New York & Company, Inc.
Form 10-Q
September 02, 2015

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# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, DC 20549**

# FORM 10-Q

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

**for the quarterly period ended August 1, 2015**

**OR**

o **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**

# NEW YORK & COMPANY, INC.

(Exact name of registrant as specified in its charter)

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

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ý No o

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

| | | | |
|---|---|---|---|
| Large accelerated filer o | Accelerated filer ý | Non-accelerated filer o<br>(Do not check if a smaller reporting company) | Smaller reporting company o |

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

As of August 28, 2015, the registrant had 64,483,676 shares of common stock outstanding.

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**PART I.**
**FINANCIAL INFORMATION**

## ITEM 1. FINANCIAL STATEMENTS

**New York & Company, Inc. and Subsidiaries**

**Condensed Consolidated Statements of Operations**

**(Unaudited)**

| (Amounts in thousands, except per share amounts) | Three months ended August 1, 2015 | Three months ended August 2, 2014 | Six months ended August 1, 2015 | Six months ended August 2, 2014 |
|---|---|---|---|---|
| Net sales | $ 235,696 | $ 226,066 | $ 459,086 | $ 445,659 |
| Cost of goods sold, buying and occupancy costs | 168,563 | 164,148 | 327,706 | 321,537 |
| Gross profit | 67,133 | 61,918 | 131,380 | 124,122 |
| Selling, general and administrative expenses | 66,698 | 61,738 | 135,190 | 123,881 |
| Operating income (loss) | 435 | 180 | (3,810) | 241 |
| Interest expense, net of interest income of $7, $2, $8, and $2, respectively | 309 | 85 | 598 | 169 |
| Income (loss) before income taxes | 126 | 95 | (4,408) | 72 |
| Provision for income taxes | 272 | 242 | 409 | 501 |
| Net loss | $ (146) | $ (147) | $ (4,817) | $ (429) |
| Basic loss per share | $ (0.00) | $ (0.00) | $ (0.08) | $ (0.01) |
| Diluted loss per share | $ (0.00) | $ (0.00) | $ (0.08) | $ (0.01) |
| Weighted average shares outstanding: | | | | |
| Basic shares of common stock | 63,174 | 62,819 | 63,079 | 62,728 |
| Diluted shares of common stock | 63,174 | 62,819 | 63,079 | 62,728 |

See accompanying notes.

**New York & Company, Inc. and Subsidiaries**

**Condensed Consolidated Statements of Comprehensive Loss**

**(Unaudited)**

| (Amounts in thousands) | Three months ended August 1, 2015 | Three months ended August 2, 2014 | Six months ended August 1, 2015 | Six months ended August 2, 2014 |
|---|---|---|---|---|
| Comprehensive loss | $ (60) | $ (126) | $ (4,669) | $ (362) |

See accompanying notes.

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**New York & Company, Inc. and Subsidiaries**

**Condensed Consolidated Balance Sheets**

| (Amounts in thousands, except per share amounts) | August 1, 2015 (Unaudited) | January 31, 2015 (Audited) | August 2, 2014 (Unaudited) |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 60,122 | $ 69,293 | $ 63,166 |
| Restricted cash | 1,509 | 1,509 | 1,509 |
| Accounts receivable | 12,682 | 7,406 | 10,688 |
| Income taxes receivable | 73 | 99 | 99 |
| Inventories, net | 85,896 | 93,791 | 84,896 |
| Prepaid expenses | 19,559 | 20,581 | 20,913 |
| Other current assets | 1,320 | 1,121 | 1,223 |
| Total current assets | 181,161 | 193,800 | 182,494 |
| Property and equipment, net | 86,882 | 84,374 | 79,834 |
| Intangible assets | 14,879 | 14,879 | 14,879 |
| Deferred income taxes | 6,421 | 6,660 | 6,741 |
| Other assets | 2,204 | 2,167 | 995 |
| Total assets | $ 291,547 | $ 301,880 | $ 284,943 |
| **Liabilities and stockholders' equity** | | | |
| Current liabilities: | | | |
| Current portion long-term debt | $ 1,000 | $ 1,000 | $ |
| Accounts payable | 81,453 | 86,481 | 82,173 |
| Accrued expenses | 48,750 | 52,418 | 38,402 |
| Income taxes payable | 564 | 710 | 747 |
| Deferred income taxes | 6,421 | 6,660 | 6,741 |
| Total current liabilities | 138,188 | 147,269 | 128,063 |
| Long-term debt, net of current portion | 13,250 | 13,750 | |
| Deferred rent | 36,836 | 35,169 | 36,803 |
| Other liabilities | 7,034 | 6,333 | 5,032 |
| Total liabilities | 195,308 | 202,521 | 169,898 |
| Stockholders' equity: | | | |
| Common stock, voting, par value $0.001; 300,000 shares authorized; 65,356, 65,236, and 64,789 shares issued and 64,356, 64,236, and 63,789 shares outstanding at August 1, 2015, January 31, 2015, and August 2, 2014, respectively | 65 | 65 | 65 |
| Additional paid-in capital | 176,158 | 174,609 | 172,697 |
| Retained deficit | (73,929) | (69,112) | (52,656) |
| Accumulated other comprehensive loss | (2,658) | (2,806) | (1,664) |
| Treasury stock at cost; 1,000 shares at August 1, 2015, January 31, 2015 and August 2, 2014 | (3,397) | (3,397) | (3,397) |
| Total stockholders' equity | 96,239 | 99,359 | 115,045 |
| Total liabilities and stockholders' equity | $ 291,547 | $ 301,880 | $ 284,943 |

See accompanying notes.

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**New York & Company, Inc. and Subsidiaries**

**Condensed Consolidated Statements of Cash Flows**

**(Unaudited)**

| (Amounts in thousands) | Six months ended August 1, 2015 | Six months ended August 2, 2014 |
|---|---|---|
| **Operating activities** | | |
| Net loss | $ (4,817) | $ (429) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 12,333 | 14,118 |
| Loss from impairment charges | 232 | 358 |
| Amortization of deferred financing costs | 92 | 60 |
| Share-based compensation expense | 1,782 | 2,011 |
| Changes in operating assets and liabilities: | | |
| Restricted cash | | (1,509) |
| Accounts receivable | (5,276) | (3,662) |
| Income taxes receivable | 26 | |
| Inventories, net | 7,895 | (1,417) |
| Prepaid expenses | 1,022 | 228 |
| Accounts payable | (5,028) | 6,299 |
| Accrued expenses | (3,865) | (8,478) |
| Income taxes payable | (146) | (328) |
| Deferred rent | 1,667 | (3,122) |
| Other assets and liabilities | (86) | (110) |
| Net cash provided by operating activities | 5,831 | 4,019 |
| **Investing activities** | | |
| Capital expenditures | (13,993) | (10,757) |
| Net cash used in investing activities | (13,993) | (10,757) |
| **Financing activities** | | |
| Repayment of long-term debt | (500) | |
| Payment of financing costs | (22) | |
| Proceeds from exercise of stock options | 16 | 299 |
| Shares withheld for payment of employee payroll taxes | (247) | (118) |
| Principal payments on capital lease obligations | (256) | |
| Net cash (used in) provided by financing activities | (1,009) | 181 |
| Net decrease in cash and cash equivalents | (9,171) | (6,557) |
| Cash and cash equivalents at beginning of period | 69,293 | 69,723 |
| Cash and cash equivalents at end of period | $ 60,122 | $ 63,166 |
| Non-cash capital lease transactions | $ 1,080 | $ |

See accompanying notes.

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**New York & Company, Inc.**

**Notes to Condensed Consolidated Financial Statements**

**August 1, 2015**

**(Unaudited)**

### 1. Organization and Basis of Presentation

New York & Company, Inc. (together with its subsidiaries, the "Company") is a specialty retailer of women's fashion apparel and accessories, and the modern wear-to-work destination for women, providing perfectly fitting pants and NY Style that is feminine, polished, on-trend and versatile all at compelling values. The Company's proprietary branded New York & Company® merchandise is sold exclusively through its national network of retail stores and eCommerce store at *www.nyandcompany.com*. The target customers for the Company's merchandise are fashion-conscious, value-sensitive women between the ages of 25 and 45. As of August 1, 2015, the Company operated 504 stores in 43 states.

The condensed consolidated financial statements as of August 1, 2015 and August 2, 2014 and for the 13 weeks ("three months") and 26 weeks ("six months") ended August 1, 2015 and August 2, 2014 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 January 31, 2015 ("fiscal year 2014"), which were filed with the Company's Annual Report on Form 10-K with the SEC on April 16, 2015. The 52-week fiscal years ending January 30, 2016 and January 28, 2017 are referred to herein as "fiscal year 2015" and "fiscal year 2016," respectively. The Company's fiscal year is a 52- or 53-week year that ends on the Saturday closest to January 31.

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. The Company operates as one segment and all of its revenues are generated in the United States.

Certain reclassifications have been made to prior fiscal year amounts and balances to conform to the presentation in the current fiscal year. These reclassifications did not impact consolidated operating income or net income in the prior year period presented.

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.

Certain totals that appear in this Quarterly Report on Form 10-Q may not equal the sum of the components due to rounding.

### 2. New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"), which supersedes the revenue recognition requirements in FASB Accounting Standards Codification ("ASC") Topic 605, "Revenue Recognition" and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled to in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606):

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**New York & Company, Inc.**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**August 1, 2015**

**(Unaudited)**

**2. New Accounting Pronouncements (Continued)**

Deferral of the Effective Date," which defers the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within those reporting periods. As amended, early adoption is permitted for annual reporting periods beginning after December 15, 2016, including interim reporting periods within those reporting periods. The standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company is evaluating the new standard and its impact on the Company's financial position and results of operations.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"), which requires that debt issuance costs be presented as a direct deduction from the carrying amount of related debt liability, consistent with the presentation of debt discounts. Prior to the issuance of ASU 2015-03, debt issuance costs were required to be presented as deferred charge assets, separate from the related debt liability. ASU 2015-03 does not change the recognition and measurement requirement for debt issuance costs. ASU 2015-03 is effective retrospectively for annual and interim periods beginning after December 15, 2015, with early adoption permitted. The Company does not expect the adoption of ASU 2015-03 to have an impact on the Company's financial position or results of operations.

In April 2015, the FASB issued ASU 2015-04, "Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets" ("ASU 2015-04"), which provides a practical expedient that permits a company to measure defined benefit plan assets and obligations using the month-end date that is closest to the company's fiscal year end and apply that practical expedient consistently from year to year. ASU 2015-04 is effective prospectively for financial statements issued for annual reporting periods beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption permitted. The Company does not expect the adoption of ASU 2015-04 to have an impact on the Company's financial position or results of operations.

In April 2015, the FASB issued ASU 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement," which amends ASC 350, "Intangibles Goodwill and Other." The amendments provide guidance as to whether a cloud computing arrangement includes a software license, and based on that determination, how to account for such arrangements. If a cloud computing arrangement includes a software license, then the customer should account for the license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the arrangement should be accounted for as a service contract. The amendments are effective for arrangements entered into, or materially modified, in annual or interim reporting periods within those years beginning after December 15, 2015 and may be applied on either a prospective or retrospective basis, with early adoption permitted. The Company is currently evaluating the new standard and its impact on the Company's financial position and results of operations.

In June 2015, the FASB issued ASU 2015-10, "Technical Corrections and Improvements" ("ASU 2015-10"), which amends a number of topics in the Accounting Standards Codification ("Codification"). The update is a part of an ongoing project on the FASB's agenda to facilitate Codification updates for non-substantive technical corrections, clarifications, and improvements that are

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**New York & Company, Inc.**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**August 1, 2015**

**(Unaudited)**

**2. New Accounting Pronouncements (Continued)**

not expected to have a significant effect on accounting practice or create a significant administrative cost to most entities. ASU 2015-10 will apply to all reporting entities within the scope of the affected accounting guidance. Certain amendments in the update require transition guidance and are effective for all entities for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the new standard and its impact on the Company's financial position and results of operations.

**3. Earnings (Loss) Per Share**

Basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding for the period. Except when the effect would be anti-dilutive, diluted earnings (loss) 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 loss per share is as follows:

| | Three months ended August 1, 2015 | Three months ended August 2, 2014 | Six months ended August 1, 2015 | Six months ended August 2, 2014 |
|---|---|---|---|---|
| | (Amounts in thousands, except per share amounts) | | | |
| Net loss | $ (146) | $ (147) | $ (4,817) | $ (429) |
| *Basic loss per share* | | | | |
| Weighted average shares outstanding: | | | | |
| Basic shares of common stock | 63,174 | 62,819 | 63,079 | 62,728 |
| Basic loss per share | $ (0.00) | $ (0.00) | $ (0.08) | $ (0.01) |
| *Diluted loss per share* | | | | |
| Weighted average shares outstanding: | | | | |
| Basic shares of common stock | 63,174 | 62,819 | 63,079 | 62,728 |
| Plus impact of share-based awards | | | | |
| Diluted shares of common stock | 63,174 | 62,819 | 63,079 | 62,728 |
| Diluted loss per share | $ (0.00) | $ (0.00) | $ (0.08) | $ (0.01) |

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**New York & Company, Inc.**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**August 1, 2015**

**(Unaudited)**

**3. Earnings (Loss) Per Share (Continued)**

The calculation of diluted loss per share for the three and six months ended August 1, 2015 and August 2, 2014 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 August 1, 2015 | Three months ended August 2, 2014 | Six months ended August 1, 2015 | Six months ended August 2, 2014 |
|---|---|---|---|---|
| | (Amounts in thousands) | | | |
| Stock options | 466 | 497 | 487 | 532 |
| Stock appreciation rights(1) | 5,330 | 2,953 | 5,442 | 2,986 |
| Restricted stock and units | 480 | 654 | 831 | 509 |
| Total anti-dilutive shares | 6,276 | 4,104 | 6,760 | 4,027 |

(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 stock.

**4. Share-Based Compensation**

The Company accounts for all share-based payments in accordance with FASB ASC Topic 718, "Compensation Stock Compensation" ("ASC 718"). ASC 718 requires that the cost resulting from all share-based payment transactions be treated as compensation and recognized in the consolidated financial statements.

The Company recorded share-based compensation expense in the amount of $0.8 million and $0.7 million for the three months ended August 1, 2015 and August 2, 2014, respectively, and $1.8 million and $2.0 million for the six months ended August 1, 2015 and August 2, 2014, respectively.

During the six months ended August 1, 2015, 7,500 shares of common stock were issued upon exercise of previously issued stock options.

**5. 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 8% of the Company's workforce at August 1, 2015. The collective bargaining agreement with the Local 1102 unit of the Retail, Wholesale and Department Store Union ("RWDSU") AFL-CIO ("Local 1102") is currently being renegotiated in accordance with the terms of the agreement. The Company believes its relationship with its employees is good.

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

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**New York & Company, Inc.**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**August 1, 2015**

**(Unaudited)**

**5. Pension Plan (Continued)**

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 August 1, 2015 | Three months ended August 2, 2014 | Six months ended August 1, 2015 | Six months ended August 2, 2014 |
|---|---|---|---|---|
| | (Amounts in thousands) | | | |
| Service cost | $ 29 | $ 88 | $ 171 | $ 175 |
| Interest cost | 76 | 94 | 160 | 184 |
| Expected return on plan assets | (73) | (146) | (223) | (275) |
| Amortization of unrecognized losses | 90 | 25 | 156 | 75 |
| Amortization of prior service credit | (4) | (4) | (8) | (8) |
| Net periodic benefit cost | $ 118 | $ 57 | $ 256 | $ 151 |

In accordance with FASB ASC Topic 220, "Comprehensive Income," comprehensive loss reported on the Company's condensed consolidated statements of comprehensive loss includes net loss and other comprehensive income (loss). For the Company, other comprehensive income (loss) 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 reclassified out of accumulated other comprehensive loss on the consolidated balance sheets and into selling, general, and administrative expenses on the Company's consolidated statements of operations for the three months ended August 1, 2015 and August 2, 2014 was approximately $86,000 and $21,000, respectively, and for the six months ended August 1, 2015 and August 2, 2014 was $148,000 and $67,000, respectively. As of January 31, 2015, the Company reported a minimum pension liability of $2.7 million due to the underfunded status of the plan. The minimum pension liability is reported in other liabilities on the condensed consolidated balance sheets.

**6. 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 2011. With limited exception, the Company is no longer subject to state and local income tax examinations for tax years through 2010.

At January 31, 2015, the Company reported a total liability for unrecognized tax benefits of $3.9 million, including interest and penalties. There have been no material changes during the six months ended August 1, 2015. Of the total $3.9 million of unrecognized tax benefits at January 31, 2015, approximately $1.0 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

**New York & Company, Inc.**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**August 1, 2015**

**(Unaudited)**

**6. Income Taxes (Continued)**

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 valuation allowance would be reversed accordingly in the period that such determination is made. As of August 1, 2015, the Company's valuation allowance against its deferred tax assets was $65.8 million.

**7. Long-Term Debt and Credit Facilities**

On October 24, 2014, Lerner New York, Inc., Lernco, Inc. and Lerner New York Outlet, Inc., wholly-owned indirect subsidiaries of New York & Company, 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 New York & Company, Inc. and its other subsidiaries.

The Loan Agreement consists of: (i) 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 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, and (ii) a $15 million, 5-year term loan, bearing interest at the Adjusted Eurodollar Rate plus 4.50% (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 August 1, 2015, the Company had availability under its revolving credit facility of $35.7 million, net of letters of credit outstanding of $20.5 million, as compared to availability of $30.0 million, net of letters of credit outstanding of $19.8 million, as of January 31, 2015, and availability of $30.4 million, net of letters of credit outstanding of $22.5 million, as of August 2, 2014. Included in letters of credit outstanding at August 1, 2015 are $1.4 million of trade letters of credit and $19.1 million of standby letters of credit primarily related to the Company's new corporate headquarters and certain insurance contracts.

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, prepay the Term Loan, incur additional indebtedness and to prepay, redeem, defease or purchase other indebtedness.

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**New York & Company, Inc.**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**August 1, 2015**

**(Unaudited)**

**7. Long-Term Debt and Credit Facilities (Continued)**

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 New York & Company, Inc. and its subsidiaries, as collateral for the Company's obligations under the Loan Agreement. In addition, New York & Company, 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 August 1, 2015 and January 31, 2015, the Company had recorded $3.0 million and $2.2 million of capital lease obligations, respectively, which will be paid over the next five years.

**8. Fair Value Measurements**

The Company measures fair value in accordance with FASB ASC 820 Topic, "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 Company's financial instruments consist of cash and cash equivalents, restricted cash, short-term trade receivables, accounts payable, and long-term debt. The carrying values on the balance sheets for cash and cash equivalents, restricted cash, short-term trade receivables and accounts payable approximate their fair values due to the short-term maturities of such items. At August 1, 2015 and January 31, 2015, the carrying amount of long-term debt approximated its fair value due to the variable interest rate it carries.

The Company classifies long-lived store 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" ("ASC 360"). 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, 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.

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**New York & Company, Inc.**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**August 1, 2015**

**(Unaudited)**

**8. Fair Value Measurements (Continued)**

The Company reported the following non-cash impairment charges related to underperforming store assets during the first and second quarters of fiscal year 2015 and fiscal year 2014 in "Selling, general and administrative expenses" on the Company's consolidated statements of operations:

| | Fiscal Year 2015 | Fiscal Year 2014 |
|---|---|---|
| | (Amounts in thousands) | |
| First quarter | $ | $ 358 |
| Second quarter | 232 | |
| Total year-to-date impairment charges | $ 232 | $ 358 |

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

### 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. Factors that could cause the Company's actual results to differ materially from those expressed or implied in such forward-looking statements, include, but are not limited to the risks and uncertainties described in the Company's documents filed with the SEC, including its Annual Report on Form 10-K, filed on April 16, 2015.

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.

**Overview**

The Company is a specialty retailer of women's fashion apparel and accessories, and the modern wear-to-work destination for women, providing perfectly fitting pants and NY Style that is feminine, polished, on-trend and versatile all at compelling values. The Company's proprietary branded New York & Company® merchandise is sold exclusively through its national network of retail stores and online at *www.nyandcompany.com*. The target customers for the Company's merchandise are women between the ages of 25 and 45. As of August 1, 2015, the Company operated 504 stores in 43 states.

During the quarter, the Company made progress on its key strategic initiatives, which are as follows: (i) evolve as a broader lifestyle brand through the growth of its sub-brand strategy, including the 7th Avenue Design Studio (f.k.a. 7th Avenue), Fit City (f.k.a. Love NY&C), Soho Jeans, and Eva Mendes Collection, and by leveraging its "best at pant" advantage into denim and activewear; (ii) create a deeper emotional connection with its customer to drive traffic in all channels of the business and grow its active customer database, including new private label credit card customers; (iii) continue to evolve as an omni-channel retailer, driving increased sales and profitability; (iv) execute its business re-engineering program, referred to as "Project Excellence," in order to improve overall operational efficiency and productivity; and (v) continue to expand its store base and optimize existing square footage.

In July 2015, the Company announced that actress, musician and style influencer Jennifer Hudson will be the new face of its Soho Jeans Collection. The award-winning actress, accomplished songstress and generous philanthropist appears in an in-store, print, digital and social (#ItJustFits) marketing campaign wearing the New York-designed denim line that is inspired by a downtown Soho attitude.

Net sales for the three months ended August 1, 2015 were $235.7 million, as compared to $226.1 million for the three months ended August 2, 2014. Comparable store sales, including eCommerce sales, increased 3.8% for the three months ended August 1, 2015, as compared to an increase of 2.3% for the three months ended August 2, 2014. Net loss for the three months ended August 1, 2015 was $0.1 million, or breakeven per diluted share, as compared to a net loss of

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$0.1 million, or breakeven per diluted share, for the three months ended August 2, 2014. Non-GAAP adjusted net income for the three months ended August 1, 2015 was $1.9 million, or $0.03 per diluted share, which excludes $2.0 million of non-operating charges. There were no non-operating charges recorded during the three months ended August 2, 2014. Please refer to the "Results of Operations" and "Reconciliation of GAAP to non-GAAP Financial Measures" sections below for a further discussion of the Company's operating results.

Capital spending for the six months ended August 1, 2015 was $14.0 million, as compared to $10.8 million for the six months ended August 2, 2014. During the six months ended August 1, 2015, the Company opened two New York & Company stores and five New York & Company Outlet stores, converted nine New York & Company stores to Outlet stores, remodeled six existing stores, and closed seven stores, ending the second quarter with 504 stores, including 76 Outlet stores and 2.6 million selling square feet in operation. In addition, the Company continued to invest in its information technology infrastructure, primarily relating to the expansion of its omni-channel strategy.

As previously disclosed, during the third quarter of fiscal year 2014, the Company engaged a leading global business advisory firm to assist the Company in analyzing its business processes and organizational structure in an effort to improve sales productivity and operating efficiencies, as well as reduce the Company's overall cost structure. The Company refers to this business re-engineering program as "Project Excellence." The first phase of Project Excellence consisted of an organizational realignment initiated at the end of fiscal year 2014. The Company recently completed the second phase of Project Excellence, which consisted of: (i) a comprehensive review of the Company's Go-To-Market strategy aimed at improving operating efficiencies and reducing costs associated with the related processes, (ii) the reduction of indirect procurement costs, and (iii) additional workforce reductions in connection with the organizational realignment. The Company now expects to recognize combined annual expense reductions of approximately $30 million upon the execution of the business improvement plans identified through both phases of Project Excellence; however, a portion of these savings are expected to be reinvested into the Company's strategic initiatives and longer term growth strategies as discussed in "Item 1. Business" of the Company's Annual Report on Form 10-K, as filed with the SEC on April 16, 2015. The Company expects approximately half of the savings from Project Excellence to be realized through reduced product costs and buying expenses resulting in improved gross margins, while the remaining half of the savings will be recognized through a reduction of various selling, general and administrative expenses. As previously disclosed, the savings resulting from Project Excellence began being recognized by the Company during the first quarter of fiscal year 2015 and are expected to build throughout the second half of fiscal year 2015 and into the first quarter of fiscal year 2016 as the Company completes the implementation of its business improvement plans.

The Company views the retail apparel market as having two principal selling seasons: spring (first and second fiscal quarter) and fall (third and fourth fiscal quarter). The Company's business experiences seasonal fluctuations in net sales and operating income, with a significant portion of its operating income typically realized during its fourth quarter. Any decrease in sales or margins during either of the principal selling seasons in any given year could have a disproportionate effect on the Company's financial condition and results of operations. 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.

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**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 and six months ended August 1, 2015 and August 2, 2014:

| As a % of net sales | Three months ended August 1, 2015 | Three months ended August 2, 2014 | Six months ended August 1, 2015 | Six months ended August 2, 2014 |
|---|---|---|---|---|
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of goods sold, buying and occupancy costs | 71.5% | 72.6% | 71.4% | 72.1% |
| Gross profit | 28.5% | 27.4% | 28.6% | 27.9% |
| Selling, general and administrative expenses | 28.3% | 27.3% | 29.4% | 27.8% |
| Operating income (loss) | 0.2% | 0.1% | (0.8)% | 0.1% |
| Interest expense, net | 0.2% | % | 0.1% | % |
| Income (loss) before income taxes | % | 0.1% | (0.9)% | 0.1% |
| Provision for income taxes | 0.1% | 0.2% | 0.1% | 0.2% |
| Net loss | (0.1)% | (0.1)% | (1.0)% | (0.1)% |

| Selected operating data: | Three months ended August 1, 2015 | Three months ended August 2, 2014 | Six months ended August 1, 2015 | Six months ended August 2, 2014 |
|---|---|---|---|---|
| | (Dollars in thousands, except square foot data) | | | |
| Comparable store sales increase | 3.8% | 2.3% | 2.9% | 0.1% |
| Net sales per average selling square foot(1) | $ 91 | $ 86 | $ 177 | $ 169 |
| Net sales per average store(2) | $ 468 | $ 445 | $ 911 | $ 877 |
| Average selling square footage per store(3) | 5,132 | 5,169 | 5,132 | 5,169 |

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

(2) Net sales per average store is defined as net sales divided by the average of beginning and 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.

| | Three months ended August 1, 2015 | | Three months ended August 2, 2014 | | Six months ended August 1, 2015 | | Six months ended August 2, 2014 | |
|---|---|---|---|---|---|---|---|---|
| Store count and selling square feet: | Store Count | Selling Square Feet | Store Count | Selling Square Feet | Store Count | Selling Square Feet | Store Count | Selling Square Feet |
| Stores open, beginning of period | 504 | 2,597,912 | 506 | 2,627,462 | 504 | 2,596,988 | 507 | 2,637,074 |
| New stores | 2 | 8,051 | 4 | 14,963 | 7 | 30,400 | 6 | 22,523 |
| Closed stores | (2) | (8,587) | (1) | (4,005) | (7) | (26,671) | (4) | (15,778) |
| Net impact of remodeled stores on selling square feet | | (10,662) | | (7,418) | | (14,003) | | (12,817) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Stores open, end of period | 504 | 2,586,714 | 509 | 2,631,002 | 504 | 2,586,714 | 509 | 2,631,002 |

***Three Months ended August 1, 2015 Compared to Three Months ended August 2, 2014***

*Net Sales.* Net sales for the three months ended August 1, 2015 increased 4.3% to $235.7 million, as compared to $226.1 million for the three months ended August 2, 2014. Comparable store sales

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increased 3.8% for the three months ended August 1, 2015, as compared to an increase of 2.3% for the three months ended August 2, 2014. In the comparable store base, average dollar sales per transaction increased by 1.1%, and the number of transactions per average store increased 2.7%, as compared to the same period last year.

*Gross Profit.* Gross profit for the three months ended August 1, 2015 increased to $67.1 million, or 28.5% of net sales, as compared to $61.9 million, or 27.4% of net sales, for the three months ended August 2, 2014. The increase in gross profit as a percentage of net sales for the three months ended August 1, 2015, as compared to the three months ended August 2, 2014, was driven by a 140 basis point decrease in buying and occupancy costs reflecting a reduction in occupancy expenses and payroll savings resulting from the Company's organizational realignment. The improvement in buying and occupancy costs was partially offset by a 30 basis point decrease in merchandise margin primarily due to increased shipping costs associated with the Company's omni-channel initiatives, which was partially offset by improvements in product costs resulting from continued sourcing efficiencies.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses were $66.7 million, or 28.3% of net sales, for the three months ended August 1, 2015, as compared to $61.7 million, or 27.3% of net sales, for the three months ended August 2, 2014. The increase in selling, general and administrative expenses during the three months ended August 1, 2015, as compared to the three months ended August 2, 2014, includes $2.0 million of non-operating charges consisting of $0.6 million in consulting fees incurred in connection with Project Excellence, $0.9 million of severance expense, and $0.6 million of certain legal and corporate moving expenses. The additional increase in selling, general and administrative expenses during the three months ended August 1, 2015, as compared to the three months ended August 2, 2014, includes increased investments in marketing to drive sales; increased rent and depreciation expense related to the Company's new corporate headquarters; and increased variable distribution expenses to support the growth of the Company's eCommerce business; partially offset by savings recognized as a result of the Company's organizational realignment.

*Operating Income.* For the reasons discussed above, operating income for the three months ended August 1, 2015 was $0.4 million, as compared to operating income of $0.2 million for the three months ended August 2, 2014.

*Interest Expense, Net.* Net interest expense was $0.3 million for the three months ended August 1, 2015, as compared to $0.1 million for the three months ended August 2, 2014. The increase in net interest expense during the three months ended August 1, 2015, as compared to the three months ended August 2, 2014, was primarily due to interest related to the $15 million, 5-year term loan that was entered into on October 24, 2014.

*Provision for Income Taxes.* As previously disclosed, the Company continues to provide for adjustments to the deferred tax valuation allowance initially recorded during the three months ended July 31, 2010. The income tax provision for the three months ended August 1, 2015 was $0.3 million, as compared to $0.2 million for the three months ended August 2, 2014.

*Net Loss.* For the reasons discussed above, net loss for the three months ended August 1, 2015 was $0.1 million, or breakeven per diluted share, as compared to a net loss of $0.1 million, or breakeven per diluted share, for the three months ended August 2, 2014.

***Six Months Ended August 1, 2015 Compared to Six Months Ended August 2, 2014***

*Net Sales.* Net sales for the six months ended August 1, 2015 increased 3.0% to $459.1 million, as compared to $445.7 million for the six months ended August 2, 2014. Comparable store sales for the six months ended August 1, 2015 increased 2.9%, as compared to an increase of 0.1% for the six months ended August 2, 2014. In the comparable store base, average dollar sales per transaction decreased by 0.5%, while the number of transactions per average store increased by 3.4%, as compared to the same period last year.

*Gross Profit.* Gross profit for the six months ended August 1, 2015 was $131.4 million, or 28.6% of net sales, as compared to $124.1 million, or 27.9% of net sales, for the six months ended August 2, 2014. The increase in gross profit as a percentage of net sales during the six months ended August 1, 2015, as compared to the six months ended August 2, 2014, was driven by a 110 basis point decrease in buying and occupancy costs reflecting a reduction in occupancy expenses and payroll savings resulting from the Company's organizational realignment. The improvement in buying and occupancy costs was partially offset by a 40 basis point decrease in merchandise margin primarily due to increased shipping costs associated with the Company's omni-channel initiatives, which was partially offset by improvements in product costs resulting from continued sourcing efficiencies.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased to $135.2 million, or 29.4% of net sales, for the six months ended August 1, 2015, as compared to $123.9 million, or 27.8% of net sales, for the six months ended August 2, 2014. The increase in selling, general and administrative expenses during the six months ended August 1, 2015, as compared to the six months ended August 2, 2014, includes $4.9 million of non-operating charges consisting of $3.0 million in consulting fees incurred in connection with Project Excellence, $1.6 million of severance expense, and $0.4 million of certain legal expenses, partially offset by a $0.1 million reduction in moving expenses related to the new corporate headquarters. The additional increase in selling, general and administrative expenses during the six months ended August 1, 2015, as compared to the six months ended August 2, 2014, includes increased investments in marketing to drive sales; increased rent and depreciation expense related to the Company's new corporate headquarters and investments in information technology; and increased variable distribution expenses to support the growth of the Company's eCommerce business; partially offset by savings recognized as a result of the Company's organizational realignment.

*Operating (Loss) Income.* For the reasons discussed above, operating loss for the six months ended August 1, 2015 was $3.8 million, as compared to operating income of $0.2 million for the six months ended August 2, 2014.

*Interest Expense, Net.* Net interest expense was $0.6 million for the six months ended August 1, 2015 and $0.2 million for the six months ended August 2, 2014. The increase in net interest expense during the six months ended August 1, 2015, as compared to the six months ended August 2, 2014, was primarily due to interest related to the $15 million, 5-year term loan that was entered into on October 24, 2014.

*Provision for Income Taxes.* As previously disclosed, the Company continues to provide for adjustments to the deferred tax valuation allowance initially recorded during the three months ended July 31, 2010. The provision for income taxes for the six months ended August 1, 2015 was $0.4 million as compared to $0.5 million for the six months ended August 2, 2014.

*Net Loss.* For the reasons discussed above, net loss for the six months ended August 1, 2015 was $4.8 million, or $0.08 per diluted share, as compared to a net loss of $0.4 million, or $0.01 per diluted share, for the six months ended August 2, 2014.

**Reconciliation of GAAP to Non-GAAP Financial Measures**

A reconciliation of the Company's GAAP to non-GAAP selling, general, and administrative expenses, operating income (loss), net income (loss) and earnings (loss) per diluted share for the three and six months ended August 1, 2015 is indicated below. This information reflects, on a non-GAAP

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basis, the Company's adjusted operating results after excluding certain non-operating charges. This non-GAAP financial information is provided to enhance the user's overall understanding of the Company's current financial performance. Specifically, the Company believes the non-GAAP adjusted results provide useful information to both management and investors by excluding expenses that the Company believes are not indicative of the Company's continuing operating results. The non-GAAP financial information should be considered in addition to, not as a substitute for or as being superior to, measures of financial performance prepared in accordance with GAAP. There were no non-operating charges recorded during the first or second quarters of fiscal year 2014.

| | Three months ended August 1, 2015 | | | |
|---|---|---|---|---|
| **(Amounts in thousands, except per share amounts)** | **Selling, general and administrative expenses** | **Operating income** | **Net (loss) income** | **(Loss) earnings per diluted share** |
| GAAP as reported | $ 66,698 | $ 435 | $ (146) | $ (0.00) |
| *Adjustments affecting comparability* | | | | |
| Consulting expense Project Excellence | 572 | 572 | 572 | |
| Certain severance expenses | 860 | 860 | 860 | |
| Moving expenses for new headquarters | 197 | 197 | 197 | |
| Legal expense | 386 | 386 | 386 | |
| Total adjustments(1) | 2,015 | 2,015 | 2,015 | 0.03 |
| Non-GAAP as adjusted | $ 64,683 | $ 2,450 | $ 1,869 | $ 0.03 |

| | Six months ended August 1, 2015 | | | |
|---|---|---|---|---|
| **(Amounts in thousands, except per share amounts)** | **Selling, general and administrative expenses** | **Operating (loss) income** | **Net (loss) income** | **(Loss) earnings per diluted share** |
| GAAP as reported | $ 135,190 | $ (3,810) | $ (4,817) | $ (0.08) |
| *Adjustments affecting comparability* | | | | |
| Consulting expense Project Excellence | 3,028 | 3,028 | 3,028 | |
| Certain severance expenses | 1,584 | 1,584 | 1,584 | |
| Net reduction of moving expenses for new headquarters | (116) | (116) | (116) | |
| Legal expense | 386 | 386 | 386 | |
| Total adjustments(1) | 4,882 | 4,882 | 4,882 | 0.08 |
| Non-GAAP as adjusted | $ 130,308 | $ 1,072 | $ 65 | $ 0.00 |

(1) The tax effect of $2.0 and $4.9 million of expenses, during the three and six months ended August 1, 2015, respectively, is offset by a full valuation allowance against deferred tax assets.

**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 of existing stores and development of the Company's information technology infrastructure. 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

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needed. The Company is in compliance with all debt covenants as of August 1, 2015. The following tables contain information regarding the Company's liquidity and capital resources:

| | August 1, 2015 | January 31, 2015 | August 2, 2014 |
|---|---|---|---|
| | (Amounts in thousands) | | |
| Cash and cash equivalents | $ 60,122 | $ 69,293 | $ 63,166 |
| Working capital | $ 42,973 | $ 46,531 | $ 54,431 |

| | Six months ended August 1, 2015 | Six months ended August 2, 2014 |
|---|---|---|
| | (Amounts in thousands) | |
| Net cash provided by operating activities | $ 5,831 | $ 4,019 |
| Net cash used in investing activities | $ (13,993) | $ (10,757) |
| Net cash (used in) provided by financing activities | $ (1,009) | $ 181 |
| Net decrease in cash and cash equivalents | $ (9,171) | $ (6,557) |

**Operating Activities**

Net cash provided by operating activities was $5.8 million for the six months ended August 1, 2015, as compared to $4.0 million for the six months ended August 2, 2014. The increase in net cash provided by operating activities during the six months ended August 1, 2015, as compared to the six months ended August 2, 2014, is the result of fluctuations in operating assets and liabilities, largely due to the Company not paying any bonuses under its cash incentive compensation plan during the six months ended August 1, 2015, partially offset by an increase in net loss. Included in the net loss for the six months ended August 1, 2015 is $4.9 million of non-operating charges, as described in the "Results of Operations" section above. There were no non-operating charges recorded during the six months ended August 2, 2014.

**Investing Activities**

Net cash used in investing activities was $14.0 million for the six months ended August 1, 2015, as compared to $10.8 million for the six months ended August 2, 2014. Net cash used in investing activities during the six months ended August 1, 2015 represents capital expenditures of $9.5 million related to the opening of two New York & Company stores and five New York & Company Outlet stores, the conversion of nine New York & Company stores to Outlet stores, and the remodeling of six existing stores, as well as approximately $4.5 million related to the Company's continued investment in its information technology infrastructure, primarily relating to its omni-channel strategy.

Net cash used in investing activities during the six months ended August 2, 2014 reflects $7.7 million related to the opening of six new Outlets stores and the remodeling of five existing New York & Company stores, and $3.0 million related to non-store capital projects, which principally represent the Company's new corporate headquarters and information technology enhancements.

For fiscal year 2015, capital expenditures are expected to range between $26.0 and $28.0 million, as compared to $26.8 million in fiscal year 2014. For fiscal year 2015, the Company currently expects to open between 7 and 9 new Outlet stores and 4 New York & Company stores, convert 12 New York & Company stores to Outlet stores, remodel between 7 and 9 existing stores, and close between 19 and 23 New York & Company stores, ending the year with between 492 and 498 stores, including between 81 and 83 Outlet stores.

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**Financing Activities**

Net cash used in financing activities for the six months ended August 1, 2015 consisted primarily of $0.5 million in quarterly amortization payments of the Term Loan, $0.2 million for shares withheld for payment of employee payroll taxes, and $0.3 million for capital lease payments. Net cash provided by financing activities for the six months ended August 2, 2014 consisted of $0.3 million of proceeds from the exercise of stock options, partially offset by shares withheld for payment of employee payroll taxes.

**Long-Term Debt and Credit Facilities**

On October 24, 2014, Lerner New York, Inc., Lernco, Inc. and Lerner New York Outlet, Inc., wholly-owned indirect subsidiaries of New York & Company, 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 New York & Company, Inc. and its other subsidiaries.

The Loan Agreement consists of: (i) 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 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, and (ii) a $15 million, 5-year term loan, bearing interest at the Adjusted Eurodollar Rate plus 4.50%.

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 August 1, 2015, the Company had availability under its revolving credit facility of $35.7 million, net of letters of credit outstanding of $20.5 million, as compared to availability of $30.0 million, net of letters of credit outstanding of $19.8 million, as of January 31, 2015, and availability of $30.4 million, net of letters of credit outstanding of $22.5 million, as of August 2, 2014. Included in letters of credit outstanding at August 1, 2015 are $1.4 million of trade letters of credit and $19.1 million of standby letters of credit primarily related to the Company's new corporate headquarters and certain insurance contracts.

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, prepay the Term Loan, 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 New York & Company, Inc. and its subsidiaries, as collateral for the Company's obligations under the Loan Agreement. In addition, New York & Company, Inc. and certain of its

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subsidiaries have fully and unconditionally guaranteed the obligations under the Loan Agreement, and such guarantees are joint and several.

**Critical Accounting Policies**

Management has determined the Company's most critical accounting policies are those related to inventories, long-lived 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 16, 2015.

**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 16, 2015.

## ITEM 4. CONTROLS AND PROCEDURES

(a) *Evaluation of disclosure controls and procedures*. The Company carried out an evaluation, as of August 1, 2015, 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.

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## 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 16, 2015.

### ITEM 1A. RISK FACTORS

***The Company's ability to recognize the potential savings identified through Project Excellence***

As previously disclosed, during the third quarter of fiscal year 2014, the Company engaged a leading global business advisory firm to assist the Company in analyzing its business processes and organizational structure in an effort to improve sales productivity and operating efficiencies, as well as reduce the Company's overall cost structure. The Company refers to this business re-engineering program as "Project Excellence." The first phase of Project Excellence consisted of an organizational realignment initiated at the end of fiscal year 2014. The Company recently completed the second phase of Project Excellence, which consisted of: (i) a comprehensive review of the Company's Go-To-Market strategy aimed at improving operating efficiencies and reducing costs associated with the related processes, (ii) the reduction of indirect procurement costs, and (iii) additional workforce reductions in connection with the organizational realignment. The Company expects to recognize combined annual expense reductions of approximately $30 million upon the execution of the business improvement plans identified through both phases of Project Excellence; however, a portion of these savings are expected to be reinvested into the Company's strategic initiatives and longer term growth strategies as discussed in "Item 1. Business" of the Company's Annual Report on Form 10-K, as filed with the SEC on April 16, 2015. The Company expects approximately half of the savings from Project Excellence to be realized through reduced product costs and buying expenses resulting in improved gross margins, while the remaining half of the savings will be recognized through a reduction of various selling, general and administrative expenses. As previously disclosed, the savings resulting from Project Excellence began being recognized by the Company during the first quarter of fiscal year 2015 and are expected to build throughout the second half of fiscal year 2015 and into the first quarter of fiscal year 2016 as the Company completes the implementation of its business improvement plans. The inability of the Company to realize all or any of the potential savings identified through Project Excellence may adversely impact the Company's business, financial condition and results of operations.

There have been no other 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 16, 2015.

### 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.

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**ITEM 6. EXHIBITS**

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

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|---|---|
| 31.1 | Certification by the Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated September 2, 2015. |
| 31.2 | Certification by the Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated September 2, 2015. |
| 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 September 2, 2015. |
| 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. |

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**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.

NEW YORK & COMPANY, INC.

/s/ SHEAMUS TOAL

| | |
|---|---|
| By: | Sheamus Toal |
| Its: | *Executive Vice President and Chief Financial Officer (Principal Financial Officer)* |
| Date: | September 2, 2015 |