GORDMANS STORES, INC.

FORM 10-Q
(Quarterly Report)

Filed 12/08/16 for the Period Ending 10/29/16

Address	1926 SOUTH 67TH STREET
	OMAHA, NE 68106
Telephone	402-691-4000
CIK	0001490636
Symbol	GMAN
SIC Code	5600 - Retail-Apparel & Accessory Stores
Industry	Department Stores
Sector	Consumer Cyclicals
Fiscal Year	01/28

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 October 29, 2016

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 001-34842

Gordmans Stores, Inc.
(Exact name of Registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**26-3171987** **(I.R.S. Employer Identification No.)**

1926 South 67 Street,
Omaha, Nebraska 68106
(Address of principal executive offices) (Zip Code)

(402) 691-4000
(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 ☒ No ☐

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐		Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☒

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Common Stock, $0.001 par value, outstanding as of December 2, 2016: 19,714,643 shares

GORDMANS STORES, INC. AND SUBSIDIARIES

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PART I—FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

GORDMANS STORES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in 000's except per share data)

(Unaudited)

	13 Weeks Ended October 29, 2016	13 Weeks Ended October 31, 2015	39 Weeks Ended October 29, 2016	39 Weeks Ended October 31, 2015
Net sales	$ 143,483	$ 153,856	$ 417,791	$ 443,230
License fees from leased departments	1,944	2,196	5,941	6,615
Cost of sales	(82,553)	(87,700)	(241,784)	(253,698)
Gross profit	62,874	68,352	181,948	196,147
Selling, general and administrative expenses	(69,906)	(71,915)	(199,048)	(200,052)
Loss from operations	(7,032)	(3,563)	(17,100)	(3,905)
Interest expense, net	(874)	(892)	(2,539)	(2,966)
Loss on extinguishment of debt	—	—	—	(2,014)
Loss before taxes	(7,906)	(4,455)	(19,639)	(8,885)
Income tax benefit	3,083	1,692	7,114	3,465
Net loss	$ (4,823)	$ (2,763)	$ (12,525)	$ (5,420)
Basic loss per share	$ (0.25)	$ (0.14)	$ (0.64)	$ (0.28)
Diluted loss per share	$ (0.25)	$ (0.14)	$ (0.64)	$ (0.28)
Basic weighted average shares outstanding	19,482	19,424	19,457	19,397
Diluted weighted average shares outstanding	19,482	19,424	19,457	19,397

See notes to unaudited condensed consolidated financial statements.

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GORDMANS STORES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(in 000's except share data)
(Unaudited)

	October 29, 2016	January 30, 2016	October 31, 2015
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 8,437	$ 6,969	$ 8,860
Accounts receivable	4,513	3,896	3,814
Landlord receivable	3,643	3,805	2,290
Income taxes receivable	—	2,746	4,140
Merchandise inventories	153,602	106,566	165,082
Deferred income taxes	4,959	5,077	2,896
Prepaid expenses and other current assets	8,938	8,096	9,301
Total current assets	184,092	137,155	196,383
PROPERTY AND EQUIPMENT, net	85,193	86,375	86,443
INTANGIBLE ASSETS, net	1,820	1,820	1,820
OTHER ASSETS, net	3,700	3,822	3,586
TOTAL ASSETS	$ 274,805	$ 229,172	$ 288,232
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	$ 94,680	$ 66,393	$ 111,215
Accrued expenses	29,346	30,151	30,256
Current portion of long-term debt, net	59,397	18,390	37,247
Total current liabilities	183,423	114,934	178,718
NONCURRENT LIABILITIES:			
Long-term debt, less current portion, net	26,074	27,345	27,744
Deferred rent	32,225	33,522	31,147
Deferred income taxes	10,062	18,130	16,344
Other liabilities	311	347	188
Total noncurrent liabilities	68,672	79,344	75,423
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY:			
Preferred stock — $0.001 par value, 5,000,000 shares authorized, none issued and outstanding as of October 29, 2016, January 30, 2016 and October 31, 2015	—	—	—
Common stock — $0.001 par value, 50,000,000 shares authorized, 20,131,626 issued and 19,722,993 outstanding as of October 29, 2016, 20,090,881 issued and 19,682,248 outstanding as of January 30, 2016, 20,116,281 issued and 19,707,648 outstanding as of October 31, 2015	20	20	20
Additional paid-in capital	54,898	54,601	54,887
Accumulated deficit	(32,208)	(19,727)	(20,816)
Total stockholders' equity	22,710	34,894	34,091
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 274,805	$ 229,172	$ 288,232

See notes to unaudited condensed consolidated financial statements.

GORDMANS STORES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in 000's except share data)
(Unaudited)

	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
BALANCE, January 31, 2015	19,576,623	$ 20	$ 53,870	$ (15,403)	$ 38,487
Share-based compensation expense, net of forfeitures	—	—	1,011	—	1,011
Issuance of restricted stock, net of forfeitures	125,200	—	—	—	—
Exercise of stock options	5,825	—	31	—	31
Deferred tax asset shortfall related to share-based compensation expense	—	—	(26)	—	(26)
Forfeiture of dividends payable on unvested restricted stock	—	—	—	7	7
Tax benefit on stock options exercised	—	—	1	—	1
Net loss	—	—	—	(5,420)	(5,420)
BALANCE, October 31, 2015	19,707,648	$ 20	$ 54,887	$ (20,816)	$ 34,091
BALANCE, January 30, 2016	19,682,248	$ 20	$ 54,601	$ (19,727)	$ 34,894
Share-based compensation expense, net of forfeitures	—	—	527	—	527
Issuance of restricted stock, net of forfeitures	40,745	—	—	—	—
Deferred tax asset shortfall related to share-based compensation expense	—	—	(230)	—	(230)
Forfeiture of dividends payable on unvested restricted stock	—	—	—	44	44
Net loss	—	—	—	(12,525)	(12,525)
BALANCE, October 29, 2016	19,722,993	$ 20	$ 54,898	$ (32,208)	$ 22,710

See notes to unaudited condensed consolidated financial statements.

GORDMANS STORES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in 000's)
(Unaudited)

	39 Weeks Ended October 29, 2016	39 Weeks Ended October 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (12,525)	$ (5,420)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	13,520	12,368
Write-off of deferred financing fees related to extinguishment of debt	—	1,722
Deferred tax valuation allowance	545	—
Share-based compensation expense, net of forfeitures	527	1,011
Loss on property disposals and impairment charges	399	708
Amortization of deferred financing fees	200	414
Deferred income taxes	(8,495)	707
Deferred tax asset shortfall related to share-based compensation expense	(230)	(26)
Net changes in operating assets and liabilities:		
Accounts, landlord and income taxes receivable	2,291	3,770
Merchandise inventories	(47,036)	(70,612)
Prepaid expenses and other current assets	(842)	(766)
Other assets	122	166
Accounts payable	28,287	46,866
Deferred rent	(1,297)	(4,234)
Accrued expenses and other liabilities	(329)	1,539
Net cash used in operating activities	(24,863)	(11,787)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(22,847)	(14,283)
Proceeds from sale-leaseback transactions	9,601	3,556
Cash received on sale of property and equipment	44	—
Proceeds from insurance settlement	—	21
Net cash used in investing activities	(13,202)	(10,706)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on revolving line of credit	179,547	169,350
Repayments on revolving line of credit	(138,576)	(144,493)
Proceeds from secured term loan	—	30,000
Payment of long-term debt	(1,387)	(29,980)
Payment of debt financing fees	(48)	(863)
Payment penalty on early extinguishment of debt	—	(292)
Dividends paid	(3)	(34)
Proceeds from the exercise of stock options	—	31
Net cash provided by financing activities	39,533	23,719
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,468	1,226
CASH AND CASH EQUIVALENTS, Beginning of period	6,969	7,634
CASH AND CASH EQUIVALENTS, End of period	$ 8,437	$ 8,860

See notes to unaudited condensed consolidated financial statements.

GORDMANS STORES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Thousands Except Share Data and Per Share Amounts)
(Unaudited)

A. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The condensed consolidated financial statements include the accounts of Gordmans Stores, Inc. (the "Company") and its subsidiaries, Gordmans Intermediate Holding Corp., Gordmans, Inc., Gordmans Management Company, Inc., Gordmans Distribution Company, Inc. and Gordmans LLC. All intercompany transactions and balances have been eliminated in consolidation. The Company utilizes a 52-53 week fiscal year whereby the fiscal year ends on the Saturday nearest January 31. The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet as of January 30, 2016 was derived from the Company's audited consolidated balance sheet as of that date. All other condensed consolidated financial statements contained herein are unaudited and reflect all adjustments which are, in the opinion of management, necessary to summarize fairly our financial position and results of operations and cash flows for the periods presented. All of these adjustments are of a normal recurring nature.

Summary of Significant Accounting Policies – The accounting policies followed by the Company are reflected in the notes to the consolidated financial statements for the fiscal year ended January 30, 2016, included in our fiscal year 2015 Annual Report on Form 10-K, filed with the Securities and Exchange Commission. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended January 30, 2016. Due to the seasonality of our business, the results of operations for any quarter are not necessarily indicative of the operating results for the full fiscal year. In addition, quarterly results of operations can vary based upon the timing and amount of net sales and costs associated with the opening of new stores.

Recently Issued Accounting Pronouncements – In March 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") 2016-04, *Extinguishments of Liabilities* , to provide specific guidance for the derecognition of prepaid store-valued product liabilities. ASU 2016-04 is effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2017. The Company is currently in the process of evaluating the impact of the adoption of ASU 2016-04 on the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation* , to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 will now require all excess tax benefits and tax shortfalls to be recognized as income tax expense or benefit in the income statement. The Company recorded excess tax shortfalls of $0.2 in additional paid-in-capital during the thirty-nine weeks ended October 29, 2016 and $0.3 million in both fiscal years 2015 and 2014. ASU 2016-09 is effective for fiscal years and interim periods within those years beginning after December 15, 2016.

Adoption of New Accounting Principle – During the three months ended April 30, 2016, the Company adopted ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs* , which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability and is effective retrospectively for all years reported. The following table summarizes the effects of this new guidance on amounts previously reported in our condensed consolidated balance sheets at the periods ended:

	January 30, 2016			October 31, 2015		
	As Reported	Adjustment	As Adjusted	As Reported	Adjustment	As Adjusted
Other assets	$ 4,902	$ (1,080)	$ 3,822	$ 4,762	$ (1,176)	$ 3,586
Total assets	230,252	(1,080)	229,172	289,408	(1,176)	288,232
Current portion of long-term debt	18,850	(460)	18,390	37,739	(492)	37,247
Total current liabilities	115,394	(460)	114,934	179,210	(492)	178,718
Long-term debt, less current portion	27,965	(620)	27,345	28,428	(684)	27,744
Total noncurrent liabilities	79,964	(620)	79,344	76,107	(684)	75,423
Total liabilities and stockholders' equity	230,252	(1,080)	229,172	289,408	(1,176)	288,232

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B. DESCRIPTION OF THE BUSINESS

Gordmans Stores, Inc. operated 106 everyday value price department stores under the trade name “Gordmans” located in 22 states as of October 29, 2016. Gordmans offers a wide merchandise assortment including apparel and footwear for men, women and children, accessories, fragrances and home fashions for up to 60% off department and specialty store regular prices every day in a fun, easy-to-shop environment. We also operate an eCommerce site which provides a broad selection of merchandise in a convenient, user-friendly digital platform.

The Company defines an operating segment on the same basis that it uses to evaluate performance internally. The Company has determined that its Chief Executive Officer is the Chief Operating Decision Maker. The Company has one reportable segment. The Company opened five new stores and closed one existing store during the thirty-nine weeks ended October 29, 2016 and opened six new stores and closed one existing store during the thirty-nine weeks ended October 31, 2015.

The following table reflects the percentage of revenues by major merchandising category:

	13 Weeks Ended October 29, 2016	13 Weeks Ended October 31, 2015	39 Weeks Ended October 29, 2016	39 Weeks Ended October 31, 2015
Apparel	60.0%	60.6%	58.5%	59.2%
Home	25.8	25.0	26.2	25.4
Accessories (including fragrances)	14.2	14.4	15.3	15.4
Total	100.0%	100.0%	100.0%	100.0%

C. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	October 29, 2016	January 30, 2016	October 31, 2015
Leasehold improvements	$ 14,442	$ 14,034	$ 13,215
Furniture, fixtures and equipment	97,762	89,481	86,431
Computer software	33,185	28,606	27,936
Capitalized leases	1,091	2,402	2,402
Construction in progress	2,163	4,320	4,583
	148,643	138,843	134,567
Less accumulated depreciation and amortization	(63,450)	(52,468)	(48,124)
	$ 85,193	$ 86,375	$ 86,443

D. DEBT OBLIGATIONS

Revolving Line of Credit Facility – Gordmans, Inc. (the “Borrower”), a wholly owned subsidiary of the Company, has a $100.0 million revolving line of credit facility provided by Wells Fargo Bank, National Association (“Wells Fargo”), as arranger and administrative agent for the lenders. On September 2, 2016, Gordmans, Inc. entered into the Ninth Amendment to Loan, Guaranty and Security Agreement (the “Ninth Amendment”) with Wells Fargo Bank, National Association. The amendment increases the borrowing availability under its revolving line of credit facility from $80.0 million to $100.0 million. In connection with the revolving line of credit facility increase, the Company’s borrowing base term loan reserve calculation now includes a minimum term loan reserve of $5.0 million. The Company’s requirement to maintain minimum excess availability under the revolving line of credit facility of at least $20.0 million, which includes up to $3.0 million of unrestricted cash, remains unchanged.

The agreement expires June 28, 2020, at which time all outstanding indebtedness under the agreement becomes due and payable.

The Joinder and Eighth Amendment to Loan, Guaranty and Security Agreement dated June 29, 2015 established a $30.0 million secured term loan facility provided by Wells Fargo, Pathlight Capital LLC and Gordon Brothers Finance Company, as discussed below. The amendment extended the maturity date of the revolving line of credit facility from August 27, 2018 to June 28, 2020. The amendment also eliminated the seasonal borrowing periods during which periods the applicable interest rate increased by 75 basis points and advance rates under the borrowing base were increased by 5.0%, amended the minimum excess availability covenant, and amended certain negative and affirmative covenant requirements.

Borrowings under this facility bear interest at various rates, with two rate options at the discretion of management as follows: (1) for base rate advances, borrowings bear interest at the prime rate plus 1.00% when average excess availability is less than or equal to $40.0 million and the prime rate plus 0.75% when average excess availability is greater than $40.0 million, and (2) for LIBOR rate advances, borrowings bear interest at the LIBOR rate plus 2.00% when average excess availability is less than or equal to $40.0 million and the LIBOR rate plus 1.75% when average excess availability is greater than $40.0 million. The Company is required to maintain minimum excess availability under the revolving line of credit facility of at least $20.0 million, the calculation which includes up to $3.0 million of unrestricted cash. Excess availability under our revolving line of credit facility was $36.1 million at October 29, 2016 compared to $59.3 million at January 30, 2016 and $40.6 million at October 31, 2015. The Company had $33.1 million, $56.3 million and $37.6 million available to borrow at October 29, 2016, January 30, 2016 and October 31, 2015, respectively. Borrowings under this facility totaling $5.0 million bore interest at a rate of 4.25% under the base rate option and $53.0 million bore interest at rates between 2.28% and 2.29% under the LIBOR option at October 29, 2016. Borrowings under this facility bore interest at a rate of 4.25% and 4.00% under the base rate option at January 30, 2016 and October 31, 2015, respectively. The Company had outstanding letters of credit included in the borrowing base totaling approximately $9.0 million, $6.7 million and $6.5 million as of October 29, 2016, January 30, 2016 and October 31, 2015, respectively.

Borrowings are secured by the Company’s inventory, accounts receivable and all other personal property, except as specifically excluded in the agreement. The revolving line of credit facility has a first lien on all collateral other than term loan priority collateral and a second lien on the term loan priority collateral.

Term Loan Facility – The Borrower entered into a $45.0 million senior term loan on August 27, 2013, as amended November 14, 2014, with Cerberus Business Finance, LLC (“Cerberus”) to partially fund the $69.9 million special cash dividend declared in August 2013. This senior term loan with Cerberus was extinguished in full on June 29, 2015 with the proceeds from a new $30.0 million secured term loan facility established by the June 29, 2015 amendment discussed above.

The new secured term loan facility matures on the same date as the revolving line of credit facility and has principal payments of $0.4 million due on a quarterly basis beginning in October 2015 through the maturity date, with the remaining principal due on the maturity date of June 28, 2020. The Company may repay at any time all or a portion of the outstanding principal amount of the new secured term loan facility, subject to a prepayment premium equal to 3.0% in the first year, 1.5% in the second year, 0.5% in the third year and 0.0% thereafter. The term loan facility carries an interest rate equal to the LIBOR rate plus 6.25% with a floor of 1.0%. The interest rate on the new secured term loan facility was 7.25% at October 29, 2016, January 30, 2016 and October 31, 2015. The secured term loan facility includes a borrowing base in addition to the revolving loan borrowing base. The secured term loan facility is secured by the same collateral as the revolving line of credit facility but has a priority lien on real estate, fixtures, equipment, intellectual property and books, records, permits, licenses, insurance and proceeds thereof and a second lien on the revolving priority collateral, as defined in the June 29, 2015 amendment.

The Cerberus senior term loan had a maturity date of August 27, 2018, with payments of $0.3 million due on a quarterly basis from October 2014 through October 2015. In connection with the extinguishment of the Cerberus senior term loan, the Company wrote off deferred financing fees of $1.7 million and paid a prepayment penalty of $0.3 million. These expenses are recorded as loss on extinguishment of debt in the condensed consolidated statement of operations during the second quarter of fiscal year 2015.

Among other provisions, the Company’s debt agreement with Wells Fargo contains customary affirmative and negative covenants, including a negative covenant that restricts the level and form of indebtedness entered into by the Company or its wholly owned subsidiaries. Exceptions to this covenant include borrowings under our $30.0 million senior term loan and, subject to certain conditions, indebtedness with all acquisitions not to exceed $10.0 million in the aggregate. The revolving line of credit facility also includes a negative covenant that restricts dividends and other upstream distributions by the Company and its subsidiaries to the extent the Company does not meet minimum excess availability thresholds. Exceptions to this covenant include dividends or other upstream distributions: (i) by subsidiaries of Gordmans, Inc. to Gordmans, Inc. and its other subsidiaries, (ii) that consist of repurchases of stock of employees in an amount not to exceed $0.5 million in any fiscal year, (iii) that consist of the payment of taxes on behalf of any employee, officer or director of the Company for vested restricted stock of the Company owned by such employee, officer or director, (iv) to the Company to pay federal, state and local income taxes and franchise taxes solely arising out of the consolidated operations of the Company and its subsidiaries, (v) to the Company to pay certain reasonable directors’ fees and out-of-pocket expenses, reasonable and customary indemnities to directors, officers and employees and other expenses in connection with ordinary corporate governance, overhead, legal and accounting and maintenance and (vi) dividends so long as no event of default exists, projected excess availability for the next twelve months is greater than $35.0 million and 30% of the loan cap and the fixed charge coverage ratio is greater than 1.0 to 1.0 on a historical and projected basis. The agreement also includes a negative covenant that restricts subsidiaries of the Company from making any loans to the Company. Should the Company default on scheduled repayment of the secured term loan facility, Wells Fargo may make any outstanding obligations under the agreement immediately due and payable. As of October 29, 2016, the Company was in compliance with all of its debt covenants.

Long-term Debt – Long-term debt consists of the following:

	October 29, 2016	January 30, 2016	October 31, 2015
Revolving line of credit facility	$ 57,971	$ 17,000	$ 35,891
Term loan	27,900	29,160	29,580
Capital lease obligations	528	655	696
Total long-term debt	86,399	46,815	66,167
Less unamortized debt issuance costs	(928)	(1,080)	(1,176)
Total long-term debt, net	85,471	45,735	64,991
Less current portion of long-term debt, net	(59,397)	(18,390)	(37,247)
Long-term debt, less current portion, net	$ 26,074	$ 27,345	$ 27,774

At October 29, 2016, annual maturities of long-term debt during the next five fiscal years were as follows:

Remainder of 2016	$ 463
2017	1,856
2018	1,863
2019	1,806
2020	80,411
Total long-term debt	$86,399

The Company had $58.0 million of borrowings outstanding under the revolving line of credit facility as of October 29, 2016, which is included in the current portion of long-term debt as the Company intends to repay the outstanding borrowings with available cash flows from operations. The revolving line of credit facility matures in June 2020. As the Company is in compliance with all debt covenants, there are currently no requirements to pay down the facility until its maturity date. The Company had $17.0 million and $35.9 million of borrowings outstanding under the revolving line of credit facility as of January 30, 2016 and October 31, 2015, respectively. Average borrowings during the thirty-nine week periods ended October 29, 2016 and October 31, 2015, were $31.7 million and $19.5 million, respectively.

Financial Instruments – Based on the borrowing rates currently available to the Company for debt with similar terms and the variable interest rate of the term loan, the fair value of the term loan approximates its carrying amount of at October 29, 2016. Fair value approximates the carrying value of the outstanding balance on the revolving line of credit facility due to both the short-term nature of these borrowings and the variable interest rates of this agreement. For all other financial instruments including cash and cash equivalents, receivables, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the short maturity of those instruments.

E. LEASES

The Company has entered into short and long term operating lease agreements. These leases relate to retail store locations, the distribution centers and the corporate headquarters. The leases expire on various dates through the year 2029 with most of the leases containing renewal options. Leases for retail store locations typically have base lease terms of 10 years, generally with one or more five year renewal periods. Certain retail store leases contain provisions for additional rent based on varying percentages of net sales. Leases for the distribution centers and corporate headquarters have base lease terms of 15 to 20 years with multiple renewal periods. In fiscal 2014, the Company entered into capital lease arrangements for computer hardware and related software with a lease term of 5 years.

Future minimum lease payments, by year, under operating leases and future obligations under non-cancelable leases, by year, as of October 29, 2016 are as follows:

	Operating Leases	Capital Leases
Remainder of 2016	$ 14,458	$ 48
2017	57,508	192
2018	53,517	192
2019	48,659	126
2020	42,739	—
2021 and thereafter	123,317	—
Total minimum lease payments	$340,198	558
Less: capital lease amount representing interest		(30)
Present value of minimum lease payments		528
Less: current maturities of capital lease obligations		(175)
Noncurrent maturities of capital lease obligations		$ 353

F. SHARE BASED COMPENSATION

The Gordmans Stores, Inc. 2010 Omnibus Incentive Compensation Plan (the "2010 Plan") provides for grants of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalents and other share-based awards. Directors, officers and other associates of the Company and its subsidiaries, as well as others performing consulting or advisory services, are eligible for grants under the 2010 Plan. As of October 29, 2016, an aggregate of 4,573,086 shares of the Company's common stock were reserved under the 2010 Plan, subject to adjustments for stock splits and other actions affecting the Company's common stock.

There were 1,165,005 shares of common stock available for future grants under the 2010 Plan as of October 29, 2016.

Restricted Stock – A summary of restricted stock activity during the thirty-nine weeks ended October 29, 2016 is set forth in the table below:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested, January 30, 2016	254,230	$ 5.91
Granted	108,350	1.73
Forfeited	(67,605)	6.79
Vested	(57,525)	5.08
Non-vested, October 29, 2016	237,450	$ 3.96

Restricted stock vests at varying rates of 20% per year over five years, 25% per year over four years or 33 1 / 3 % per year over three years, as applicable. Unrecognized compensation expense on the restricted stock was $0.7 million at October 29, 2016, which is expected to be recognized over a period of 1.6 years.

Performance Shares – The Board of Directors granted performance shares in fiscal year 2015 to be awarded in the form of common stock to officers and other associates of the Company if certain market condition criteria are achieved. The performance shares vest at the end of fiscal year 2017 if certain criteria are achieved provided the participant is then employed by the Company. Vesting of these potentially issuable shares are dependent upon the Company's total shareholder return for the three-year measurement period compared to a pre-determined group of retail peer competitors. If the Company's total shareholder return is at the high end of the pre-determined group of retail peer competitors, the maximum amount of shares to be issued pursuant to this award is 200% of the performance shares which are non-vested as of October 29, 2016. The actual number of performance shares that will ultimately vest is based on the actual percentile ranking of the Company's total shareholder return compared to the peer performance at the end of fiscal year 2017.

On June 7, 2016, the Board of Directors granted 108,800 performance shares to be awarded in the form of common stock to officers and other associates of the Company if certain market condition criteria is achieved. If the Company's total shareholder return is at the high end of the pre-determined retail peer competitor index, the maximum amount of shares available to be issued pursuant to this award is 200% of the performance shares approved on June 7, 2016 and are non-vested at October 29, 2016. The actual number of performance shares that will ultimately vest is based on the actual percentile ranking of the Company's total shareholder return compared to the peer performance at the end of fiscal year 2018.

The Company used the Monte Carlo valuation model to estimate the fair value of the performance shares on the date of the grant. The weighted average assumptions used by the Company in applying the Monte Carlo valuation model for option grants during the thirty-nine weeks ended October 29, 2016 are illustrated in the following table:

	39 Weeks Ended October 29, 2016
Risk-free interest rate	0.9%
Dividend yield	0.0%
Expected volatility	57.7%

The Monte Carlo valuation assumed 109.3% and 159.9% of the performance shares granted in fiscal years 2016 and 2015, respectively, would be awarded at the end of fiscal years 2018 and 2017 based upon the Company's estimated total shareholder return relative to peer performance. Unrecognized compensation expense on the performance shares was $0.5 million at October 29, 2016, which is expected to be recognized over a weighted average period of 1.4 years.

A summary of performance share activity during the thirty-nine weeks ended October 29, 2016 is set forth in the table below:

	Number of Shares
Non-vested, January 30, 2016	89,600
Granted	108,800
Forfeited	(16,500)
Non-vested, October 29, 2016	181,900

Stock Options - A summary of stock option activity during the thirty-nine weeks ended October 29, 2016 is set forth in the table below:

	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value (1)
Outstanding, January 30, 2016	1,698,538	$ 6.90		
Granted	728,500	1.73		
Forfeited	(407,630)	7.64		
Outstanding, October 29, 2016	2,019,408	4.90	8.2	$ —
Exercisable, October 29, 2016	655,873	8.32	6.6	—

(1) The aggregate intrinsic value for stock options is the difference between the current market value of the Company's stock as of October 29, 2016 and the option strike price. The stock price at October 29, 2016 was $0.80, which was below the weighted average exercise price for options exercisable at October 29, 2016.

No stock options were exercised during the thirty-nine weeks ended October 29, 2016. The Company received $31 thousand of proceeds from the exercise of stock options during the thirty-nine weeks ended October 31, 2015. The aggregate intrinsic value of stock options exercised during the thirty-nine weeks ended October 31, 2015 was $10 thousand.

The weighted average assumptions used by the Company in applying the Black-Scholes valuation model for option grants during the thirty-nine weeks ended October 29, 2016 are illustrated in the following table:

	39 Weeks Ended October 29, 2016
Risk-free interest rate	1.2% - 1.6%
Dividend yield	0.0% - 2.0%
Expected volatility	46.0%
Expected life (years)	6.25
Weighted average fair value of options granted	$0.79

Stock options have ten-year contractual terms and vest at rates of either 20% per year over five years or 25% per year over four years as applicable. None of the stock options outstanding at October 29, 2016 were subject to performance or market-based vesting conditions. As of October 29, 2016, the unrecognized compensation expense on stock options was $1.4 million, which is expected to be recognized over a weighted average period of 1.5 years.

Share-based compensation expense was $0.2 million and $0.4 million for the thirteen week periods ended October 29, 2016 and October 31, 2015, respectively. For the thirty-nine week periods ended October 29, 2016 and October 31, 2015, share-based compensation expense was $0.5 million and $1.0 million, respectively. Share-based compensation expense was lower for the thirty-nine week period ended October 29, 2016 due to forfeitures.

G. LOSS PER SHARE

The following is a reconciliation of the outstanding shares utilized in the computation of the loss per share:

	13 Weeks Ended October 29, 2016	13 Weeks Ended October 31, 2015	39 Weeks Ended October 29, 2016	39 Weeks Ended October 31, 2015
Basic weighted average shares outstanding	19,482,431	19,424,184	19,456,819	19,396,781
Dilutive effect of share-based awards	—	—	—	—
Diluted weighted average shares outstanding	19,482,431	19,424,184	19,456,819	19,396,781

The anti-dilutive effect of 2,019,144 and 1,869,119 stock options has been excluded from diluted weighted average shares outstanding for the thirteen and thirty-nine week period ended October 29, 2016, respectively. The anti-dilutive effect of 1,855,035 and 1,602,550 stock options has been excluded from diluted weighted average shares outstanding for the thirteen and thirty-nine weeks ended October 31, 2015, respectively.

H. SUPPLEMENTAL CASH FLOW INFORMATION

The following table sets forth non-cash investing activities and other cash flow information:

	13 Weeks Ended October 29, 2016	13 Weeks Ended October 31, 2015	39 Weeks Ended October 29, 2016	39 Weeks Ended October 31, 2015
Non-cash investing and financing activities:				
Purchases of property and equipment in accrued expenses at the end of the period	$ 1,972	$ 1,090	$ 1,972	$ 1,090
Sales of property and equipment pursuant to sale-leaseback accounting	9,201	465	11,245	8,333
Dividends payable forfeited on unvested restricted stock	—	7	44	7
Deferred financing fees in accrued expenses at the end of the period	11	33	11	33
Other cash flow information:				
Cash paid for interest, net	847	843	2,322	2,178
Cash received for income taxes, net	(2,136)	(8,552)	(2,072)	(8,531)

Sales of property and equipment pursuant to sale-leaseback accounting represents the amount of structural assets sold to the landlord at the completion of construction for which the Company was deemed the owner during the construction period, pursuant to sale-leaseback accounting, and for which no cash was received upon transfer of ownership.

I. RELATED PARTY DISCLOSURE

The Company has a services agreement with Sun Capital Partners Management V, LLC (“Sun Capital Management”), an affiliate of the private equity firm Sun Capital Partners, Inc. (“Sun Capital”) to (1) reimburse Sun Capital Management for out-of-pocket expenses incurred in providing consulting services to the Company and (2) provide Sun Capital Management with customary indemnification for any such services. Sun Capital was reimbursed $9 thousand and $3 thousand during the thirteen week periods ended October 29, 2016 and October 31, 2015 and $43 thousand and $23 thousand during the thirty-nine week periods ended October 29, 2016 and October 31, 2015, respectively. Additionally, the Company purchased merchandise inventories of $0.3 million and $0.9 million in the normal course of business from merchandise vendors which are Sun Capital affiliates during the thirteen week periods ended October 29, 2016 and October 31, 2015, and $1.2 million and $1.5 million during the thirty-nine week periods ended October 29, 2016 and October 31, 2015 respectively.

ITEM 2.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Quarterly Report are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “can have,” “likely” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth or initiatives, or strategies or the expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including the factors described in “Item 1A – Risk Factors” in our fiscal year 2015 Annual Report on Form 10-K and in “Part II, Item 1A – Risk Factors” of this Quarterly Report on Form 10-Q.

The forward-looking statements are only predictions based on our current expectations and our projections about future events. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements as well as other cautionary statements that are made from time to time in our other Securities and Exchange Commission (“SEC”) filings and public communications. You should evaluate all forward-looking statements made in this Quarterly Report on Form 10-Q *in the context of these risks and uncertainties. The forward-looking statements included herein are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.*

The following discussion and analysis should be read in conjunction with our fiscal year 2015 Annual Report on Form 10-K and the unaudited condensed consolidated financial statements and the related notes thereto included in Item 1. Consolidated Financial Statements of this Quarterly Report.

Executive Overview

Gordmans is an everyday value price department store featuring a large selection of brands, fashions and styles at up to 60% off department and specialty store prices every day in a fun, easy-to-shop environment. Our merchandise assortment includes apparel and footwear for men, women and children, accessories (including fragrances) and home fashions. The origins of Gordmans date back to 1915, and as of October 29, 2016, we operated 106 stores in 22 states situated in a variety of shopping center developments, including lifestyle centers, power centers and enclosed regional shopping malls. We also operate an eCommerce site which provides a broad selection of merchandise in a convenient, user-friendly digital platform.

We opened five new stores and closed one existing store during the thirty-nine weeks ended October 29, 2016. This compares to opening six new stores and closing one existing store during the thirty-nine weeks ended October 31, 2015.

In assessing the performance of our business, we consider a variety of performance and financial measures. These key measures include net sales and comparable store sales and other individual store performance factors, gross profit and selling, general and administrative expenses.

Net Sales . Net sales reflect our revenues from the sale of our merchandise less returns and discounts, eCommerce shipping revenue and excludes sales tax. Net sales include comparable store sales and non-comparable store sales.

Comparable Store Sales . Comparable store sales include retail stores that were open at least 16 months as of the end of the reporting period and eCommerce sales. Comparable store sales include stores that were relocated or remodeled and exclude stores that were closed. Comparable store sales are assessed on both an owned and licensed basis, which includes the impact to growth in comparable sales of departments where we own the inventory or departments which are licensed to a third party. We also review the average sale per transaction, comparable store transactions and store traffic. Comparable store sales are an important indicator of current operating performance, with higher comparable store sales helping us to leverage our fixed expenses and positively impacting our operating results.

Gross Profit . Gross profit is equal to our net sales minus cost of sales, plus license fee income generated from sales of footwear and maternity apparel in our leased departments. The license agreement related to our maternity business expired in March 2016 and was not renewed. Cost of sales includes the direct cost of purchased merchandise, inbound freight to our distribution centers, inventory shrinkage and inventory write-downs. Gross profit margin measures gross profit as a percentage of our net sales. Our gross profit may not be comparable to other retailers, as some companies include all of the costs related to their distribution network in cost of sales while others, like us, exclude a portion of these costs from cost of sales and include those costs in selling, general and administrative expenses. Our gross profit margin is a function of initial markup less shrink and markdowns, with higher initial markup and lower markdowns positively impacting our operating results.

Selling, General and Administrative Expenses . Selling, general and administrative expenses include all operating costs not included in cost of sales. These expenses include payroll and other expenses related to operations at our corporate office, store and eCommerce expenses, occupancy costs, certain distribution and warehousing costs, pre-opening and closing expenses, depreciation and amortization and advertising expenses. Our ability to manage store level and certain other operating expenses directly impacts our operating results.

Overview

The net loss for the thirteen and thirty-nine weeks ended October 29, 2016 was $4.8 million and $12.5 million, respectively, as compared to a net loss of $2.8 million and $5.4 million, respectively, for the thirteen and thirty-nine weeks ended October 31, 2015. Below is a summary of our financial results for the thirteen and thirty-nine weeks ended October 29, 2016.

- Net sales decreased 6.7% and 5.7%, respectively, for the thirteen and thirty-nine weeks ended October 29, 2016 as compared to the thirteen and thirty-nine weeks ended October 31, 2015. Lower net sales were driven by a decrease in comparable store sales impacted by lower traffic during the thirteen and thirty-nine weeks ended October 29 2016, partially offset by an increase in non-comparable stores and an increase in the average sale per transaction during the thirteen and thirty-nine weeks ended October 29, 2016. Comparable store sales on an owned basis decreased 9.5% and

8.5%, respectively, for the thirteen and thirty-nine weeks ended October 29, 2016 as compared to an increase of 0.8% and a decrease of 0.8%, respectively, for the thirteen and thirty-nine weeks ended October 31, 2015. On an owned and licensed basis, comparable store sales declined 9.3% and 8.3%, respectively, for the thirteen and thirty-nine weeks ended October 29, 2016 as compared an increase of 0.3% and a decrease of 0.8%, respectively, for the thirteen and thirty-nine weeks ended October 31, 2015.

- Gross profit margin decreased 60 basis points during the thirteen weeks ended October 29, 2016 and 70 basis points during the thirty-nine weeks ended October 29, 2016, as compared to the thirteen weeks and thirty-nine weeks ended October 31, 2015, primarily as a result of higher merchandise inventory markdowns.
- Selling, general and administrative expenses increased 200 basis points to 48.7% of net sales for the thirteen weeks ended October 29, 2016 compared to 46.7% of net sales for the thirteen weeks ended October 31, 2015 and increased 250 basis points to 47.6% of net sales for the thirty-nine weeks ended October 29, 2016 compared to 45.1% of net sales for the thirty-nine weeks ended October 31, 2015. The decrease in selling, general and administrative expenses for the thirteen and thirty-nine weeks ended October 29, 2016 was primarily due to lower advertising and store expenses, partially offset by higher professional fees related to the comprehensive expense review, eCommerce operations which were launched during the second quarter of fiscal 2015 and higher depreciation.

Basis of Presentation and Results of Operations

The consolidated financial statements include the accounts of Gordmans Stores, Inc. and its subsidiaries, Gordmans Intermediate Holding Corp., Gordmans, Inc., Gordmans Management Company, Inc., Gordmans Distribution Company, Inc. and Gordmans LLC. All intercompany transactions and balances have been eliminated in consolidation. We utilize a typical retail 52-53 week fiscal year whereby the fiscal year ends on the Saturday nearest January 31. Fiscal years 2016 and 2015 represent fifty-two week years ending January 28, 2017 and ended January 30, 2016, respectively. All references to fiscal years are to the calendar year in which the fiscal year begins. The thirteen weeks ended October 29, 2016 and October 31, 2015 represent the third quarters of fiscal 2016 and fiscal 2015, respectively. The thirty-nine weeks ended October 29, 2016 and October 31, 2015 represent the first three quarters of fiscal 2016 and fiscal 2015, respectively.

The table below sets forth the consolidated statements of operations data for the periods presented (in thousands):

	13 Weeks Ended October 29, 2016	13 Weeks Ended October 31, 2015	39 Weeks Ended October 29, 2016	39 Weeks Ended October 31, 2015
Statements of Operation Data:				
Net sales	$ 143,483	$ 153,856	$ 417,791	$ 443,230
License fees from leased departments	1,944	2,196	5,941	6,615
Cost of sales	(82,553)	(87,700)	(241,784)	(253,698)
Gross profit	62,874	68,352	181,948	196,147
Selling, general and administrative expenses	(69,906)	(71,915)	(199,048)	(200,052)
Loss from operations	(7,032)	(3,563)	(17,100)	(3,905)
Interest expense, net	(874)	(892)	(2,539)	(2,966)
Loss on extinguishment of debt	—	—	—	(2,014)
Loss before taxes	(7,906)	(4,455)	(19,639)	(8,885)
Income tax benefit	3,083	1,692	7,114	3,465
Net loss	$ (4,823)	$ (2,763)	$ (12,525)	$ (5,420)

The table below sets forth the components of the consolidated statements of operations as a percentage of net sales:

	13 Weeks Ended October 29, 2016 (1)	13 Weeks Ended October 31, 2015 (1)	39 Weeks Ended October 29, 2016 (1)	39 Weeks Ended October 31, 2015 (1)
Net sales	100.0%	100.0%	100.0%	100.0%
License fees from leased departments	1.4	1.4	1.4	1.5
Cost of sales	(57.5)	(57.0)	(57.9)	(57.2)
Gross profit	43.8	44.4	43.6	44.3
Selling, general and administrative expenses	(48.7)	(46.7)	(47.6)	(45.1)
Loss from operations	(4.9)	(2.3)	(4.1)	(0.9)
Interest expense, net	(0.6)	(0.6)	(0.6)	(0.7)
Loss on extinguishment of debt	—	—	—	(0.5)
Loss before taxes	(5.5)	(2.9)	(4.7)	(2.0)
Income tax benefit	2.1	1.1	1.7	0.8
Net loss	(3.4)%	(1.8)%	(3.0)%	(1.2)%

(1) Percentages may not foot due to rounding.

Thirteen Weeks Ended October 29, 2016 Compared to Thirteen Weeks Ended October 31, 2015

Net Sales

Net sales for the thirteen weeks ended October 29, 2016 decreased $10.4 million, or 6.7%, to $143.5 million as compared to $153.9 million for the thirteen weeks ended October 31, 2015. This decrease was primarily the result of a decrease in comparable store sales due to lower guest traffic partially offset by an increase in non-comparable store sales due to the opening of four net new stores in the thirty-nine weeks ended October 29, 2016. Owned comparable store sales decreased $13.9 million, or 9.5%, while owned and licensed comparable store sales decreased 9.3% during the thirteen weeks ended October 29, 2016. The comparable store sales decrease was primarily due to a low-double digit decrease in comparable transactions resulting from a decrease in guest traffic, partially offset by a low-single digit increase in the average sale per transaction. From a major merchandising category perspective, Accessories (including fragrances) and Apparel generated low-double digit comparable store sales decreases, while Home Fashions experienced a mid-single digit comparable store sales decrease for the thirteen weeks ended October 29, 2016 compared to the thirteen weeks ended October 31, 2015.

License Fees from Leased Departments

License fee income related to sales of merchandise in leased departments was $1.9 million, or 1.4% of net sales, for the thirteen weeks ended October 29, 2016 and $2.2 million, or 1.4% of net sales, for the thirteen weeks ended October 31, 2015. This decrease was primarily due to the decrease in maternity license fees as our license agreement related to our maternity business expired in March 2016 and was not renewed.

Gross Profit

Gross profit, which includes license fees from leased departments, for the thirteen weeks ended October 29, 2016 decreased $5.5 million, or 8.0%, to $62.9 million as compared to $68.4 million for the thirteen weeks ended October 31, 2015. Gross profit margin decreased 60 basis points to 43.8% of net sales as compared to 44.4% of net sales for the thirteen weeks ended October 31, 2015. The 60 basis point decrease in gross profit was due primarily to higher merchandise inventory markdowns.

Selling, General and Administrative Expenses

Selling, general and administrative expenses during the thirteen weeks ended October 29, 2016 decreased $2.0 million, or 2.8%, to $69.9 million as compared to $71.9 million for the thirteen weeks ended October 31, 2015. As a percentage of net sales, selling, general and administrative expenses were 48.7% for the thirteen weeks ended October 29, 2016 compared to 46.7% for the thirteen weeks ended October 31, 2015, a 200 basis point increase.

Advertising expenses decreased $1.5 million during the thirteen weeks ended October 29, 2016 as compared to the thirteen weeks ended October 31, 2015 due primarily to a decrease in television advertising, direct mail and preprint expenses.

Store expenses decreased $1.2 million during the thirteen weeks ended October 29, 2016 as compared to the thirteen weeks ended October 31, 2015 primarily due to in-store merchandise credit breakage recorded during the third quarter fiscal 2016. Breakage for in-store merchandise credit is recognized as revenue when the likelihood of redemption becomes remote which has been determined to be three years from the date of issuance. Store expenses also decreased due to lower store payroll in existing stores as a result of our comprehensive expense review, partially offset by an increase in expenses associated with new store openings and the launch of eCommerce operations in mid-2015. Store expenses were 120 basis points higher in the third quarter of fiscal 2016 compared to the third quarter of fiscal 2015, primarily due to the deleveraging of store costs associated with the decrease in comparable store sales and the launch of eCommerce operations in mid-2015, partially offset by in-store merchandise credit breakage.

Distribution center expenses decreased $0.5 million during the thirteen weeks ended October 29, 2016 primarily due to lower delivery costs as a result of lower inventory receipts during the third quarter of fiscal 2016 compared to the third quarter of fiscal 2015, partially offset by higher capitalized freight.

Pre-opening and closing expenses decreased $0.1 million during the thirteen weeks ended October 29, 2016 due to the opening of three new stores in the third quarter of fiscal 2016 compared to the opening of two new stores and closing one existing store during the third quarter of fiscal 2015.

Depreciation and amortization expenses increased $0.4 million, or 50 basis points as a percentage of net sales, during the thirteen weeks ended October 29, 2016 as compared to the thirteen weeks ended October 31, 2015 due to increased investment in technology, including the launch of eCommerce operations in mid-2015 and new store openings.

Corporate expenses increased $0.9 million, or 110 basis points, during the thirteen weeks ended October 29, 2016 as compared to the thirteen weeks ended October 31, 2015, primarily due to higher professional service fees related to our engagement of an outside party to assist in identifying expense savings opportunities, partially offset by a decrease in share-based compensation expense due primarily to forfeitures.

Interest Expense, Net

Interest expense, net for the thirteen weeks ended October 29, 2016 and October 31, 2015 was $0.9 million.

Loss before Taxes

The loss before taxes for the thirteen weeks ended October 29, 2016 was $7.9 million compared to the loss before taxes of $4.5 million in the thirteen weeks ended October 31, 2015. As a percentage of net sales, the loss before taxes was 5.5% for the third quarter of fiscal 2016 compared to the loss before taxes of 2.9% for the third quarter of fiscal 2015.

Income Tax Benefit

The income tax benefit for the thirteen weeks ended October 29, 2016 was $3.1 million compared to $1.7 million for the thirteen weeks ended October 31, 2015. The effective tax rate for the third quarter of fiscal 2016 of 39.0% compared to the effective tax rate of 38.0% for the third quarter of fiscal 2015. The effective rate differed from the federal enacted rate of 35% primarily due to federal tax credits and state taxes, net of federal benefits.

We have considered the future reversal of deferred tax liabilities, projected operating results as well as projected taxable income and have concluded that it is more likely than not that existing gross deferred tax assets will be realized. If our financial performance does not improve or deteriorates, the reversals of deferred tax liabilities may not be sufficient to offset current operating losses and an additional or a full valuation allowance may become necessary. We will continue to evaluate the ability to realize our deferred tax assets and related valuation allowance on a quarterly basis.

Net Loss

The net loss for the thirteen weeks ended October 29, 2016 was $4.8 million compared to a net loss of $2.8 million for the thirteen weeks ended October 31, 2015.

Thirty-nine Weeks Ended October 29, 2016 Compared to Thirty-nine Weeks Ended October 31, 2015

Net Sales

Net sales for the thirty-nine weeks ended October 29, 2016 decreased $25.4 million, or 5.7%, to $417.8 million as compared to $443.2 million for the thirty-nine weeks ended October 31, 2015. This decrease was primarily the result of a decrease in comparable store sales due to lower guest traffic partially offset by an increase in non-comparable store sales due to the opening of four net new stores in the thirty-nine weeks ended October 29, 2016. Owned comparable store sales decreased $36.5 million, or 8.5%, while owned and licensed comparable store sales decreased 8.3% during the thirty-nine weeks ended October 29, 2016. The comparable store sales decrease was primarily due to a low-double digit decrease in comparable transactions resulting from a decrease in guest traffic, partially offset by a low-single digit increase in the average sale per transaction. From a major merchandising category perspective, Apparel and Accessories (including fragrances) generated high-single digit comparable store sales decreases, while Home Fashions experienced a mid-single digit comparable store sales decrease for the thirty-nine weeks ended October 29, 2016 compared to the thirty-nine weeks ended October 31, 2015.

License Fees from Leased Departments

License fee income related to sales of merchandise in leased departments for the thirty-nine weeks ended October 29, 2016 decreased $0.7 million, or 10.2%, to $5.9 million compared to the thirty-nine weeks ended October 31, 2015, primarily due to the decrease in maternity license fees as our license agreement related to our maternity business expired in March 2016 and was not renewed.

Gross Profit

Gross profit, which includes license fees from leased departments, for the thirty-nine weeks ended October 29, 2016 decreased $14.2 million, or 7.2%, to $181.9 million as compared to $196.1 million for the thirty-nine weeks ended October 31, 2015. Gross profit margin decreased 70 basis points to 43.6% of net sales as compared to 44.3% of net sales for the thirty-nine weeks ended October 31, 2015. The 70 basis point decrease was primarily due higher merchandise inventory markdowns.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the thirty-nine weeks ended October 29, 2016 decreased $1.0 million, or 0.5%, to $199.0 million as compared to $200.1 million for the thirty-nine weeks ended October 31, 2015. As a percentage of net sales, selling, general and administrative expenses increased to 47.6% during the thirty-nine weeks ended October 29, 2016 as compared to 45.1% during the thirty-nine weeks ended October 31, 2015, a 250 basis point increase.

Distribution center expenses decreased $1.4 million in the thirty-nine weeks ended October 29, 2016 primarily due to lower delivery, processing and payroll costs as a result of lower inventory receipts during the first three quarters of fiscal 2016 compared to the first three quarters of fiscal 2015, partially offset by lower capitalized freight.

Store expenses decreased $1.1 million for the thirty-nine weeks ended October 29, 2016 as compared to the thirty-nine weeks ended October 31, 2015 primarily due to in-store merchandise credit breakage recorded during the third quarter fiscal 2016. Breakage for in-store merchandise credit is recognized as revenue when the likelihood of redemption becomes remote which has been determined to be three years from the date of issuance. Store expense also decreased due to lower store payroll in existing stores as a result of our comprehensive expense review, partially offset by an increase in expenses associated with new store openings and the launch of eCommerce operations in mid-2015. Store expenses were 140 basis points higher in the first three quarters of fiscal 2016 compared to the first three quarters of fiscal 2015 primarily due to the deleveraging of store costs associated with the comparable store sales decline and the launch of eCommerce operations in mid-2015.

Advertising expenses decreased $1.0 million, or 10 basis points, during the thirty-nine weeks ended October 29, 2016 as compared to the thirty-nine weeks ended October 31, 2015 primarily due to a decrease in television advertising, direct mail and preprint expenses during the thirty-nine weeks ended October 29, 2016.

Pre-opening and closing expenses decreased $0.8 million, or 10 basis points as a percentage of net sales, for the thirty-nine weeks ended October 29, 2016 compared to the thirty-nine weeks ended October 31, 2015 due to the opening of five new stores and closing one existing store during the first three quarters of fiscal 2016 compared to the opening of six new stores and closing one existing store during the first three quarters of fiscal 2015.

Depreciation and amortization expenses increased $1.1 million, or 40 basis points as a percentage of net sales, for the thirty-nine weeks ended October 29, 2016 as compared to the thirty-nine weeks ended October 31, 2015 due to increased investment in technology, including the launch of eCommerce operations in mid-2015 and new store openings.

Corporate expenses increased $2.2 million, or 90 basis points, during the thirty-nine weeks ended October 29, 2016 as compared to the thirty-nine weeks ended October 31, 2015, primarily due to higher professional service fees related to our engagement of an outside party to assist in identifying expense savings opportunities, partially offset by lower share-based compensation expense due primarily to forfeitures.

Interest Expense

Interest expense, net for the thirty-nine weeks ended October 29, 2016 decreased $0.4 million to $2.5 million compared to $3.0 million for the thirty-nine weeks ended October 31, 2015 due primarily to a 225 basis point reduction in the interest rate on the refinanced term loan during the second quarter of fiscal 2015, partially offset by higher borrowings on the revolving line of credit facility.

Loss on Extinguishment of Debt

The loss on extinguishment of debt for the thirty-nine weeks ended October 31, 2015 of $2.0 million was the result of extinguishing in full the senior term loan with Cerberus Business Finance, LLC. The loss on extinguishment of debt includes the write off of deferred financing fees of $1.7 million related to the extinguished senior term loan during the second quarter of fiscal 2015, as well as a $0.3 million penalty on the early extinguishment of the term loan.

Loss before Taxes

The loss before taxes for the thirty-nine weeks ended October 29, 2016 increased to $19.6 million compared to the loss before taxes of $8.9 million in the thirty-nine weeks ended October 31, 2015. As a percentage of net sales, the loss before taxes was 4.7% of net sales for the thirty-nine weeks ended October 29, 2016 compared to the loss before taxes of 2.0% of net sales for the thirty-nine weeks ended October 31, 2015.

Income Tax Benefit

The income tax benefit for the thirty-nine weeks ended October 29, 2016 was $7.1 million and included a partial valuation allowance on deferred tax assets of $0.5 million of expense related to certain long term leases, which was recorded during the second quarter of fiscal 2016. The income tax benefit was $3.5 million for the thirty-nine weeks ended October 31, 2015. The effective tax rate for the first three quarters of fiscal 2016 of 36.2% compared to the effective tax rate of 39.0% for the first three quarters of fiscal 2015. The effective rate differed from the federal enacted rate of 35% primarily due to federal tax credits and state taxes, net of federal benefits, and the partial valuation allowance recorded in the second quarter of fiscal 2016.

We have considered the future reversal of deferred tax liabilities, projected operating results as well as projected taxable income and have concluded that it is more likely than not that existing gross deferred tax assets will be realized. If our financial performance does not improve or deteriorates, the reversals of deferred tax liabilities may not be sufficient to offset current operating losses and additional or a full valuation allowance may become necessary. We will continue to evaluate the ability to realize our deferred tax assets and related valuation allowance on a quarterly basis.

Net Loss

The net loss for the thirty-nine weeks ended October 29, 2016 was $12.5 million compared to $5.4 million for the thirty-nine weeks ended October 31, 2015. As a percentage of net sales, the net loss was 3.0% of net sales for the first three quarters of fiscal 2016 compared to the net loss of 1.2% of net sales for the first three quarters of fiscal 2015.

Seasonality

Our business is subject to seasonal fluctuations, which are typical of retailers that carry a similar merchandise offering. A disproportionate amount of our sales and net income are historically realized during the fourth fiscal quarter, which includes the holiday selling season. In fiscal years 2015, 2014 and 2013, respectively, 31.7%, 32.1%, and 32.3% of our net sales were generated in the fourth quarter. Our business is also subject, at certain times, to calendar shifts, which may occur during key selling periods close to holidays such as Easter, Thanksgiving and Christmas and regional fluctuations for events such as sales tax holidays.

Liquidity and Capital Resources

Our primary ongoing cash requirements are for operating expenses, inventory, store and distribution center capital improvements, investments in our information technology, including our eCommerce operations which were launched in mid-2015 and the point-of-sale system completed in the third quarter of fiscal 2016, capital expenditures for existing store improvements and investments in our distribution centers, as well as debt service. Our typical investment in a new store is approximately $1.2 million, which represents pre-opening expenses of $0.3 million and inventory of $0.9 million (of which $0.3 million is typically financed through trade payables). The fixed assets and leasehold improvements associated with a new store opening, excluding structural costs, of approximately $1.2 million have typically been financed by landlords through favorable tenant improvement allowances. There are no new store openings scheduled for fiscal 2017. Our primary sources of funds for our business activities are cash from operations, borrowings under our revolving line of credit facility and tenant improvement allowances.

We have experienced losses of $12.5 million during the thirty-nine week period ending October 29, 2016 and $4.3 million and $3.5 million during fiscal years ended January 30, 2016 and January 31, 2015, respectively. Additionally, during the thirty-nine week period ended October 29, 2016, and the fiscal years ended January 30, 2016 and January 31, 2015, we had net cash provided by (used in) operating activities of $(24.9) million, $8.6 million and $45.2 million, respectively. Cash flows from operating activities are typically the lowest during the third quarter which includes higher inventory levels in preparation for the holiday selling period. We have generated positive operating cash flows in each of the years ended January 30, 2016, January 31, 2015 and February 1, 2014. Since the third quarter of fiscal 2013, we have relied on bank borrowings for our capital needs to fund the Company's operations. If financial performance does not improve we will be required to rely more heavily on bank borrowings.

Our working capital at October 29, 2016 was $0.7 million compared to working capital of $22.2 million at January 30, 2016 and $17.7 million at October 31, 2015. The decrease in working capital from January 30, 2016 to October 29, 2016 primarily relates to higher borrowings on our line of credit facility due to the timing of capital expenditures and higher seasonal merchandise inventories and accounts payables during the third quarter of fiscal 2016 compared to fiscal year end 2015 and 2014.

Total long-term debt, net of debt issue costs increased from $45.7 million at January 30, 2016 to $85.5 million at October 29, 2016 primarily due to higher borrowings on our line of credit facility at October 29, 2016. On September 2, 2016, the Borrower entered into the Ninth Amendment (the "Ninth Amendment") to Loan, Guaranty and Security agreement with Wells Fargo. The Ninth Amendment increases the maximum revolving loan commitment under its revolving credit facility from $80.0 million to $100.0 million. In connection with the revolving line of credit facility increase, the Company's borrowing base term loan reserve calculation now includes a minimum term loan reserve of $5.0 million. The majority of the secured term loan principal is due on the maturity date of June 28, 2020, with quarterly principal payments of $0.4 million through the maturity date. We intend to pay down the revolving line of credit facility with available cash flows from operations. The revolving line of credit facility matures in June 2020. We were in compliance with all of our debt covenants as of October 29, 2016, as such there are currently no requirements to pay down the facility until its maturity date.

The Company paid a prepayment premium of $0.3 million related to the Cerberus senior term loan early extinguishment during the second quarter of fiscal 2015, which was equal to 1.0% of the outstanding principal balance at the time of the payoff of the Cerberus senior term loan.

There were $58.0 million of borrowings outstanding under our revolving line of credit facility at October 29, 2016, as compared to $17.0 million at January 30, 2016 and $35.9 million at October 31, 2015. Cash and cash equivalents were $8.4 million, $7.0 million and $8.9 million at October 29, 2016, January 30, 2016 and October 31, 2015, respectively. Net cash used in operating activities was $24.9 million during the thirty-nine weeks ended October 29, 2016 compared to net cash used in operating activities of $11.8 million during the thirty-nine weeks ended October 31, 2015. Average borrowings under our revolving line of credit facility increased to $31.7 million for the thirty-nine weeks ended October 29, 2016 from $19.5 million in thirty-nine weeks ended October 31, 2015. The largest amount borrowed at one time during the thirty-nine weeks ended October 29, 2016 was $58.0 million compared to $35.9 million during the thirty-nine weeks ended October 31, 2015. Excess availability under our revolving line of credit facility, which includes up to $3.0 million of unrestricted cash, was $36.1 million at October 29, 2016 compared to $59.3 million at January 30, 2016 and $40.6 million at October 31, 2015. Stockholders' equity was $22.7 million as of October 29, 2016 compared to $34.9 million as of January 30, 2016 and $34.1 million as of October 31, 2015.

During the course of our seasonal business cycle, working capital is needed to support inventory for existing stores, particularly during peak selling seasons. Historically, our working capital needs are lowest in the first quarter and peak late in the third quarter or early in the fourth quarter in anticipation of the holiday selling season. Management believes that the net cash provided by operating activities, bank borrowings, vendor trade terms, factor credit availability, tenant improvement allowances and the use of operating leases for new stores will be sufficient to fund anticipated current and long-term capital expenditures and working capital requirements.

Our ability to have sufficient liquidity in future periods in order to continue meeting all of our payment obligations, including those under our loan agreement, will depend on generating positive operating cash flow, primarily through improvement in comparable store sales, operating with lower comparable store inventory levels, improved gross profit and controlling and reducing our expenses, which in turn, may be impacted by prevailing economic conditions and other financial and business factors, some of which are beyond our control. See “Part II, Item 1A. Risk Factors.”

Capital Expenditures

Net capital expenditures during the thirty-nine weeks ended October 29, 2016 and October 31, 2015 were $13.1 million and $10.7 million, respectively. The increase in net capital expenditures during the thirty-nine weeks ended October 29, 2016 is primarily related to the timing of new store capital expenditures and increased investment in technology including the new point of sales system.

We lease all of our store locations. In certain cases, we negotiate leases whereby we take responsibility for construction of a new store during the construction period and are reimbursed for our costs from the landlord. When this situation occurs, we report the construction costs as part of our capital expenditures and, as reimbursements for structural assets, such as the building shell, are received from the landlord for construction costs where we are the accounting owner during the construction period, we report the proceeds received from the landlord as proceeds from sale-leaseback transactions.

Cash Flow Analysis

A summary of operating, investing, and financing activities are shown in the following table (in thousands):

	39 Weeks Ended October 29, 2016	39 Weeks Ended October 31, 2015
Cash flows used in operating activities	$ (24,863)	$ (11,787)
Cash flows used in investing activities	(13,202)	(10,706)
Cash flows provided by financing activities	39,533	23,719
Increase in cash and cash equivalents	1,468	1,226
Cash and cash equivalents at beginning of period	6,969	7,634
Cash and cash equivalents at end of period	$ 8,437	$ 8,860

Cash Flows from Operating Activities

Net cash used in operating activities for the thirty-nine weeks ended October 29, 2016 was $24.9 million, which included a net loss of $12.5 million and noncash charges of $6.5 million comprised of depreciation and amortization expense of $13.5 million, deferred tax valuation allowance of $0.5 million, share-based compensation expense of $0.5 million, a loss on property disposals and impairment charges of $0.4 million and amortization of deferred financing fees of $0.2 million, offset by the deferred tax asset shortfall related to share-based compensation of $0.2 million and changes in deferred income taxes of $8.5 million. Net cash used in operating activities in the thirty-nine weeks ended October 29, 2016 was favorably impacted by an increase in accounts payable of $28.3 million due higher merchandise inventory receipts attributable to the seasonal inventory build for the holiday season compared to fiscal year end 2015, a $2.3 million decrease in accounts, landlord and income taxes receivable due to the collection of the fiscal year 2015 federal tax refund and a decrease in other assets of $0.1 million. The increases in operating cash flows for the thirty-nine weeks ended October 29, 2016 were partially offset by a $47.0 million increase in merchandise inventories primarily related to higher seasonal inventory levels for the holiday selling season, a decrease in deferred rent primarily related to new stores of $1.3 million, an increase in prepaid and other current assets of $0.8 million primarily related to new store growth and prepaid advertising and a $0.3 million decrease in accrued expenses and other liabilities.

Net cash used in operating activities for the thirty-nine weeks ended October 31, 2015 was $11.8 million, which included a net loss of $5.4 million and noncash charges of $16.9 million comprised of depreciation and amortization expense of $12.4 million, write-off of deferred financing fees of $1.7 million, share-based compensation expense of $1.0 million, loss on retirement of property and equipment of $0.7 million, changes in deferred income taxes of $0.7 million, amortization of deferred financing fees of $0.4 million and $26 thousand of expense associated with the deferred tax asset shortfall related to share-based compensation. Net cash used in operating activities in the thirty-nine weeks ended October 31, 2015 was favorably impacted by an increase in accounts payable of

$46.9 million related to higher merchandise inventory receipts attributable to seasonality, new store growth and higher average comparable store inventory levels partially offset by the timing of payments associated with earlier fall merchandise inventory receipts as well as a decrease in accounts, landlord and income taxes receivable of $3.8 million, a decrease in accrued expenses and other liabilities of $1.5 million, and a decrease in other assets of $0.2 million. The increases in operating cash flows for the thirty-nine weeks ended October 31, 2015 were partially offset by a $70.6 million increase in merchandise inventories primarily related to higher average comparable store inventory levels and earlier merchandise inventory receipts, the six new stores that opened during the first three quarters of fiscal 2015 and the launch of e-commerce at the end of the second quarter of fiscal 2015. Operating cash flows were also reduced by a decrease in deferred rent primarily related to new stores of $4.2 million, an increase in prepaid and other current assets of $0.8 million primarily due to the timing of insurance renewals and new store growth.

Cash Flows from Investing Activities

Net cash used in investing activities in the thirty-nine weeks ended October 29, 2016 and October 31, 2015 was $13.2 million and $10.7 million, respectively. Cash of $22.8 million and $14.3 million was used for purchases of property and equipment during the thirty-nine weeks ended October 29, 2016 and October 31, 2015, respectively. This increase in purchases of property and equipment during the thirty-nine weeks ended October 29, 2016 is primarily due to timing differences in new store capital expenditures impacted by sale-leaseback accounting as well as increased investment in the new point-of-sale system.

Proceeds from sale-leaseback transactions were $9.6 million and $3.6 million for the thirty-nine weeks ended October 29, 2016 and October 31, 2015, respectively, where the Company was deemed the accounting owner of the structural property additions during the new store construction period pursuant to the underlying lease agreement. This $6.0 million increase in cash generated from proceeds from sale-leaseback transactions primarily resulted from the timing of receipt of payments from landlords.

Cash Flows from Financing Activities

Net cash provided by financing activities was $39.5 million during the thirty-nine weeks ended October 29, 2016, as compared to net cash provided by financing activities of $23.7 million during the thirty-nine weeks ended October 31, 2015. Borrowings and repayments on our revolving line of credit facility were $179.5 million and $138.6 million, respectively, during the thirty-nine weeks ended October 29, 2016, compared to $169.4 million and $144.5 million, respectively, during the thirty-nine weeks ended October 31, 2015. Cash of $1.4 million was also used during the thirty-nine weeks ended October 29, 2016 for payments on our secured term loan and on capital lease obligations compared to cash of $30.0 million used during the thirty-nine weeks ended October 31, 2015 for payment of long term debt including the Cerberus senior term loan payoff. Cash proceeds of $30.0 million were received from the new Wells Fargo secured term loan that were used to extinguish the Cerberus senior term loan in full during the thirty-nine weeks ended October 31, 2015. Cash of $48 thousand was paid for debt financing fees during the thirty-nine weeks ended October 31, 2015 related to the Ninth Amendment to the loan agreement effective September 2, 2016. Additionally, the Company was subject to a penalty of $0.3 million, which was equal to 1.0% of the outstanding principal balance and was paid during the second quarter of fiscal 2015 on the early extinguishment of debt. Proceeds of $31 thousand were received in connection with the exercise of stock options during the thirty-nine weeks ended October 31, 2015.

Existing Credit Facilities

Gordmans, Inc. is the borrower under a loan, guaranty and security agreement dated as of February 20, 2009, as amended, with Wells Fargo Bank, National Association as agent and a lender and with certain other lender parties thereto from time to time. Gordmans Stores, Inc., Gordmans Intermediate Holdings Corp., Gordmans Distribution Company, Inc., Gordmans Management Company, Inc. and Gordmans LLC are all guarantors under the loan agreement. The description which follows includes the terms of the Ninth Amendment to the loan agreement, which became effective September 2, 2016 (the "Ninth Amendment"). The Ninth Amendment increases the borrowing availability under its revolving line of credit facility from $80.0 million to $100.0 million. In connection with the revolving line of credit facility increase, the Company's borrowing base term loan reserve calculation now includes a minimum term loan reserve of $5.0 million.

The loan, guaranty and security agreement provides for a $100.0 million revolving line of credit facility. Our revolving line of credit facility is available for working capital and other general corporate purposes and is scheduled to expire on June 28, 2020. At October 29, 2016, we had $58.0 million of borrowings outstanding under our revolving line of credit facility as compared to outstanding borrowings of $17.0 million at January 30, 2016 and $35.9 million at October 31, 2015. The availability of our revolving line of credit facility is subject to a borrowing base, which is comprised of eligible credit card receivables and the liquidation value of eligible landed inventory, eligible distribution center inventory and eligible in-transit inventory less a minimum term loan reserve of $5.0 million. The Company is required to maintain minimum excess availability under the revolving line of credit facility of at least $20.0 million, the calculation of which includes up to $3.0 million of unrestricted cash. Excess availability under our revolving line of credit facility was $36.1 million at October 29, 2016 and included letters of credit issued with an aggregate face amount of $9.0 million.

There were borrowings under the facility of an aggregate of $179.5 million during the first three quarters of fiscal 2016 and repayments of $138.6 million during the first three quarters of fiscal 2016.

Interest is payable on borrowings under our revolving line of credit facility monthly at a rate equal to LIBOR or the base rate as selected by management, plus an applicable margin which ranges from 0.75% to 2.00% set quarterly dependent upon the whether excess availability is less than or greater than $40.0 million. Borrowings under this facility totaling $5.0 million bore interest at a rate of 4.25% under the base rate option and $53.0 million bore interest at rates between 2.28% and 2.29% under the LIBOR option at October 29, 2016.

An unused line fee is payable quarterly in an amount equal to 0.25% of the sum of the average daily unused revolver amount during the immediately preceding month plus the average daily balance of the letter of credit usage during the immediately preceding month. An administrative agent fee is also payable under the facility on an annual basis.

The revolving line of credit facility has a first lien on all collateral other than term loan priority collateral and a second lien on the term loan priority collateral, as defined in the loan agreement.

The secured term loan matures on the same date as the revolving line of credit facility and has principal payments of $0.4 million due on a quarterly basis beginning in October 2015 through the maturity date, with the remaining principal due on the maturity date of June 28, 2020. The Company may repay at any time all or a portion of the outstanding principal amount of the secured term loan facility, subject to a prepayment premium equal to 3.0% in the first year, 1.5% in the second year, 0.5% in the third year and 0.0% thereafter. The term loan carries an interest rate equal to the LIBOR rate plus 6.25% with a floor of 1.0%. The interest rate on the term loan was 7.25% at October 29, 2016, January 30, 2016, and October 31, 2015. The term loan is secured by the same collateral as the revolving line of credit facility but has a priority lien on real estate, fixtures, equipment, intellectual property and books, records, permits, licenses, insurance, in each case related to term loan priority collateral, and proceeds thereof and a second lien on the revolving priority collateral, as defined in the loan agreement.

Among other provisions, the Company's loan agreement with Wells Fargo contains customary affirmative and negative covenants, including a negative covenant that restricts the level and form of indebtedness entered into by the Company or its wholly owned subsidiaries. Exceptions to this covenant include borrowings under our $30.0 million senior term loan and, subject to certain conditions, indebtedness in connection with all acquisitions not to exceed $10.0 million. Our revolving line of credit facility also includes a negative covenant that restricts dividends and other upstream distributions by the Company and its subsidiaries to the extent the Company does not meet minimum excess availability thresholds. Exceptions to this covenant include dividends or other upstream distributions: (i) by subsidiaries of Gordmans, Inc. to Gordmans, Inc. and its other subsidiaries, (ii) that consist of repurchases of stock of employees in an amount not to exceed $0.5 million in any fiscal year, (iii) that consist of the payment of taxes on behalf of any employee, officer or director of the Company for vested restricted stock of the Company owned by such employee, officer or director, (iv) to the Company to pay federal, state and local income taxes and franchise taxes solely arising out of the consolidated operations of the Company and its subsidiaries, (v) to the Company to pay certain reasonable directors' fees and out-of-pocket expenses, reasonable and customary indemnities to directors, officers and employees and other expenses in connection with the ordinary corporate governance, overhead, legal and accounting and maintenance and (vi) dividends so long no event of default exists, projected excess availability for the next twelve months is greater than $35.0 million and 30% of the loan cap and the fixed charge coverage ratio is greater than 1.0 to 1.0 on a historical and projected basis. The agreement also includes a negative covenant that restricts subsidiaries of the Company from making any loans to the Company. Should the Company default on scheduled repayment of the secured term loan facility, Wells Fargo may make any outstanding obligations under the agreement immediately due and payable.

As of October 29, 2016, the Company was in compliance with all of its debt covenants and expects to be in compliance with all of its debt covenants for measurement periods occurring through the remainder of fiscal 2016.

We also entered into two capital leases to purchase computer hardware and software during fiscal 2014. The Company's remaining obligation under theses capital leases was $0.6 million at October 29, 2016.

Contractual Obligations and Off-Balance-Sheet Arrangements

There have been no material changes to our contractual obligations and off-balance sheet arrangements as described on page 45 in our Form 10-K for the fiscal year ended January 30, 2016.

Critical Accounting Policies and Estimates

We have determined that our most critical accounting policies are those related to revenue recognition, merchandise inventories, property and equipment, long-lived assets, operating leases, self-insurance, share-based compensation and income taxes. There have been no significant changes to critical accounting policies discussed in our fiscal year 2015 Annual Report on Form 10-K except for the adoption of ASU 2015-03 *Simplifying the Presentation of Debt Issuance Costs* , which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. We continue to monitor our accounting policies to ensure proper application of current rules and regulations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are exposed to interest rate risk primarily through borrowings under our revolving line of credit facility and through outstanding borrowings on our secured term loan, both of which bear interest at variable rates.

Borrowings under our revolving line of credit facility bear interest at various rates, with two rate options at the discretion of management as follows: (1) for base rate advances, borrowings bear interest at the prime rate plus 1.00% when average excess availability is less than or equal to $40.0 million and the prime rate plus 0.75% when average excess availability is greater than $40.0 million, and (2) for LIBOR rate advances, borrowings bear interest at the LIBOR rate plus 2.00% when average excess availability is less than or equal to $40.0 million and the LIBOR rate plus 1.75% when average excess availability is greater than $40.0 million. Borrowings and repayments under our revolving line of credit facility may not exceed the lesser of a calculated borrowing base or $100.0 million. Borrowings and repayments under our revolving line of credit facility during the thirty-nine weeks ended October 29, 2016 were $179.5 million and $138.6 million respectively, with $58.0 million being the largest amount borrowed at one time during the thirty-nine weeks ended October 29, 2016. Borrowings outstanding under the revolving line of credit facility were $58.0 million at October 29, 2016. Average borrowings during the first three quarters fiscal 2016 were $31.7 million. We performed a sensitivity analysis assuming a hypothetical 100 basis point movement in interest rates applied to the average daily borrowings of our revolving line of credit facility. As of October 29, 2016, the analysis indicated that such a movement would result in an increase to interest expense of approximately $0.3 million per year.

Borrowings under our term loan bear interest at an interest rate equal to the LIBOR rate plus 6.25% with a floor of 1.00% (7.25% at October 29, 2016). We performed a sensitivity analysis assuming a hypothetical 100 basis point increase in the interest rate applied to the average amount outstanding on the term loan. As of October 29, 2016, the analysis indicated that such a movement would result in an increase to interest expense of approximately $0.3 million per year.

ITEM 4. CONTROLS AND PROCEDURES

The required certifications of our Chief Executive Officer and Chief Financial Officer are included as exhibits to this Quarterly Report on Form 10-Q. The disclosures set forth in this Item 4 contain information concerning the evaluation of our disclosure controls and procedures, internal control over financial reporting and changes in internal control over financial reporting referred to in those certifications. Those certifications should be read in conjunction with this Item 4 for a more complete understanding of the matters covered by the certifications.

Evaluation of Disclosure Controls and Procedure

Under the supervision and with the participation of management, including our Chief Executive Officer (Principal Executive Officer) and our Chief Financial Officer (Principal Financial Officer), we have carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Act of 1934, as amended (the “Exchange Act”)). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of October 29, 2016 to ensure that information we are required to disclose in reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934) that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to various legal claims and proceedings which arise in the ordinary course of our business, including employment related claims, involving routine claims incidental to our business. Although the outcome of these routine claims cannot be predicted with certainty, we do not believe that the ultimate resolution of these claims will have a material adverse effect on our results of operations, financial condition or cash flow.

ITEM 1A. RISK FACTORS

Except as set forth below, our risk factors have not changed materially from those disclosed in our fiscal year 2015 Annual Report on Form 10-K. The risk factors set forth below and the risk factors disclosed in our Annual Report on Form 10-K, in addition to the other information set forth in this Quarterly Report, could materially affect our business, financial condition or results.

Our common stock could be delisted from the NASDAQ Global Select Market if our stock price continues to trade below $1.00 per share.

On October 31, 2016, we received a deficiency letter from the Listing Qualifications Department of the NASDAQ Stock Market LLC, or NASDAQ, notifying us that for the last 30 consecutive business days, the bid price for our common stock had closed below the minimum $1.00 per share requirement for continued listing on The NASDAQ Global Select Market pursuant to NASDAQ Listing Rule 5450(a)(1). In accordance with NASDAQ Listing Rule 5810(c)(3)(A), we have been given 180 calendar days, or until May 1, 2017, to regain compliance with Rule 5450(a)(1). If at any time before May 1, 2017, the bid price of our common stock closes at $1.00 per share or more for a minimum of 10 consecutive business days, NASDAQ will provide written confirmation that we have achieved compliance with Rule 5450(a)(1). If we do not regain compliance with Rule 5450(a)(1) by May 1, 2017, we may be afforded a second 180 calendar day period to regain compliance. To qualify, we must meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The NASDAQ Global Select Market, except for the minimum bid price requirement. In addition, we would be required to notify NASDAQ of our intention to cure the minimum bid price deficiency, which may include, if necessary, implementing a reverse stock split.

If we do not regain compliance with Rule 5450(a)(1) by May 1, 2017, and are not eligible for an additional compliance period at that time, NASDAQ will provide written notification that our common stock may be delisted. At that time, we may appeal the NASDAQ delisting determination to a NASDAQ Listing Qualifications Panel. Our common stock would remain listed pending the Panel's decision. There can be no assurance that if we appeal a delisting determination, that such appeal would be successful.

We plan to continue to monitor the bid price for our common stock and consider various options available to us if our common stock does not trade at a level that is likely to regain compliance. There can be no assurance that we will be able to regain compliance with the minimum bid price requirement or will otherwise be in compliance with other NASDAQ listing criteria.

We depend on a small number of factoring companies for a significant portion of our merchandise inventory purchases and our business is highly dependent on our vendors' ability to obtain financing through these factoring companies.

Our ability to obtain merchandise depends on certain manufacturers' ability to obtain vendor financing through factoring companies, and to the extent they are unable to secure sufficient credit from those factors, we may not be able to purchase merchandise from them. Although we do not depend on any single factoring company, a significant amount of our merchandise inventory is purchased and factored by a small number of factoring companies. Increasing pressures in the retail industry and on our business may make it more difficult for our vendors to obtain financing through factoring companies on acceptable terms or at all. The loss of key factors, or the inability of our vendors to obtain factor financing on acceptable terms, could make it more difficult for us to acquire sufficient quantities of merchandise within our borrowing constraints which could have a material adverse effect on our business and results of operations.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. RESERVED

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

The following exhibits are filed or furnished with this Quarterly Report:

EXHIBIT INDEX

Exhibit Number	Description
10.1	Ninth Amendment to Loan, Guaranty and Security Agreement, dated September 2, 2016, by and among Gordmans, Inc., each of the other credit parties thereto, the lender party thereto and Wells Fargo Bank, National Association, as arranger, administrative agent and term agent.
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

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SIGNATURES

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

Date: December 8, 2016

GORDMANS STORES, INC.

By: /s/ ANDREW T. HALL
Andrew T. Hall
President, Chief Executive Officer and Secretary
(Principal Executive Officer)

By: /s/ JAMES B. BROWN
James B. Brown
Executive Vice President, Chief Financial Officer,
Treasurer and Assistant Secretary (Principal Financial
Officer and
Principal Accounting Officer)

Exhibit 10.1

NINTH AMENDMENT TO
LOAN, GUARANTY AND SECURITY AGREEMENT

This Ninth Amendment to Loan, Guaranty and Security Agreement (this " Amendment ") is dated as of September 2, 2016 and is by and among GORDMANS, INC., a Delaware corporation (the " Borrower "), each of the other Credit Parties signatory hereto, each of the Lenders (as defined in the Loan Agreement referred to below) party hereto, WELLS FARGO BANK, NATIONAL ASSOCIATION, as the arranger and administrative agent for the Lenders (in such capacity, together with its successors and assigns, the " Agent "), and WELLS FARGO BANK, NATIONAL ASSOCIATION, as the term agent for the Term Lenders (as defined in the Loan Agreement referred to below) (in such capacity, together with its successors and assigns, the " Term Agent ").

BACKGROUND :

The Borrower, the other Credit Parties, the Lenders, the Agent and the Term Agent are parties to that certain Loan, Guaranty and Security Agreement, dated as of February 20, 2009 (as amended and in effect on the date hereof, and as may be further amended, restated, supplemented or modified from time to time, the " Loan Agreement ").

WHEREAS, the Credit Parties have advised the Agent, the Term Agent and the Lenders that they desire to increase the aggregate Revolver Commitments by an amount equal to $20,000,000 in the aggregate (the " Revolver Commitment Increase "). The Required Term Lenders' consent is required as a condition precedent to the effectiveness of such Revolver Commitment Increase.

WHEREAS, the parties to the Loan Agreement desire to amend certain other provisions of the Loan Agreement in connection therewith.

WHEREAS, (i) the Revolver Lenders have agreed to provide the Revolver Commitment Increase, (ii) the Required Term Lenders have agreed to consent to the Revolver Commitment Increase, and (iii) the Agent, the Term Agent and the Lenders have agreed to amend certain provisions of the Loan Agreement, in each case subject to the terms and conditions set forth below.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Incorporation of Terms and Conditions of Loan Agreement. Except as amended hereby, all of the terms and conditions of the Loan Agreement are specifically incorporated herein by reference. Except as amended hereby, all capitalized terms used (including in the preamble hereto) but not otherwise defined herein shall have the same meaning as in the Loan Agreement, as applicable.

2. Amendments to the Loan Agreement .

(a) Section 1.1 of the Loan Agreement is hereby amended as follows:

(i) By amending and restating the definition of "Maximum Revolver Amount" to read in its entirety as follows:

" Maximum Revolver Amount " means $100,000,000, as of the Ninth Amendment Effective Date, and as may be subsequently decreased pursuant to Section 3.5 hereof.

(ii) By amending and restating the definition of "Term Loan Reserve" to read in its entirety as follows:

" Term Loan Reserve " means, at any time of determination, the sum of (x) $5,000,000 plus (y) the amount, if any, by which the aggregate outstanding principal balance of the Term Loan exceeds the Term Borrowing Base, which amount shall be imposed by Agent as a Reserve against the Revolver Borrowing Base.

(iii) By adding the following new definitions in appropriate alphabetical order:

" Ninth Amendment Effective Date " means ___________, 2016.

(iv) By deleting the definitions of "Additional Commitment Lender", Increase Effective Date", "Revolver Commitment Increase" and "Revolver Increase Notice" therefrom in their entirety.

(b) Section 2.1 of the Loan Agreement is hereby amended by amending and restating the last sentence of clause (b) thereof to read in its entirety as follows:

Notwithstanding anything to the contrary contained herein, Agent shall impose and maintain (i) the portion of the Term Loan Reserve referred to in clause (x) of such definition as a Reserve against the Revolver Borrowing Base at all times unless the Required Term Lenders have otherwise agreed in writing, and (ii) the portion of the Term Loan Reserve referred to in clause (y) of such definition as a Reserve against the Revolver Borrowing Base at all times when the aggregate outstanding principal balance of the Term Loan exceeds the Term Borrowing Base.

(c) Section 2.2 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

2.2 **[Reserved.]**

(d) Section 15.1 of the Loan Agreement is hereby amended as follows:

(i) by amending and restating clause (a) thereof to read in its entirety as follows:

(a) increase or extend any Revolver Commitment of any Revolver Lender without the written consent of such Revolver Lender and, to the extent in connection with an increase in the aggregate Revolver Commitments of all Revolver Lenders, the Required Term Lenders,

(ii) by amending and restating clause (i)(i) thereof to read in its entirety as follows:

(i) [reserved],

(e) The Loan Agreement is hereby amended by deleting *Schedule C-1* (Commitments) therefrom and substituting in its stead the corresponding Schedule attached hereto as Exhibit A .

(f) The Loan Agreement is hereby amended by deleting *Exhibit M* (Form of Borrowing Base Certificate) therefrom and substituting in its stead the corresponding Exhibit attached hereto as Exhibit B .

3. Revolver Commitment Increase . The Required Term Lenders hereby consent to the Revolver Commitment Increase. The Credit Parties hereby acknowledge and agree that the foregoing is a one-time consent related solely to the Revolver Commitment Increase, and any future modifications to the Revolver Commitments must comply strictly with the terms of the Loan Agreement.

4. References . All references to the Loan Agreement which are contained in any of the other Loan Documents shall refer to the Loan Agreement as amended by this Amendment, as such may be amended and supplemented from time to time hereafter.

5. Ratification of Loan Documents . Except as otherwise expressly provided herein, all terms and conditions of the Loan Agreement and the other Loan Documents remain in full force and effect. The Credit Parties hereby (i) ratify and reaffirm the grant of a security interest in the Collateral in favor of the Agent set forth in the Loan Agreement and the other Loan Documents, and (ii) acknowledge, confirm, and agree that any and all Collateral previously or hereafter granted to the Agent pursuant to the Loan Agreement and the other Loan Documents shall secure all Obligations at any time and from time to time outstanding under the Loan Documents, as amended hereby.

6. Revolver Commitment Increase Fee . In addition to any other fees payable under the Loan Agreement and the other Loan Documents, in consideration of the Revolver Commitment Increase provided for hereunder, the Borrower shall pay to the Agent, for the account of the Revolver Lenders, in immediately available funds an amendment fee in an amount equal to $25,000 (the " Revolver Commitment Increase Fee "). The Revolver Commitment Increase Fee shall be fully earned and payable as of the date hereof and may be charged by the Agent to the Loan Account of the Borrower maintained by the Agent.

7. Conditions Precedent . This Amendment shall not be effective until the date on which each of the following conditions precedent is satisfied in a manner satisfactory to the Agent and the Term Agent:

(a) The Agent and the Term Agent shall have received this Amendment, duly authorized and executed by each of the other parties hereto;

(b) The Agent and the Term Agent shall have received a certificate of each Credit Party dated as of the date hereof signed by a responsible officer of such Credit Party and (i) making the certifications set forth in Section 2.2(b) of the Loan Agreement (as in effect immediately prior to the Ninth Amendment Effective Date), (ii) attesting to the resolutions of such Credit Party's Board of Directors and authorizing such Credit Party's execution, delivery, and performance of this Amendment and the other Loan Documents to which such Credit Party is a party, (iii) authorizing specific officers of such Credit Party to execute the same, (iv) affirming no amendments, modifications or supplements to the Governing Documents delivered to the Agent and the Term Agent on the Eighth Amendment Effective Date (or, if any such amendments, modifications or supplements have been made, attaching true and correct copies thereof), and (iv) attaching a recent certificate of status with respect to such Credit Party, such certificate to be issued by the appropriate officer of the jurisdiction of organization of such Credit Party, which certificate shall indicate that such Credit Party is in good standing in such jurisdiction;

(c) The representations and warranties of each Credit Party contained in Article 5 of the Loan Agreement or in any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct in all material respects on and as of the date hereof, except (i) to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and (ii) in the case of any representation and warranty qualified by materiality, they shall be true and correct in all respects;

(d) The Agent and the Term Agent shall have received a Borrowing Base Certificate setting forth the Borrowing Base as at the close of business of the week immediately preceding the Ninth Amendment Effective Date and completed in a manner reasonably satisfactory to the Agent and Term Agent and duly authorized, executed, and delivered by the Borrower;

(e) The Agent shall have received the Revolver Commitment Increase Fee;

(f) There shall not have occurred since January 30, 2016 any event or condition that has had or could be reasonably expected, either individually or in the aggregate, to constitute a Material Adverse Change;

(g) No action, suit, investigation or proceeding shall be pending or, to the knowledge of the Credit Parties, threatened in any court or before any arbitrator or governmental authority that could reasonably be expected to result in a Material Adverse Change;

(h) The Borrower shall have reimbursed the Agent and the Term Agent for all expenses incurred by the Agent and the Term Agent in connection with the preparation, negotiation and closing of the transactions contemplated hereby, including without limitation reasonable attorneys' fees and expenses;

(i) Immediately prior to and after giving effect to the amendments and agreements set forth herein, there shall exist no Default or Event of Default; and

(j) All other documents and legal matters in connection with the transactions contemplated by this Amendment shall have been delivered, executed, or recorded and shall be in form and substance reasonably satisfactory to the Agent and the Term Agent in their Permitted Discretion.

8. Representations and Warranties . To induce the Lender Group to enter into this Amendment, each of the Credit Parties hereby represents and warrants to the Lender Group that:

(a) The execution, delivery and performance by such Credit Party of this Amendment and each of the other agreements, instruments and documents contemplated hereby are within its corporate power, have been duly authorized by all necessary corporate action, have received all necessary governmental approval (if any shall be required), and do not and will not contravene or conflict with any provision of law applicable to such Credit Party, their Governing Documents, any order, judgment or decree of any court or Governmental Authority, or any agreement, instrument or document binding upon such Credit Party or any of its property;

(b) Each of the Loan Agreement and the other Loan Documents, as amended by this Amendment, is the legal, valid and binding obligation of such Credit Party enforceable against it in accordance with its terms, except as the enforcement thereof may be subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditor's rights generally, and (ii) general principles of equity;

(c) The representations and warranties contained in the Loan Agreement and the other Loan Documents are true and accurate as of the date hereof with the same force and effect as if such had been made on and as of the date hereof, except (i) to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and (ii) in the case of any representation and warranty qualified by materiality, they shall be true and correct in all respects; and

(d) No Default or Event of Default has occurred and is continuing.

9. Loan Document . This Amendment shall constitute a Loan Document for all purposes.

10. Counterparts . This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment. Delivery of an executed counterpart of a signature page of this Amendment by telecopy, pdf or other electronic transmission shall be as effective as delivery of a manually executed counterpart of this Amendment.

11. Binding Effect . The terms and provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

12. Severability . Any determination that any provision of this Amendment or any application hereof is invalid, illegal or unenforceable in any respect and in any instance shall not affect the validity, legality, or enforceability of such provision in any other instance, or the validity, legality or enforceability of any other provisions of this Amendment.

13. Expenses . Without limiting or modifying any provisions of the Loan Agreement or Section 7(h) hereof, the Borrower shall reimburse the Agent for all reasonable and documented out-of-pocket expenses of the Agent and Lenders incurred in connection with this Amendment (including the reasonable and documented fees, disbursements and other charges of counsel).

14. Entire Agreement . This Amendment and the other Loan Documents express the entire understanding of the parties with respect to the transactions contemplated hereby. No prior negotiations or discussions shall limit, modify, or otherwise affect the provisions hereof.

15. Governing Law . THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, this Amendment has been executed as of the day and year first written above.

THE BORROWER:

GORDMANS INC.

By: ____________________
Name: ____________________
Title: ____________________

THE GUARANTORS:

GORDMANS STORES, INC.

By: ____________________
Name: ____________________
Title: ____________________

GORDMANS MANAGEMENT COMPANY, INC.

By: ____________________
Name: ____________________
Title: ____________________

GORDMANS DISTRIBUTION COMPANY, INC.

By: ____________________
Name: ____________________
Title: ____________________

GORDMANS INTERMEDIATE HOLDINGS CORP.

By: ____________________
Name: ____________________
Title: ____________________

[Signature Page to Ninth Amendment to Loan, Guaranty and Security Agreement]

GORDMANS LLC
By: Gordmans Inc., its Sole Member

By: ____________________
Name: ____________________
Title: ____________________

[Signature Page to Ninth Amendment to Loan, Guaranty and Security Agreement]

THE AGENT: **WELLS FARGO BANK, NATIONAL ASSOCIATION,** as Agent

By: ______________________________
Name: ______________________________
Title: ______________________________

[Signature Page to Ninth Amendment to Loan, Guaranty and Security Agreement]

REVOLVER LENDERS:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Revolver Lender

By: ____________________
Name: ____________________
Title: ____________________

[Signature Page to Ninth Amendment to Loan, Guaranty and Security Agreement]

PNC BANK, NATIONAL ASSOCIATION, as a Revolver Lender

By: ____________________
Name: ____________________
Title: ____________________

[Signature Page to Ninth Amendment to Loan, Guaranty and Security Agreement]

THE TERM AGENT:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Term Agent

By: ______________________________
Name: ______________________________
Title: ______________________________

[Signature Page to Ninth Amendment to Loan, Guaranty and Security Agreement]

TERM LENDERS:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Term Lender

By: ____________________
Name: ____________________
Title: ____________________

[Signature Page to Ninth Amendment to Loan, Guaranty and Security Agreement]

PATHLIGHT CAPITAL LLC, as a Term Lender

By: ____________________
Name: ____________________
Title: ____________________

[Signature Page to Ninth Amendment to Loan, Guaranty and Security Agreement]

GORDON BROTHERS FINANCE COMPANY, LLC, as a Term Lender

By: ________________________
Name: ________________________
Title: ________________________

[Signature Page to Ninth Amendment to Loan, Guaranty and Security Agreement]

Exhibit A

Updated Schedule C-1 to Loan Agreement

Commitments

Revolver Lender	**Revolver Commitment**
Wells Fargo Bank, National Association	$ 68,750,000.00
PNC Bank, National Association	$ 31,250,000.00
Total (all Revolver Lenders)	**$100,000,000.00**

Term Lender	**Term Commitment** [1]
Wells Fargo Bank, National Association	$15,000,000.00
Pathlight Capital LLC	$ 7,500,000.00
Gordon Brothers Finance Company, LLC	$ 7,500,000.00
Total (all Term Lenders)	**$30,000,000.00**

1 The Term Commitments were satisfied in full and reduced to $0 upon funding of the Term Loan on the Eighth Amendment Effective Date, pursuant to Section 2.3 of the Loan Agreement.

Exhibit B

Updated Exhibit M to Loan Agreement

Form of Borrowing Base Certificate

[see attached]

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew T. Hall, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gordmans Stores, Inc.;

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

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

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

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

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

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

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

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Dated: December 8, 2016

/s/ ANDREW T. HALL
Andrew T. Hall
Chief Executive Officer, President and Secretary
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James B. Brown, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gordmans Stores, Inc.;

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

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

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

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

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

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

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

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Dated: December 8, 2016

/s/ JAMES B. BROWN

James B. Brown
Executive Vice President, Chief Financial Officer, Treasurer and Assistant Secretary
(Principal Financial Officer and
Principal Accounting Officer)

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**

In connection with the Quarterly Report on Form 10-Q of Gordmans Stores, Inc. (the “Company”) for the quarterly period ended October 29, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Andrew T. Hall, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANDREW T. HALL
Andrew T. Hall
Chief Executive Officer, President and Secretary
(Principal Executive Officer)
December 8, 2016

This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and is not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Gordmans Stores, Inc. (the "Company") for the quarterly period ended October 29, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James B. Brown, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JAMES B. BROWN

James B. Brown
Executive Vice President, Chief Financial Officer, Treasurer and Assistant Secretary
(Principal Financial Officer and
Principal Accounting Officer)
December 8, 2016

This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and is not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.