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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

for the quarterly period ended May 4, 2019

OR

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

for the transition period from to .

COMMISSION FILE NUMBER: 1-32315

RTW RETAILWINDS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE (State of incorporation)	**33-1031445** (I.R.S. Employer Identification No.)
330 West 34th Street **9th Floor** **New York, New York 10001** (Address of Principal Executive Offices, including Zip Code)	**(212) 884-2000** (Registrant's Telephone Number, Including Area Code)

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	RTW	New York Stock Exchange

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, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of May 31, 2019, the registrant had 64,893,615 shares of common stock outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTORS
(Cautionary Statements Under the Private Securities Litigation Reform Act of 1995)

This Quarterly Report on Form 10-Q includes forward-looking statements. Certain matters discussed in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and other sections of this Quarterly Report on Form 10-Q are forward-looking statements intended to qualify for safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Some of these statements can be identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "could," "may," "plan," "project," "predict" and similar expressions and include references to assumptions that the Company believes are reasonable and relate to its future prospects, developments and business strategies. Such statements are subject to various risks and uncertainties that could cause actual results to differ materially. These include, but are not limited to: (i) the Company's dependence on eCommerce and mall traffic for its sales, and the continued reduction in the volume of mall traffic; (ii) the Company's ability to anticipate and respond to fashion trends; (iii) the impact of general economic conditions and their effect on consumer confidence and spending patterns; (iv) changes in the cost of raw materials, distribution services or labor; (v) the potential for economic conditions to negatively impact the Company's merchandise vendors and their ability to deliver products; (vi) the Company's ability to open and operate stores successfully; (vii) seasonal fluctuations in the Company's business; (viii) competition in the Company's market, including promotional and pricing competition; (ix) the Company's ability to retain, recruit and train key personnel; (x) the Company's reliance on third parties to manage some aspects of its business; (xi) the Company's reliance on foreign sources of production; (xii) the Company's ability to protect its trademarks and other intellectual property rights; (xiii) the Company's ability to maintain, and its reliance on, its information technology infrastructure; (xiv) the effects of government regulation; (xv) the control of the Company by its largest stockholder and any potential change of ownership; (xvi) the impact of tariff increases or new tariffs; and (xvii) other risks and uncertainties as described in the Company's documents filed with the SEC, including its most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q.

The Company undertakes no obligation to revise the forward-looking statements included in this Quarterly Report on Form 10-Q to reflect any future events or circumstances. The Company's actual results, performance or achievements could differ materially from the results expressed or implied by these forward-looking statements.

PART I.
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RTW Retailwinds, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

(Amounts in thousands, except per share amounts)	Three months ended May 4, 2019	Three months ended May 5, 2018
Net sales	$ 200,963	$ 218,829
Cost of goods sold, buying and occupancy costs	138,321	148,868
Gross profit	62,642	69,961
Selling, general and administrative expenses	65,092	66,486
Operating (loss) income	(2,450)	3,475
Interest expense, net of interest income of $380 and $201, respectively	(315)	22
Loss on extinguishment of debt	—	239
(Loss) income before income taxes	(2,135)	3,214
Provision for income taxes	114	128
Net (loss) income	$ (2,249)	$ 3,086
Basic (loss) earnings per share	$ (0.04)	$ 0.05
Diluted (loss) earnings per share	$ (0.04)	$ 0.05
Weighted average shares outstanding:		
Basic shares of common stock	64,193	63,527
Diluted shares of common stock	64,193	65,404

RTW Retailwinds, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive (Loss) Income

(Unaudited)

(Amounts in thousands)	Three months ended May 4, 2019	Three months ended May 5, 2018
Comprehensive (loss) income	$ (2,197)	$ 3,121

See accompanying notes.

RTW Retailwinds, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(Amounts in thousands, except per share amounts)	May 4, 2019 (Unaudited)	February 2, 2019*	May 5, 2018 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 83,180	$ 95,542	$ 78,019
Accounts receivable	11,729	9,879	14,850
Inventories, net	94,932	82,803	90,984
Prepaid expenses	11,862	16,921	16,557
Other current assets	1,877	1,818	2,059
Total current assets	203,580	206,963	202,469
Property and equipment, net	59,795	63,791	72,701
Operating lease assets	227,342	—	—
Intangible assets	16,766	16,813	17,047
Other assets	883	1,311	1,469
Total assets	$ 508,366	$ 288,878	$ 293,686
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	$ 74,884	$ 77,050	$ 73,937
Accrued expenses	71,426	68,585	73,535
Current operating lease liabilities	40,865	—	—
Income taxes payable	422	375	71
Total current liabilities	187,597	146,010	147,543
Non-current operating lease liabilities	216,306	—	—
Deferred rent	—	25,090	26,353
Other liabilities	29,864	31,165	35,142
Total liabilities	433,767	202,265	209,038
Stockholders' equity:			
Common stock, voting, par value $0.001; 300,000 shares authorized 66,675, 66,649 and 65,993 shares issued and 64,844, 64,818 and 64,162 shares outstanding at May 4, 2019, February 2, 2019 and May 5, 2018, respectively	67	67	66
Additional paid-in capital	185,692	185,020	183,777
Retained deficit	(105,188)	(92,450)	(93,594)
Accumulated other comprehensive loss	(887)	(939)	(516)
Treasury stock at cost; 1,831 shares at May 4, 2019, February 2, 2019 and May 5, 2018	(5,085)	(5,085)	(5,085)
Total stockholders' equity	74,599	86,613	84,648
Total liabilities and stockholders' equity	$ 508,366	$ 288,878	$ 293,686

* Derived from the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2019.

See accompanying notes.

RTW Retailwinds, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(Amounts in thousands)	Three months ended May 4, 2019	Three months ended May 5, 2018
Operating activities		
Net (loss) income	$ (2,249)	$ 3,086
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	4,880	5,479
Non-cash lease expense	11,029	—
Loss from impairment charges	82	—
Amortization of intangible assets	47	78
Amortization of deferred financing costs	8	34
Write-off of unamortized deferred financing costs	—	239
Share-based compensation expense	710	642
Changes in operating assets and liabilities:		
Accounts receivable	(1,251)	(2,506)
Inventories, net	(12,129)	(6,486)
Prepaid expenses	(104)	(110)
Accounts payable	(2,166)	3,848
Accrued expenses	2,566	(3,022)
Income taxes payable	47	43
Deferred rent	—	(864)
Operating lease liabilities	(11,645)	—
Other assets and liabilities	(758)	(935)
Net cash used in operating activities	(10,933)	(474)
Investing activities		
Capital expenditures	(910)	(274)
Insurance recoveries	—	184
Net cash used in investing activities	(910)	(90)
Financing activities		
Principal payment on capital lease obligations	(481)	(482)
Shares withheld for payment of employee payroll taxes	(38)	(93)
Repayment of long-term debt	—	(11,750)
Net cash used in financing activities	(519)	(12,325)
Net decrease in cash and cash equivalents	(12,362)	(12,889)
Cash and cash equivalents at beginning of period	95,542	90,908
Cash and cash equivalents at end of period	$ 83,180	$ 78,019

See accompanying notes.

RTW Retailwinds, Inc. and Subsidiaries

Condensed Consolidated Statements of Stockholders' Equity

(Unaudited)

	Common Stock		Treasury Stock		Additional		Accumulated	
(Amounts in thousands)	**Shares**	**Amount**	**Shares**	**Amount**	**Paid-in Capital**	**Retained Deficit**	**Other Comprehensive Loss**	**Total**
Balance at February 3, 2018	64,065	$ 66	1,831	$ (5,085)	$ 183,228	$ (90,797)	$ (551)	$ 86,861
Adoption of ASC Topic 606—Revenue Recognition	—	—	—	—	—	(5,883)	—	(5,883)
Issuance of common stock upon exercise of stock appreciation rights	25	—	—	—	—	—	—	—
Restricted stock issued and vesting of units	81	—	—	—	—	—	—	—
Restricted stock forfeits and shares withheld for employee payroll taxes	(9)	—	—	—	(93)	—	—	(93)
Share-based compensation expense	—	—	—	—	642	—	—	642
Net income	—	—	—	—	—	3,086	—	3,086
Minimum pension liability adjustment, net of tax	—	—	—	—	—	—	35	35
Comprehensive income, net of tax	—	—	—	—	—	3,086	35	3,121
Balance at May 5, 2018	64,162	$ 66	1,831	$ (5,085)	$ 183,777	$ (93,594)	$ (516)	$ 84,648

	Common Stock		Treasury Stock		Additional		Accumulated	
(Amounts in thousands)	**Shares**	**Amount**	**Shares**	**Amount**	**Paid-in Capital**	**Retained Deficit**	**Other Comprehensive Loss**	**Total**
Balance at February 2, 2019	64,818	$ 67	1,831	$ (5,085)	$ 185,020	$ (92,450)	$ (939)	$ 86,613
Adoption of ASC Topic 842—Lease Accounting	—	—	—	—	—	(10,489)	—	(10,489)
Issuance of common stock upon exercise of stock appreciation rights	10	—	—	—	—	—	—	—
Restricted stock issued and vesting of units	25	—	—	—	—	—	—	—
Restricted stock forfeits and shares withheld for employee payroll taxes	(9)	—	—	—	(38)	—	—	(38)
Share-based compensation expense	—	—	—	—	710	—	—	710
Net loss	—	—	—	—	—	(2,249)	—	(2,249)
Minimum pension liability adjustment, net of tax	—	—	—	—	—	—	52	52
Comprehensive loss, net of tax	—	—	—	—	—	(2,249)	52	(2,197)
Balance at May 4, 2019	64,844	$ 67	1,831	$ (5,085)	$ 185,692	$ (105,188)	$ (887)	$ 74,599

See accompanying notes.

RTW Retailwinds, Inc.

Notes to Condensed Consolidated Financial Statements

May 4, 2019

(Unaudited)

1. Organization and Basis of Presentation

RTW Retailwinds, Inc. (together with its subsidiaries, the "Company") is a specialty women's omni-channel and digitally enabled retailer with a powerful multi-brand lifestyle platform providing curated fashion solutions that are versatile, on-trend, and stylish at a great value. The specialty retailer, first incorporated in 1918, has grown to now operate 410 retail and outlet locations in 35 states while also growing a substantial eCommerce business. The Company's portfolio includes branded merchandise from New York & Company, Fashion to Figure, Uncommon Sense, and collaborations with Eva Mendes, Gabrielle Union and Kate Hudson. The Company's branded merchandise is sold exclusively at its retail locations and online at *www.nyandcompany.com*, *www.nyandcompanycloset.com*, *www.fashiontofigure.com*, *www.happyxnature.com,* and *www.uncommonsense.com*. The target customers for the Company's merchandise are women between the ages of 25 and 49.

The condensed consolidated financial statements as of May 4, 2019 and May 5, 2018 and for the 13 weeks then ended ("three months" and "first quarter") are unaudited and are presented pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the 52-week fiscal year ended February 2, 2019 ("fiscal year 2018"), which were filed with the Company's Annual Report on Form 10-K with the SEC on April 17, 2019. The 52-week fiscal year ending February 1, 2020 is referred to herein as "fiscal year 2019." The Company's fiscal year is a 52- or 53-week year that ends on the Saturday closest to January 31.

The Company identifies its operating segments according to how its business activities are managed and evaluated. Its operating segments have been aggregated and are reported as one reportable segment based on the similar nature of products sold, production process, distribution process, target customers and economic characteristics. All of the Company's revenues are generated in the United States.

In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary to present fairly the financial condition, results of operations and cash flows for the interim periods. All significant intercompany balances and transactions have been eliminated in consolidation. Certain totals that appear in this Quarterly Report on Form 10-Q may not equal the sum of the components due to rounding.

Due to seasonal variations in the retail industry, the results of operations for any interim period are not necessarily indicative of the results expected for the full fiscal year.

2. New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), which is a comprehensive new lease standard that amends various aspects of existing accounting guidance for leases. The core principle of ASU 2016-02 requires lessees to present the assets and liabilities that arise from leases on their balance sheets. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, and interim periods within those fiscal years and requires modified retrospective adoption. The Company adopted ASU 2016-02 as of February 3, 2019 (the first day of fiscal year 2019). Please refer to Note 3, "Leases," for further information regarding the adoption of ASU 2016-02.

RTW Retailwinds, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

May 4, 2019

(Unaudited)

2. New Accounting Pronouncements (Continued)

In February 2018, the FASB issued ASU 2018-02, "Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" ("ASU 2018-02"), which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. ASU 2018-02 is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The adoption of ASU 2018-02 did not have a material impact on the Company's financial position or results of operations.

3. Leases

The Company leases retail business locations, office facilities, office equipment, and automotive equipment under various non-cancelable operating leases expiring in various years through 2031. Leases on retail business locations typically specify minimum rentals plus common area maintenance charges, real estate taxes, other landlord charges and possible additional rentals based upon a percentage of sales. Most of the retail business location leases previously had an original term of 10 years and some provide renewal options at rates specified in the leases. The Company's lease agreements do not contain any material residual value guarantees. As of May 4, 2019, approximately 70% of its store leases could be terminated by the Company within two years, providing the Company with operating flexibility. The Company leases office space for its corporate headquarters at 330 West 34th Street, New York, New York. The lease for the corporate headquarters expires in 2030.

As previously disclosed in Note 2, the Company adopted ASU 2016-02 on February 3, 2019, using the transition option to recognize a cumulative adjustment to the opening retained earnings balance and without adjustment to prior periods. As permitted under the guidance, the Company has elected the package of transition practical expedients which allows the Company to carry forward its identification of contracts that are or contain leases, its historical lease classification, and indirect costs for existing leases. In addition, the Company has elected the practical expedient to separate its lease components from non-lease components. The Company has elected to not record short-term leases on its consolidated balance sheet. Short-term leases are leases with a term of twelve months or less ("short-term leases"). Instead, the Company recognizes short-term leases on a straight-line basis over the related lease term and does not record a related right-of-use asset or lease liability. The Company has not elected to apply the hindsight practical expedient.

Adoption of ASU 2016-02 resulted in the recording of operating lease assets and operating lease liabilities of approximately $238.1 million and $268.4 million, respectively, as of February 3, 2019. The difference between the additional lease assets and lease liabilities primarily represents adjustments for initial direct costs, tenant allowances, deferred rent, and the initial right-of-use asset impairment amounts associated with stores with fixed assets that were previously impaired. The adoption of this standard did not materially impact the Company's condensed consolidated statements of operations or condensed consolidated statements of cash flows.

RTW Retailwinds, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

May 4, 2019

(Unaudited)

3. Leases (Continued)

In accordance with the new lease standard, the disclosure of the impact of the cumulative effect adjustment to the opening balance of retained deficit on the Company's condensed consolidated balance sheet on February 3, 2019 was as follows:

	February 2, 2019 (As reported)	Effect of ASU 2016-02 Adoption	February 3, 2019 (As amended)
	(Amounts in thousands)		
Retained deficit	$ (92,450)	$ (10,489)	$ (102,939)

The $10.5 million cumulative effect adjustment primarily represents impairment charges to the right-of-use asset associated with stores with fixed assets that were previously impaired.

There was no impact to the Company's condensed consolidated statements of operations on the date of adoption of ASU 2016-02.

Although the adoption of ASU 2016-02 did not have a material impact on the first quarter of fiscal year 2019 operating results, the Company could however experience a material non-cash impact to operating income (loss) as the result of future impairments of the right-of-use asset depending on store performance, among other factors.

Lease Assets and Liabilities

The following table discloses supplemental balance sheet information for the Company's leases:

	Classification	May 4, 2019 (amounts in thousands)
Assets		
Operating lease assets	Operating lease assets	$ 227,342
Finance lease assets	Property and equipment, net	4,995
Total lease assets		$ 232,337
Liabilities		
Current		
Operating	Current operating lease liabilities	$ 40,865
Finance	Accrued expenses	1,505
Non-current		
Operating	Non-current operating lease liabilities	216,306
Finance	Other liabilities	1,786
Total lease liabilities		$ 260,462

RTW Retailwinds, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

May 4, 2019

(Unaudited)

3. Leases (Continued)

Lease Cost

The components of lease expense were as follows:

	Classification	Three months ended May 4, 2019 (amounts in thousands)
Operating lease cost—stores(1)	Occupancy costs	$ 17,299
Operating lease cost—office space and equipment	SG&A	2,392
Finance lease costs:		
Amortization of leased assets	Occupancy costs/SG&A	356
Interest on lease liabilities	Interest expense	33
Total lease cost		$ 20,080

(1) Includes $3.6 million of short-term lease costs and $1.1 million of variable lease costs.

Maturity of Lease Liabilities

The following table summarizes the maturity of lease liabilities as of May 4, 2019:

Fiscal Year	Operating leases	Finance leases
	(amounts in thousands)	
2019	$ 42,189	$ 1,195
2020	52,825	1,365
2021	43,151	705
2022	36,715	160
2023	34,305	—
Thereafter	112,800	—
Total lease obligations	$ 321,985	$ 3,425
Less: Interest	64,814	134
Present value of lease liabilities	$ 257,171	$ 3,291

The table above does not include $8.1 million of short-term lease commitments.

RTW Retailwinds, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

May 4, 2019

(Unaudited)

3. Leases (Continued)

Lease Term and Discount Rate

The following table discloses the weighted-average remaining lease term and weighted-average discount rate for the Company's leases, excluding short-term leases:

	May 4, 2019
Weighted-average remaining lease term (years)	
Operating leases	7.4
Finance leases	2.3
Weighted-average discount rate	
Operating leases	6.1%
Finance leases	3.1%

The discount rate is the rate implicit in the lease unless that rate cannot be readily determined. Most of the Company's leases do not provide an implicit interest rate, therefore, the Company is required to use its incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. The Company used incremental borrowing rates based on information available at the date of adoption of ASU 2016-02.

Other Information

Supplemental cash flow information related to leases was as follows:

	Three months ended May 4, 2019 (amounts in thousands)
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 15,670
Operating cash flows from finance leases	$ 33
Financing cash flows from finance leases	$ 481
Lease assets obtained in exchange for new operating lease liabilities	$ 315
Lease assets obtained in exchange for new finance lease liabilities	$ —

4. Revenue Recognition

The Company recognizes revenue from the sale of merchandise at the Company's stores at the time the customer takes possession of the related merchandise and the purchases are paid for. Revenue, including shipping fees billed to customers, from the sale of merchandise at the Company's eCommerce websites is recognized when the merchandise is shipped to the customer and the purchases are paid for. Sales taxes collected from customers are excluded from revenues.

RTW Retailwinds, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

May 4, 2019

(Unaudited)

4. Revenue Recognition (Continued)

The Company issues gift cards and merchandise credits which do not contain provisions for expiration or inactivity fees. Revenue for gift cards and merchandise credits is recognized at redemption. The portion of the dollar value of gift cards and merchandise credits that ultimately is not used by customers to make purchases is known as breakage and will be recognized as revenue if the Company determines it is not required to escheat such amounts to government agencies under state escheatment laws.

The Company offers its private label credit card holders a points-based customer loyalty program, in which customers earn points based on purchases (the "Runway Rewards" program). When customers reach predetermined point thresholds, earned points are converted to rewards that can be redeemed for discounts on future purchases of Company merchandise. Under the Runway Rewards program, points earned expire after 12 months if the point threshold for a reward is not attained. Issued rewards expire after approximately 60 days if they are not redeemed. As rewards are being earned, the Company defers a portion of the revenue equal to the estimated sales value of the reward that is expected to be redeemed using the standalone selling price method. Revenue is recognized as rewards are redeemed or expire.

The Company recognizes revenue in connection with its private label credit card agreement with Comenity Bank, a bank subsidiary of Alliance Data Systems Corporation ("ADS") (the "ADS Agreement"). Pursuant to the terms of the ADS Agreement, ADS has the exclusive right to provide private label credit cards to the Company's customers. The Company's private label credit card is issued to the Company's customers for use exclusively at the Company's stores and eCommerce websites, and credit is extended to such customers by Comenity Bank on a non-recourse basis to the Company. Upon execution of the ADS Agreement on July 14, 2016, the Company was entitled to an upfront $40 million signing bonus, which was recorded as deferred revenue, and is being amortized on a straight-line basis over the 10-year term of the ADS Agreement. In addition, over the term of the ADS Agreement, the Company receives royalty payments based on a percentage of private label credit card sales, which the Company recognizes as revenue as it is earned.

The opening and closing balances of the Company's contract liabilities are as follows:

	Gift Cards & Merchandise Credits		Loyalty Rewards	
	Three months ended May 4, 2019	Three months ended May 5, 2018	Three months ended May 4, 2019	Three months ended May 5, 2018
	(Amounts in thousands)			
Beginning balance	$ 12,206	$ 13,649	$ 6,389	$ 7,331
Increase/(decrease)	(1,074)	(949)	(1,345)	140
Ending balance	$ 11,132	$ 12,700	$ 5,044	$ 7,471

Contract liabilities related to gift cards and merchandise credits and loyalty programs are reported in "Accrued expenses" on the condensed consolidated balance sheet as of February 3, 2018, the adoption date of ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)."

RTW Retailwinds, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

May 4, 2019

(Unaudited)

4. Revenue Recognition (Continued)

The amount of revenue recognized during the three months ended May 4, 2019 and May 5, 2018 that was included in the opening contract liability balance for gift cards and merchandise credits was $1.7 million and $3.0 million, respectively. During the three months ended May 4, 2019 and May 5, 2018, the net revenue impact from rewards issued, redeemed and expired under loyalty reward programs was $1.3 million of revenue recognized and $0.1 million of revenue deferred, respectively.

Deferred revenue related to the ADS Agreement was $28.0 million at May 4, 2019, of which $24.0 million is included in "Other liabilities" and $4.0 million is included in "Accrued expenses" on the condensed consolidated balance sheet. As of May 5, 2018, deferred revenue related to the ADS Agreement was $32.0 million, of which $28.0 million is included in "Other liabilities" and $4.0 million is included in "Accrued expenses" on the condensed consolidated balance sheet. During the three months ended May 4, 2019 and May 5, 2018, the Company recognized revenue of $5.5 million and $5.9 million, respectively, from royalties and the amortization of signing bonuses in connection with the ADS Agreement.

5. Earnings Per Share

Basic earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding for the period. Except when the effect would be anti-dilutive, diluted earnings per share are calculated based on the weighted average number of outstanding shares of common stock plus the dilutive effect of share-based awards calculated under the treasury stock method. A reconciliation between basic and diluted earnings per share is as follows:

	Three months ended May 4, 2019	Three months ended May 5, 2018
	(Amounts in thousands, except per share amounts)	
Net (loss) income	$ (2,249)	$ 3,086
Basic (loss) earnings per share:		
Weighted average shares outstanding:		
Basic shares of common stock	64,193	63,527
Basic (loss) earnings per share	$ (0.04)	$ 0.05
Diluted (loss) earnings per share:		
Weighted average shares outstanding:		
Basic shares of common stock	64,193	63,527
Plus impact of share-based awards	—	1,877
Diluted shares of common stock	64,193	65,404
Diluted (loss) earnings per share	$ (0.04)	$ 0.05

RTW Retailwinds, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

May 4, 2019

(Unaudited)

5. Earnings Per Share (Continued)

The calculation of diluted earnings per share for the three months ended May 4, 2019 and May 5, 2018 excludes the share-based awards listed in the following table due to their anti-dilutive effect as determined under the treasury stock method:

	Three months ended May 4, 2019	Three months ended May 5, 2018
	(Amounts in thousands)	
Stock options	—	13
Stock appreciation rights(1)	1,920	133
Restricted stock and units	588	25
Total anti-dilutive shares	2,508	171

(1) Each stock appreciation right ("SAR") referred to above represents the right to receive a payment measured by the increase in the fair market value of one share of common stock from the date of grant of the SAR to the date of exercise of the SAR. Upon exercise, the SARs will be settled in the Company's common stock.

6. Pension Plan

The Company sponsors a single employer defined benefit pension plan ("plan") covering substantially all union employees. Employees covered by collective bargaining agreements are primarily non-management store associates, representing approximately 7% of the Company's workforce at May 4, 2019. The collective bargaining agreement with the Local 1102 unit of the Retail, Wholesale and Department Store Union AFL-CIO is in effect through August 31, 2021.

The plan provides retirement benefits for union employees who have attained the age of 21 and complete 1,000 or more hours of service in any calendar year following the date of employment. The plan provides benefits based on length of service. The Company's funding policy for the pension plan is to contribute annually the amount necessary to provide for benefits based on accrued service and to contribute at least the minimum required by ERISA rules. Net periodic benefit cost includes the following components:

	Three months ended May 4, 2019	Three months ended May 5, 2018
	(Amounts in thousands)	
Service cost	$ 97	$ 97
Interest cost	79	76
Expected return on plan assets	(130)	(140)
Amortization of unrecognized losses	56	39
Amortization of prior service credit	(4)	(4)
Net periodic benefit cost	$ 98	$ 68

RTW Retailwinds, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

May 4, 2019

(Unaudited)

6. Pension Plan (Continued)

In accordance with FASB ASC Topic 220, "Comprehensive Income," comprehensive income reported on the Company's condensed consolidated statements of comprehensive income includes net income and other comprehensive income. For the Company, other comprehensive income consists of the reclassification of unrecognized losses and prior service credits related to the Company's minimum pension liability. The total amount of unrecognized losses and prior service credits of the plan reclassified out of "Accumulated other comprehensive loss" on the condensed consolidated balance sheets and into "Selling, general, and administrative expenses" on the Company's condensed consolidated statements of operations for the three months ended May 4, 2019 and May 5, 2018 was approximately $52,000 and $35,000, respectively. As of February 2, 2019, the Company reported a minimum pension liability of $1.4 million due to the underfunded status of the plan. The minimum pension liability is reported in "Other liabilities" on the condensed consolidated balance sheets.

7. Income Taxes

The Company files U.S. federal income tax returns and income tax returns in various state and local jurisdictions. The Company is no longer subject to U.S. federal income tax examinations for tax years through 2014. With limited exception, the Company is no longer subject to state and local income tax examinations for tax years through 2014.

At February 2, 2019, the Company reported a total liability for unrecognized tax benefits of $2.4 million, including interest and penalties. There have been no material changes during the three months ended May 4, 2019. Of the total $2.4 million of unrecognized tax benefits at February 2, 2019, approximately $1.8 million, if recognized, would impact the Company's effective tax rate. The Company does not anticipate any significant increases or decreases to the balance of unrecognized tax benefits during the next 12 months.

The Company continues to maintain a valuation allowance against its deferred tax assets until the Company believes it is more likely than not that these assets will be realized in the future. If sufficient positive evidence arises in the future indicating that all or a portion of the deferred tax assets meet the more likely than not standard under ASC Topic 740, "Income Taxes," the applicable valuation allowance would be reversed accordingly in the period that such determination is made. As of May 4, 2019, the Company's valuation allowance against its deferred tax assets was $56.5 million.

8. Long-Term Debt and Credit Facilities

On October 24, 2014, Lerner New York, Inc., Lernco, Inc. and Lerner New York Outlet, LLC, wholly-owned indirect subsidiaries of RTW Retailwinds, Inc., entered into a Fourth Amended and Restated Loan and Security Agreement (the "Loan Agreement") with Wells Fargo Bank, National Association, as Agent and Term Loan Agent and the lender party thereto. The obligations under the Loan Agreement are guaranteed by RTW Retailwinds, Inc. and its subsidiaries. The Loan Agreement expires on October 24, 2019. The Company expects to renew the Loan Agreement or enter into a similar financing arrangement.

The Loan Agreement consists of a revolving credit facility that provides the Company with up to $100 million of credit, consisting of a $75 million revolving credit facility (which includes a sub-facility

RTW Retailwinds, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

May 4, 2019

(Unaudited)

8. Long-Term Debt and Credit Facilities (Continued)

for issuance of letters of credit up to $45 million) with a fully committed accordion option that allows the Company to increase the revolving credit facility up to $100 million or decrease it to a minimum of $60 million, subject to certain restrictions. On April 5, 2018, the Company used cash on-hand to prepay in full the $11.5 million outstanding balance of a $15 million, 5-year term loan under the Loan Agreement. The Company can no longer borrow funds under the term loan.

Under the terms of the Loan Agreement, the interest rates applicable to revolving loans are, at the Company's option, either at a floating rate equal to the Adjusted Eurodollar Rate plus a margin of between 1.50% and 1.75% per year for Eurodollar Rate Loans or a floating rate equal to the Prime Rate plus a margin of between 0.50% and 0.75% per year for Prime Rate Loans, depending upon the Company's Average Compliance Excess Availability. The Company pays to the lender under the revolving credit facility a monthly fee on outstanding commercial letters of credit at a rate of between 0.75% and 0.875% per year and on standby letters of credit at a rate of between 1.50% and 1.75% per year, depending upon the Company's Average Compliance Excess Availability, plus a monthly fee on a proportion of the unused commitments under the revolving credit facility at a rate of 0.25% per year.

The maximum borrowing availability under the Company's revolving credit facility is determined by a monthly borrowing base calculation based on applying specified advance rates against inventory and certain other eligible assets. As of May 4, 2019, the Company had availability under its revolving credit facility of $62.2 million, net of letters of credit outstanding of $10.1 million, as compared to availability of $35.0 million, net of letters of credit outstanding of $11.9 million, as of February 2, 2019, and availability of $56.7 million, net of letters of credit outstanding of $11.9 million, as of May 5, 2018. The $10.1 million of letters of credit outstanding at May 4, 2019 represent standby letters of credit primarily related to the Company's new corporate headquarters and certain insurance contracts. Standby letters of credit related to the Company's corporate headquarters are scheduled to be reduced by $2.0 million in October 2019. As of May 4, 2019, the Company had no borrowings outstanding under the Loan Agreement.

Under the terms of the Loan Agreement, the Company is subject to a Minimum Excess Availability covenant of $7.5 million. The Loan Agreement contains other covenants and conditions, including restrictions on the Company's ability to pay dividends on its common stock, incur additional indebtedness and to prepay, redeem, defease or purchase other indebtedness. Subject to such restrictions, the Company may incur more indebtedness for working capital, capital expenditures, stock repurchases, acquisitions and for other purposes.

The lender has been granted a pledge of the common stock of Lerner New York Holding, Inc. and certain of its subsidiaries, and a first priority security interest in substantially all other tangible and intangible assets of RTW Retailwinds, Inc. and its subsidiaries, as collateral for the Company's obligations under the Loan Agreement. In addition, RTW Retailwinds, Inc. and certain of its subsidiaries have fully and unconditionally guaranteed the obligations under the Loan Agreement, and such guarantees are joint and several.

As of the date of this Quarterly Report on Form 10-Q, the Company is in compliance with the Loan Agreement.

RTW Retailwinds, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

May 4, 2019

(Unaudited)

9. Fair Value Measurements

The Company measures fair value in accordance with FASB ASC Topic 820, "Fair Value Measurements" ("ASC 820"). ASC 820 establishes a three-level fair value hierarchy that requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data and require the reporting entity to develop its own assumptions.

The carrying values on the balance sheets for cash and cash equivalents, short-term trade receivables and accounts payable approximate their fair values due to the short-term maturities of such items.

The Company classifies long-lived store assets and operating lease assets within Level 3 of the fair value hierarchy. The Company evaluates the impairment of long-lived assets in accordance with ASC Topic 360, "Property, Plant and Equipment." Long-lived assets are evaluated for recoverability whenever events or changes in circumstances indicate that an asset may have been impaired. The evaluation is performed at the individual store level, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. In evaluating long-lived assets for recoverability, the Company estimates the future cash flows at the individual store level that are expected to result from the use of each store's assets based on historical experience, omni-channel strategy, knowledge and market data assumptions. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the long-lived assets, an impairment loss, equal to the excess of the carrying amount over the fair value of the assets, is recognized. During the three months ended May 4, 2019, the Company recorded $0.1 million of non-cash impairment charges related to underperforming store assets in "Selling, general and administrative expenses" on the Company's condensed consolidated statement of operations. There were no asset impairment charges recorded during the three months ended May 5, 2018.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

RTW Retailwinds, Inc. (together with its subsidiaries, the "Company") is a specialty women's omni-channel and digitally enabled retailer with a powerful multi-brand lifestyle platform providing curated fashion solutions that are versatile, on-trend, and stylish at a great value. The specialty retailer, first incorporated in 1918, has grown to now operate 410 retail and outlet locations in 35 states while also growing a substantial eCommerce business. The Company's portfolio includes branded merchandise from New York & Company, Fashion to Figure, Happy x Nature, Uncommon Sense, and collaborations with Eva Mendes, Gabrielle Union and Kate Hudson. The Company's branded merchandise is sold exclusively at its retail locations and online at *www.nyandcompany.com*, *www.nyandcompanycloset.com*, *www.fashiontofigure.com*, *www.happyxnature.com,* and *www.uncommonsense.com.* The target customers for the Company's merchandise are women between the ages of 25 and 49.

For fiscal year 2019, the Company's key strategic initiatives are as follows: (i) leverage its celebrity collaborations to amplify the New York & Company brand, and evolve as a broader lifestyle brand through the growth of the Company's sub-brand strategy, including 7th Avenue Design Studio, Soho Jeans, Soho Street, Eva Mendes Collection, and Gabrielle Union Collection; (ii) enhance brand awareness and increase customer engagement, including new customer acquisition and retention of its loyal customer base to drive traffic online and into stores; (iii) drive growth in eCommerce sales and continue to elevate its omni-channel capabilities by providing an easy and seamless customer experience; (iv) optimize the Company's existing store base; (v) continue ongoing Project Excellence initiatives; and (vi) explore opportunities to invest in growth initiatives. Project Excellence is the Company's ongoing business re-engineering program which consists of a continuous analysis of business processes and organizational structure in an effort to improve sales productivity and operating efficiencies, as well as to reduce the Company's overall cost structure.

During the first quarter of fiscal year 2019, the Company introduced two new digitally-native brands:

- Happy x Nature, Kate Hudson's first ready-to-wear collection supported by Ms. Hudson's active and engaged social network; and
- Uncommon Sense, a lingerie lifestyle brand that solves the challenges many women face in their lingerie choices through smarter fits, technology, and support that looks great and feels amazing.

The Fashion to Figure brand offers trendy plus-sized fashions and was relaunched by the Company in the first quarter of fiscal year 2018, after the Company acquired the intellectual property rights related to the Fashion to Figure® brand. Since the Company reintroduced Fashion to Figure, it has been focused on positioning the brand for growth by launching its eCommerce store at *www.fashiontofigure.com*, opening new retail stores in highly-desirable locations, with short-term leases and competitively priced rents, and investing in marketing to drive brand awareness and customer engagement.

The Company's net sales for the three months ended May 4, 2019 were $201.0 million, as compared to $218.8 million for the three months ended May 5, 2018. Comparable store sales decreased 5.3% for the three months ended May 4, 2019, as compared to an increase of 2.7% for the three months ended May 5, 2018. Net loss for the three months ended May 4, 2019 was $2.2 million, or a loss of $0.04 per diluted share, as compared to net income of $3.1 million, or earnings of $0.05 per diluted share, for the three months ended May 5, 2018. Please refer to the "Results of Operations" below for a further discussion of the Company's operating results.

Capital spending for the three months ended May 4, 2019 was $0.9 million, as compared to $0.3 million for the three months ended May 5, 2018. During the three months ended May 4, 2019, the Company opened 1 New York & Company store, closed 1 New York & Company store, and remodeled/refreshed 2 New York & Company stores and 1 Outlet store, ending the first quarter of fiscal year 2019 with 410 stores, including 119 Outlet stores (of which 58 are clearance stores) and 9 Fashion to Figure stores. As of May 4, 2019, the Company had 2.0 million selling square feet in operation. Included in the New York & Company store count at May 4, 2019 are 18 Eva Mendes side-by-side stores, 47 Eva Mendes shop-in-shop stores, and 1 free-standing Eva Mendes boutique.

The Company views the retail apparel market as having two principal selling seasons: spring (first and second quarter) and fall (third and fourth quarter). New product lines are introduced into the Company's stores in five major deliveries each year (spring, summer, fall, holiday and pre-spring). The Company's business experiences seasonal fluctuations in net sales and operating income, with a larger portion of its sales typically realized during its fourth quarter. Seasonal fluctuations also affect inventory levels. The Company must carry a significant amount of inventory, especially before the holiday season selling period in the fourth quarter and prior to the Easter and Mother's Day holidays toward the latter part of the first quarter and beginning of the second quarter.

Results of Operations

The following tables summarize the Company's results of operations as a percentage of net sales and selected store operating data for the three months ended May 4, 2019 and May 5, 2018:

As a % of net sales	Three months ended May 4, 2019	Three months ended May 5, 2018
Net sales	100.0%	100.0%
Cost of goods sold, buying and occupancy costs	68.8%	68.0%
Gross profit	31.2%	32.0%
Selling, general and administrative expenses	32.4%	30.4%
Operating (loss) income	(1.2)%	1.6%
Interest (income) expense, net	(0.2)%	—%
Loss on extinguishment of debt	—%	0.1%
(Loss) income before income taxes	(1.0)%	1.5%
Provision for income taxes	0.1%	0.1%
Net (loss) income	(1.1)%	1.4%

Selected operating data:	Three months ended May 4, 2019	Three months ended May 5, 2018
	(Dollars in thousands, except square foot data)	
Comparable store sales (decrease) increase	(5.3)%	2.7%
Net sales per average selling square foot(1)	$ 98	$ 101
Net sales per average store(2)	$ 490	$ 504
Average selling square footage per store(3)	4,964	4,985

(1) Net sales per average selling square foot is defined as net sales divided by the average of beginning and monthly end of period selling square feet.

(2) Net sales per average store is defined as net sales divided by the average of beginning and monthly end of period number of stores.

(3) Average selling square footage per store is defined as end of period selling square feet divided by end of period number of stores.

Store count and selling square feet:	Three months ended May 4, 2019 Store Count	Three months ended May 4, 2019 Selling Square Feet	Three months ended May 5, 2018 Store Count	Three months ended May 5, 2018 Selling Square Feet
Stores open, beginning of period	411	2,047,032	432	2,171,329
New stores	1	4,114	9	23,161
Closed stores	(1)	(7,405)	(9)	(46,332)
Net impact of remodeled stores on selling square feet	(1)	(8,429)	—	5,193
Stores open, end of period	410	2,035,312	432	2,153,351

Three Months Ended May 4, 2019 Compared to Three Months Ended May 5, 2018

Net Sales. Net sales for the three months ended May 4, 2019 were $201.0 million, as compared to $218.8 million for the three months ended May 5, 2018. The decrease in net sales reflects a net reduction in store count since May 5, 2018 and a 5.3% reduction in comparable store sales during the three months ended May 4, 2019, which was partially offset by increased sales from Fashion to Figure. Included in net sales for the three months ended May 4, 2019 and May 5, 2018 are royalties and other revenue totaling $5.5 million and $5.9 million, respectively, recognized as a result of the ADS Agreement. In the comparable store base, average dollar sales per transaction increased by 1.5%, while the number of transactions per average store decreased 6.8%, as compared to the same period last year.

Gross Profit. Gross profit for the three months ended May 4, 2019 was $62.6 million, or 31.2% of net sales, as compared to $67.0 million, or 32.0% of net sales, for the three months ended May 5, 2018. The decrease in gross profit as a percentage of net sales for the three months ended May 4, 2019, as compared to the three months ended May 5, 2018, reflects a 40 basis point deleveraging of buying and occupancy costs and a 40 basis point decrease in merchandise margin driven by increased shipping costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $65.1 million, or 32.4% of net sales, for the three months ended May 4, 2019, as compared to $66.5 million, or 30.4% of net sales, for the three months ended May 5, 2018. The increase in selling, general and administrative expenses as a percentage of net sales for the three months ended May 4, 2019, as compared to the three months ended May 5, 2018, reflects $2.3 million of incremental spending incurred in connection with the incubation of the Company's three new businesses (Fashion to Figure, Happy x Nature, and Uncommon Sense), which was offset by a decrease in variable compensation expense due to the Company's operating results, and a decrease in store selling expense.

Operating (Loss) Income. Operating loss for the three months ended May 4, 2019 was $2.5 million, inclusive of $1.5 million of losses from the Company's three new businesses discussed above. This compares to operating income of $3.5 million for the three months ended May 5, 2018. There was no impact on operating income for the three months ended May 5, 2018 from the Company's new businesses.

Interest (Income) Expense, Net. Net interest income was $0.3 million for the three months ended May 4, 2019, as compared to net interest expense of $22,000 for the three months ended May 5, 2018. The reduction in interest expense during the three months ended May 4, 2019, as compared to the three months ended May 5, 2018, is largely due to the Company's prepayment of an $11.5 million term loan (the "Term Loan") on April 5, 2018 using cash on-hand.

Loss on Extinguishment of Debt. In connection with the early prepayment of the Term Loan on April 5, 2018, the Company wrote off $0.2 million of unamortized deferred financing fees in the three months ended May 5, 2018.

Provision for Income Taxes. As previously disclosed, the Company continues to provide for adjustments to the deferred tax valuation allowance. The provision for income taxes for both the three months ended May 4, 2019 and the three months ended May 5, 2018 was $0.1 million.

Net (Loss) Income. For the reasons discussed above, net loss for the three months ended May 4, 2019 was $2.2 million, or a loss of $0.04 per diluted share, as compared to net income of $3.1 million, or earnings of $0.05 per diluted share, for the three months ended May 5, 2018.

Liquidity and Capital Resources

The Company's primary uses of cash are to fund working capital, operating expenses, debt service and capital expenditures related primarily to the construction of new stores, remodeling/refreshing of existing stores, the development of the Company's information technology infrastructure, including the upgrade of corporate technology systems and the enhancement of its digital and omni-channel capabilities. Historically, the Company has financed these requirements from internally generated cash flow. The Company intends to fund its ongoing capital and working capital requirements, as well as debt service obligations, primarily through cash flows from operations, supplemented by borrowings under its credit facility, if needed. As of the date of this Quarterly Report on Form 10-Q, the Company is in compliance with all debt covenants.

The Company plans to make strategic investments to grow as a multi-brand portfolio company. These investments may include the expansion of its celebrity collaborations and existing brands, launching new lifestyle brands, driving growth in the eCommerce channel, and rebalancing its marketing media mix to acquire new customers and retain existing customers. These investments may also include adding talent with enhanced skills and capabilities in digital marketing, celebrity management, data analytics, and customer experience.

The following tables contain information regarding the Company's liquidity and capital resources:

	May 4, 2019	February 2, 2019	May 5, 2018
	(Amounts in thousands)		
Cash and cash equivalents	$ 83,180	$ 95,542	$ 78,019
Working capital(1)	$ 15,983	$ 60,953	$ 54,926

(1) Working capital at May 4, 2019 reflects the adoption of ASU 2016-02, as discussed in Note 3, "Leases" in the Notes to Condensed Consolidated Financial Statements appearing elsewhere in this Quarterly Report on Form 10-Q. Excluding the $40.9 million of current operating lease liabilities recorded in connection with the adoption of ASU 2016-02, working capital at May 4, 2019 would have been $56.8 million.

	Three months ended May 4, 2019	Three months ended May 5, 2018
	(Amounts in thousands)	
Net cash used in operating activities	$ (10,933)	$ (474)
Net cash used in investing activities	$ (910)	$ (90)
Net cash used in financing activities	$ (519)	$ (12,325)
Net decrease in cash and cash equivalents	$ (12,362)	$ (12,889)

Operating Activities

The increase in net cash used in operating activities during the three months ended May 4, 2019, as compared to the three months ended May 5, 2018, is primarily the result of the Company's net loss during the three months ended May 4, 2019 combined with an increase in spending on inventory to support the Company's new businesses (Fashion to Figure, Happy x Nature, and Uncommon Sense) and shifts in the timing of inventory receipts based on seasonal demand.

Investing Activities

Net cash used in investing activities was $0.9 million for the three months ended May 4, 2019, as compared to $0.1 million for the three months ended May 5, 2018. During the three months ended May 4, 2019, the Company opened 1 New York & Company store, closed 1 New York & Company store, and remodeled/refreshed 2 New York & Company stores and 1 Outlet store, ending the first quarter of fiscal year 2019 with 410 stores, including 119 Outlet stores (of which 58 are clearance stores) and 9 Fashion to Figure stores. As of May 4, 2019, the Company had 2.0 million selling square feet in operation. Included in the New York & Company store count at May 4, 2019 are 18 Eva Mendes side-by-side stores, 47 Eva Mendes shop-in-shop stores, and 1 free-standing Eva Mendes boutique.

During the three months ended May 5, 2018, the Company opened 1 New York & Company store, 8 Fashion to Figure stores, converted 1 existing New York & Company store to an Outlet store, closed 8 New York & Company stores and 1 Outlet store, as well as remodeled/refreshed 2 existing stores, ending the first quarter of fiscal year 2018 with 432 stores, including 119 Outlet stores, and 2.2 million selling square feet in operation. Included in the New York & Company store count at May 5, 2018 are 18 Eva Mendes side-by-side stores, 50 Eva Mendes shop-in-shop stores, and 1 free-standing Eva Mendes boutique.

For fiscal year 2019, capital expenditures are expected to be between $12 million and $13 million, including capital required for the Company's new businesses discussed above. In total, fiscal year 2019 capital expenditures reflect continued investments in the Company's information technology, including its omni-channel infrastructure, eCommerce stores and mobile applications, and real estate spending to support opening a select number of new stores and remodeling/refreshing existing locations. The Company expects to end fiscal year 2019 having opened 8 New York & Company stores and 2 Fashion to Figure stores, converted 2 existing New York & Company stores to Outlet stores, remodeled/refreshed 7 New York & Company stores and 2 Outlet stores, and closed 15 to 20 stores, ending the fiscal year with 401 to 406 stores and approximately 2.0 million selling square feet.

As of May 4, 2019, approximately 70% of the Company's store leases could be terminated by the Company in two years or less, providing the Company with operating flexibility.

Financing Activities

Net cash used in financing activities for the three months ended May 4, 2019 was $0.5 million, which consists primarily of principal payments on capital lease obligations. Net cash used in financing activities for the three months ended May 5, 2018 was $12.3 million, which consists primarily of a $0.3 million quarterly amortization payment of the Term Loan, the $11.5 million early repayment of the Term Loan, $0.5 million of principal payments on capital lease obligations, and $0.1 million of employee payroll taxes for which shares were withheld.

Critical Accounting Policies

Management has determined the Company's most critical accounting policies are those related to inventories, long-lived assets, including right-of-use assets, intangible assets, and income taxes.

Management continues to monitor these accounting policies to ensure proper application of current rules and regulations. There have been no significant changes to these policies as discussed in the Company's Annual Report on Form 10-K filed with the SEC on April 17, 2019.

Adoption of New Accounting Standards

Please refer to Note 2, "New Accounting Pronouncements" in the Notes to Condensed Consolidated Financial Statements appearing elsewhere in this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's quantitative and qualitative disclosures about market risk from what was reported in its Annual Report on Form 10-K filed with the SEC on April 17, 2019.

ITEM 4. CONTROLS AND PROCEDURES

(a) *Evaluation of disclosure controls and procedures.* The Company carried out an evaluation, as of May 4, 2019, under the supervision and with the participation of the Company's management, including the Company's Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures are effective in ensuring that all information required to be filed in this Quarterly Report on Form 10-Q was (i) recorded, processed, summarized and reported within the time period specified in the Securities and Exchange Commission's rules and forms (ii) and that the disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Principal Executive and Principal Financial Officers, as appropriate to allow timely decisions regarding required disclosure.

(b) *Changes in internal control over financial reporting.* There has been no change in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rule 13a-15 or 15d-15 that occurred during the Company's last fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II.
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material changes in the Company's legal proceedings from what was reported in its Annual Report on Form 10-K filed with the SEC on April 17, 2019.

ITEM 1A. RISK FACTORS

There have been no material changes in the Company's risk factors from what was reported in its Annual Report on Form 10-K filed with the SEC on April 17, 2019.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are filed with this report and made a part hereof.

10.1	Offer Letter and Employment Letter, dated as of April 18, 2019, between RTW Retailwinds, Inc. and Traci Inglis.
31.1	Certification by the Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 6, 2019.
31.2	Certification by the Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 6, 2019.
32.1	Written Statement of the Chief Executive Officer and the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated June 6, 2019.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

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

RTW RETAILWINDS, INC.

/s/ SHEAMUS TOAL

By:	Sheamus Toal
Its:	*Executive Vice President, Chief Operating Officer and Chief Financial Officer (Principal Financial Officer)*
Date:	June 6, 2019

Exhibit 10.1

330 West 34th Street
New York, NY 10001

April 16, 2019

Dear Traci:

It is with a great deal of pleasure that we write this letter to formalize our invitation for you to join us at RTW Retailwinds as our President, Chief Marketing & Digital Officer and member of our Executive Committee. We are pleased and excited at the prospect of having you as our partner.

The following points will outline the terms of our offer:

Position:	**President, Chief Marketing & Digital Officer**
Base Salary:	**$635,000**
Start Date:	To be discussed.
Incentive Compensation:	You will be eligible to participate in our Incentive Compensation (cash bonus program) at a target level of 60% of your annual base salary. All Incentive Compensation (IC) payouts are based on RTW Retailwinds' profit results and can vary from zero (0) to a maximum of double your target level. IC is paid three times a year at the end of each bonus period (August for the Spring season and March for both the Fall season and the fiscal year). The payouts are weighted 25%/Spring, 25%/Fall and 50%/ Fiscal Year of target earned each bonus period. Your participation in the IC program will begin with the Spring 2019 season. You will be eligible for a full Spring 2019, Fall 2019 and Fiscal 2019 payout. Of course, any payout will be dependent upon the company achieving its profit targets.
Relocation:	You will be eligible for an Executive relocation package.

Reimbursement:	If you voluntarily resign prior to the second year anniversary following your date of hire, you agree to reimburse RTW Retailwinds for your relocation as follows: If you voluntarily resign in less than twelve months following your start date, you agree to repay 100% of your relocation expense. If you voluntarily resign after twelve months, but prior to twenty-four months from your start date, you agree to repay 50% of your relocation expense. Initial and Date /s/ TI; April 18, 2019
Stock Grants:	You will receive 150,000 SARs in RTW Retailwinds common stock, with a grant price equal to the closing price on your start date. This grant will vest over a period of four years at 25%, 25%, 25% and 25% respectively. You will also receive 100,000 shares of Restricted Stock in RTW Retailwinds common stock to be granted on your start date. This grant will vest on the third anniversary of the grant.
Paid Time Off:	You will be eligible for 25 PTO days.
Benefits:	The full extent of coverage is explained in the enclosed Benefit Summary. Some additional highlights as an Executive Committee member are also enclosed.

This offer is based on your representation that you are under no legal impediment to accepting our offer and performing the anticipated services.

As a member of the Executive Committee, upon acceptance of our offer, you are requested to sign the enclosed Employment Agreement, which includes, but is not limited to, the following:

- Six months of severance pay if terminated without cause by the Company prior to the two year anniversary of your start date or twelve months of severance pay if terminated without cause by the Company thereafter, subject to performance of all post employment obligations set forth in the agreement.

- A standard non-solicitation agreement to cover a period of 12 months following separation from the Company.

- A non-compete agreement to cover a period of six months it terminated without cause by the Company prior to the two year anniversary of your start date or twelve months if terminated without cause by the Company thereafter.

Traci, we are excited at the prospect of your joining us at RTW Retailwinds to work with us to build a great future.

Please call me at 212-884-XXXX with any questions you may have. We ask that you sign and return one of the attached copies of this letter and one of the attached copies of the Employment Agreement.

Sincerely,	I accept the foregoing offer as of the date above.
/s/ Faeth Bradley	/s/ Traci Inglis
Faeth Bradley	Traci Inglis
EVP, Human Resources	

RTW retailwinds

330 West 34th Street
New York, NY 10001

Re: Letter Agreement of Employment

Dear Traci:

This letter agreement (this "Agreement") sets forth the terms and conditions of your employment, and your employment relationship, with Lerner New York, Inc. (the "Company"). Your execution of this Agreement will represent your acceptance of all of the terms set forth below.

1. **Nature of Agreement and Relationship.** This Agreement does not represent an employment contract for any specified term. Your employment relationship thus will remain "at will," meaning that, subject to the terms hereof, either party to this Agreement may terminate the employment relationship at any time for any lawful reason.

2. **Job Title and Duties.** Your job title will be President, Chief Marketing & Digital Officer. You will be expected to devote all of your full time efforts to the performance of the duties and responsibilities normally associated with this position, including those from time to time that may be assigned to you by your Supervisor, the President, the Chief Executive Officer or the Board of Directors of the Company (or the designee of any of the foregoing).

3. **Salary.** For the 12 month period ending on the last Saturday of each January (the last day of the fiscal year), you will receive a base salary at the rate of Six Hundred Thirty Five Thousand and 00/100 Dollars ($635,000) per annum ("Base Salary"), subject to the remaining provisions of this Section. For the remainder of the current fiscal year starting on the date of this Agreement, your Base Salary will be pro rated based on the number of days remaining in such fiscal year divided by 365. At the Company's sole discretion, your Base Salary may be increased or decreased based on your performance and the performance of the business. You will be paid in accordance with the Company's normal payroll policies and practices, with all applicable deductions being withheld from your paychecks.

4. **Bonus.** You will be eligible to participate in the Company's then current bonus plan, in accordance with its terms and conditions, and to receive performance based bonuses pursuant to any formula that may be established. For the Company's current fiscal year, your bonus target for the spring bonus (relating to the Company's results for the first and second fiscal quarters of each fiscal year) will be 15% of your Base Salary; for the fall bonus (relating to the Company's results for the third and fourth fiscal quarters of each fiscal year) will be 15% of your Base Salary; and for the annual bonus (relating to the Company's results for the fiscal year) will be 30% of your Base Salary. Any amount payable in respect of the spring bonus will be paid in the calendar month immediately following the end of the applicable performance period to which that bonus relates. Any amount payable in respect of the fall or the annual bonus will be paid within two and one half months following the end of the applicable performance period to which that bonus relates. All bonuses are determined at the Company's sole discretion, and the

Company has the sole discretion to modify or terminate any bonus plan and that plan will govern your right, if any, to a bonus payment upon termination of your employment.

5. **SARs, and Other Long Term Incentives.** You will be eligible to receive awards under SARs, restricted stock or other equity based long term incentive plans established by the Company (or an Affiliate) that cover executive officers of the Company. The term "Affiliate" means any corporation, partnership, limited liability company or other entity (other than the Company) that controls or is controlled by the Company, whether directly or indirectly, such as a parent company or subsidiary. All equity awards described in this paragraph are determined at the Company's sole discretion, and the Company has the sole discretion to modify or terminate any SARs, restricted stock or other equity based long term incentive plan and that plan will govern your rights, if any, relating to any equity award(s) you have received, or may be entitled to receive, upon termination of your employment.

6. **Employee Benefits.** You will be entitled to participate in all employee benefits plans, practices and programs maintained by the Company and made available to senior executives generally and as may be in effect from time to time (the "Benefits Plans"). Your participation in the Benefits Plans will be on the same basis and terms as are applicable to senior executives of the Company generally. Benefits Plans include, but are not limited to, savings and retirement plans, deferred compensation, health and prescription drug benefits, disability benefits, other insurance programs, vacation and other leave, merchandise discounts and business expense procedures. Plan documents setting forth terms of certain of the Benefits Plans are available upon request, which plan documents control all questions of interpretation concerning applicable Benefits Plans, including your rights, if any, upon termination of your employment. The Benefits Plans are subject to modification or termination by the Company at any time, at its sole discretion, in accordance with their terms.

7. **Severance Pay.** Upon your termination of employment by the Company and all Affiliates without Cause (as defined below), but subject to your performance of all post employment obligations set forth in this Agreement, you will be entitled to receive severance pay for six (6) months if employment is terminated prior to the two year anniversary of the start date of employment under this letter and twelve (12) months if terminated thereafter, ("Severance Period") at your final Base Salary ("Severance Pay"), beginning the first pay period following your separation date and ending upon the earlier of: (i) your receipt of the number of weekly payments coinciding with the length of the Severance Period (such number of payments to be adjusted if any change is made to the frequency of regularly scheduled payroll dates) or (ii) your first day of employment with another employer, whichever is earlier. The Severance Pay shall be conditioned upon your execution and delivery to the Company of a general release of claims in favor of the Company in a form reasonably satisfactory to the Company. Such release shall be executed and delivered (and no longer subject to revocation, if applicable) within sixty (60) days following your termination of employment. If you fail to execute such release as provided above, you shall forfeit all of your rights to receive the Severance Pay. If you obtain employment at an annual salary that is lower than your final Base Salary, you will continue to receive the differential between the two rates of pay for the balance of the Severance Period. If you obtain employment at an annual salary that is the same or higher than your final Base Salary, no further payments will be owed. This Severance Pay, which will be subject to applicable deductions required by law, will be paid on the Company's regular payroll dates as in effect on the date of each such payment for the balance of the "Severance Period" following your termination date, as outlined above. For purposes of this Agreement, "Cause" means the occurrence of any of the following: (i) your failure to perform your duties to the Company (other than as a result of death or a physical or mental incapacity); (ii) your commission of, indictment for, conviction of, or plea of guilty or nolo contendere to, a felony (regardless of the nature of the felony) or any other crime involving dishonesty, fraud or moral turpitude; (iii) your gross negligence or misconduct (including, but not limited to, acts of fraud, criminal activity, professional misconduct, dishonesty, or breach of trust or other fiduciary duty) in connection with the performance of your duties and responsibilities to the Company or with regard to the Company or its assets; (iv) your failure to comply with the rules

and policies of the Company governing employee conduct or with the lawful directives of the Board of Directors of the Company or a more senior executive of the Company; or (v) your breach of this Agreement or any obligation under any non disclosure, non solicitation, non competition or other restrictive covenant, employment or any other agreement with the Company. Any determination of Cause will be made in the good faith discretion of the Company.

8. **Code Section 409A Compliance.**

8.1. It is the Company's intent that compensation and benefits to which you are entitled under this Agreement *not* be treated as "nonqualified deferred compensation" under Section 409A of the Internal Revenue Code of 1986, as amended, and the treasury regulations and other official guidance promulgated thereunder ("Code Section 409A"), and that any ambiguities in the construction of this Agreement be interpreted in order to effectuate such intent. In the event that the Company determines, in its sole discretion, that any compensation or benefits to which you are entitled under this Agreement could be treated as "nonqualified deferred compensation" under Code Section 409A unless this Agreement is amended or modified, the Company may, in its sole discretion, amend or modify this Agreement without obtaining any additional consent from you, so long as such amendment or modification does not materially affect the net present value of the compensation or benefits to which you otherwise would be entitled under this Agreement.

8.2. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." If you are deemed on the date of termination to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is considered "nonqualified deferred compensation" under Code Section 409A payable on account of a "separation from service," such payment or benefit shall be made or provided at the date which is the earlier of (a) the expiration of the six (6) month period measured from the date of your "separation from service," and (b) the date of your death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to you in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

8.3. If a general release of claims, as contemplated under Section 7 hereof, is executed and delivered (and no longer subject to revocation) in the manner provided in said Section 7, then the following shall apply:

(a) To the extent that the Severance Pay is not "nonqualified deferred compensation" for purposes of Code Section 409A, then the Severance Pay shall commence upon the first scheduled payment date immediately following the date that the release is executed, delivered and no longer subject to revocation (the "Release Effective Date"). The first such cash payment shall include payment of all amounts that otherwise would have been due prior to the Release Effective Date under the terms of this Agreement applied as though such payments commenced immediately upon your termination of employment, and any payments made thereafter shall continue as provided herein.

(b) To the extent that the Severance Pay is "nonqualified deferred compensation" for purposes of Code Section 409A, then such payments or benefits shall be made or commence upon the sixtieth (60th) day following your termination of employment. The first such cash payment shall include payment of all amounts that otherwise would have been due prior thereto under the terms of this Agreement had such payments commenced immediately upon your termination of employment, and any payments made thereafter shall continue as provided herein.

8.4. For purposes of compliance with Code Section 409A, (a) all expenses or other reimbursements hereunder shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by you, (b) any right to reimbursement or in kind benefits is not subject to liquidation or exchange for another benefit, and (c) no such reimbursement, expenses eligible for reimbursement, or in kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in kind benefits to be provided, in any other taxable year.

8.5. For purposes of Code Section 409A, your right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

8.6. In no event shall any payment under this Agreement that constitutes "nonqualified deferred compensation" for purposes of Code Section 409A be subject to offset by any other amount unless otherwise permitted by Code Section 409A.

8.7. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on you by Code Section 409A or damages for failing to comply with Code Section 409A.

9. **Confidential Information, Intellectual Property.**

9.1. Confidentiality. You agree not to disclose, distribute, publish, communicate or in any way cause to be disclosed, distributed, published, or communicated in any way or at any time, Confidential Information (as defined herein), or any part of Confidential Information, to any person, firm, corporation, association, or any other operation or entity except on behalf of the Company in performance of your duties and responsibilities for the Company, and then only in a fashion consistent with protecting the Confidential Information from unauthorized use or disclosure, except as otherwise approved by the Company. You further agree not to use or permit the reproduction of any Confidential Information except on behalf of the Company in your capacity as an employee of the Company. You agree to take all reasonable care to avoid the unauthorized disclosure or use of any Confidential Information. You assume responsibility for and agree to indemnify and hold harmless the Company from and against any disclosure or use of the Confidential Information in violation of this Agreement.

9.2. Confidential Information. For the purpose of this Agreement, "Confidential Information" shall mean any written or unwritten information which relates to or is used in the Company's business (including, without limitation, information related to the names, addresses, buying habits and other special information regarding past, present and potential customers, employees and suppliers of the Company; customer and supplier contracts and transactions or price lists of the Company and suppliers; all agreements, files, books, logs, charts, records, studies, reports, processes, schedules and statistical information relating to the Company; all products, services, programs and processes sold, and all computer software licensed or developed by the Company; data, plans and specifications related to present or future development projects of the Company; financial or marketing data respecting the conduct of the present or future phases of business of the Company; computer programs, computer or web based training programs, systems or software; ideas, inventions, trademarks, business information, know how, processes, techniques, improvements, designs, redesigns, creations, discoveries and developments of the Company; and finances and financial information of the Company) which the Company deems confidential and proprietary, which is generally not known to others outside the Company, or which gives or tends to give the Company a competitive advantage over persons who do not possess such information or the secrecy of which is otherwise of value to the Company in the conduct of its business regardless of when and by whom such information was developed or acquired, and regardless of whether any of these are described in writing, copyrightable or considered copyrightable, patentable or considered patentable. "Confidential Information" shall not include general industry information or information which is publicly available or otherwise known to those persons outside the Company working in the area of the business of the Company or is otherwise in the public domain without breach of this Agreement or information which you have lawfully acquired without an obligation to maintain the information in confidence from a source other than the Company. "Confidential Information" specifically includes information received by the Company from others, including the Company's clients, that the Company has an obligation to treat as confidential and also includes any confidential information acquired or obtained by you while in the employment of any Affiliate.

9.3. Invention Ownership. With respect to information, inventions and discoveries developed, made or conceived by you, either alone or with others, at any time during your employment by the Company and whether or not within normal working hours, arising out of such employment or pertinent to any field of business or research in which, during such employment, the Company is engaged or (if such is known to or ascertainable by you) is considering engaging, you agree:

(a) that all such information, inventions and discoveries, whether or not patented or patentable, shall be and remain the sole property of the Company;

(b) to disclose promptly to an authorized representative of the Company all such information, inventions and discoveries and all information in your possession as to possible applications and uses thereof;

(c) not to file any patent applications relating to any such invention or discovery except with the prior consent of an authorized representative of the Company; and

(d) at the request of the Company, and without expense or additional compensation to you, to execute such documents and perform such other acts as the Company deems necessary, to obtain patents on such inventions in a jurisdiction or jurisdictions designated by the Company, and to assign to the Company or its designee such inventions and all patent applications and patents relating thereto.

Both the Company and you intend that all original works of authorship within the purview of the copyright laws of the United States authored or created by you in the course of your employment with the Company will be works for hire within the meaning of such copyright laws.

9.4. Confidentiality of Inventions; Return of Materials and Confidential Information. With respect to the information, inventions and discoveries referred to in Section 9.3, and also with respect to all other information, whatever its nature and form and whether obtained orally, by observation, from graphic materials, or otherwise (except such as is generally available through publication) obtained by you during or as a result of your employment by the Company and relating to any product, service, process, or apparatus or to any use of any of them, or to materials, tolerances, specifications, costs (including manufacturing costs), prices, or to any plans of the Company, you agree:

(a) to hold all such information, inventions and discoveries in strict confidence and not to publish or otherwise disclose any portion thereof except with the prior consent of an authorized representative of the Company;

(b) to take all reasonable precautions to ensure that all such information, inventions, and discoveries are properly protected from access by unauthorized persons;

(c) to make no use of any such information, invention, or discovery except as required or permitted in the performance of your duties and responsibilities for the Company; and

(d) upon termination of your employment by the Company, or at any time upon request of the Company, to deliver to the Company all graphic materials and all substances, models, prototypes and the like containing or relating to Confidential Information or any such information, invention, or discovery, all of which graphic materials and other things shall be and remain the sole property of the Company. The term "graphic materials" includes letters, memoranda, reports, notes, notebooks, books of account, drawings, prints, specifications, formulae, data printouts, microfilms, magnetic tapes and disks and other documents and recordings, together with all copies thereof.

10. **Non Solicitation.** Regardless of whether you are eligible to receive Severance Pay, you agree that, if your employment with the Company ends for any reason, you will not, for a period of twelve (12) months following such termination of employment, (i) directly or indirectly, either for yourself or for any other person, business, company or entity, hire from the Company or any Affiliate, or attempt to hire, divert or take away from the Company or any Affiliate, any of the then current officers or employees of the Company or any Affiliate, (ii) interfere with or harm, or attempt to interfere with or harm, the relationship of the Company or any Affiliate with any person who at any time was an employee, customer or supplier of the Company or any Affiliate or otherwise had a business relationship with the Company or any Affiliate, or (iii) unless compelled by law to do so, directly or indirectly, knowingly make any statement or other communication that impugns or attacks the reputation or character of the Company or any Affiliate, or damages the goodwill of the Company or any Affiliate, or knowingly take any action, directly or indirectly, that would interfere with any contractual or customer or supplier relationships of the Company or any Affiliate.

11. **Non Competition.** Subject to applicable ethical rules, for a period of six (6) months if you resign or your employment is terminated by the Company with Cause prior to the two (2) year anniversary of your start date of employment under this letter and twelve (12) months if you resign or your employment is terminated by the Company with Cause thereafter, you may not and will not, within the United States of America, directly or indirectly, without the prior written consent of the Company's Chief Executive Officer or its Board of Directors (which may be given

or withheld in its sole discretion), own, manage, operate, join, control, be employed by, consult with or participate in the ownership, management, operation or control of, or be connected with (as a stockholder, partner or otherwise) any business, partnership, firm, company, corporation or other entity engaged in the retail business of moderate women's fashion apparel, accessories and related products or any other product sold or intended to be sold by the Company or an Affiliate during your employment with the Company. Notwithstanding the foregoing, your beneficial ownership after your termination of employment with the Company, either individually or as a member of a group, of not more than two percent (2%) of the voting stock of any publicly held corporation shall not be a violation of this provision.

12. **Remedies.** You acknowledge that money will not adequately compensate the Company for the substantial damages that will arise upon the breach of any provision of Sections 9, 10 and 11 of this Agreement and that the Company would have no adequate remedy at law. For this reason, any claim the Company may make that you have breached or are threatening to breach Sections 9, 10 or 11 is not subject to mandatory arbitration under Section 15. Instead, if you breach or threaten to breach any provision of Sections 9, 10 or 11, the Company will be entitled, in addition to other rights and remedies, to specific performance, injunctive relief and other equitable relief to prevent or restrain any breach or threatened breach of Sections 9, 10 or 11. The Company may obtain such relief from (i) any court of competent jurisdiction, (ii) an arbitrator acting pursuant to Section 15 hereof, or (iii) a combination of the two (e.g., by simultaneously seeking arbitration under Section 15 and a temporary injunction from a court pending the outcome of the arbitration). It shall be the Company's sole and exclusive right to elect which approach to use to vindicate its rights. You also agree that in the event of a breach (or any threat of breach) the Company shall be entitled to obtain an immediate injunction and restraining order to prevent such breach or threatened breach or continued breach, without having to prove damages, and to obtain all costs and expenses, including reasonable attorneys' fees and costs. In addition, the existence of any claim or cause of action by you against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the restrictive covenants of this Agreement.

13. **Acknowledgment of Reasonableness.** You and the Company specifically agree that the provisions of the restrictive covenants contained in this Agreement, including the post employment covenants regarding non solicitation and non competition, are reasonable and that the Company would not have entered into this Agreement but for the inclusion of such covenants. You understand that the Company's business is nationwide, and, therefore, a nationwide restrictive covenant is reasonable. If a court or arbitrator determines that any provision of any such restrictive covenant is unreasonable, whether in period of time, geographical area, or otherwise, you and the Company agree that the covenant shall be interpreted and enforced to the maximum extent which a court or arbitrator deems reasonable. In addition, you and the Company authorize any such court or arbitrator to reform these restrictions to the minimum extent necessary.

14. **Company Property.** Upon your termination of employment for any reason, you will promptly return to the Company all Company related documents and Company property within your possession or control.

15. **Arbitration of Disputes.** Except as set forth in Section 12, any dispute, claim or difference arising out of or in relation to your employment will be settled exclusively by binding arbitration administered by the American Arbitration Association under its National Rules for the Resolution of Employment Disputes before a single arbitrator. You expressly understand and agree that claims subject to arbitration under this section include asserted violations of the Employee Retirement and Income Security Act of 1974; the Age Discrimination in Employment Act; the Older Worker's Benefit Protection Act; the Americans with Disabilities Act; Title VII of the Civil Rights Act of 1964 (as amended); the Family and Medical Leave Act; and any law prohibiting discrimination, harassment or retaliation in employment, whether based on federal, state or local law; any claim of breach of contract, tort, promissory estoppel or detrimental reliance, defamation,

intentional infliction of emotional distress; or the public policy of any state, or any other federal, state or local law. The arbitration will be held in New York, New York unless you and the Company (each a "Party," and jointly, the "Parties") mutually agree otherwise. To the extent permitted by law, each Party will bear its own costs and fees of the arbitration, and other fees and expenses of the arbitrator will be borne equally by the Parties; *provided*, *however*, that the arbitrator will be empowered to require any one or more of the Parties to bear all or any portion of fees and expenses of the Parties or the fees and expenses of the arbitrator in the event that the arbitrator determines such Party has acted in bad faith. The arbitrator will have the authority to award any remedy or relief that a court of the State of New York could order or grant. The decision and award of the arbitrator will be binding on all Parties. Either Party to the arbitration may seek to have the ruling of the arbitrator entered in any court having jurisdiction thereof. Each Party agrees that it will not file suit, motion, petition or otherwise commence any legal action or proceeding for any matter which is required to be submitted to arbitration as contemplated herein, except in connection with the enforcement of an award rendered by an arbitrator and except to seek the issuance of an injunction or temporary restraining order pending a final determination by the arbitrator.

16. **Post Termination Cooperation.** As is required of you during employment, you agree that during and after employment with the Company you will, without expense or additional compensation to you, cooperate with the Company or any Affiliate in the following areas:

16.1. Cooperation With the Company. You agree (a) to be reasonably available to answer questions for the Company's (or any Affiliate's) officers regarding any matter, project, initiative or effort for which you were responsible while employed by the Company and (b) to cooperate with the Company (and with any Affiliate) during the course of all third party proceedings arising out of the Company's (or any Affiliate's) business about which you have knowledge or information. For purposes of this Agreement, (c) "proceedings" includes internal investigations, administrative investigations or proceedings and lawsuits (including pre trial discovery and trial testimony) and (d) "cooperation" includes (i) your being reasonably available for interviews, meetings, depositions, hearings or trials without the need for subpoena or assurances by the Company (or any Affiliate), (ii) providing any and all documents in your possession that relate to the proceeding, and (iii) providing assistance in locating any and all relevant notes and documents.

16.2. Cooperation With Media. You agree not to communicate with, or give statements to, any member of the media (including print, television or radio media) relating to any matter (including pending or threatened lawsuits or administrative investigations) about which you have knowledge or information (other than knowledge or information that is not Confidential Information as defined in Section 9.3) as a result of employment with the Company. You also agree to notify the Chief Executive Officer or his designee immediately after being contacted by any member of the media with respect to any matter affected by this section.

17. **Entire Agreement.** This Agreement constitutes your entire agreement with the Company relating to the subject mater hereof, and supersedes in its entirety any and all prior agreements, understandings or arrangements with the Company.

18. **Governing Law.** All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to the choice of law principles thereof that would result in the application of the laws of any other jurisdiction.

19. **Survival of Provisions.** Sections 8 through 18 will survive the termination of your employment for any reason and shall not be affected by any transfer(s) between the Company and its Affiliate(s).

20. **Understandings and Representations.** You should not sign this Agreement until you understand its terms and conditions. Your execution of this Agreement represents your acknowledgement that you have take all steps you believe necessary, including consultation with financial and legal advisors of your choice, to understand this Agreement.

Sincerely,

By: /s/ Faeth Bradley Dated: April 18, 2019
Faeth Bradley
Executive Vice President
Human Resources

By: /s/ Traci Inglis Dated: April 18, 2019
Traci Inglis
President, Chief Marketing & Digital Officer

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 31.1

CERTIFICATION

I, Gregory J. Scott, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of RTW Retailwinds, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers 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.

Date: June 6, 2019

/s/ GREGORY J. SCOTT

Gregory J. Scott
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Sheamus Toal, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of RTW Retailwinds, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers 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.

Date: June 6, 2019

/s/ SHEAMUS TOAL

Sheamus Toal
Executive Vice President, Chief Operating Officer and
Chief Financial Officer

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Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350
As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Solely for the purposes of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned Chief Executive Officer, and Executive Vice President, Chief Operating Officer and Chief Financial Officer of RTW Retailwinds, Inc. (the "Company"), hereby certify, based on our knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended May 4, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 6, 2019

/s/ GREGORY J. SCOTT

Gregory J. Scott
Chief Executive Officer

/s/ SHEAMUS TOAL

Sheamus Toal
Executive Vice President, Chief Operating Officer and Chief Financial Officer

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