him or her; and the period during which he or she has served as a director of our Company. In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led our Board to the conclusion that he or she should be nominated to serve as a director, we also believe all of these nominees who are incumbent directors have demonstrated integrity, honesty, adherence to high ethical standards and an ability to exercise sound judgment, as well as business acumen and a commitment to our Company, in their past service on our Board.

Name, Age and Positions with Our Company	Business Experience, Principal Occupation and Other Directorships
Evan Hengel, 35 Director	Mr. Hengel has been a director of Apex since October 2018. Mr. Hengel is a managing director at Berkeley Research Group in the BRG Corporate Finance group where he has served since 2007. He has experience advising management, boards of directors, and other stakeholders through restructuring and mergers and acquisition processes as both an advisor and interim executive. His clients include companies operating in the apparel and consumer products industries, as well as healthcare, technology and entertainment. Mr. Hengel received a B.S. with Honors from the University of Kansas. We believe Mr. Hengel is well-qualified to serve on the Board of Directors due to the depth and breadth of his business experience, extensive financial experience including with mergers and acquisitions and restructurings, and his experience in the apparel and consumer products industries.
Dwight B. Mamanteo, 50 Director	Mr. Mamanteo has been a director of Apex since October 2018. Mr. Mamanteo is a managing partner at Bathala Capital, a private investment management firm, where he has served since 2020. Prior to co-founding Bathala Capital, Mr. Mamanteo was a portfolio manager at Wynnefield Capital from 2004 to 2019. Additionally, Mr. Mamanteo worked in the field of technology for over 10 years in various positions for BEA Systems, VISA International, Ericsson, UNISYS, and as an independent consultant. He has served on a number of boards, including for GlyEco, Inc., a green chemistry company, and ARI Network Services, Inc., a provider of products and solutions serving the outdoor power, power sports, marine, RV and appliance markets. Mr. Mamanteo received an MBA from the Columbia University Graduate School of Business and a B. Eng. in Electrical Engineering from Concordia University (Montreal). We believe Mr. Mamanteo possesses a wide range of qualifications to serve on the Board of Directors, including his extensive investment experience and his experience serving on boards of directors of various companies.

Name, Age and Positions with Our Company

Business Experience, Principal Occupation and Other Directorships

Jess Ravich, 62
Director

Mr. Ravich has been a director of Apex since May 1995 and was Chairman of the Board from January 2011 to June 2017. Mr. Ravich currently serves as Chairman and CEO of ALJ Regional Holdings, Inc. (OTC:ALJJ). From December 2012 until June 2019, Mr. Ravich was a Group Managing Director and Head of Alternative Products at Trust Company of the West, an international asset management firm. From November 2009 to December 2012, Mr. Ravich served as a Managing Director of Houlihan Lokey, an international investment banking firm. Prior to that, Mr. Ravich was the Chief Executive Officer of Libra Securities Holdings, LLC. Prior to founding Libra Securities in 1991, Mr. Ravich was an Executive Vice President at Jefferies & Co., Inc. and a Senior Vice President at Drexel Burnham Lambert. Mr. Ravich also serves as a director of A-Mark (since 2014), and Mr. Ravich previously served as a member of the board of directors of Spectrum Group from 2009 to 2014. In addition to his professional responsibilities, Mr. Ravich in the past has served on the Undergraduate Executive Board of the Wharton School and the Board of Trustees of the Archer School for Girls.

Mr. Ravich is a long-standing member of our Board and has a deep knowledge of our Company and the industry in which we compete. We believe Mr. Ravich is well qualified to serve on the Board of Directors due to the depth and breadth of his business experience, experience on public company boards, extensive financial experience, technical skills across various industries, experience in mergers and acquisitions and leadership skills.

Patti Johnson, 62
Director

Ms. Johnson has been a director of Apex since April 2019. Ms. Johnson has financial experience in the retail industry with both public and private companies. Most recently, Ms. Johnson served as the Chief Financial Officer for Charlotte Russe, a fast fashion retailer, from 2010 to 2018. Prior to that time, Ms. Johnson held senior financial positions at retail organizations including: SVP Finance for Petco from 2008 to 2010, Chief Financial Officer for Old Navy, a division of Gap Inc. from 2003 to 2007 and Chief Financial Officer and SVP Finance for Kohl's Department Stores from 1998 to 2003. Ms. Johnson holds a Bachelor of Arts Degree from California State University, Fullerton and a Certified Public Accountant license from the state of California.

We believe Ms. Johnson is well-qualified to serve on the Board of Directors due to the depth and breadth of her business experience, extensive financial experience, and her experience in the apparel industry.

Henry Stupp, 56
Director, Chief Executive Officer

Henry Stupp became our Chief Executive Officer and a director in August 2010. Prior to joining Cherokee, Mr. Stupp was a co-founder of Montreal-based Novel Teez Designs, later known as NTD Apparel USA LLC, a leading licensee of entertainment, character, sport and branded apparel, and a supplier to many major North American retailers, having most recently served as President of NTD Apparel USA from 2005 until 2010. During his tenure with NTD Apparel USA, Mr. Stupp contributed to the identification, negotiation and introduction of many licenses and brands to a broad retail audience. Mr. Stupp is currently serving a two-year term as a Director of the International Licensing Industry Merchandiser's Association. Mr. Stupp attended Concordia University where he majored in Economics.

As our Chief Executive Officer, Mr. Stupp brings to the Board critical insight into our operations and business. His extensive experience in the apparel business and with merchandise licensing, coupled with his in-depth knowledge of our Company, provides our Board with important knowledge and skills and facilitates the Board's oversight of strategic and financial planning and other critical management functions.

Audit Committee

Our Audit Committee comprises Ms. Johnson (Chair), Mr. Mamanteo and Mr. Ravich. The primary functions of the Audit Committee are, among other things, to:

- be directly responsible for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm;
- review and discuss with management and our independent registered public accounting firm our financial statements before filing with the SEC any report containing such financial statements;

- oversee audits of our financial statements and meet with independent registered public accounting firm in connection with each annual audit to review the planning and staffing of the audit;
- oversee our accounting and financial reporting processes, including reviewing management’s evaluation of the adequacy and effectiveness of internal controls;
- review and discuss with management and our independent registered public accounting firm our policies with respect to risk assessment and risk management;
- receive and review the formal written statement and letter from our independent registered public accounting firm required by applicable Public Company Accounting Oversight Board rules;
- prepare and approve a report each year for inclusion in our annual proxy statement; and
- pre-approve all auditing services and permitted non-audit services to be performed for us by our independent registered public accounting firm, subject to exceptions for de minimis amounts under certain circumstances as permitted by applicable law.

At the discretion of the Audit Committee, representatives of our independent registered public accounting firm and certain members of management may be invited to attend Audit Committee meetings.

The Board of Directors has determined that each director serving currently or at any time in Fiscal 2020 as a member of the Audit Committee satisfies all independence standards and financial expertise requirements applicable to members of such a committee under Nasdaq and SEC rules. The Board has also determined that each of Messrs. Mamanteo and Ravich is an “audit committee financial expert,” as that term is defined in applicable SEC rules.

Stockholder Recommendations of Director Candidates

In accordance with its charter, our Nominating & Governance Committee is responsible for developing and monitoring a policy regarding the consideration of director candidates recommended by our stockholders. There have been no material changes to the procedures by which stockholders may recommend director candidates to the Company’s Board of Directors since our last provided disclosure of such procedures.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers and beneficial owners of more than 10% of our common stock to file various reports with the SEC concerning their holdings of, and transactions in, our securities. SEC rules also require that copies of these reports be furnished to us. To our knowledge, based solely on our review of the copies of such reports received by us or written representations from persons subject to Section 16(a) of the Exchange Act, we believe our executive officers, directors and 10% stockholders complied with all applicable Section 16(a) filing requirements in Fiscal 2018, except that the Form 3 filed on behalf of Mr. Evan Hengel with respect to his appointment to the Board on November 1, 2018, was not filed until December 19, 2018, and the Form 4 filed on behalf of Jess Ravich with respect to his warrant exercise on February 1, 2019 was not filed until February 20, 2019.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to our directors, officers and all other employees (including our principal executive, financial and accounting officers and controller or persons performing similar functions). This code satisfies applicable requirements under the Sarbanes-Oxley Act of 2002 and Nasdaq and SEC rules. A copy of the code is contained in the filings we make with the SEC, which are available on our website at www.apexglobalbrands.com or on the SEC’s website at www.sec.gov. We intend to disclose on our website any amendments to or waivers from the code, to the extent required by applicable law or Nasdaq or SEC rules.

Executive Officers

The following table shows, for each of our current executive officers, their business experience and qualifications, including principal occupation or employment and principal business of the employer, if any, for at least the past five years; and the period during which they have served as executive officers of our Company.

Name, Age and Positions with Our Company	Business Experience and Principal Occupation
Henry Stupp, 56 Director, Chief Executive Officer	Henry Stupp became our Chief Executive Officer and a director in August 2010. Prior to joining Cherokee, Mr. Stupp was a co-founder of Montreal-based Novel Teez Designs, later known as NTD Apparel USA LLC, a leading licensee of entertainment, character, sport and branded apparel, and a supplier to many major North American retailers, having most recently served as President of NTD Apparel USA from 2005 until 2010. During his tenure with NTD Apparel USA, Mr. Stupp contributed to the identification, negotiation and introduction of many licenses and brands to a broad retail audience. Mr. Stupp is currently serving a two-year term as a Director of the International Licensing Industry Merchandiser’s Association. Mr. Stupp attended Concordia University where he majored in Economics.
Howard Siegel, 65 President, Chief Operating Officer and Secretary	Mr. Siegel has been employed by us since January 1996, starting as Vice President of Operations and Administration, becoming President and Chief Operating Officer in January 2010. Prior to January 1996, Mr. Siegel had a long tenure in the apparel business industry working as a senior executive for Federated Department stores and Carter Hawley Hale Broadway stores. Mr. Siegel attended the University of Florida where he received his Bachelor of Science degree.
Steven Brink, 58 Chief Financial Officer	Mr. Brink joined us in January 2018. Prior to joining us, he served from 2008 until 2016 as Chief Financial Officer, Chief Operating Officer, and Executive Vice President of NYDJ Apparel, LLC, a women’s apparel company. Mr. Brink also served from 1996 until 2007 as Chief Financial Officer and Treasurer of Quiksilver Inc., an international apparel company, and was a Senior Manager in the TRADE Group of Deloitte & Touche, LLP where he was employed from 1985 until 1996. Mr. Brink is a Certified Public Accountant, a member of the American Institute of Certified Public Accountants, a member of the California Society of Certified Public Accountants, and he holds a B.S. degree in Business Administration from California State University at Los Angeles.

Item 11. EXECUTIVE COMPENSATION

For purposes of this filing, the term “Named Executive Officer” means each person serving at any time during Fiscal 2020 as our Chief Executive Officer (Henry Stupp), and the two most highly compensated executive officers other than the Chief Executive Officer who were serving as executive officers at the end of Fiscal 2020 (our Chief Financial Officer, Steven Brink, and our Chief Operating Officer, Howard Siegel). With respect to any disclosure requiring or including information prior to Fiscal 2020, the definition of “Named Executive Officer” shall also include any person serving in any such capacity during the applicable period.

Summary Compensation Table

The following table sets forth the compensation awarded to, earned by or paid to our Named Executive Officers for Fiscal 2020 and Fiscal 2019:

Name and Principal Position	Fiscal Year	Salary (\$)(1)	Bonus (\$)(2)	Stock Awards (\$)(3)	Option Awards (\$)(3)	Non-Equity Incentive Plan Compensation (\$)(4)	All Other Compensation (\$)(5)	Total Compensation (\$)
Henry Stupp	2020	750,000	—	—	—	—	60,555	810,555
Chief Executive Officer	2019	675,865	—	192,525	—	—	62,242	930,632
Howard Siegel	2020	425,000	—	—	—	—	58,922	483,922
President, Chief Operating Officer & Secretary	2019	425,000	—	120,045	—	—	36,737	581,782
Steven Brink	2020	400,000	—	—	—	—	38,837	438,837
Chief Financial Officer	2019	400,000	50,000	120,045	30,051	—	31,983	632,079

- (1) Amounts represent the base salary earned by each Named Executive Officer for each of the periods. In accordance with applicable SEC rules and interpretive guidance.
- (2) Amounts represent discretionary cash bonuses earned for performance during each of the periods presented.
- (3) Amounts represent (a) for each Named Executive Officer, the grant date fair value of awards granted during each of the periods computed in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718 (for more information, see Note 9 to the consolidated financial statements contained in this Annual Report).
- (4) Amounts represent the amount of the Performance Bonus earned by the applicable Named Executive Officer for his performance during each of the periods presented.
- (5) Amounts represent (a) for each Named Executive Officer, employer-paid health insurance premiums and vacation payouts, and the employer contributions to the Company’s 401(k) retirement savings plan paid on behalf of the Named Executive Officer.

Outstanding Equity Awards at Fiscal Year-End

The following table summarizes outstanding equity awards held by our Named Executive Officers as of the end of Fiscal 2020:

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable(1)	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)
Henry Stupp	—	—	—	—	56,667 (3)	38,624
Howard Siegel	—	—	—	—	35,333 (3)	24,083
Steven Brink	11,111	5,556 (4)	5.85	1/3/2028	—	—
	33,333 (5)		1.63	7/6/2021	—	—
					35,333 (3)	24,083

- (1) Except as described in the footnotes below, all awards were granted under the 2013 Plan and vest in equal annual installments over three years beginning on the first anniversary of the date of grant, subject to continued service through each vesting date and accelerated vesting under certain circumstances.
- (2) Determined by multiplying the unvested portion of the stock awards by \$0.6816, the closing price of our common stock on January 31, 2020.

- (3) Represents an RSU award granted on October 9, 2018.
- (4) Represents an option award granted on January 3, 2018.
- (5) Represents an option award granted on July 6, 2018 that vested grant on July 6, 2019.

Employment Agreements

The following is a summary of the principal terms of our employment agreements with each of our Named Executive Officers.

Mr. Stupp

On July 11, 2016, we entered into an Amended and Restated Executive Employment Agreement with Henry Stupp, our Chief Executive Officer, which amended, restated and superseded our prior employment agreement with Mr. Stupp and which was subsequently amended on October 31, 2017. The employment agreement and the amendment were each approved by the Compensation Committee. The employment agreement had an initial term that expired January 31, 2020, and it would automatically renew for three-year terms thereafter, unless either party provided written notice of non-renewal at least 90 days before the end of the then-current term. On October 22, 2019, we entered into an Amended and Restated Executive Employment Agreement with Mr. Stupp (the “Amended Agreement”) to extend his employment agreement from January 30, 2020 to January 31, 2021. The Amended Agreement became effective on January 31, 2020 and going forward, renews automatically for one-year terms unless terminated by either party at least ninety days prior to the end of the then current term. Under the Amended Agreement, Mr. Stupp is to receive a base salary of \$650,000 per year in cash. On April 3, 2020, Mr. Stupp voluntarily agreed to reduce his base compensation by 25% for twelve weeks commencing on April 3, 2020. Mr. Stupp is also eligible to receive the Performance Bonus as described under “Cash Bonuses Under Employment Agreements” below, a discretionary annual bonus award of up to \$300,000 for performance in each fiscal year to be determined at the discretion of the Compensation Committee of the Company’s Board of Directors, an option to purchase 100,000 shares of our Common Stock, and a cash bonus if the Company undergoes a change in control and the per-share price received by holders of the Company’s Common Stock from such change-in-control transaction exceeds \$1.00, such bonus being equal to \$100,000 multiplied by the per share price received in excess of \$1.00. In addition, the amended employment agreement provides for certain payments to Mr. Stupp upon a termination of his employment with us under certain specified circumstances, as described under “Potential Payments Upon Termination or Change in Control” below.

Mr. Siegel

On July 23, 2015, we entered into an employment agreement with Mr. Siegel, our President and Chief Operating Officer, which was approved by our Compensation Committee. Pursuant to the terms of the employment agreement, Mr. Siegel is to receive a base salary equal to \$425,000 per year. On April 3, 2020, Mr. Siegel voluntarily agreed to reduce his base compensation by 25% for twelve weeks commencing on April 3, 2020. Also pursuant to the terms of the employment agreement, Mr. Siegel is eligible to receive the Performance Bonus, as described under “Cash Bonuses Under Employment Agreements” below. For Fiscal 2019, base salary and cash bonuses constituted approximately 73% of Mr. Siegel’s total compensation. Mr. Siegel is also eligible to receive additional cash bonuses at the discretion of the Compensation Committee and equity awards at the times and in the amounts determined by the Compensation Committee in its discretion. In addition, the employment agreement provides for certain payments to Mr. Siegel upon a termination of his employment with us under certain specified circumstances, as described under “Potential Payments Upon Termination or Change in Control” below.

Mr. Brink

On December 13, 2017, we entered into an employment agreement with Mr. Brink, our Chief Financial Officer, which was approved by our Compensation Committee. Pursuant to the terms of the employment agreement, Mr. Brink is to receive a base salary equal to \$400,000 per year. On April 3, 2020, Mr. Brink voluntarily agreed to reduce his base compensation by 15% for twelve weeks commencing on April 3, 2020. Also pursuant to the terms of the employment agreement, Mr. Brink received a stock option award to purchase up to 50,000 shares of our common stock at an exercise price of \$1.95 per share as an inducement material to entering into employment with us. For Fiscal 2019, base salary and cash bonuses constituted approximately 71% of Mr. Brink’s total compensation. Mr. Brink is eligible to receive the Performance Bonus beginning in Fiscal 2019, as described under “Cash Bonuses Under Employment Agreements” below, a supplemental cash bonus of at least \$50,000 for continuing to be employed through January 31, 2019, additional cash bonuses at the discretion of the Compensation Committee, and additional equity awards at the times and in the amounts determined by the Compensation Committee in its discretion. In addition, the employment agreement provides for certain payments to Mr. Brink upon a termination of his employment with us under certain specified circumstances, as described under “Potential Payments Upon Termination or Change in Control” below.

Cash Bonuses Under Employment Agreements

Pursuant to the terms of Messrs. Stupp's, Siegel's and Brink's employment agreements with us, each of our Named Executive Officers is eligible to receive a cash performance-based bonus (the "Performance Bonus") based on the level of achievement of our EBITDA (which is a financial measure that is not defined under or prepared in conformity with accounting principles generally accepted in the United States of America, and which we define, for purposes of the Performance Bonus only and which definition differs from the definition of this measure used by management for other purposes, as net (loss) income before the effects of interest expense, interest income and other income, provision for income taxes, depreciation and amortization, and inclusive of any amounts payable as Performance Bonus) for each fiscal year, relative to the EBITDA target included in the budget approved by the Board for such fiscal year (and taking into account any Board approved adjustments to the budgeted EBITDA resulting from any business acquisitions or dispositions consummated during the relevant fiscal year or any other specified unusual or non-recurring transactions or events). The Compensation Committee determined to base the achievement of the Performance Bonus on our EBITDA because this metric provides a basis for measuring our operating performance and profitability without regard to the impact of our capital structure, the effect of operating in different tax jurisdictions and the impact of our asset base.

The amount of the Performance Bonus for each of our Named Executive Officers is as follows: (i) for Mr. Stupp, \$200,000 at 100% achievement, with a minimum bonus of \$50,000 at 80% achievement and a maximum bonus of \$350,000 at 120% achievement (with linear interpolation between 80% and 120% achievement); (ii) for Mr. Siegel, 30% of his then-current base salary at 100% achievement, with a minimum bonus of 20% of his then-current base salary at 80% achievement and a maximum bonus of 40% of his then-current base salary at 120% achievement (with linear interpolation between 80% and 120% achievement); and (iii) for Mr. Brink, \$127,500 at 100% achievement, with a minimum bonus of \$85,000 at 80% achievement and a maximum bonus of \$170,000 at 120% achievement (with linear interpolation between 80% and 120% achievement). If our EBITDA for a fiscal year is less than 80% of the EBITDA target included in the budget approved by the Board for the fiscal year (and taking into account any Board approved adjustments to the budgeted EBITDA as described above), then none of Messrs. Stupp, Siegel and Brink are entitled to any Performance Bonus for that fiscal year.

Pension Benefits, Non-Qualified Defined Contribution and Other Deferred Compensation Plans

We do not have any plans that provide for pension payments or other benefits to our Named Executive Officers at, following or in connection with their retirement. We also do not have any non-qualified defined contribution plans or other deferred compensation plans that provide for the deferral of compensation on a basis that is not tax-qualified.

Potential Payments Upon Termination or Change in Control

Mr. Stupp

Pursuant to Mr. Stupp's amended employment agreement with us, if we terminate Mr. Stupp's employment other than for cause, death or disability, if Mr. Stupp's employment contract is not renewed, or if Mr. Stupp terminates his employment for good reason, then Mr. Stupp would be entitled to receive:

- an amount equal to six months of his then-current base salary, or twelve months of his then current base salary under certain circumstances subsequent to a change in control of the Company;
- a cash payment in an amount equal to any earned but unpaid bonuses;
- an amount equal to the average Performance Bonuses paid to Mr. Stupp for the prior two completed fiscal years, payable in a lump sum within 60 days following the termination of Mr. Stupp's employment;
- cash payments in an amount equal to the cost of Mr. Stupp's healthcare coverage under COBRA for the duration of his severance payment period; and
- accelerated vesting of the equity awards held by Mr. Stupp at the time of the termination.

Mr. Stupp would only be entitled to receive the foregoing benefits if, among other things, he executed, delivered and did not revoke a general release of claims in favor of our Company.

For purposes of the Mr. Stupp's employment agreement:

- "cause" means Mr. Stupp: (i) is indicted or charged with a felony or crime involving dishonesty, breach of trust, or physical harm to any person; (ii) willfully engages in conduct that is in bad faith and materially injurious to our Company; (iii) commits a material breach of the employment agreement, which breach is not cured within 20 days after written notice; (iv) willfully refuses to implement or follow a lawful policy of our Company, which breach is not cured within 20 days after written notice; or (v) engages in misfeasance or malfeasance demonstrated by a pattern of failure to perform job duties diligently and professionally; and
- "good reason" means, subject to certain notice and other requirements, certain cure periods and certain other limitations as described in the employment agreement, (i) the assignment to Mr. Stupp of any duties inconsistent with his position, duties, responsibilities or status with our Company or a reduction of his duties or responsibilities; (ii) Mr. Stupp no longer reports directly to the Board; (iii) a reduction in Mr. Stupp's base salary or bonus opportunities; (iv) the requirement that Mr. Stupp be based at any office or location more than 50 miles from our corporate headquarters, except for travel reasonably required in the performance of Mr. Stupp's responsibilities; or (v) material breach by us of our material obligations under the employment agreement or any other agreement with Mr. Stupp.

Mr. Siegel

Pursuant to Mr. Siegel's employment agreement with us, if we terminate Mr. Siegel's employment at any time other than for cause, by death or by disability, then Mr. Siegel would be entitled to receive an amount equal to 12 months of his then-current base salary, payable in the form of salary continuation, plus any earned but unpaid compensation and benefits for the respective periods.

The employment agreement also provides that Mr. Siegel would be entitled to receive certain payments if we undergo a change in control or if we terminate Mr. Siegel's employment or eliminate Mr. Siegel's position in connection with a change in control, as follows:

- if we terminate Mr. Siegel's employment without cause or eliminate Mr. Siegel's position within three months before or 12 months after a change in control, then Mr. Siegel would be entitled to receive: (i) an amount equal to 12 months of his then-current base salary, payable in the form of salary continuation; (ii) any guaranteed or earned but unpaid bonus amount, payable as a lump sum; and (iii) continuation of Mr. Siegel's medical and dental benefits under COBRA for 12 months; and
- if we undergo a change in control or we terminate Mr. Siegel's employment without cause or eliminate Mr. Siegel's position within three months before a change in control, then Mr. Siegel would also be entitled to acceleration of vesting of all equity awards held by Mr. Siegel as of the time of the change in control.

Mr. Siegel would only be entitled to receive the foregoing benefits if, among other things, he executed, delivered and did not revoke a general release of claims in favor of our Company. Mr. Siegel would not be entitled to any severance if his employment is terminated by death or by disability or if his employment is terminated by him for any reason other than as described above.

For purposes of Mr. Siegel's employment agreement:

- "cause" means Mr. Siegel: (i) is convicted of or pleads guilty to a felony or crime involving moral turpitude; (ii) is personally dishonest in a manner that directly affects our Company; (iii) engages in willful misconduct or gross negligence; (iv) breaches a fiduciary duty to our Company; (v) commits an act of fraud, embezzlement or misappropriation against our Company; or (vi) fails to substantially perform his duties as the President and Chief Operating Officer of our Company; and
- a "change in control" means the sale, transfer, merger or disposition of all or substantially all of the assets or stock of our Company, by way of contribution, reorganization, share exchange, stock purchase or sale, asset purchase or sale, or other form of corporate transaction.

Mr. Brink

Pursuant to Mr. Brink’s employment agreement with us, if we terminate Mr. Brink’s employment at any time other than for cause, by death or by disability, then Mr. Brink would be entitled to receive an amount equal to 12 months of Mr. Brink’s then-current base salary, in any case payable in the form of salary continuation or in a lump sum at our discretion.

The employment agreement also provides that, if we terminate Mr. Brink’s employment without cause or eliminate Mr. Brink’s position or if Mr. Brink terminates his employment for good reason, in any case within 12 months of a change in control, then Mr. Brink would be entitled to receive: (i) an amount equal to 12 months of his then-current base salary, payable in a lump sum; (ii) any guaranteed or earned but unpaid bonus amount, payable as a lump sum; (iii) continuation of Mr. Brink’s medical and dental benefits under COBRA for 12 months; and (iv) accelerated vesting of the equity awards held by Mr. Brink at the time of the change in control.

Mr. Brink would only be entitled to receive the foregoing benefits if, among other things, he executed, delivered and did not revoke a general release of claims in favor of our Company. Mr. Brink would not be entitled to any severance if his employment is terminated by death or by disability or if his employment is terminated by him for any reason other than as described above.

For purposes of Mr. Brink’s employment agreement:

- “cause” means Mr. Brink: (i) is convicted of or pleads guilty to a felony or crime involving moral turpitude; (ii) is personally dishonest in a manner that directly affects our Company; (iii) engages in willful misconduct or gross negligence; (iv) breaches a fiduciary duty to our Company; (v) commits an act of fraud, embezzlement or misappropriation against our Company; or (vi) fails to substantially perform his duties as the Chief Financial Officer of our Company;
- “good reason” means, , subject to certain notice and other requirements, certain cure periods and certain other limitations as described in the employment agreement, (i) a material reduction in Mr. Brink’s duties or responsibilities without his express written consent; (ii) a material, uncured breach by us of our obligations under the employment agreement; or (iii) a relocation of Mr. Brink’s principal place of work to a facility more than 100 miles from our current headquarters for a period of more than 180 days; and
- a “change in control” means, subject to certain exceptions and limitations, the occurrence of any of the following events: (i) any person becomes the beneficial owner of securities of our Company representing more than 50% of the combined voting power of such securities; (ii) during any 12-month period, the individuals who constitute the Board cease to constitute at least a majority thereof; (iii) a merger or consolidation of our Company with any other entity; or (iv) a complete liquidation or dissolution of our Company or the consummation of a sale or disposition of all or substantially all of our assets.

Director Compensation Program

We use cash and equity compensation to attract and retain qualified candidates to serve on our board of directors (the “Board”). In setting non-employee director compensation, we consider the significant amount of time that our directors spend in fulfilling their duties to our Company, as well as the level of experience and skills required of the members of the Board. In addition, we consider how director independence may be affected by director compensation and perquisite types and levels. Directors who are our employees receive no additional compensation for their service as directors.

Each non-employee director receives the following annual compensation for service on our Board and our Board committees:

	Amount (\$)
Board Compensation:	
All non-employee directors	100,000
Chair Compensation:(1)	
Chairman of the Board	25,000
Audit Committee Chair	10,000

(1) Chairman of the Board and Audit Committee Chair compensation is in addition to the compensation paid to all non-employee directors.

In order to provide members of the Board with the opportunity to increase their ownership of our capital stock and thereby more closely align their interests with those of our stockholders, each director is entitled to elect to receive equity awards for all or a portion of his or her annual compensation for Board service, as described above. The director compensation program requires at least 50% of each director's compensation to be paid in equity. Each director is entitled to elect quarterly the percentage of their compensation to be paid in equity, between 50% to 100%, and the equity award is granted based on the closing price of our common stock two days after the Company publishes its quarterly earnings.

Director Compensation Table

The following table provides information about the compensation of our non-employee directors for Fiscal 2020. Mr. Stupp, our Chief Executive Officer, is not included in this table because he is an employee of our Company and receives no additional compensation for his service as a director. The compensation received by Mr. Stupp as an employee of our Company is described under "Executive Compensation" above.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)	Total (\$)
Evan Hengel (2)	—	116,250	116,250
Dwight Mamanteo	—	102,278	102,278
Jess Ravich	—	100,000	100,000
Patti Johnson (3)	—	84,944	84,944
Henry Stupp	—	—	—

- (1) Amounts represent, (a) for all non-employee directors, the grant date fair value of awards granted computed in accordance with FASB ASC Topic 718 (for more information, see Note 9 to the consolidated financial statements contained in this Annual Report).
- (2) Mr. Hengel was appointed Chairman of the Board on June 10, 2019. As a result, he earned pro-rated amounts of annual compensation based on his partial year of service as Chairman of the Board in Fiscal 2020
- (3) Ms. Johnson was appointed to the Board and Chair of the Audit Committee on April 26, 2019. As a result, she earned pro-rated amounts of annual compensation based on her partial year of service in Fiscal 2020

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table shows the number of shares of our common stock beneficially owned by, and percentage ownership of, the following:

- each stockholder known by us to beneficially own more than 5% of the outstanding shares of our common stock;
- each current director and director nominee;
- each of our Named Executive Officers; and
- all of our current executive officers and directors as a group.

We have determined beneficial ownership in accordance with the rules of the SEC. Under such rules, a person's beneficial ownership includes any shares the person has the right to acquire as of or within 60 days after the measurement date, through the exercise or conversion of any outstanding stock options, warrants or other rights or the vesting of any outstanding RSUs. Such shares that a person has the right to acquire are deemed to be outstanding for the purpose of computing the percentage ownership of that person, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated in the notes to the table below, to our knowledge, all persons named in the table have sole voting and dispositive power with respect to the shares of our common stock identified as beneficially owned by them, except to the extent authority is shared by spouses under applicable community property laws. All ownership percentages in the table below are based on 5,570,059 shares of our common stock outstanding as of March 31, 2020 and, unless otherwise indicated in the notes to the table below, all information is presented as of March 31, 2020. We have reviewed all Schedule 13D and Schedule 13G filings as of March 31, 2020. On September 27, 2019, the Company effected a one-for-three reverse stock split of its common stock. All share amounts in the table below and related footnotes have been revised to reflect the reverse stock split.

Name of Beneficial Owner	Amount of Beneficial Ownership (#)	Percentage of Class (%)
5% Stockholders:		
CSC(1)	1,396,353	24.7
NorthPointe Capital, LLC(2)	449,061	8.1
Gordon Brothers Parties(3)	495,110	8.2
Current Non-Employee Directors and Director Nominees:		
Evan Hengel	28,993	*
Dwight Mamanteo	90,251	1.6
Patti Johnson	1,381	*
Jess Ravich(4)	589,572	10.3
Named Executive Officers:		
Henry Stupp	92,919	1.7
Howard Siegel	47,433	*
Steven Brink	62,111	1.1
All current executive officers and directors as a group (7 persons)(5)	912,661	15.8

* Represents beneficial ownership of less than 1%, based on shares of common stock outstanding as of March 31, 2020.

- (1) The number of shares reported as beneficially owned is based solely on a Schedule 13D/A, which was revised to reflect the reverse stock split referred to above, with a reporting date of September 23, 2019 filed with the SEC by CSC and Jeffrey Bronchick, the Portfolio Manager and Founder of CSC. Of such shares, (i) CSC has sole voting and dispositive power with respect to 0 shares and shared voting power with respect to 1,388,019 shares, and (ii) Mr. Bronchick has sole voting and dispositive power with respect to 8,333 shares, shared voting power with respect to 1,185,579 shares and shared dispositive power with respect to 1,396,352 shares. The number of shares reported as beneficially owned by these persons includes 123,450 shares of our common stock subject to warrants exercisable as of or within 60 days after March 31, 2019. CSC reports its principal business address as 2101 E. El Segundo Boulevard, Suite 302, El Segundo, California 90245. These shares have been divided by 3 for the reverse stock split that occurred on September 27, 2019.
- (2) The number of shares reported as beneficially owned is based solely on a Schedule 13G/A, which was revised to reflect the reverse stock split referred to above, with a reporting date of December 31, 2017 filed with the SEC by NorthPointe, LLC. Of such shares, NorthPointe Capital, LLC has sole voting power with respect to 414,560 shares and sole dispositive power with respect to 449,061 shares. NorthPointe Capital, LLC reports its principal business address as 39400 Woodward Ave, Suite 190, Bloomfield Hills, Michigan 48304. These shares have been divided by 3 for the reverse stock split that occurred on September 27, 2019.
- (3) The number of shares reported as beneficially owned is based on (i) a Schedule 13G, which was revised to reflect the reverse stock split referred to above, with a reporting date of August 3, 2018 filed with the SEC by Gordon Brothers Brands, LLC ("GBB") and Gordon Brothers Group, LLC ("GBG"), which such shares represent an immediately exercisable warrant to purchase 265,110 shares of our common stock held by GBB as of August 3, 2018 (the "Reported Shares"), and (ii) our issuance on January 29, 2018 to GBB of warrants to purchase 230,000 shares of our common stock. Of the Reported Shares, GBB and GBG report that each of GBB and GBG has shared voting power and shared dispositive power with respect to 265,110 shares. GBB and GBG report their principal business address as Prudential Tower, 800 Boylston Street, 27th Floor, Boston, MA 02199. These shares have been divided by 3 for the reverse stock split that occurred on September 27, 2019.

- (4) Includes 126,966 shares of our common stock held of record by a trust of which Mr. Ravich is the sole trustee, 48,154 shares of our common stock subject to warrants held by such trust and exercisable as of or within 60 days after March 31, 2020, and 21,403 shares of our common stock held directly by Mr. Ravich.
- (5) Includes shares beneficially owned by all current executive officers and directors as a group, including warrants held by a trust in which Mr. Ravich is the sole trustee as further specified in note 4 above.

EQUITY COMPENSATION PLANS

We currently maintain one equity compensation plan, the Apex Global Brands Inc. Amended and Restated 2013 Stock Incentive Plan (the “2013 Plan”). All of our outstanding options and unvested RSUs were granted under the 2013 Plan. The 2013 Plan became effective upon its approval by our stockholders on July 16, 2013, and was amended and restated upon the approval of our stockholders on June 6, 2016 and then again on June 10, 2019.

Share Reserve, Share Counting and Other Share Limits

The maximum number of shares of Company common stock with respect to which awards may be granted under the 2013 Plan is 600,000 shares initially reserved for issuance under the 2013 Plan and 157,496 shares previously reserved but unissued under the previous plans approved by our stockholders.

Any shares covered by an award which is forfeited, cancelled or expires will be deemed not to have been issued for purposes of determining the maximum number of shares which may be issued under the 2013 Plan. Shares that have been issued under the 2013 Plan pursuant to an award will not be returned to the 2013 Plan and will not become available for future grant under the 2013 Plan, except where unvested shares are forfeited or repurchased by the Company at the lower of their original purchase price or their fair market value. Shares tendered or withheld in payment of an award exercise or purchase price and shares withheld by the Company to pay any tax withholding obligation and shares purchased in the open market with proceeds of a stock option exercise price will not be returned to the 2013 Plan and will not become available for future issuance under the 2013 Plan. In addition, all shares covered by the portion of a stock appreciation right that is exercised will be considered issued pursuant to the 2013 Plan.

With respect to stock options, stock appreciation rights, restricted stock and RSUs that are intended to be performance-based compensation under Section 162(m), the maximum number of shares subject to such awards that may be granted to a participant during any calendar year is 33,333 shares, subject to adjustment in the event of a future change in our shares or our capital structure.

Administration

The 2013 Plan is administered by the Board or one or more committees designated by the Board. The Compensation Committee currently acts as the administrator of the 2013 Plan. With respect to award grants to officers and directors, the Compensation Committee will be constituted in such a manner as to satisfy applicable laws, including Rule 16b-3 promulgated under the Exchange Act.

Eligibility

Persons eligible to receive awards under the 2013 Plan include directors, officers and other employees, consultants and advisors of our Company or any of its subsidiaries.

Types and Terms of Awards

The 2013 Plan authorizes the grant of a variety of types of awards, including non-qualified stock options, incentive stock options, restricted stock, RSUs, dividend equivalent rights, stock appreciation rights and cash-based awards. All awards under the 2013 Plan may be granted with such vesting schedules and other terms as the administrator of the 2013 Plan may determine in its discretion, subject to the provisions and limitations of the plan. Although the 2013 Plan provides the administrator with such discretion, stock option and RSU awards granted to employees under the 2013 Plan typically vest in equal annual installments over two, three or five years beginning on the one-year anniversary of the date of grant, subject to continued service through each vesting date and, to the extent specified in an award agreement, accelerated vesting under certain circumstances, and awards granted under the 2013 Plan that are intended to qualify as performance-based compensation typically vest upon the satisfaction of one or more performance goals established by the plan administrator at or around the time the award is granted.

Treatment of Awards upon Corporate Transaction

The 2013 Plan provides that, in the event of a Corporate Transaction (as defined in the 2013 Plan), all outstanding awards under the 2013 Plan will terminate unless the awards are assumed in connection with the Corporate Transaction. Except as provided in an individual award agreement, for the portion of each award that is neither assumed nor replaced, such portion of the award will automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at fair market value) for all of the shares (or other consideration) at the time represented by such portion of the award, immediately prior to the specified effective date of such Corporate Transaction, provided that the grantee's continuous service has not terminated prior to such date.

Under the 2013 Plan, a Corporate Transaction includes, in general: (i) a person's or group's acquisition of more than 50% of the total combined voting power of our outstanding securities, (ii) certain changes to the composition of our Board of Directors, (iii) the consummation by the Company of certain mergers, consolidations, reorganizations, business combinations, asset sales or acquisitions, and (iv) a stockholder-approved liquidation or dissolutions of the Company.

Amendment, Suspension and Termination

The 2013 Plan will terminate on April 11, 2029, unless earlier terminated by the Board. The Board may at any time amend, suspend or terminate the 2013 Plan, subject to obtaining stockholder approval for any amendment to the extent necessary to comply with applicable laws and rules.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information as of February 1, 2020 about compensation plans under which our equity securities are authorized for issuance :

Plan category	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options, warrants and rights (#)	Weighted-average exercise price of outstanding options, warrants and rights (\$)	Number of securities remaining available for future issuance under equity compensation plans (#)
Equity compensation plans approved by security holders	212,831	11.94 (1)	90,423 (2)
Equity compensation plans not approved by security holders	—	—	—
Total	212,831	11.94	90,423

(1) Excludes RSU and performance stock unit awards, which have no associated exercise price.

(2) Represents shares reserved and available for future awards that may be granted under the 2013 Plan.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Fiscal 2020 Related Party Transactions

Except as described below and except for employment arrangements and compensation for Board service, which are described under "Executive Compensation" and "Director Compensation" above, since February 2, 2019, there has not been, nor is there currently proposed, any transaction or series of transactions in which we were or are to be a participant in which the amount involved exceeds the lesser of \$120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years, and in which any of our directors, executive officers, beneficial owners of more than 5% of our common stock or any immediate family member of any of the foregoing had or will have a direct or indirect material interest.

On August 3, 2018, we entered into a senior secured credit facility with Gordon Brothers Finance Company ("Gordon Brothers"), as administrative agent and collateral agent for the lenders from time to time party thereto, pursuant to which we

borrowed \$40.0 million under a term loan facility. Also on August 3, 2018, we entered into an Exchange Agreement (the “Exchange Agreement”) with (i) Jess Ravich, a member of the Board, (ii) Henry Stupp, our Chief Executive Officer and a member of the Board, and (iii) CSC (together with certain affiliates and funds of CSC), our largest stockholder. Under the Exchange Agreement, the former junior participants under our former credit facility with Cerberus exchanged their junior participation interests (together with approximately \$2.0 million of additional cash consideration provided by CSC) for new Subordinated Exchange Notes in an aggregate principal amount of \$13.5 million (the “Junior Notes”). The Junior Notes bear interest, through August 2, 2019, at a rate equal to the LIBOR Rate plus a margin of 8.75%. Thereafter, the Junior Notes bear interest at a rate equal to the LIBOR Rate plus a margin of (x) 8.25% if we have a trailing 12-month consolidated EBITDA greater than \$15 million, (y) 8.50% if we have a trailing 12-month consolidated EBITDA between \$10 million and \$15 million, or (z) 8.75% if we have a trailing 12-month consolidated EBITDA of less than \$10 million. The borrowings under the credit facility with Gordon Brothers together with the exchange under the Exchange Agreement resulted in the repayment of all amounts due under the Cerberus credit facility. The related party investors in the Junior Notes comprise (i) CSC or its affiliates, a large stockholder, with \$9.0 million of principal under Junior Notes; (ii) Jess Ravich, director and large stockholders, with \$4.4 million of principal under Junior Notes; and (iii) Henry Stupp, Chief Executive Officer, with \$0.1 million of principal under Junior Notes.

On December 28, 2018, we entered into certain subordinated notes (the “Subordinated Notes”) in favor of lenders (i) Jess Ravich, a member of the Board, (ii) CSC and Jeff Bronchick, Lead Principal Portfolio Manager of CSC, our largest stockholder, and (iii) Dwight Mamanteo, a member of the Board, pursuant to which we borrowed an aggregate of \$2.0 Million. On January 30, 2019, we entered into a second amendment to our senior secured credit facility with Gordon Brothers, as administrative agent and collateral agent for the lenders from time to time party thereto, to borrow an additional \$5.3 million under the credit facility (the “Additional Term Loan”). A portion of the net proceeds from the Additional Term Loan were used to repay the \$2.0 Million of Subordinated Notes. As of the end of Fiscal 2019, the Subordinated Notes have been paid in full and cancelled.

We have entered into indemnification agreements with each of our directors and executive officers. These agreements generally require us to indemnify such individuals, to the fullest extent permitted by Delaware law, for certain liabilities to which they may become subject as a result of their director and/or executive officer positions with our Company.

Policies and Procedures for Review and Approval of Related Party Transactions

Pursuant to the terms of the written charter of the Audit Committee and in accordance with applicable Nasdaq rules, our policy is to require that any transaction with a related party required to be reported under applicable SEC rules, other than compensation-related matters and waivers of our Code of Business Conduct and Ethics, be reviewed and approved or ratified by our Audit Committee (if such transactions are not reviewed or overseen by another independent body of the Board). In accordance with this policy, each of the Ravich Loan, the Private Placement and the Junior Participation Purchases has been reviewed and approved or ratified by an independent body of our Board. We have not adopted formal written procedures for the review, or standards for the approval, of these transactions; rather, our Audit Committee reviews each such transaction on a case-by-case basis and generally focuses on whether the terms of the transaction are at least as favorable to us as terms we would receive on an arm’s-length basis from an unaffiliated third party.

Director Independence

Our Board of Directors has determined that each of Mr. Mamanteo, Mr. Ravich and Ms. Johnson is an independent director within the meaning of applicable rules of Nasdaq. Also, the Board of Directors determined that Mr. Hengel is an independent director within the meaning of the applicable Nasdaq rules except for purposes of membership on the audit committee.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**Independent Registered Public Accounting Firm Fees and Services**

The following table shows the aggregate fees billed to us for professional services rendered by Deloitte in Fiscal 2020 and Fiscal 2019:

	Fiscal 2020	Fiscal 2019
Audit Fees (1)	\$ 518,000	\$ 755,000
Audit-Related Fees (2)	—	—
Tax Fees (3)	—	—
All Other Fees (4)	—	—
Total	\$ 518,000	\$ 755,000

- (1) Audit fees consist of fees for professional services rendered for the integrated audit of our annual consolidated financial statements (including services related to the audit of our internal control over financial reporting) and review of our interim condensed consolidated financial statements included in our quarterly reports, professional services rendered in connection with our filing of various registration statements (such as registration statements on Form S-8 and Form S-3, including related comfort letters) and other services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported as audit fees. No such services were rendered for us in Fiscal 2020 or Fiscal 2019.
- (3) Tax fees consist of fees for professional services rendered for tax compliance, tax advice and tax planning. No such services were rendered for us in Fiscal 2020 or Fiscal 2019.
- (4) All other fees consist of fees billed for products and services other than the services described in notes (1), (2) and (3) above. No such services were rendered for us in Fiscal 2020 or Fiscal 2019.

Pre-Approval Policies and Procedures

Pursuant to its charter, our Audit Committee annually reviews and pre-approves all audit and permissible non-audit services that may be provided by our independent registered public accounting firm and establishes a pre-approved aggregate fee level for all of these services, subject to exceptions for certain “de minimus” services and amounts in accordance with applicable SEC rules. Any proposed service not included within the list of pre-approved services or any proposed service that will cause us to exceed the pre-approved aggregate fee level requires specific pre-approval by the Audit Committee. All of the services rendered by our independent registered public accounting firms during Fiscal 2020 and Fiscal 2019 were pre-approved by the Audit Committee.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a)(1) A list of the financial statements included in and filed as part of this Annual Report is set forth in the Index to Consolidated Financial Statements in Item 8, “Financial Statements” and is incorporated herein by reference.
- (2) Schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto included in this Annual Report.
- (3) The information required by this Item 15(a)(3) is set forth on the Exhibit Index that immediately precedes the signature page to this Annual Report and is incorporated herein by reference.

Item 16. FORM 10-K SUMMARY

We have elected not to provide summary information.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
2.1+	Asset Purchase Agreement, by and among Cherokee Inc., Hawk 900 Brands LLC, Hawk Designs, Inc. and Quiksilver, Inc., dated as of January 10, 2014 (incorporated by reference to Exhibit 2.1 of Cherokee's Form 8-K dated January 10, 2014).
2.2+	Agreement and Plan of Merger, dated October 13, 2015, by and among Cherokee Inc., FFS Merger Sub LLC, FFS Holdings, LLC and Darin Kraetsch, solely in his capacity as the representative of the FFS Holdings, LLC equityholders (incorporated by reference to Exhibit 2.1 of Cherokee's Form 10-Q for the quarterly period ended October 31, 2015).
2.3+	Share Purchase Agreement, dated as of November 29, 2016, by and among Sunningdale Corporation Limited, Irene Acquisition Company B.V., and Cherokee Inc. (incorporated by reference to Exhibit 2.1 of Cherokee's Form 10-Q for the quarterly period ended October 29, 2016).
2.4+	Asset Purchase Agreement, dated as of November 29, 2016, by and among Hi-Tec Sports USA, Inc., Irene Acquisition Company B.V., Cherokee Inc. and Carolina Footwear Group, LLC (incorporated by reference to Exhibit 2.2 of Cherokee's Form 10-Q for the quarterly period ended October 29, 2016).
2.5+	Asset Purchase Agreement, dated as of November 29, 2016, by and among Hi-Tec Sports UK Limited, Hi-Tec Sports PLC, Hi-Tec Nederland B.V., Hi-Tec Sport France SAS, Irene Acquisition Company B.V. and Batra Limited (incorporated by reference to Exhibit 2.3 of Cherokee's Form 10-Q for the quarterly period ended October 29, 2016).
3.1	Amended and Restated Certificate of Incorporation of Cherokee Inc. (incorporated by reference to Exhibit 3.1 of Cherokee's Form 10-Q for the quarterly period ended October 28, 2000).
3.2	Amended and Restated Bylaws of Cherokee Inc. (incorporated by reference to Exhibit 3.2 of Cherokee's Form 8-K dated June 22, 2011).
4.1	Warrant to Purchase 120,000 Shares of Common Stock issued November 28, 2016 by Cherokee Inc. to Carolina Footwear Group LLC (incorporated by reference to Exhibit 4.1 of Cherokee's Form 10-Q for the quarterly period ended October 29, 2016).
4.2	Form of Warrant to Purchase Shares of Common Stock, issued on August 11, 2017 by Cherokee Inc. (incorporated by reference to Exhibit 4.1 of Cherokee's Form 8-K dated August 14, 2017).
4.3	Form of Warrant to Purchase Shares of Common Stock, issued on December 7, 2017 by Cherokee Inc. (incorporated by reference to Exhibit 4.2 of Cherokee's Form 10-Q for the quarterly period ended October 28, 2017).
4.4	Registration Rights Agreement, dated August 3, 2018, by and between the Company and Gordon Brothers Finance Company (incorporated by reference to Exhibit 4.1 of Cherokee's Form 10-Q for the quarterly period ended August 4, 2018).
4.5	Form of Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.2 of Cherokee's Form 10-Q for the quarterly period ended August 4, 2018).
4.6	Registration Rights Agreement, dated August 3, 2018, by and between the Company and the purchasers named therein (incorporated by reference to Exhibit 4.3 of Cherokee's Form 10-Q for the quarterly period ended August 4, 2018).
4.7	Form of Junior Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.4 of Cherokee's Form 10-Q for the quarterly period ended August 4, 2018).
10.1#	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 of Cherokee's Form 8-K dated June 5, 2012).
10.2#	The 2006 Incentive Award Plan of Cherokee Inc. (restating the 2003 Incentive Award Plan) (incorporated by reference to Annex A to Cherokee's Proxy Statement filed with the SEC on May 1, 2006).
10.3#	Amendment No. 1 to the 2006 Incentive Award Plan of Cherokee Inc. (incorporated by reference to Exhibit 10.1 of Cherokee's Form 10-Q for the quarterly period ended May 1, 2010).
10.4#	Form of Employee Option Agreement under the 2006 Incentive Award Plan of Cherokee Inc. (incorporated by reference to Exhibit 10.6 of Cherokee's Form 10-K for the fiscal year ended February 3, 2001).
10.5#	Form of Restricted Stock Award Agreement under the 2006 Incentive Award Plan of Cherokee Inc. (incorporated by reference to Exhibit 10.1 of Cherokee's Form 8-K dated June 18, 2012).
10.6#	Form of Performance-Based Restricted Stock Unit Agreement under the 2006 Incentive Award Plan of Cherokee Inc. (incorporated by reference to Exhibit 10.3 of Cherokee's Form 10-Q for the quarterly period ended May 4, 2013).
10.7#	Cherokee Inc. Amended and Restated 2013 Stock Incentive Plan (incorporated by reference to Exhibit 10.6 of Cherokee's Form 10-Q for the quarterly period ended April 30, 2016).

- 10.8# [Form of Stock Option Agreement under the Cherokee Inc. Amended and Restated 2013 Stock Incentive Plan \(incorporated by reference to Exhibit 10.2 of Cherokee's Form 10-Q for the quarterly period ended August 3, 2013\).](#)
- 10.9# [Amendment to Stock Option Agreement, dated as of July 26, 2012, by and between Cherokee and Henry Stupp \(incorporated by reference to Exhibit 10.3 of Cherokee's Form 10-Q for the quarterly period ended July 28, 2012\).](#)
- 10.10# [Amended and Restated Executive Employment Agreement, dated July 11, 2016, between Cherokee Inc. and Henry Stupp \(incorporated by reference to Exhibit 10.1 of Cherokee's Form 8-K dated July 14, 2016\).](#)
- 10.11# [Stock Option Agreement, dated as of March 25, 2013, by and between Cherokee Inc. and Jason Boling \(incorporated by reference to Exhibit 4.2 of Cherokee's Registration Statement No. 333-190795 on Form S-8 filed with the Commission on August 23, 2013\).](#)
- 10.12 [Office Lease, by and between Tri-Center Plaza, LP and Cherokee Inc., dated as of September 30, 2011 \(incorporated by reference to Exhibit 10.1 of Cherokee's Form 8-K dated October 13, 2011\).](#)
- 10.13 [Amendment to Office Lease, by and between KW Tricenter, LLC and Cherokee Inc., dated as of December 5, 2013 \(incorporated by reference to Exhibit 10.37 of Cherokee's Form 10-K for the fiscal year ended February 1, 2014\).](#)
- 10.14# [Employment Agreement, dated July 23, 2015, between Cherokee Inc. and Howard Siegel \(incorporated by reference to Exhibit 10.1 of Cherokee's Form 8-K dated July 29, 2015\).](#)
- 10.15 [Second Amendment to Office Lease, by and between KW Tricenter, LLC and Cherokee Inc., dated as of February 29, 2016 \(incorporated by reference to Exhibit 10.40 of Cherokee's Form 10-K for the fiscal year ended January 30, 2016\).](#)
- 10.16 [Financing Agreement, dated as of December 7, 2016, by and among Cherokee Inc., Irene Acquisition Company B.V., the guarantors from time to time party thereto, the lenders from time to time party thereto, Cerberus Business Finance, LLC, as Collateral Agent and Cerberus Business Finance, LLC, as Administrative Agent \(incorporated by reference to Exhibit 10.1 of Cherokee's Form 10-Q for the quarterly period ended October 29, 2016\).](#)
- 10.17 [Amendment No. 1 to Financing Agreement, dated August 11, 2017 and effective August 11, 2017, by and among Cherokee Inc., Irene Acquisition Company B.V., the guarantors from time to time party thereto, the lenders from time to time party thereto, Cerberus Business Finance, LLC, as Collateral Agent and Cerberus Business Finance, LLC, as Administrative Agent \(incorporated by reference to Exhibit 10.2 of Cherokee's Form 8-K dated August 14, 2017\).](#)
- 10.18 [Amendment No. 2 to Financing Agreement, dated November 10, 2017 and effective December 7, 2017, by and among Cherokee Inc., Irene Acquisition Company B.V., the guarantors from time to time party thereto, the lenders from time to time party thereto, Cerberus Business Finance, LLC, as Collateral Agent and Cerberus Business Finance, LLC, as Administrative Agent \(incorporated by reference to Exhibit 10.1 of Cherokee's Form 8-K dated November 13, 2017\).](#)
- 10.19 [Promissory Note, dated as of December 7, 2016, executed by Irene Acquisition Company B.V. in favor of Ravich Revocable Trust of 1989 \(incorporated by reference to Exhibit 10.2 of Cherokee's Form 10-Q for the quarterly period ended October 29, 2016\).](#)
- 10.20 [First Amendment to Promissory Note, dated as of June 5, 2017, by and between Irene Acquisition Company B.V. and Ravich Revocable Trust of 1989 \(incorporated by reference to Exhibit 10.1 of Cherokee's Form 10-Q for the quarterly period ended April 29, 2017\).](#)
- 10.21 [Second Amendment to Promissory Note, dated August 11, 2017, by and between Irene Acquisition Company B.V. and Ravich Revocable Trust of 1989 \(incorporated by reference to Exhibit 10.3 of Cherokee's Form 8-K dated August 14, 2017\).](#)
- 10.22 [Form of Common Stock Purchase Agreement between Cherokee Inc. and the investor named therein \(incorporated by reference to Exhibit 10.1 of Cherokee's Form 8 - K dated August 14, 2017\).](#)
- 10.23# [Amendment No. 1 to Amended and Restated Executive Employment Agreement, dated October 30, 2017, between Cherokee Inc. and Henry Stupp \(incorporated by reference to exhibit 10.23 of Cherokee's Form 10-K for the fiscal year ended February 3, 2018\).](#)
- 10.24# [Offer Letter Agreement, dated December 13, 2017, by and between Cherokee Inc. and Steven L. Brink \(incorporated by reference to exhibit 10.24 of Cherokee's Form 10-K for the fiscal year ended February 3, 2018\).](#)
- 10.25# [Separation and Release Letter Agreement, dated December 13, 2017, by and between Cherokee Inc. and Jason Boling \(incorporated by reference to exhibit 10.25 of Cherokee's Form 10-K for the fiscal year ended February 3, 2018\).](#)
- 10.26 [Financing Agreement, dated August 3, 2018, by and between the Company, Gordon Brothers Finance Company and additional parties named therein \(incorporated by reference to Exhibit 10.1 of Cherokee's Form 10-Q for the quarterly period ended August 4, 2018\).](#)

10.27	Pledge and Security Agreement, dated August 3, 2018, by and between the Company and Gordon Brothers Finance Company (incorporated by reference to Exhibit 10.2 of Cherokee's Form 10-Q for the quarterly period ended August 4, 2018).
10.28	Subordinated Exchange Note, dated August 3, 2018, by and between the Company and Cove Street Capital Small Cap Value Fund (incorporated by reference to Exhibit 10.4 of Cherokee's Form 10-Q for the quarterly period ended August 4, 2018).
10.29	Subordinated Exchange Note, dated August 3, 2018, by and between the Company and Henry I. Stupp (incorporated by reference to Exhibit 10.5 of Cherokee's Form 10-Q for the quarterly period ended August 4, 2018).
10.30	Subordinated Exchange Note, dated August 3, 2018, by and between the Company and Ravich Revocable Trust of 1989 (incorporated by reference to Exhibit 10.6 of Cherokee's Form 10-Q for the quarterly period ended August 4, 2018).
10.31	Subordinated Exchange Note, dated August 3, 2018, by and between the Company and Square Deal Growth, LLC (incorporated by reference to Exhibit 10.7 of Cherokee's Form 10-Q for the quarterly period ended August 4, 2018).
10.32	First Amendment to Financing Agreement, dated December 28, 2018, by and between the Company, Gordon Brothers Finance Company and additional parties named therein (incorporated by reference to Exhibit 10.32 of APEX's Form 10-K for fiscal year ended February 2, 2019).
10.33	Subordinated Note, dated December 28, 2018, by and between the Company and Jess Ravich (incorporated by reference to Exhibit 10.33 of APEX's Form 10-K for fiscal year ended February 2, 2019).
10.34	Subordinated Note, dated December 28, 2018, by and between the Company and the Bronchick Family Trust (incorporated by reference to Exhibit 10.34 of APEX's Form 10-K for fiscal year ended February 2, 2019).
10.35	Subordinated Note, dated December 28, 2018, by and between the Company and Square Deal Growth, LLC (incorporated by reference to Exhibit 10.35 of APEX's Form 10-K for fiscal year ended February 2, 2019).
10.36	Subordinated Note, dated December 28, 2018, by and between the Company and Dwight Mamanteo (incorporated by reference to Exhibit 10.36 of APEX's Form 10-K for fiscal year ended February 2, 2019).
10.37	Second Amendment to Financing Agreement, dated January 30, 2019, by and between the Company, Gordon Brothers Finance Company and additional parties named therein (incorporated by reference to Exhibit 10.37 of APEX's Form 10-K for fiscal year ended February 2, 2019).
10.38**	Amended and Restated Executive Employment Agreement, dated October 25, 2019, by and between the Company and Henry Stupp.
14.1	Code of Business Conduct and Ethics adopted by Apex Global Brands Inc. This Code of Business Conduct and Ethics, as applied to our principal financial officers, shall be our "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder and, as applied to our principal executive, financial and accounting officers, shall be our "code of ethics" within the meaning of Item 406 of Regulation S-K (incorporated by reference to Exhibit 14.1 of Cherokee's Form 10-K for the fiscal year ended January 31, 2004).
16.1	Letter, dated August 25, 2017, from Ernst & Young LLP (incorporated by reference to Exhibit 16.1 of Cherokee's Form 8-K dated August 25, 2017).
21.1*	Subsidiaries of APEX Global Brands Inc.
23.1*	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.
24.1*	Power of Attorney (included on the signature page hereto).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from Cherokee's Annual Report on Form 10-K for the fiscal year ended February 1, 2020, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Stockholders' Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements.

* Filed herewith.

** Furnished herewith.

Management contract or compensatory plan or arrangement.

+ Schedules and exhibits omitted pursuant to Item 601(b)(2) of Regulation S-K promulgated by the SEC. The Company has agreed to furnish a supplemental copy of any omitted schedules or exhibits to the SEC upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 30, 2020

APEX GLOBAL BRANDS INC.

By /s/ HENRY STUPP
Henry Stupp
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Henry Stupp and Steven L. Brink, and each of them individually, as his true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities to any or all amendments to this Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents or any of them the full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the foregoing, as full to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ HENRY STUPP Henry Stupp	Chief Executive Officer and Director (Principal Executive Officer)	April 30, 2020
/s/ STEVEN L. BRINK Steven L. Brink	Chief Financial Officer (Principal Financial and Accounting Officer)	April 30, 2020
/s/ JESS RAVICH Jess Ravich	Director	April 30, 2020
/s/ PATTI JOHNSON Patti Johnson	Director	April 30, 2020
/s/ DWIGHT MAMANTEO Dwight Mamanteo	Director	April 30, 2020
/s/ EVAN HENGEL Evan Hengel	Director	April 30, 2020

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This Amended and Restated Executive Employment Agreement (the “Agreement”), dated October 22, 2019, is entered into by and between Apex Global Brands, Inc., a Delaware corporation (the “Company”) and Henry Stupp (“Executive”) (collectively, the “parties”).

RECITALS

WHEREAS, the parties previously entered into an Employment Agreement dated August 26, 2011, which was subsequently amended and restated on July 15, 2013 and further amended and restated on July 11, 2016 (the “Original Agreement”), which expires by its terms on January 30, 2020;

WHEREAS, the parties wish to amend and restate the Original Agreement and to provide for Executive’s continued employment with Company pursuant to the terms of this Agreement effective as of January 31, 2020 (the “Effective Date”); and

WHEREAS, prior to the Effective Date, the Original Agreement shall continue in accordance with its terms;

NOW, THEREFORE, in consideration of the covenants, promises and representations set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

I. POSITION AND RESPONSIBILITIES; TERM

A. Position. As of the Effective Date, Executive shall continue to be employed by the Company to render services to the Company in the position of Chief Executive Officer. Executive shall perform such duties and responsibilities as are normally related to such position in accordance with the standards of the industry and any additional duties now or hereafter assigned to Executive by the Company. Executive shall also serve as the most senior executive officer of each of the Company’s subsidiaries, unless otherwise agreed by Executive and the Company. Executive shall report solely to the Company’s Board of Directors (the “Board”). Executive shall abide by the rules, regulations, and practices as adopted or modified from time to time in the Company’s sole discretion. As of the Effective Date, Executive shall continue to serve as a member of the Board. Each year during the Term, the Board shall nominate Executive for election to the Board at the Company’s annual meeting of stockholders.

B. Other Activities. Except upon the prior written consent of the Company, Executive will not, during the term of this Agreement, (i) accept any other employment while employed by the Company, or (ii) engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that is reasonably likely to interfere in any material respect with Executive’s duties and responsibilities hereunder or create a conflict of interest with the Company. Notwithstanding the foregoing, Executive shall be permitted to serve on corporate, civic or charitable boards or committees and shall be permitted to engage in personal business and investment activities (including without limitation activities related to Visioneering Marketing), provided that such activities do not materially interfere with the performance of Executive’s duties under this Agreement.

C. No Conflict. Executive represents and warrants that Executive's execution of this Agreement, employment with the Company, and the performance of Executive's proposed duties under this Agreement shall not violate any obligations Executive has to any other employer, person or entity, including any obligations with respect to proprietary or confidential information of any other person or entity.

D. Term. This Agreement shall remain in effect from the Effective Date until January 31, 2021 ("Initial Term"). After the Initial Term the Agreement shall automatically be renewed for a one-year term (each a "Subsequent Term," and together with the Initial Term, a "Term"), unless either party provides the other party written notice of non-renewal at least ninety (90) days prior to the end of the then current Term.

II. COMPENSATION AND BENEFITS

A. Base Salary. In consideration of the services to be rendered under this Agreement, the Company shall pay Executive a salary at the rate of Six-Hundred-Fifty-Thousand Dollars (\$650,000.00) per year ("Base Salary"). The Base Salary shall be paid in accordance with the Company's regularly established payroll practice. Executive's Base Salary will be reviewed from time to time in accordance with the established procedures of the Company for adjusting salaries for similarly situated employees and may be increased in the sole discretion of the Company.

B. Discretionary Bonus. Within 60 days from the end of each fiscal year during the Term, the Compensation Committee of the Board shall evaluate Executive's performance in light of factors that such committee deems relevant. Based on this evaluation, Executive will be eligible to receive a bonus award of up to \$300,000 for performance in each fiscal year. The amount of the bonus, if any, shall be determined in the sole discretion of the Compensation Committee of the Board and shall be paid in accordance with the Company's regularly established payroll practice within 75 days of the end of the relevant fiscal year.

C. Performance Bonus. For each fiscal year during the Term, Executive shall be eligible to receive a performance bonus based on level of achievement of the Company's EBITDA (inclusive of any amounts payable under this Section II.C) for such fiscal year relative to the EBITDA target included in the budget approved by the Board for such fiscal year (and taking into account any Board approved adjustments to the budgeted EBITDA during the relevant fiscal year). The amount of the performance bonus shall be \$200,000 at 100% achievement, with a minimum bonus of \$50,000 at 80% achievement and a maximum bonus of \$350,000 at 120% achievement (with linear interpolation between 80% and 120% achievement). If the Company's EBITDA for such fiscal year is less than 80% of the EBITDA target included in the budget approved by the Board for such fiscal year (and taking into account any Board approved adjustments to the budgeted EBITDA during the relevant fiscal year), then Executive shall not be entitled to any performance bonus under this Section II.C. The determination regarding the satisfaction of the criteria for the performance bonus in this Section II.C shall be made by the Compensation Committee of the Board in good faith after reviewing the financial results of the Company for the relevant fiscal year. Any award payable under this Section II.C shall be paid in accordance with the Company's regularly established payroll practice within 75 days of the end of the relevant fiscal year. Notwithstanding anything in this Agreement, no Performance Bonus shall be payable under this Section II.C unless the EBITDA of the Company is in excess of \$10,000,000 for such fiscal year.

D. Benefits. Executive shall be eligible to participate in the benefits made generally available by the Company to similarly-situated executives, in accordance with the benefit plans established by the Company, and as may be amended from time to time in the Company's sole discretion. Executive shall be entitled to vacation of three weeks per annum.

E. Expenses. The Company shall reimburse Executive for reasonable business expenses incurred in the performance of Executive's duties hereunder in accordance with the Company's expense reimbursement guidelines. Executive agrees to abide by the Company's Travel and Expense Reimbursement Policy, a copy of which has been delivered to Executive. The Company shall also reimburse Executive for reasonable legal fees and expenses incurred by him in the negotiation and preparation of this Agreement up to a maximum amount of \$20,000.

F. Stock Options. As soon as practicable following the Effective Date, and pursuant to the terms of the Cherokee Inc. Amended and Restated 2013 Stock Incentive Plan, as amended from time to time (the "Plan"), the Company shall grant to the Executive an Option (as such term is defined in the Plan) to purchase 100,000 shares of the Company's Common Stock at a purchase price equal to Fair Market Value (as such term is defined in the Plan). The Option shall vest in equal annual installments over a period of three (3) years such that the Option is vested fully as of the third anniversary of the Effective Date provided, however, that if Executive earns the Sale Bonus (as described in Section II.G. below) the Option shall vest fully upon the Corporate Transaction (as defined below). The Option shall be subject to the terms of the Plan and a form of option agreement.

G. Sale Bonus. If the Company consummates a Corporate Transaction (as such term is defined in clause (iii) of Section 2(o) the Plan) during the Term and the amount per share received by the holders of the Company's Common Stock is greater than \$1.00 per share (the "Qualifying Share Price"), the Company shall pay the Executive a bonus in an amount equal to \$100,000 multiplied by the Qualifying Share Price, minus \$1. By way of example only, if the Qualifying Share Price \$3.25, the amount of the Sale Bonus shall equal \$225,000. The Sale Bonus, if any, will be paid, less required withholdings, within thirty (30) days following the effective date of the Corporate Transaction.

III. AT-WILL EMPLOYMENT; TERMINATION BY COMPANY WITHOUT CAUSE; TERMINATION BY EXECUTIVE FOR GOOD REASON

A. At-Will Employment. Executive's employment with the Company shall be "at-will" at all times. The Company may terminate Executive's employment with the Company at any time, without any advance notice, for any reason or no reason at all, notwithstanding anything to the contrary contained in or arising from any statements, policies or practices of the Company relating to the employment, discipline or termination of its employees. Upon and after such termination, all obligations of the Company under this Agreement shall cease, except as otherwise provided herein. Executive may terminate his employment with the Company at any time, without any advance notice, for any reason or no reason at all, and all obligations of Executive under this Agreement shall cease, except as otherwise provided herein.

B. Severance. Except in situations where the employment of Executive is terminated For Cause, By Death or By Disability (as defined in Section IV below), in the event that the Company terminates Executive's employment at any time, including if the Company elects not to renew the Term, or if Executive terminates his employment at any time for Good Reason (as defined in Section V below), Executive will be entitled to receive an amount equal to six (6) months (the "Severance Period") of Executive's then-current Base Salary, payable in the form of salary continuation ("Severance"), provided, however, that if the Executive earns the Sale Bonus and thereafter becomes entitled to resign as a result of clause (iii) of the definition of For Good Reason then the Severance Period shall be twelve (12) months. In addition, Executive will be entitled to receive: (i) a pro-rated performance bonus for the fiscal year in which such termination occurs (based on the actual achievement for the full fiscal year and then pro-rated to reflect the number of days of employment during such fiscal year) which shall be payable at the same time as performance bonuses are payable to the Company's other senior executives; (ii) an additional severance payment equal to one times the Executive's average performance bonuses for the prior two completed fiscal years, which shall be paid in a lump sum within 60 days of termination of employment; and (iii) accelerated vesting of the Executive's restricted stock units (or other equity awards). Executive shall not be entitled to any Severance if Executive's employment is terminated For Cause, By Death or By Disability (as defined in Section IV below) or if Executive's employment is terminated by Executive for any reason other than Good Reason. .

C. Medical and Dental Benefits. For such portion of the Severance Period as Executive is eligible for and elects COBRA continuation coverage, the Company shall either: (i) continue Executive's medical and dental benefits as such benefits are generally offered to the Company's employees as of Executive's termination date, or (ii) reimburse Executive for COBRA payments made by Executive to maintain his medical and dental benefits, as applicable under the Company's insurance policies.

D. Conditions to Benefits.

1. Release of Claims Agreement. The receipt of any severance or other benefits pursuant to Section III.B. will be subject to Executive signing and not revoking a release of claims agreement in the form attached hereto as Annex B, and such release becoming effective within sixty (60) days of Executive's termination. No severance or other benefits will be paid or provided until the release of claims agreement becomes effective, and any severance amounts or benefits otherwise payable between the date of Executive's termination and the date such release becomes effective shall be paid on the effective date of such release, subject to Annex A.

2. Non-solicitation. The receipt of any severance or other benefits pursuant to Section III.B. will be subject to Executive complying with the provisions of Section VII.B during the Severance Period.

3. Non-disparagement. The receipt of any severance or other benefits pursuant to Section III.B. will be subject to Executive agreeing that during the Severance Period, Executive will not knowingly and materially disparage, criticize, or otherwise make any derogatory statements regarding the Company. During the Severance Period, the Company will not knowingly and materially disparage, criticize, or otherwise make any derogatory statements regarding Executive. Notwithstanding the foregoing, nothing contained in this Agreement will be deemed to restrict Executive, the Company or any of the Company's current or former officers and/or directors from (1) providing information to any governmental or regulatory agency (or in any way limit the content of any such information) to the extent they are requested or required to provide such information pursuant to applicable law or regulation or (2) enforcing his or its rights pursuant to this Agreement.

4. No Duty to Mitigate. Executive will not be required to mitigate the amount of any payment contemplated by this Agreement, nor will any earnings that Executive may receive from any other source reduce any such payment.

IV. OTHER TERMINATIONS BY COMPANY

A. Termination for Cause. For purposes of this Agreement, “For Cause” shall mean: (i) Executive is indicted or charged in a court of competent jurisdiction for, or pleads nolo contendere to, a felony or crime involving dishonesty, breach of trust, or physical harm to any person; (ii) Executive willfully engages in conduct that is in bad faith and materially injurious to the Company, including but not limited to, misappropriation of trade secrets, fraud or embezzlement; (iii) Executive commits a material breach of this Agreement, which breach is not cured within twenty days after written notice to Executive from the Company; (iv) Executive willfully refuses to implement or follow a lawful policy of the Company, which breach is not cured within twenty days after written notice to Executive from the Company; or (v) Executive engages in misfeasance or malfeasance demonstrated by a pattern of failure to perform job duties diligently and professionally. The Company may terminate Executive’s employment For Cause only after affording the Executive an opportunity (on notice which may be as little as 24 hours) to appear (with his counsel) before the Board. The Company shall pay to Executive all compensation to which Executive is entitled up through the date of termination, subject to any other rights or remedies of the Company under law; and thereafter all obligations of the Company under this Agreement shall cease. Nothing in this Section shall affect Executive’s rights to payment of unreimbursed business expenses, rights under any benefit plan in which Executive is a participant or any rights to indemnification.

B. By Death. Executive’s employment shall terminate automatically upon Executive’s death. The Company shall pay to Executive’s beneficiaries or estate, as appropriate, any compensation then due and owing. In addition, Executive will be entitled to receive: (i) a pro-rated performance bonus for the fiscal year in which such termination occurs (based on the actual achievement for the full fiscal year and then pro-rated to reflect the number of days of employment during such fiscal year) which shall be payable at the same time as performance bonuses are payable to the Company’s other senior executives; and (ii) accelerated vesting of the Executive’s restricted stock units (or other equity awards). Thereafter all obligations of the Company under this Agreement shall cease. Nothing in this Section shall affect any entitlement of Executive’s heirs or devisees to payment of unreimbursed business expenses, the benefits of any life insurance plan or other applicable benefit plans or any rights to indemnification.

C. By Disability. If Executive becomes eligible for the Company’s long term disability benefits or if, in the reasonable opinion of the Company (based on advice of a medical doctor reasonably acceptable to Executive and the Company), Executive is unable to carry out the responsibilities and functions of the position held by Executive by reason of any physical or mental impairment for more than ninety consecutive days or more than one hundred and twenty days in any twelve-month period, then, to the extent permitted by law, the Company may terminate Executive’s employment. The Company shall pay to Executive all compensation to which Executive is entitled up through the date of termination, and thereafter all obligations of the Company under this Agreement shall cease. In addition, Executive will be entitled to receive: (i) a pro-rated performance bonus for the fiscal year in which such termination occurs (based on the actual achievement for the full fiscal year and then pro-rated to reflect the number of days of employment during such fiscal year) which shall be payable at the same time as performance bonuses are payable to the Company’s other senior executives; and (ii) accelerated vesting of the Executive’s restricted stock units (or other equity awards). Nothing in this Section shall affect Executive’s rights to payment of unreimbursed business expenses, rights under any disability plan or other applicable benefit plan in which Executive is a participant or any rights to indemnification.

V. OTHER TERMINATION BY EXECUTIVE

A. At-Will Termination by Executive. Executive may terminate employment with the Company other than for Good Reason at any time for any reason or no reason at all, upon four weeks' advance written notice. During such notice period Executive shall continue to diligently perform all of Executive's duties hereunder. The Company shall have the option, in its sole discretion, to make Executive's termination effective at any time prior to the end of such notice period. Thereafter all obligations of the Company under this Agreement shall cease. Nothing in this Section shall affect Executive's rights to payment of unreimbursed business expenses, rights under any benefit plan in which Executive is a participant or any rights to indemnification.

B. Termination by Executive for Good Reason. Executive may terminate employment with the Company For Good Reason. For purposes of this Agreement, "For Good Reason" shall mean any of the following without the Executive's consent: (i) the assignment to Executive of any duties inconsistent with his position, duties, responsibilities or status with the Company or a reduction of the Executive's duties or responsibilities; (ii) Executive no longer reports directly to the Board; (iii) a reduction in the Executive's Base Salary or bonus opportunities; (iv) the Company's requiring Executive to be based at any office or location more than 50 miles from the location at which he performs his services for the Company, except for travel reasonably required in the performance of Executive's responsibilities; or (v) material breach by the Company of its material obligations under the Agreement or any other agreement with the Executive which breach is not cured within 20 days after written notice thereof by the Executive.

VI. TERMINATION OBLIGATIONS

A. Return of Property. Executive agrees that all property (including without limitation all equipment, tangible proprietary information, documents, records, notes, contracts and computer-generated materials) furnished to or created or prepared by Executive incident to Executive's employment belongs to the Company and shall be promptly returned to the Company upon termination of Executive's employment. Notwithstanding the foregoing, Executive shall be entitled to retain copies of his personal employment and tax records.

B. Resignation and Cooperation. Upon termination of Executive's employment, Executive shall be deemed to have resigned from all offices and directorships then held with the Company. Following any termination of employment, Executive shall reasonably cooperate with the Company in the winding up of pending work on behalf of the Company and the orderly transfer of work to other employees. Executive shall also reasonably cooperate at the Company's expense with the Company in the defense of any action brought by any third party against the Company that relates to Executive's employment by the Company.

VII. INVENTIONS AND PROPRIETARY INFORMATION; PROHIBITION ON THIRD PARTY INFORMATION

A. Proprietary Information Agreement. Executive agrees that he shall continue to be bound by the terms of the Company's proprietary information and inventions agreement.

B. Non-Solicitation. Executive acknowledges that because of Executive's position in the Company, Executive will have access to material intellectual property and confidential information. During the term of Executive's employment and for one year thereafter, in addition to Executive's other obligations hereunder or under the proprietary information agreement, Executive shall not, for Executive or any third party, directly or indirectly (i) solicit, induce, recruit or encourage any person employed by the Company to terminate his or her employment or (ii) divert or attempt to divert from the Company any business with any customer, client, member, business partner or supplier about which Executive obtained confidential information during his employment with the Company, by using the Company's trade secrets or by otherwise engaging in conduct that amounts to unfair competition.

C. Non-Disclosure of Third Party Information. Executive represents and warrants and covenants that Executive shall not disclose to the Company, or use, or induce the Company to use, any proprietary information or trade secrets of others at any time, including but not limited to any proprietary information or trade secrets of any former employer, if any; and Executive acknowledges and agrees that any violation of this provision shall be grounds for Executive's immediate termination and could subject Executive to substantial civil liabilities and criminal penalties. Executive further specifically and expressly acknowledges that no officer or other employee or representative of the Company has requested or instructed Executive to disclose or use any such third party proprietary information or trade secrets.

VIII. AMENDMENTS; WAIVERS; REMEDIES

This Agreement may not be amended or waived except by a writing signed by Executive and by a duly authorized representative of the Company other than Executive. Failure to exercise any right under this Agreement shall not constitute a waiver of such right. Any waiver of any breach of this Agreement shall not operate as a waiver of any subsequent breaches. All rights or remedies specified for a party herein shall be cumulative and in addition to all other rights and remedies of the party hereunder or under applicable law.

IX. ASSIGNMENT; BINDING EFFECT

A. Assignment. The performance of Executive is personal hereunder, and Executive agrees that Executive shall have no right to assign and shall not assign or purport to assign any rights or obligations under this Agreement. This Agreement may not be assigned or transferred by the Company except in connection with a sale of all or substantially all of its assets and provided that the acquiring party agrees to assume this Agreement. Nothing in this Agreement shall prevent the consolidation, merger or sale of the Company or a sale of any or all or substantially all of its assets.

B. Binding Effect. Subject to the foregoing restriction on assignment by Executive, this Agreement shall inure to the benefit of and be binding upon each of the parties; the permitted successors and assigns of the Company; and the heirs, devisees, spouses, legal representatives and successors of Executive.

X. NOTICES

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered: (a) by hand; (b) by a nationally recognized overnight courier service; or (c) by United States first class registered or certified mail, return receipt requested, to the principal address of the other party, as set forth below. The date of notice shall be deemed to be the earlier of (i) actual receipt of notice by any permitted means, or (ii) five business days following dispatch by overnight delivery service or the United States Mail. Executive shall be obligated to notify the Company in writing of any change in Executive's address. Notice of change of address shall be effective only when done in accordance with this paragraph.

Company's Notice Address:

Apex Global Brands, Inc.
5990 Sepulveda Boulevard
Sherman Oaks, CA 91411
Attn: Secretary

Executive's Notice Address:

XI. SEVERABILITY

If any provision of this Agreement shall be held by a court or arbitrator to be invalid, unenforceable, or void, such provision shall be enforced to the fullest extent permitted by law, and the remainder of this Agreement shall remain in full force and effect. In the event that the time period or scope of any provision is declared by a court or arbitrator of competent jurisdiction to exceed the maximum time period or scope that such court or arbitrator deems enforceable, then such court or arbitrator shall reduce the time period or scope to the maximum time period or scope permitted by law.

XII. TAXES

All amounts paid under this Agreement shall be paid less all applicable state and federal tax withholdings (if any) and any other withholdings required by any applicable jurisdiction or authorized by Executive.

XIII. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

XIV. INTERPRETATION

This Agreement shall be construed as a whole, according to its fair meaning, and not in favor of or against any party. Sections and section headings contained in this Agreement are for reference purposes only, and shall not affect in any manner the meaning or interpretation of this Agreement. Whenever the context requires, references to the singular shall include the plural and the plural the singular.

XV. OBLIGATIONS SURVIVE TERMINATION OF EMPLOYMENT

Executive and the Company agree that Sections III through VII of this Agreement shall survive the termination of employment and the termination of this Agreement.

XVI. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Agreement, but all of which together shall constitute one and the same instrument.

XVII. AUTHORITY

Each party represents and warrants that such party has the right, power and authority to enter into and execute this Agreement and to perform and discharge all of the obligations hereunder; and that this Agreement constitutes the valid and legally binding agreement and obligation of such party and is enforceable in accordance with its terms.

XVIII. ENTIRE AGREEMENT

This Agreement is intended to be the final, complete, and exclusive statement of the terms of Executive's employment by the Company, may not be contradicted by evidence of any prior or contemporaneous statements or agreements except for agreements specifically referenced herein, and amends, restates and supersedes the Original Agreement in its entirety. Notwithstanding the foregoing, this Agreement in no way modifies or limits the rights or obligations of the Company or Executive under (i) the Indemnification Agreement by and between the Company and Executive dated June 19, 2012 or the indemnification provisions of the Company's charter or by-laws, (ii) the Executive's equity awards outstanding on the Effective Date or (iii) the Company's benefits plans or fringe benefit policies with respect to Executive's service with the Company prior to the Effective Date. To the extent that the practices, policies or procedures of the Company, now or in the future, apply to Executive and are inconsistent with the terms of this Agreement, the provisions of this Agreement shall control.

XIX. EXECUTIVE ACKNOWLEDGEMENT

EXECUTIVE ACKNOWLEDGES EXECUTIVE HAS HAD THE OPPORTUNITY TO CONSULT LEGAL COUNSEL CONCERNING THIS AGREEMENT, THAT EXECUTIVE HAS READ AND UNDERSTANDS THE AGREEMENT, THAT EXECUTIVE IS FULLY AWARE OF ITS LEGAL EFFECT, AND THAT EXECUTIVE HAS ENTERED INTO IT FREELY BASED ON EXECUTIVE'S OWN JUDGMENT AND NOT ON ANY REPRESENTATIONS OR PROMISES OTHER THAN THOSE CONTAINED IN THIS AGREEMENT.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.

APEX GLOBAL BRANDS, INC.

By:

Evan Hengel, Chairman of the Board

Date:

Henry Stupp

Signature

Date:

SIGNATURE PAGE TO EXECUTIVE EMPLOYMENT AGREEMENT DATED OCTOBER 22, 2019

ANNEX A

Section 409A Addendum

Notwithstanding anything to the contrary in the Agreement, no severance pay or benefits to be paid or provided to Executive, if any, pursuant to the Agreement that, when considered together with any other severance payments or separation benefits, are considered deferred compensation under Section 409A of the Internal Revenue Code of 1986, as amended, and the final regulations and any guidance promulgated thereunder ("Section 409A") (together, the "Deferred Payments") will be paid or otherwise provided until Executive has had a "separation from service" within the meaning of Section 409A. Similarly, no severance payable to Executive, if any, that otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until Executive has had a "separation from service" within the meaning of Section 409A. Each payment and benefit payable under the Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

Any severance payments or benefits under the Agreement that would be considered Deferred Payments will be paid or will commence on the sixtieth (60th) day following Executive's separation from service, or, if later, such time as required by the next paragraph.

Notwithstanding anything to the contrary in the Agreement, if Executive is a "specified employee" within the meaning of Section 409A at the time of Executive's termination (other than due to death), then the Deferred Payments that would otherwise have been payable within the first six (6) months following Executive's separation from service, will be paid on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Executive's separation from service, but in no event later than seven months after the date of such separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Executive dies following Executive's separation from service, but prior to the six (6) month anniversary of the separation from service, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit.

Any amount paid under the Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit (as defined below) will not constitute Deferred Payments. For this purpose, the "Section 409A Limit" will mean two (2) times the lesser of: (i) Executive's annualized compensation based upon the annual rate of pay paid to him during Executive's taxable year preceding his taxable year of his separation from service as determined under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A) (1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Internal Revenue Code for the year in which Executive's separation from service occurred.

The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The Company and Executive agree to work together in good faith to consider amendments to the Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive under Section 409A.

Annex B

RELEASE

This Release (“**Release**”) is entered into by and between Apex Global Brands, Inc., a Delaware corporation (the “**Company**”) and Henry Stupp, an individual (“**Executive**”), as of the last date set forth below. The Company and the Executive are sometimes referred to herein as the Parties.

1. **Release by Executive.** Except for the “Excluded Claims” (defined below), as a condition to receipt of the severance or other benefits payable pursuant to Section III.B of the Amended and Restated Executive Employment Agreement dated as of October 22, 2019 between the Company and the Executive (“**Employment Agreement**”), Executive hereby fully and forever releases and discharges Company and its current and former parents, subsidiaries, affiliates, divisions, employees, trustees, fiduciaries, insurers, officers, directors, investors, shareholders, owners, attorneys, agents, successors, assignees, benefit plans, and representatives (hereafter referred to collectively as the “**Company Releasees**”), and each of them, from any and all liabilities, claims, causes of action, charges, complaints, obligations, costs, losses, damages, injuries, attorneys’ fees, and other legal responsibilities, of any form whatsoever, whether known or unknown, unforeseen, unanticipated, unsuspected or latent, that Executive has incurred or expects to incur, or now owns or holds, or has at any time heretofore owned or held, or may at any time own, hold, or claim to hold by reason of any matter or thing arising prior to the date of Executive’s execution of this Release in connection with Executive’s employment with the Company and the termination of that employment.

This release extends to any and all claims including, but not limited to, any alleged: (a) violation of the California Fair Employment and Housing Act, the California Wage Orders, the Private Attorneys General Act, the Employee Retirement Income Security Act of 1974, Title VII of the Civil Rights Act, the Age Discrimination in Employment Act, the Worker Adjustment and Retraining Notification Act, the California Labor Code, the Fair Labor Standards Act, the Occupational Safety and Health Act, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Americans With Disabilities Act, the Family Medical Leave Act, the California Family Rights Act, the Sarbanes-Oxley Act, and/or state and federal False Claims acts; (b) harassment, discrimination, retaliation, breach of any express or implied employment contract or agreement, wrongful discharge, breach of the implied covenant of good faith and fair dealing, intentional or negligent infliction of emotional distress, misrepresentation, fraud, defamation, interference with prospective economic advantage, and/or wage and hour violations; and (c) violation of any local, state or federal law, regulation or ordinance and/or public policy, contract, or tort or common law claim having any bearing whatsoever on the terms and conditions and/or cessation of employment with any of the Company Releasees. It is Executive’s intent to waive and release any and all claims that she has or may have against the Company Releasees as of the date of the execution of this Release. Notwithstanding the releases set forth above, this Release does not release: (i) any claim that is prohibited from being released as a matter of law, (ii) the Company’s obligation to make the payments or provided the benefits under Sections III.B of the Employment Agreement, (iii) any rights of Executive to receive payments or benefits after the date hereof under the Company’s benefit plans in accordance with the terms of such plans, (iv) any rights to indemnification under the Company’s charter, by-laws or the indemnification agreement dated June 19, 2012 or (v) any rights of Executive in his capacity as a stockholder of the Company (collectively, the “**Excluded Claims**”).

2. **Release by Company.** Company, on behalf of itself and its current and former parents, subsidiaries, affiliates, divisions, employees, trustees, fiduciaries, insurers, officers, directors, investors, shareholders, owners, attorneys, agents, successors, assignees, benefit plans, and representatives, hereby fully and forever releases and discharges Executive and his heirs, executors, successors and assigns (hereafter referred to collectively as the “**Executive Releasees**”), and each of them, from any and all liabilities, claims, causes of action, charges, complaints, obligations, costs, losses, damages, injuries, attorneys’ fees, and other legal responsibilities, of any form whatsoever, whether known or unknown, unforeseen, unanticipated, unsuspected or latent, that Company has incurred or expects to incur, or now owns or holds, or has at any time heretofore owned or held, or may at any time own, hold, or claim to hold by reason of any matter or thing arising prior to the date of the Company’s execution of this Release in connection with Executive’s employment with the Company and the termination of that employment.

3. **Statutory Waiver.** It is the Parties’ intention that the foregoing release shall be construed in the broadest sense possible, and shall be effective as a prohibition to all claims, charges, actions, suits, demands, obligations, damages, injuries, liabilities, losses, and causes of action of every character, nature, kind or description, known or unknown, and suspected or unsuspected that the parties may have against the Company Releasees or the Executive Releasees, as the case may be.

Executive expressly acknowledges that she is aware of the existence of California Civil Code § 1542 and its meaning and effect. Executive expressly acknowledges that he has read and understands the following provision of that section, which provides:

A RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Executive expressly waives and releases any right to benefits he may have under California Civil Code § 1542 to the fullest extent he may do so lawfully. Executive further acknowledges that he may later discover facts different from, or in addition to, those facts now known to him or believed by him to be true with respect to any or all of the matters covered by this Release, and he agrees this Release nevertheless shall remain in full and complete force and effect.

4. **Further Claims.** Executive has not and will not file any charges against any of the Company Releasees based on events occurring prior to the date of execution of this Release with any state or federal administrative agency, and shall immediately dismiss any such existing claims, if any. Executive has not and will not institute a lawsuit in any state or federal court, based upon, arising out of, or relating to any claim, demand, or cause of action released herein. Executive has not and will not participate, assist, or cooperate in any claim, charge, suit, complaint, action or proceeding against any of the Company Releasees, unless and to the extent required or compelled by law. Executive has not and will not encourage and/or solicit any third party to file any claim, charge, suit, complaint, action or proceeding against any of the Company Releasees. This provision does not apply to charges filed with the Equal Employment Opportunity Commission or claims challenging the validity of the Release under the Age Discrimination in Employment Act.

5. **No Further Payments Owed.** Executive acknowledges that the Company has already provided him with payment for any and all wages, compensation, commissions, vacation, sick leave, overtime, and reimbursements for expenses.

6. **Disparagement.** During the Severance Period (as defined in the Employment Agreement), Executive will not knowingly and materially disparage, criticize, or otherwise make any derogatory statements regarding the Company. During the Severance Period, the Company will not knowingly and materially disparage, criticize, or otherwise make any derogatory statements regarding Executive. Notwithstanding the foregoing, nothing contained in this Release will be deemed to restrict Executive, the Company or any of the Company's current or former officers and/or directors from (1) providing information to any governmental or regulatory agency (or in any way limit the content of any such information) to the extent they are requested or required to provide such information pursuant to applicable law or regulation or (2) enforcing his or its rights pursuant to this Release.

7. **Full Authority; No Other Representations.** Each of the parties acknowledges that he or it has full authority to enter into this Release and to be bound by it. Executive is voluntarily entering into this Release free of any duress or coercion. Executive acknowledges that no representations, inducements, promises, or other agreements have been made by or on behalf of any party except those covenants, agreements and promises embodied in this Release.

8. **Consideration Period.** Executive acknowledges that this Release constitutes a knowing and voluntary waiver of any and all rights or claims that Executive has or may have under the Federal Age Discrimination In Employment Act, as amended by the Older Workers' Benefit Protection Act of 1990, 29 U.S.C. §§ 621 et seq. This paragraph and this Release are written in a manner calculated to be understood by Executive. Executive acknowledges that in return for this Release, he will receive compensation beyond that to which he was already entitled to receive before entering into this Release. Executive is hereby advised in writing to consult with an attorney before signing this Release. Executive acknowledges that he has had a reasonable time of up to 21 days in which to consider signing this Release. If Executive decides not to use all 21 days, Executive knowingly and voluntarily waives any claims that Executive was not given the 21-day period or did not use the entire 21 days to consider this Release. Executive may revoke this Release at any time within the 7-day period following the date Executive signs this Release by delivering a written statement of revocation to the Board. This Release shall not become effective or enforceable until 12:01 a.m. on the 8th day after Executive signs the Release.

9. **CIRCULAR 230 DISCLAIMER.** Each party to this Release acknowledges and agrees that (1) no provision of this Release, and no written communication or disclosure between or among the Parties or their attorneys and other advisors, is or was intended to be, nor shall any such communication or disclosure constitute or be construed or be relied upon as, tax advice within the meaning of United States Treasury Department Circular 230 (31 CFR part 10, as amended); (2) Executive (a) has relied exclusively upon Executive's own independent legal and tax advisors for advice (including tax advice) in connection with this Release, (b) has not entered into this Release based upon the recommendation of any other party or any attorney or advisor to any other party, and (c) is not entitled to rely upon any communication or disclosure by any attorney or advisor to any other party to avoid any tax penalty that may be imposed on Executive; and (3) no attorney or advisor to any other party has imposed any limitation that protects the confidentiality of any such attorney's or advisor's tax strategies (regardless of whether such limitation is legally binding) upon disclosure by Executive of the tax treatment or tax structure of any transaction, including any transaction contemplated by this Release.

10. **No Admissions.** Neither this Release nor the furnishing of the consideration for this Release shall be deemed or construed as an admission of liability or wrongdoing on the part of either party, nor shall this Release or the furnishing of the consideration for this Release be admissible as evidence in any proceeding other than for the enforcement of this Release.

11. **Entire Agreement.** This Release constitutes the entire agreement between Company and Executive on the subject matters covered herein, and may only be modified in a writing signed by the parties. This Release supersedes all prior agreements and understandings between the parties regarding the subject matters addressed herein. Neither the proprietary information agreement (the “PIA”) referenced in Section VII of the Employment Agreement nor the indemnification agreement referenced in Section XVIII of the Employment Agreement is superseded by this Release, and both such agreements shall survive the termination of Executive’s employment.

12. **Severability.** Whenever possible, each provision of this Release will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Release will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein. If any court determines that any provision hereof is unenforceable and therefore acts to reduce the scope or duration of such provision, the provision in its reduced form shall then be enforceable.

13. **Governing Law.** This Release shall be construed and enforced in accordance with the laws of the State of California, without regard to its conflict of laws provisions.

14. **Waiver.** The waiver by Company or Executive of a breach of any provision of this Release by the other party shall not operate or be construed as a waiver of any other breach of such other party. Each of the parties to this Release will be entitled to enforce its respective rights under this Release and to exercise all other rights existing in its favor.

15. **Captions.** Captions to the paragraphs of the Release are intended solely for convenience, and no provisions in this Release are to be construed by reference to the caption of any paragraph.

16. **Voluntary Acceptance.** EXECUTIVE STATES THAT EXECUTIVE HAS READ AND UNDERSTANDS THIS RELEASE AND THAT EXECUTIVE IS EXECUTING THIS RELEASE KNOWINGLY, VOLUNTARILY, WITHOUT COERCION AND AS EXECUTIVE’S OWN FREE ACT AND DEED. EXECUTIVE IS ADVISED TO SEEK THE ADVICE OF COUNSEL IN CONNECTION WITH THE EXECUTION OF THIS RELEASE.

Executive:

Date: _____

HENRY STUPP

Date: _____

Apex Global Brands, Inc.

By: _____
Name:
Title:

LIST OF SUBSIDIARIES OF APEX GLOBAL BRANDS INC.

Name and Jurisdiction of Organization:

1. SPELL C. LLC., a Delaware limited liability company
2. Cherokee Brands, LLC, a Delaware limited liability company
3. Three-Sixty Vision LLC, a Delaware limited liability company
4. Hawk 900 Brands LLC, a Delaware limited liability company
5. EDCA LLC, a Delaware limited liability company
6. FFS Holdings, LLC, a Delaware limited liability company
7. Hi-Tec Sports USA, Inc., a California corporation
8. Hi-Tec Retail, Inc., a California corporation
9. Hi-Tec Sports Public Limited Company, United Kingdom
10. Irene Acquisition Company B.V., Netherlands
11. Hi-Tec International Holdings B.V., Netherlands
12. Hi-Tec Sports International Holdings B.V., Netherlands
13. Hi-Tec Nederland B.V., Netherlands
14. Hi-Tec Nederland B.V. Zweigniederlassung Deutschland, Germany
15. Hi-Tec Sports UK Limited, United Kingdom
16. Hi-Tec Sports Canada, Ltd., Canada
17. Hi-Tec Sports France SA, France
18. Hi-Tec Sports Mid Europe SRO, Czech Republic

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-235667, 333-220044, 333-190795, 333-168273, 333-135773, 333-107470, 333-57503, 333-49865 and 333-14533 on Form S-8 and Registration Statement Nos. 333-228024, 333-205175, 333-172359 and 333-15545 on Form S-3, of our report dated April 30, 2020, relating to the consolidated financial statements of Apex Global Brands Inc. and subsidiaries, appearing in the Annual Report on Form 10-K of Apex Global Brands Inc. for the year ended February 1, 2020.

/s/ Deloitte & Touche LLP

Los Angeles, California

April 30 , 2020

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

I, Henry Stupp, certify that:

1. I have reviewed this report on Form 10-K of Apex Global Brands Inc.;

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

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

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

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

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

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 30, 2020

By: /s/ Henry Stupp

Henry Stupp
Chief Executive Officer
(Principal Executive Officer)

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

I, Steven L. Brink, certify that:

1. I have reviewed this report on Form 10-K of Apex Global Brands Inc.;

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

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

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

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

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

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 30, 2020

By: /s/ STEVEN L. BRINK

Steven L. Brink
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

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

Pursuant to 18 U.S.C. § 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Apex Global Brands Inc. (the “*Company*”) hereby certifies, to such officer’s knowledge, that:

(i) the accompanying report on Form 10-K of the Company for the year ended February 1, 2020 (the “*Report*”) fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

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

Dated: April 30, 2020

By: /s/ Henry Stupp

Henry Stupp

Chief Executive Officer

This certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

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

Pursuant to 18 U.S.C. § 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Apex Global Brands Inc. (the “*Company*”) hereby certifies, to such officer’s knowledge, that:

(i) the accompanying report on Form 10-K of the Company for the year ended February 1, 2020 (the “*Report*”) fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

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

Dated: April 30, 2020

By: /s/ STEVEN L. BRINK

Steven L. Brink

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

This certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.