

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 29, 2022

OR

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

Commission File Number: 01-34219

DESTINATION XL GROUP, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
555 Turnpike Street
Canton, MA
(Address of principal executive offices)

04-2623104
(I.R.S. Employer
Identification No.)

02021
(Zip Code)

Registrant's telephone number, including area code: (781) 828-9300

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	DXLG	The Nasdaq Stock Market LLC

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

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No
As of November 11, 2022, the registrant had 62,469,259 shares of common stock, \$0.01 par value per share, outstanding.

DESTINATION XL GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	October 29, 2022 (Fiscal 2022)	January 29, 2022 (Fiscal 2021)
ASSETS		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 23,485	\$ 15,506
Accounts receivable	1,016	2,110
Inventories	106,816	81,764
Prepaid expenses and other current assets	8,507	6,615
Total current assets	139,824	105,995
<i>Non-current assets:</i>		
Property and equipment, net of accumulated depreciation and amortization	39,617	44,442
Operating lease right-of-use assets	125,903	127,812
Deferred income taxes, net of valuation allowance	33,480	—
Intangible assets	1,150	1,150
Other assets	563	559
Total assets	\$ 340,537	\$ 279,958
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Current liabilities:</i>		
Accounts payable	\$ 26,564	\$ 25,165
Accrued expenses and other current liabilities	34,236	35,102
Operating leases, current	36,711	35,191
Total current liabilities	97,511	95,458
<i>Long-term liabilities:</i>		
Operating leases, non-current	110,997	120,414
Other long-term liabilities	4,585	5,867
Total long-term liabilities	115,582	126,281
Commitments and contingencies		
<i>Stockholders' equity:</i>		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value, 125,000,000 shares authorized, 78,057,366 and 77,025,419 shares issued at October 29, 2022 and January 29, 2022, respectively	781	770
Additional paid-in capital	320,457	319,511
Treasury stock at cost, 15,625,172 shares and 12,755,873 shares at October 29, 2022 and January 29, 2022, respectively	(105,386)	(92,658)
Accumulated deficit	(83,076)	(163,879)
Accumulated other comprehensive loss	(5,332)	(5,525)
Total stockholders' equity	127,444	58,219
Total liabilities and stockholders' equity	\$ 340,537	\$ 279,958

The accompanying notes are an integral part of the consolidated financial statements.

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	October 29, 2022 (Fiscal 2022)	October 30, 2021 (Fiscal 2021)	October 29, 2022 (Fiscal 2022)	October 30, 2021 (Fiscal 2021)
Sales	\$ 129,671	\$ 121,486	\$ 401,960	\$ 371,570
Cost of goods sold including occupancy costs	64,856	60,529	197,960	188,178
Gross profit	64,815	60,957	204,000	183,392
Expenses:				
Selling, general and administrative	48,383	41,962	144,441	120,856
Impairment (gain) of assets	-	(1,086)	(398)	(2,103)
Depreciation and amortization	3,769	4,142	11,748	13,031
Total expenses	52,152	45,018	155,791	131,784
Operating income	12,663	15,939	48,209	51,608
Interest expense, net	(107)	(2,189)	(350)	(4,256)
Income before provision (benefit) for income taxes	12,556	13,750	47,859	47,352
Provision (benefit) for income taxes	2,083	94	(32,944)	548
Net income	\$ 10,473	\$ 13,656	\$ 80,803	\$ 46,804
Net income per share - basic	\$ 0.17	\$ 0.21	\$ 1.28	\$ 0.74
Net income per share - diluted	\$ 0.16	\$ 0.20	\$ 1.20	\$ 0.69
Weighted-average number of common shares outstanding:				
Basic	62,016	63,699	62,928	63,126
Diluted	66,229	68,644	67,106	67,378

The accompanying notes are an integral part of the consolidated financial statements.

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	October 29, 2022 (Fiscal 2022)	October 30, 2021 (Fiscal 2021)	October 29, 2022 (Fiscal 2022)	October 30, 2021 (Fiscal 2021)
Net income	\$ 10,473	\$ 13,656	\$ 80,803	\$ 46,804
Other comprehensive income before taxes:				
Foreign currency translation	(3)	2	(10)	(40)
Pension plans	68	77	203	233
Other comprehensive income before taxes	65	79	193	193
Tax provision related to items of other comprehensive income	—	—	—	—
Other comprehensive income, net of tax	65	79	193	193
Comprehensive income	<u>\$ 10,538</u>	<u>\$ 13,735</u>	<u>\$ 80,996</u>	<u>\$ 46,997</u>

The accompanying notes are an integral part of the consolidated financial statements.

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amounts		Shares	Amounts			
Balance at January 29, 2022	77,025	\$ 770	\$ 319,511	(12,755)	\$ (92,658)	\$ (163,879)	\$ (5,525)	\$ 58,219
Board of directors compensation	29	—	125					125
Stock compensation expense			366					366
Restricted stock units (RSUs) granted for achievement of performance-based compensation, reclassified from liability to equity			1,138					1,138
Issuance of common stock, upon RSUs release	313	3	(3)					—
Shares withheld for taxes related to net share settlement	(85)	(1)	(414)					(415)
Exercise of stock options	41	1	22					23
Repurchase of common stock				(946)	(4,847)			(4,847)
Accumulated other comprehensive income (loss):								
Pension plan, net of taxes							67	67
Foreign currency, net of taxes							(4)	(4)
Net income						13,388		13,388
Balance at April 30, 2022	77,323	\$ 773	\$ 320,745	(13,702)	\$ (97,505)	\$ (150,491)	\$ (5,462)	\$ 68,060
Board of directors compensation	25	1	125					126
Stock compensation expense			386					386
Issuance of common stock, upon RSUs release	5	—	—					—
Shares withheld for taxes related to net share settlement	—	—	(6)					(6)
Exercise of stock options	7	—	3					3
Repurchase of common stock				(1,923)	(7,881)			(7,881)
Accumulated other comprehensive income (loss):								
Pension plan, net of taxes							68	68
Foreign currency, net of taxes							(3)	(3)
Net income						56,942		56,942
Balance at July 30, 2022	77,360	\$ 774	\$ 321,253	(15,625)	\$ (105,386)	\$ (93,549)	\$ (5,397)	\$ 117,695
Board of directors compensation	31	—	124					124
Stock compensation expense			301					301
Issuance of common stock, upon RSUs release	266	3	(3)					—
Exercise of stock options	705	7	203					210
Shares withheld for taxes related to net share settlement	(305)	(3)	(1,421)					(1,424)
Accumulated other comprehensive income:								
Pension plan, net of taxes							68	68
Foreign currency, net of taxes							(3)	(3)
Net income						10,473		10,473
Balance at October 29, 2022	78,057	\$ 781	\$ 320,457	(15,625)	\$ (105,386)	\$ (83,076)	\$ (5,332)	\$ 127,444

The accompanying notes are an integral part of the consolidated financial statements.

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amounts		Shares	Amounts			
Balance at January 30, 2021	64,656	\$ 647	\$ 314,747	(12,755)	\$ (92,658)	\$ (220,592)	\$ (6,221)	\$ (4,077)
Issuance of common stock through private direct offering, net of offering costs	11,111	111	4,264					4,375
Board of directors compensation	137	1	108					109
Stock compensation expense			327					327
Issuance of common stock, upon RSUs release	308	3	(3)					—
Accumulated other comprehensive income (loss):								
Pension plan, net of taxes							78	78
Foreign currency, net of taxes							(25)	(25)
Net income						8,697		8,697
Balance at May 1, 2021	76,212	\$ 762	\$ 319,443	(12,755)	\$ (92,658)	\$ (211,895)	\$ (6,168)	\$ 9,484
Board of directors compensation	70	1	109					110
Stock compensation expense			316					316
Exercise of stock options	7	—	4					4
Accumulated other comprehensive income (loss):								
Pension plan, net of taxes							78	78
Foreign currency, net of taxes							(17)	(17)
Net income						24,451		24,451
Balance at July 31, 2021	76,289	\$ 763	\$ 319,872	(12,755)	\$ (92,658)	\$ (187,444)	\$ (6,107)	\$ 34,426
Board of directors compensation	15	—	77					77
Stock compensation expense			295					295
Issuance of common stock, upon PSUs release	240	3	(3)					—
Exercise of stock options	423	4	342					346
Shares withheld for taxes related to net share settlements	(190)	(2)	(1,144)					(1,146)
Accumulated other comprehensive income (loss):								
Pension plan, net of taxes							77	77
Foreign currency, net of taxes							2	2
Net income						13,656		13,656
Balance at October 30, 2021	76,777	\$ 768	\$ 319,439	(12,755)	\$ (92,658)	\$ (173,788)	\$ (6,028)	\$ 47,733

The accompanying notes are an integral part of the consolidated financial statements.

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For the Nine Months Ended	
	October 29, 2022 (Fiscal 2022)	October 30, 2021 (Fiscal 2021)
Cash flows from operating activities:		
Net income	\$ 80,803	\$ 46,804
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and write-off of deferred debt issuance costs	57	1,161
Impairment (gain) of assets	(398)	(2,103)
Depreciation and amortization	11,748	13,031
Deferred taxes, net of valuation allowance	(33,480)	—
Stock compensation expense	1,053	938
Board of directors stock compensation	375	296
Changes in operating assets and liabilities:		
Accounts receivable	1,094	4,812
Inventories	(25,052)	2,744
Prepaid expenses and other current assets	(1,892)	(3,237)
Other assets	(61)	360
Accounts payable	1,399	2,674
Operating leases, net	(5,590)	(12,275)
Accrued expenses and other liabilities	113	8,945
Net cash provided by operating activities	<u>30,169</u>	<u>64,150</u>
Cash flows from investing activities:		
Additions to property and equipment, net	(7,853)	(2,802)
Net cash used for investing activities	<u>(7,853)</u>	<u>(2,802)</u>
Cash flows from financing activities:		
Repurchase of common stock	(12,728)	—
Proceeds from issuance of common stock from private direct offering, net of offering costs	—	4,375
Repayment of FILO loan	—	(32,500)
Proceeds from new FILO loan	—	17,500
Net repayments under credit facility	—	(59,733)
Debt extinguishment costs	—	(1,111)
Debt issuance costs	—	(1,143)
Tax withholdings paid related to net share settlements	(1,845)	(1,146)
Proceeds from the exercise of stock options	236	350
Net cash used for financing activities	<u>(14,337)</u>	<u>(73,408)</u>
Net increase (decrease) in cash and cash equivalents	7,979	(12,060)
Cash and cash equivalents:		
Beginning of period	15,506	18,997
End of period	<u>\$ 23,485</u>	<u>\$ 6,937</u>

The accompanying notes are an integral part of the consolidated financial statements.

DESTINATION XL GROUP, INC.
Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

In the opinion of management of Destination XL Group, Inc., a Delaware corporation (collectively with its subsidiaries, referred to as the “Company”), the accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial statements. These financial statements do not include all disclosures associated with annual financial statements and, accordingly, should be read in conjunction with the notes to the Company’s audited Consolidated Financial Statements for the fiscal year ended January 29, 2022 included in the Company’s Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 17, 2022.

The information set forth in these statements may be subject to normal year-end adjustments. The information reflects all adjustments that, in the opinion of management, are necessary to present fairly the Company’s results of operations, financial position and cash flows for the periods indicated. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company’s business historically has been seasonal in nature, and the results of the interim periods presented are not necessarily indicative of the results to be expected for the full year.

The Company’s fiscal year is a 52- or 53- week period ending on the Saturday closest to January 31. Fiscal 2022 and fiscal 2021 are 52-week periods ending on January 28, 2023 and January 29, 2022, respectively.

Segment Information

The Company has two principal operating segments: its stores and its direct business. The Company considers its stores and direct operating segments to be similar in terms of economic characteristics, production processes and operations, and has therefore aggregated them into one reportable segment, retail segment, consistent with its omni-channel business approach. The Company’s wholesale business was a third operating segment. In the first quarter of fiscal 2022, the Company ended its relationship with its primary wholesale customer. Due to the immateriality of the wholesale segment’s revenues, profits and assets, its operating results are aggregated with the retail segment for all periods presented.

Fair Value of Financial Instruments

ASC Topic 825, *Financial Instruments*, requires disclosure of the fair value of certain financial instruments. ASC Topic 820, “*Fair Value Measurements and Disclosures*,” defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements.

The valuation techniques utilized are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect internal market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of assets or liabilities.

The Company utilizes observable market inputs (quoted market prices) when measuring fair value whenever possible.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments.

Accumulated Other Comprehensive Income (Loss) - (“AOCI”)

Other comprehensive income (loss) includes amounts related to foreign currency and pension plans and is reported in the Consolidated Statements of Comprehensive Income (Loss). Other comprehensive income (loss) and reclassifications from AOCI for the three and nine months ended October 29, 2022 and October 30, 2021, respectively, were as follows:

	October 29, 2022			October 30, 2021		
	Pension Plans	Foreign Currency	Total	Pension Plans	Foreign Currency	Total
<i>For the three months ended:</i>						
	<i>(in thousands)</i>					
Balance at beginning of the quarter	\$ (5,331)	\$ (66)	\$ (5,397)	\$ (6,068)	\$ (39)	\$ (6,107)
Other comprehensive income (loss) before reclassifications, net of taxes	77	(3)	74	90	2	92
Amounts reclassified from accumulated other comprehensive income, net of taxes ⁽¹⁾	(9)	—	(9)	(13)	—	(13)
Other comprehensive income (loss) for the period	68	(3)	65	77	2	79
Balance at end of quarter	<u>\$ (5,263)</u>	<u>\$ (69)</u>	<u>\$ (5,332)</u>	<u>\$ (5,991)</u>	<u>\$ (37)</u>	<u>\$ (6,028)</u>
<i>For the nine months ended:</i>						
	<i>(in thousands)</i>					
Balance at beginning of fiscal year	\$ (5,466)	\$ (59)	\$ (5,525)	\$ (6,224)	\$ 3	\$ (6,221)
Other comprehensive income (loss) before reclassifications, net of taxes	232	(10)	222	270	(40)	230
Amounts reclassified from accumulated other comprehensive income, net of taxes ⁽¹⁾	(29)	—	(29)	(37)	—	(37)
Other comprehensive income (loss) for the period	203	(10)	193	233	(40)	193
Balance at end of quarter	<u>\$ (5,263)</u>	<u>\$ (69)</u>	<u>\$ (5,332)</u>	<u>\$ (5,991)</u>	<u>\$ (37)</u>	<u>\$ (6,028)</u>

- (1) Includes the amortization of the unrecognized loss on pension plans, which was charged to “Selling, General and Administrative” Expense on the Consolidated Statements of Operations for all periods presented. The Company recognized income of \$9,000 and \$13,000 for the three months ended October 29, 2022 and October 30, 2021, respectively, and income of \$29,000 and \$37,000 for the first nine months ended October 29, 2022 and October 30, 2021, respectively, as a result of a change in amortization from average remaining future service to average remaining lifetime. There was no related tax effect for the three and nine months ended October 29, 2022 and October 30, 2021.

Stock-based Compensation

All share-based payments, including grants of employee stock options and restricted stock, are recognized as an expense in the Consolidated Statements of Operations based on their fair values and vesting periods. The fair value of stock options is determined using the Black-Scholes valuation model and requires the input of subjective assumptions. These assumptions include estimating the length of time employees will retain their vested stock options before exercising them (the “expected term”), the estimated volatility of the Company’s common stock price over the expected term and the number of options that will ultimately not complete their vesting requirements (“forfeitures”). The Company reviews its valuation assumptions at each grant date and, as a result, is likely to change its valuation assumptions used to value employee stock-based awards granted in future periods. The values derived from using the Black-Scholes model are recognized as an expense over the vesting period, net of estimated forfeitures. The estimation of stock-based awards

that will ultimately vest requires judgment. Actual results and future changes in estimates may differ from the Company's current estimates.

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model based on the assumptions in the table below as it relates to stock options granted during the first nine months of fiscal 2022 and fiscal 2021.

	October 29, 2022	October 30, 2021
Expected volatility	87.9%-123.7%	97.4% - 104.9%
Risk-free interest rate	2.52%-4.41%	0.31% - 0.60%
Expected term	2.0-3.5 yrs.	3.0 - 4.0 yrs.
Dividend rate	—	—
Weighted average fair value of options granted	\$ 3.46	\$ 0.47

The Company has outstanding performance stock units (PSUs) with a market condition. The respective grant-date fair value and derived service periods assigned to the PSUs were determined using a Monte Carlo model. The valuation included assumptions with respect to the Company's historical volatility, risk-free rate and cost of equity and the related stock compensation expense was fully expensed by the end of fiscal 2021.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for events or changes in circumstances that might indicate the carrying amount of the assets may not be recoverable. The Company's judgment regarding the identification of impairment indicators is based on operational performance at the store level. Factors considered by the Company that could result in an impairment triggering event include significant changes in the use of assets, a current period operating or cash flow loss, underperformance of a store relative to historical or expected operating results, and an accumulation of costs significantly in excess of the amount originally expected for the construction of the long-lived store assets. The Company assesses the recoverability of the assets by determining whether the carrying value of such assets over their respective remaining lives can be recovered through projected undiscounted future cash flows. The model for undiscounted future cash flows includes assumptions, at the individual store level, with respect to expectations for future sales and gross margin rates as well as an estimate for occupancy costs used to estimate the fair value of the respective store's operating lease right-of-use asset. The amount of impairment, if any, is measured based on projected discounted future cash flows using a discount rate reflecting the Company's average cost of funds.

There were no impairments or non-cash gains recognized in the third quarter of fiscal 2022. For the third quarter of fiscal 2021, the Company recognized a non-cash gain of \$1.2 million, and for the first nine months of fiscal 2022 and fiscal 2021, the Company recognized non-cash gains of \$0.6 million and \$2.3 million, respectively. These non-cash gains related to the Company's decision to close certain retail stores, which resulted in a revaluation of the existing lease liabilities. The portion of the gains that related to previously recorded impairment charges against the operating lease right-of-use asset were included as an offset to previously recorded asset impairment charges. Accordingly, for the third quarter of fiscal 2021, \$1.1 million was included as an offset to asset impairment charges. For the first nine months of fiscal 2022 and fiscal 2021, \$0.4 million and \$2.1 million, respectively, were included as an offset to asset impairment charges. The remaining gains for the third quarter of fiscal 2021 and the first nine months of fiscal 2022 and fiscal 2021 were included as a reduction of store occupancy costs.

Leases

The Company adopted ASU 2016-02, "Leases (Topic 842)" in fiscal 2019. Under ASC 842, the Company determines if an arrangement contains a lease at the inception of a contract. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use ("ROU") assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments, initial direct costs and any lease incentives are included in the value of those right-of use assets. As the interest rate implicit in the Company's leases is not readily determinable, the Company utilizes its incremental borrowing rate, based on information available at the lease measurement date, to determine the present value of future payments. The Company elected the lessee non-lease component separation practical expedient, which permits the Company to not separate non-lease components from the lease components to which they relate. The Company also made an accounting policy election that the recognition requirement of ASC 842 will not be applied to certain, if any, non-store leases, with a term of 12 months or less, recognizing those lease payments on a straight-line basis over the lease term. At October 29, 2022, the Company had no short-term leases.

The Company's store leases typically contain options that permit renewals for additional periods of up to five years each. In general, for store leases with an initial term of 10 years or more, the options to extend are not considered reasonably certain at lease commencement. For stores leases with an initial term of 5 years, the Company evaluates each lease independently and, when the Company considers it reasonably certain that it will exercise an option to extend, the associated payment of that option will be included in the measurement of the right-of-use asset and lease liability. Renewal options are not included in the lease term for automobile and equipment leases because they are not considered reasonably certain of being exercised at lease commencement. Renewal options were not considered

for the Company's corporate headquarters and distribution center lease, which was entered into in 2006 and was for an initial 20-year term. At the end of the initial term, the Company will have the opportunity to extend this lease for six additional successive periods of five years.

For store leases, the Company accounts for lease components and non-lease components as a single lease component. Certain store leases may require additional payments based on sales volume, as well as reimbursement for real estate taxes, common area maintenance and insurance, and are expensed as incurred as variable lease costs. Other store leases contain one periodic fixed lease payment that includes real estate taxes, common area maintenance and insurance. These fixed payments are considered part of the lease payment and included in the right-of-use assets and lease liabilities. Tenant allowances are included as an offset to the right-of-use asset and amortized as reductions to rent expense over the associated lease term.

See Note 4 "Leases" for additional information.

Recently Issued Accounting Pronouncements -Not Yet Adopted

In September 2022, the FASB issued Accounting Standards Update ("ASU") 2022-04, *Liabilities – Supplier Finance Programs*, which is intended to enhance the transparency surrounding the use of supplier finance programs in connection with the purchase of goods and services. The guidance requires companies that use supplier finance programs to make annual disclosures about the program's key terms, the balance sheet presentation of related amounts, the confirmed amount outstanding at the end of the period and associated rollforward information. The new standard does not affect the recognition, measurement, or financial statement presentation of supplier finance program obligations. ASU 2022-04 is effective as of the Company's first quarter of fiscal 2023, with the exception of the rollforward information, which is effective for fiscal 2024. The Company does not plan to elect early adoption of this update and does not expect this pronouncement to materially affect its Consolidated Financial Statements.

No other new accounting pronouncements, issued or effective during the first nine months of fiscal 2022, have had or are expected to have a significant impact on the Company's Consolidated Financial Statements.

2. Revenue Recognition

The Company operates as a retailer of big and tall men's clothing, which includes stores, direct and wholesale. Revenue is recognized by the operating segment that initiates a customer's order. Store sales are defined as sales that originate and are fulfilled directly at the store level. Direct sales are defined as sales that originate online, including those initiated online at the store level, on its website or on third-party marketplaces. Wholesale sales are defined as sales made to wholesale customers pursuant to the terms of each customer's contract with the Company. Generally, all revenues are recognized when control of the promised goods is transferred to customers, in an amount that reflects the consideration in exchange for those goods. Sales tax collected from customers and remitted to taxing authorities is excluded from revenue and is included as part of accrued expenses on the Consolidated Balance Sheets.

- Revenue from the Company's store operations is recorded upon purchase of merchandise by customers, net of an allowance for sales returns, which is estimated based upon historical experience.
- Revenue from the Company's direct operations is recognized at the time a customer order is delivered, net of an allowance for sales returns, which is estimated based upon historical experience.
- Revenue from the Company's wholesale operations was recognized at the time the wholesale customer took physical receipt of the merchandise, net of any identified discounts in accordance with each individual order. For the first nine months of fiscal 2022 and fiscal 2021, chargebacks were immaterial.

Unredeemed Gift Cards, Gift Certificates, and Credit Vouchers. Upon issuance of a gift card, gift certificate, or credit voucher, a liability is established for its cash value. The liability is relieved and net sales are recorded upon redemption by the customer. Based on historical redemption patterns, the Company can reasonably estimate the amount of gift cards, gift certificates, and credit vouchers for which redemption is remote, which is referred to as "breakage". Breakage is recognized over two years in proportion to historical redemption trends and is recorded as sales in the Consolidated Statements of Operations. The gift card liability, net of breakage, was \$2.1 million and \$3.3 million at October 29, 2022 and January 29, 2022, respectively.

Unredeemed Loyalty Coupons. The Company offers a free loyalty program to its customers for which points accumulate based on the purchase of merchandise. Approximately 90% of the Company's customers participate in the loyalty program. Under ASC 606, *Revenue from Contracts with Customers*, these loyalty points provide the customer with a material right and a distinct performance obligation with revenue deferred and recognized when the points are expected to redeem or expire. The cycle of earning and redeeming loyalty points is generally under one year in duration. The loyalty accrual, net of breakage, was \$1.3 million and \$1.3 million at October 29, 2022 and January 29, 2022, respectively.

Shipping. Shipping and handling costs are accounted for as fulfillment costs and are included in cost of sales for all periods presented. Amounts related to shipping and handling that are billed to customers are recorded in sales, and the related costs are recorded in cost of goods sold, including occupancy costs, in the Consolidated Statements of Operations.

Disaggregation of Revenue

As noted above under *Segment Information* in Note 1, the Company's business consists of one reportable segment, its retail segment. Substantially all of the Company's revenue is generated from its stores and direct businesses. The operating results from the wholesale segment, which were immaterial, have been aggregated with this reportable segment, but the revenues are separately reported below. Accordingly, the Company has determined that the following sales channels depict the nature, amount, timing, and uncertainty of how revenue and cash flows are affected by economic factors:

<i>(in thousands)</i>	For the Three Months Ended		For the Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Store sales	\$ 91,770	70.8%\$ 84,762	70.3% \$ 280,973	70.0%\$ 258,685
Direct sales	37,901	29.2% 35,837	29.7% 120,588	30.0% 108,043
Retail segment	\$ 129,671	\$ 120,599	\$ 401,561	\$ 366,728
Wholesale segment	—	887	399	4,842
Total sales	\$ 129,671	\$ 121,486	\$ 401,960	\$ 371,570

3. Debt

Credit Agreement with Citizens Bank, N.A.

On October 28, 2021, the Company entered into a credit facility with Citizens Bank, N.A. (the "Credit Facility").

The Credit Facility is a \$125.0 million secured, asset-based credit facility with a maturity date of October 28, 2026. The maximum committed borrowing of \$125.0 million includes a sublimit of \$20.0 million for commercial and standby letter of credits and a sublimit of up to \$15.0 million for swing line loans. The Company's ability to borrow under the Credit Facility is determined using an availability formula based on eligible assets.

Borrowings made pursuant to the Credit Facility will be made pursuant to either a Base Rate loan or LIBOR Rate loan, at the Company's option. Base Rate loans will bear interest at a rate equal to (i) the greater of: (a) the Prime Rate, (b) the Federal Funds effective rate plus 0.50% per annum and (c) the daily LIBOR rate plus 1.00% per annum, plus (ii) a varying percentage, based on the Company's average excess availability, of either 0.25% or 0.50%. LIBOR Rate loans, which may be either for 1 month or 3 months, will bear interest at (i) the LIBOR rate, or the Benchmark Rate as defined in the credit agreement plus (ii) a varying percentage based on the Company's average excess availability, of either 1.25% or 1.50%. Any swingline loan will bear interest at a rate equal to the rate of a Base Rate loan, plus a varying percentage based on the Company's average excess availability, of either 0.25% or 0.50%. The Company will be subject to an unused line fee of 0.25%.

The Company's obligations under the Credit Facility are secured by a lien on substantially all of its assets. If the Company's availability under the Credit Facility at any time is less than the greater of (i) 10% of the Revolving Loan Cap (the lesser of the aggregate revolving commitments or the borrowing base) and (ii) \$7.5 million, then the Company is required to maintain a minimum consolidated fixed charge coverage ratio of 1.0:1.0 until such time as availability has exceeded the greater of (1) 10% of the Revolving Loan Cap and (2) \$7.5 million for 30 consecutive days.

At October 29, 2022, the Company had no borrowings outstanding under the Credit Facility and unused availability was \$90.2 million. The Company had no borrowings during the first nine months of fiscal 2022, resulting in an average unused excess availability of approximately \$82.0 million. Outstanding standby letters of credit were \$3.8 million and outstanding documentary letters were \$1.0 million at October 29, 2022. At October 29, 2022, the Company's prime-based interest rate was 6.50%.

Borrowings and repayments for the first nine months ended October 30, 2021 were as follows:

<i>(in thousands)</i>	For the nine months ended October 30, 2021
Borrowings	\$ 40,297
Repayments	(100,030)
Net borrowings (repayments)	\$ (59,733)

Long-Term Debt

The Company had no outstanding long-term debt during the first nine months of fiscal 2022.

During the first quarter of fiscal 2021, the Company refinanced its then existing \$15.0 million FILO (first-in, last-out) loan and entered into a new \$17.5 million FILO loan, which was subsequently repaid in full in September 2021.

The Company paid interest and fees totaling \$0.3 million and \$3.1 million for the nine months ended October 29, 2022 and October 30, 2021, respectively. Included in the \$3.1 million of interest and fees paid in fiscal 2021 was a prepayment fee of \$1.1 million associated with the prepayment of the Company \$17.5 million FILO loan. In connection with the execution of the Credit Facility and prepayment of the FILO loan, in the third quarter of fiscal 2021, the Company also wrote-off a total of \$0.8 million in unamortized debt issuance costs.

4. Leases

The Company leases all of its store locations and its corporate headquarters, which also includes its distribution center, under operating leases. The store leases typically have initial terms of 5 years to 10 years, with options that usually permit renewal for additional five-year periods. The initial term of the lease for the corporate headquarter was for 20 years, with the opportunity to extend for six additional consecutive periods of five years, beginning in fiscal 2026. The Company also leases certain equipment and other assets under operating leases, typically with initial terms of 3 to 5 years. The Company is generally obligated for the cost of property taxes, insurance and common area maintenance fees relating to its leases, which are considered variable lease costs and are expensed as incurred.

ASC 842 requires the assessment of any lease modification to determine if the modification should be treated as a separate lease and if not, modification accounting would be applied. Lease modification accounting requires the recalculation of the ROU asset, lease liability and lease expense over the respective lease term. In April 2020, the FASB issued guidance allowing entities to make a policy election to account for lease concessions related to the COVID-19 pandemic as though enforceable rights and obligations for those concessions existed. The election applies to any lessor-provided lease concession related to the impact of the COVID-19 pandemic, provided the concession does not result in a substantial increase in the rights of the lessor or in the obligations of the lessee. The Company opted not to elect this practical expedient and instead accounted for these rent concessions as lease modifications in accordance with ASC 842. As of October 29, 2022, the Company's operating leases liabilities represent the present value of the remaining future minimum lease payments updated based on concessions and lease modifications.

Lease costs related to store locations are included in cost of goods sold including occupancy costs on the Consolidated Statements of Operations, and expenses and lease costs related to the corporate headquarters and equipment leases are included in selling, general and administrative expenses on the Consolidated Statements of Operations.

The following table is a summary of the Company's components of net lease cost for the three and nine months ended October 29, 2022 and October 30, 2021:

	For the three months ended		For the nine months ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
<i>(in thousands)</i>				
Operating lease cost	\$ 11,365	\$ 11,064	\$ 33,123	\$ 32,698
Variable lease costs ⁽¹⁾	3,261	3,284	9,534	10,473
Total lease costs	<u>\$ 14,626</u>	<u>\$ 14,348</u>	<u>\$ 42,657</u>	<u>\$ 43,171</u>

(1) Variable lease costs include the cost of property taxes, insurance and common area maintenance fees related to its leases.

Supplemental cash flow and balance sheet information related to leases for the first nine months ended October 29, 2022 and October 30, 2021 was as follows:

	For the nine months ended	
	October 29, 2022	October 30, 2021
<i>(dollars in thousands)</i>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases ⁽¹⁾	\$ 42,001	\$ 43,846
Non-cash operating activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 20,667	\$ 6,099
Weighted average remaining lease term	4.3 yrs.	4.1 yrs.
Weighted average discount rate	6.45%	6.95%

(1) The cash paid for the first nine months of fiscal 2022 and fiscal 2021 included prepaid rent of \$4.1 million and \$3.8 million, respectively.

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the operating lease liabilities recorded on the Consolidated Balance Sheet as of October 29, 2022:

<i>(in thousands)</i>		
2022 (remaining)	\$	8,322
2023		48,113
2024		40,063
2025		31,745
2026		19,266
Thereafter		21,241
Total minimum lease payments	\$	168,750
Less: amount of lease payments representing interest		21,042
Present value of future minimum lease payments	\$	147,708
Less: current obligations under leases		36,711
Long-term lease obligations	\$	110,997

5. Long-Term Incentive Plans

The following is a summary of the Company's Long-Term Incentive Plan ("LTIP"). All equity awards granted under long-term incentive plans are issued from the Company's stockholder-approved 2016 Incentive Compensation Plan. See Note 6, *Stock-Based Compensation*.

The LTIPs are granted annually and each LTIP covers a three-year performance period. Each participant in the LTIP participates based on that participant's "Target Cash Value" which is defined as the participant's annual base salary (on the participant's effective date) multiplied by his or her LTIP percentage. Under each LTIP, 50% of each participant's Target Cash Value is subject to time-based vesting and 50% is subject to performance-based vesting. Awards for any achievement of performance targets are not granted until the performance targets are achieved and then are subject to additional vesting through August 31 following the end of the applicable performance period.

2019-2021 LTIP

The performance targets for the Company's 2019-2021 LTIP were approved by the Compensation Committee of the Board of Directors (the "Compensation Committee") on August 7, 2019 and covered a three-year performance period, which ended on January 29, 2022. The time-vested portion of the 2019-2021 LTIP vests in four annual installments, with the remaining installment vesting on April 1, 2023.

In the first quarter of fiscal 2022, on March 21, 2022, the Compensation Committee approved a 141.9% payout of its performance targets for the 2019-2021 LTIP. On that date, the Company granted awards totaling \$2.7 million, in a combination of 50% cash and 50% restricted stock units (RSUs), which vested, net of any forfeitures, on August 31, 2022. In connection with the grant of 269,162 RSUs, the Company reclassified \$1.1 million of its liability accrual from "Accrued expenses and other current liabilities" to "Additional paid-in capital" in the first quarter of fiscal 2022. See the Consolidated Statement of Changes in Stockholders' Equity.

Active LTIPs

At October 29, 2022, the Company had three active LTIPs: the 2020-2022 LTIP, the 2021-2023 LTIP and the 2022-2024 LTIP. The time-based awards under the 2020-2022 LTIP were granted in a combination of 50% stock options and 50% cash; the 2021-2023 LTIP time-based awards were granted in a combination of 25% stock options and 75% cash; and the 2022-2024 LTIP time-based awards were granted in a combination of 50% RSUs and 50% cash.

Performance targets for the 2020-2022 LTIP, 2021-2023 LTIP and 2022-2024 LTIP were established and approved by the Compensation Committee on June 11, 2020, March 8, 2021 and April 9, 2022, respectively. The performance period for each LTIP is three years. Awards for any achievement of performance targets will not be granted until the performance targets are achieved and then will be subject to additional vesting through August 31, 2023, August 31, 2024 and August 31, 2025, respectively. The time-based awards under the 2020-2022 LTIP, 2021-2023 LTIP and 2022-2024 LTIP vest in four equal installments through April 1, 2024, April 1, 2025 and April 1, 2026, respectively. Assuming that the Company achieves the performance targets at target levels and all time-based awards vest, the compensation expense associated with the 2020-2022 LTIP, 2021-2023 LTIP and 2022-2024 LTIP is estimated to be approximately \$3.7 million, \$4.1 million and \$4.7 million, respectively. Approximately half of the compensation expense for each LTIP relates to the time-based awards, which are being expensed straight-line over 46 months, 49 months and 48 months, respectively.

At October 29, 2022, the Company had accrued \$2.1 million under the 2020-2022 LTIP, \$1.4 million under the 2021-2023 LTIP and \$0.6 million under the 2022-2024 LTIP for the performance awards.

6. Stock-Based Compensation

The Company has one active stock-based compensation plan: the 2016 Incentive Compensation Plan (the “2016 Plan”). The initial share reserve under the 2016 Plan was 5,725,538 shares of common stock. A grant of a stock option award or stock appreciation right will reduce the outstanding reserve on a one-for-one basis, meaning one share for every share granted. A grant of a full-value award, including, but not limited to, restricted stock, restricted stock units and deferred stock, will reduce the outstanding reserve by a fixed ratio of 1.9 shares for every share granted. The Company’s shareholders approved amendments to increase the share reserve by 2,800,000 shares on August 8, 2019, an additional 1,740,000 shares on August 12, 2020 and an additional 4,855,000 on August 5, 2021. At October 29, 2022, the Company had 3,975,145 shares available under the 2016 Plan.

In accordance with the terms of the 2016 Plan, any shares outstanding under the previous 2006 Incentive Compensation Plan (the “2006 Plan”) at August 4, 2016 that subsequently terminate, expire or are cancelled for any reason without having been exercised or paid are added back and become available for issuance under the 2016 Plan, with stock options being added back on a one-for-one basis and full-value awards being added back on a 1 to 1.9 basis. At October 29, 2022, 263,341 stock options remained outstanding under the 2006 Plan.

The 2016 Plan is administered by the Compensation Committee. The Compensation Committee is authorized to make all determinations with respect to amounts and conditions covering awards. Options are not granted at a price less than fair value on the date of the grant. Except with respect to 5% of the shares available for awards under the 2016 Plan, no award will become exercisable unless such award has been outstanding for a minimum period of one year from its date of grant.

The following tables summarize the share activity and stock option activity for the first nine months of fiscal 2022:

	RSUs ⁽¹⁾	Deferred shares ⁽²⁾	Performance Share Units ⁽³⁾	Fully-Vested Shares ⁽⁴⁾	Total number of shares	Weighted-average grant-date fair value
Shares						
Outstanding non-vested shares at beginning of year	515,291	435,568	240,000	—	1,190,859	\$ 1.57
Shares granted	563,691	—	—	27,386	591,077	\$ 5.09
Shares vested and/or issued	(584,359)	—	—	(27,386)	(611,745)	\$ 3.52
Shares forfeited	(23,617)	—	—	—	(23,617)	\$ 3.89
Outstanding non-vested shares at end of quarter	471,006	435,568	240,000	—	1,146,574	\$ 2.30

- (1) During the first nine months of fiscal 2022, the Company granted RSUs for the achievement of performance metrics under the 2019-2021 LTIP that were subject to additional vesting through August 31, 2022 and time-based RSUs under its 2022-2024 LTIP. See Note 5, *Long-Term Incentive Plans*. As a result of net share settlements, of the 584,359 RSUs that vested, only 419,542 shares of common stock were issued.
- (2) The outstanding deferred shares will be issued upon the director’s separation from service.
- (3) Represents the remaining performance stock units (“PSUs”) granted to Mr. Kanter in February 2019. The 240,000 PSUs will vest when the trailing 90-day volume-weighted average closing stock price (“VWAP”) is \$8.00. The PSUs will expire on April 1, 2023 if the \$8.00 VWAP is not achieved by that date.
- (4) Represents compensation, with a fair value of \$121,485, to certain directors, who are required to receive shares, in lieu of cash, in order to satisfy their minimum equity ownership under the Non-Employee Director Plan. Voluntary shares received, in lieu of cash, are reported below under *Non-Employee Director Compensation Plan*.

	Number of shares	Weighted-average exercise price per option	Weighted-average remaining contractual term	Aggregate intrinsic value
Stock Options				
Outstanding options at beginning of year	4,621,550	\$ 0.90	8.2 years	\$ 16,066,914
Options granted	15,747	\$ 5.41	—	1,262
Options exercised ⁽¹⁾	(752,938)	\$ 0.71	—	3,636,343
Options expired and canceled	(177,454)	\$ 1.18	—	804,868
Outstanding options at end of quarter	3,706,905	\$ 0.95	7.4 years	\$ 21,505,348
Options exercisable at end of quarter	1,242,201	\$ 1.56	6.3 years	\$ 6,447,396

(1) As a result of net share settlements, of the 752,938 shares underlying stock options that were exercised during the first nine months of fiscal 2022, only 527,712 shares of common stock were issued.

For the first nine months of fiscal 2022, the Company granted stock options to purchase an aggregate of 15,747 shares of common stock, 563,691 restricted stock units and 27,386 fully-vested shares. For the first nine months of fiscal 2021, the Company granted stock options to purchase an aggregate of 1,518,154 shares of common stock and 8,054 restricted stock units.

Non-Employee Director Compensation Plan

The Company granted 57,307 shares of common stock, with a fair value of approximately \$254,218, to certain of its non-employee directors as compensation in lieu of cash in the first nine months of fiscal 2022. These shares are in addition to any shares that may be granted under the 2016 Plan related to the requirement to receive equity if a director has not yet satisfied his or her minimum equity ownership requirement under the Non-Employee Director Compensation Plan.

Stock Compensation Expense

The Company recognized total stock-based compensation expense of \$1.1 million and \$0.9 million for the first nine months of fiscal 2022 and fiscal 2021, respectively. The total compensation cost related to time-vested stock options and RSU awards not yet recognized as of October 29, 2022 was approximately \$2.2 million, net of estimated forfeitures, which will be expensed over a weighted average remaining life of 32 months.

7. Equity and Earnings per Share

The following table provides a reconciliation of the number of shares outstanding for basic and diluted earnings per share:

	For the three months ended		For the nine months ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
<i>(in thousands)</i>				
Common stock outstanding:				
Basic weighted average common shares outstanding	62,016	63,699	62,928	63,126
Common stock equivalents – stock options, restricted stock units and deferred stock	4,213	4,945	4,178	4,252
Diluted weighted average common shares outstanding	66,229	68,644	67,106	67,378

The following potential common stock equivalents were excluded from the computation of diluted earnings per share in each period, because the exercise price of such options was greater than the average market price per share of common stock for the respective periods or because the unearned compensation associated with stock options, restricted stock units, or deferred stock had an anti-dilutive effect.

	For the three months ended		For the nine months ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
<i>(in thousands, except exercise prices)</i>				
Stock options	31	—	256	386
Restricted stock units	55	—	65	—
Range of exercise prices of such options	\$4.48-\$6.59	—	\$4.48 - \$6.59	\$4.19 - \$5.50

The above options, which were outstanding at October 29, 2022, expire from May 28, 2023 to October 26, 2032.

Excluded from the computation of basic and diluted earnings per share were 240,000 shares for the third quarter and first nine months of fiscal 2022 and 480,000 shares for the third quarter and first nine months of fiscal 2021 of unvested performance stock units. These performance-based awards are included in the computation of basic and diluted earnings per share if, and when, the respective performance targets are achieved. In addition, 435,568 shares of deferred stock at October 29, 2022 and at October 30, 2021 were excluded from basic earnings per share. Outstanding shares of deferred stock are not considered issued and outstanding until the vesting date of the deferral period.

8. Stock Repurchase Program

On March 15, 2022, the Company's Board of Directors approved a stock repurchase program. Under the stock repurchase program, the Company may repurchase up to \$15.0 million of its common stock through open market and privately negotiated transactions.

The timing and the amount of any repurchases of common stock will be determined based on the Company's evaluation of market conditions and other factors. The stock repurchase program commenced in the first quarter of fiscal 2022 and will expire on March 15, 2023, but may be suspended, terminated or modified at any time for any reason. The Company expects to finance the repurchases from operating funds and/or periodic borrowings on its credit facility.

There were no stock repurchases in the third quarter of fiscal 2022. For the first nine months of fiscal 2022, the Company repurchased 2.9 million shares at an aggregate cost of \$12.7 million, including fees, from available cash on hand. Shares of repurchased common stock are held as treasury stock.

9. Income Taxes

Since the end of fiscal 2013, the Company has maintained a full valuation allowance against its deferred tax assets. During the second quarter of fiscal 2022, the Company determined that it was more likely than not that it would be able to realize the benefit of substantially all of its deferred tax assets in the United States. In reaching this determination, the Company considered the cumulative three years of profitability, its expectations regarding the generation of future taxable income as well as the overall improvement in the Company's business and its current market position. As a result, in the second quarter of fiscal 2022, the Company recognized a discrete tax benefit related to the release of approximately \$35.5 million in valuation allowance against its deferred tax assets in the United States that are expected to be realized in future years. At October 29, 2022, the Company continued to provide a valuation allowance of \$2.4 million primarily against certain state and foreign net operating losses ("NOLs").

For the third quarter of fiscal 2022, the Company recorded an income tax provision of \$2.1 million, which included a \$2.0 million discrete tax expense to adjust the release of the valuation allowance to reflect an increase in the Company's third quarter earnings and full-year earnings forecast. For the first nine months of fiscal 2022, the Company recorded an income tax benefit of \$32.9 million, which included a discrete tax benefit of \$33.5 million for the release of the valuation allowance discussed above.

For the third quarter and first nine months of fiscal 2021, the Company recorded an income tax provision of \$94,000 and \$548,000, respectively, primarily related to income tax in states where NOL usage was statutorily limited.

The Company made tax payments of \$0.3 million and \$0.1 million for the first nine months of fiscal 2022 and fiscal 2021, respectively.

For federal income tax purposes, at the end of fiscal 2021, the Company had net operating loss carryforwards of approximately \$100.7 million, which will expire from fiscal 2028 through fiscal 2037, and net operating loss carryforwards of \$43.1 million that are not subject to expiration. For state purposes, at the end of fiscal 2021, the Company had \$90.0 million of net operating losses that are available to offset future taxable income, the majority of which will expire from fiscal 2028 through fiscal 2041.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as “may,” “will,” “estimate,” “intend,” “plan,” “continue,” “believe,” “expect” or “anticipate” or the negatives thereof, variations thereon or similar terminology. The forward-looking statements contained in this Quarterly Report are generally located in the material set forth under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” but may be found in other locations as well, and include statements regarding our expectations with respect to sales trends, including expected sales growth in the fourth quarter of 2022, expected marketing costs in 2022, gross margin rate, improved inventory levels and our management of inventory levels, our ability to realize our deferred tax assets, increased freight costs, increases in certain raw materials cost, our long-term outlook, expected capital expenditures in 2022, our ability to attract new customers, and our plans with respect to our store portfolio, including anticipated closures, re-brandings, and new and relocated stores. These forward-looking statements generally relate to plans and objectives for future operations and are based upon management’s reasonable estimates of future results or trends. The forward-looking statements in this Quarterly Report should not be regarded as a representation by us or any other person that our objectives or plans will be achieved. The following discussion of our financial condition and results of operations should be read in conjunction with the unaudited Consolidated Financial Statements and notes to those statements included elsewhere in this Quarterly Report and our audited Consolidated Financial Statements for the year ended January 29, 2022, included in our Annual Report on Form 10-K for the year ended January 29, 2022, as filed with the Securities and Exchange Commission on March 17, 2022 (our “Fiscal 2021 Annual Report”).

Numerous factors could cause our actual results to differ materially from such forward-looking statements. This discussion sets forth certain risks and uncertainties that may have an impact on future results and direction of our Company, including, without limitation, risks related to labor shortages, increased labor costs, changes in consumer spending in response to the economy, the ongoing effects of the COVID-19 pandemic, the economic impact of the war in Ukraine, our ability to navigate supply chain uncertainties, our ability to maintain appropriate inventory levels, our ability to successfully execute on our corporate strategy, our ability to predict customer tastes and fashion trends, our ability to grow market share, and the other risks and uncertainties set forth in the “Risk Factors” section in Part I, Item 1A of our Fiscal 2021 Annual Report.

All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the foregoing. These forward-looking statements speak only as of the date of the document in which they are made. We disclaim any obligation or undertaking to provide any updates or revisions to any forward-looking statement to reflect any change in our expectations or any change in events, conditions or circumstances in which the forward-looking statement is based.

BUSINESS SUMMARY

Destination XL Group, Inc., together with our consolidated subsidiaries (the “Company”), is the largest specialty retailer of big and tall men’s clothing with retail and direct operations in the United States. We operate under the trade names of Destination XL®, DXL®, DXL Outlets, Casual Male XL® and Casual Male XL Outlets. At October 29, 2022, we operated 218 Destination XL stores, 16 DXL outlet stores, 30 Casual Male XL retail stores, 19 Casual Male XL outlet stores and a digital business, including an e-commerce site at dxl.com and a mobile site, m.destinationXL.com, mobile app and third-party marketplaces.

Unless the context indicates otherwise, all references to “we,” “our,” “us” and “the Company” refer to Destination XL Group, Inc. and our consolidated subsidiaries. We refer to our fiscal years, which end on January 28, 2023, January 29, 2022 and January 30, 2021 as “fiscal 2022,” “fiscal 2021” and “fiscal 2020,” respectively. All three fiscal years are 52-week periods.

SEGMENT REPORTING

We currently have two principal operating segments: our stores and direct business. We consider our stores and direct business segments to be similar in terms of economic characteristics, production processes and operations, and have therefore aggregated them into one reportable segment, retail segment, consistent with our omni-channel business approach. Our wholesale segment was a third operating segment. In the first quarter of fiscal 2022, we ended the relationship with our primary wholesale customer. Due to the immateriality of the wholesale segment’s revenues, profits and assets, its operating results have been aggregated with the retail segment for all periods.

COMPARABLE SALES

Our customer’s shopping experience continues to evolve across multiple channels and we are continually adapting to meet the guest’s needs. The majority of our stores have the capability of fulfilling online orders if merchandise is not available in the warehouse. As a

result, we continue to see more transactions that begin online but are ultimately completed at the store level. Similarly, if a customer visits a store and the item is out of stock, the associate can order the item through our website. A customer also has the ability to order online and pick-up in a store and at curbside. We define store sales as sales that originate and are fulfilled directly at the store level. Digital commerce sales, which we also refer to as direct sales, are defined as sales that originate online, whether through our website, at the store level or through a third-party marketplace.

Stores that have been open for at least 13 months are included in comparable sales. Stores that have been remodeled or re-located during the period are also included in our determination of comparable stores sales. Stores that have been expanded by more than 25% are considered non-comparable for the first 13 months. If a store becomes a clearance center, it is also removed from the calculation of comparable sales. The method of calculating comparable sales varies across the retail industry and, as a result, our calculation of comparable sales is not necessarily comparable to similarly titled measures reported by other retailers.

RESULTS OF OPERATIONS

Executive Summary

	For the three months ended		For the nine months ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
<i>(in millions, except percentage of sales and per share data)</i>				
Sales	\$ 129.7	\$ 121.5	\$ 402.0	\$ 371.6
Net income	\$ 10.5	\$ 13.7	\$ 80.8	\$ 46.8
Adjusted EBITDA (Non-GAAP basis)	\$ 16.4	\$ 19.0	\$ 59.6	\$ 62.5
Gross Margin, as a percentage of sales	50.0%	50.2%	50.8%	49.4%
SG&A expenses, as a percentage of sales	37.3%	34.5%	35.9%	32.5%
Per diluted share:				
Net income	\$ 0.16	\$ 0.20	\$ 1.20	\$ 0.69

We are pleased to report continued earnings and sales growth this quarter, with results exceeding our internal expectations, especially up against a very strong third quarter last year. Comparable sales increased 8.7% for the quarter, with strong performance from our stores, which were up 10.1% for the third quarter, with all regions reporting sales growth over last year. This growth was primarily driven by higher dollars per transactions and conversion. The increase in dollars per transactions was attributable to our reduced reliance on promotions and a shift in merchandise mix to higher-price items, such as tailored clothing. Our direct business had a comparable sales increase of 5.5% for the third quarter, driven primarily by our web, app and marketplaces. Our gross margin rate for the third quarter continued to benefit from the low promotions and clearance enabling us to partially offset the increase in freight and raw material costs that we continue to experience. In line with our expectations, our selling, general and administrative expenses (SG&A) increased by 280 basis points during the third quarter, with our marketing costs representing approximately 140 basis points of this increase. The remainder of the increase in SG&A was primarily due to increased payroll costs to support sales growth and higher accruals for performance-based incentive plans. As a result, net income for the third quarter was \$10.5 million, or \$0.16 per diluted share, as compared to net income for the third quarter of fiscal 2021 of \$13.7 million, or \$0.20 per diluted share.

At October 29, 2022, we had no debt outstanding and we did not borrow from our credit facility during the first nine months. Our unused excess availability at October 29, 2022 was \$90.2 million. At the end of the third quarter, we are in a strong inventory position and have been able to replenish those categories that were depleted last year. As a result, our inventory level at the end of the third quarter was intentionally up 29.8% from last year, but was down 11.1%, when compared to the end of the third quarter in fiscal 2019 inventory, or pre-pandemic levels. In addition, we have improved our inventory turn by over 30% from the third quarter of fiscal 2019.

As we previously disclosed, the Company's Board of Directors approved a \$15.0 million stock repurchase program in March 2022 and, during the first nine months of fiscal 2022, we utilized our free cash flow to repurchase 2.9 million shares of our common stock, at an aggregate cost of \$12.7 million, including fees. There were no repurchases of stock during the third quarter of fiscal 2022.

Our results year-to-date have outperformed our expectations and we believe that we are well-positioned as we head into the fourth quarter. While we remain optimistic, we are cognizant of the potential impact that inflation and other macro-economic factors may have on fourth quarter consumer spending. We expect to grow our comparable sales in the fourth quarter by single digits.

Financial Summary

Sales

The following table presents sales by segment for the three and nine months ended October 29, 2022 and October 30, 2021:

(in thousands)	For the Three Months Ended		For the Nine Months Ended					
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021		
Store sales	\$ 91,770	70.8%	\$ 84,762	70.3%	\$ 280,973	70.0%	\$ 258,685	70.5%
Direct sales	37,901	29.2%	35,837	29.7%	120,588	30.0%	108,043	29.5%
Retail segment	\$ 129,671		\$ 120,599		\$ 401,561		\$ 366,728	
Wholesale segment	—		887		399		4,842	
Total sales	\$ 129,671		\$ 121,486		\$ 401,960		\$ 371,570	

Total sales for the third quarter of fiscal 2022 were \$129.7 million, as compared to \$121.5 million in the third quarter of fiscal 2021. Comparable sales for the third quarter were up 8.7% with comparable sales from our stores up 10.1% and our direct business up 5.5%.

Store sales for the third quarter exceeded our plan, driven primarily by increases in dollars per transaction and conversion. The increase in dollars per transaction was attributable to a combination of factors, including less markdowns as a result of fewer promotions and deeper penetration in high-ticket categories such as tailored clothing. All regions outperformed the prior year third quarter, with the southeast region showing the strongest sales increase. The growth in our direct business of 5.5% was driven primarily by our web and app with continued growth from online marketplaces. Stores accelerated and outpaced the direct business in total during the third quarter, as consumers continued to return to stores at an increasing level.

Compared to the third quarter of fiscal 2019, the last normalized selling year, our comparable sales for the third quarter of fiscal 2022 were up 33.7%. We believe the comparison to fiscal 2019 is relevant when evaluating our sales performance given the impact of the pandemic on the past two years.

As compared to the third quarter of fiscal 2021, for the third quarter of fiscal 2022 comparable sales were up 7.4% in August, up 8.5% in September and up 10.3% in October. We are aware of the potential macro-economic impact on consumer spending in the fourth quarter. As a result, while we remain optimistic, we are conservatively forecasting comparable sales growth for the fourth quarter of fiscal 2022 to be single digits.

For the first nine months of fiscal 2022, total sales increased 8.2% to \$402.0 million, as compared to \$371.6 million for the first nine months of fiscal 2021. Comparable sales for the first nine months of fiscal 2022, as compared to fiscal 2021, increased 10.9%, with comparable sales from our stores up 10.7% and our direct business up 11.5%.

As we previously disclosed, during the first quarter of fiscal 2022, we ended our relationship with our primary wholesale customer. As a result, our wholesale revenues for the first nine months of fiscal 2022 were \$0.4 million as compared to \$4.8 million for the first nine months of fiscal 2021.

Gross Margin Rate

For the third quarter of fiscal 2022, our gross margin rate, inclusive of occupancy costs, was 50.0% as compared to a gross margin rate of 50.2% for third quarter of fiscal 2021.

Our gross margin rate decreased by 20-basis points, with a decrease in merchandise margin of 70-basis points, partially offset by a 50-basis point improvement in occupancy costs due to the increased leverage from sales. The decrease in merchandise margin of 70-basis points was due to increased costs for raw materials, increased shipping costs per package, driven by higher fuel costs and surcharges, and a higher penetration of our marketplace business, which has commission costs. Those increases were partially offset by lower promotional markdowns. We continue to optimize our pricing and promotional cadence to mitigate cost increases and preserve our margin rates.

For the first nine months of fiscal 2022, our gross margin rate, inclusive of occupancy costs, was 50.8%, as compared to a gross margin rate of 49.4% for the first nine months of fiscal 2021. The increase of 140-basis points was due to an improvement of 110-basis points in occupancy costs, due to the increased leverage from sales, and an increase in merchandise margins of 30-basis points, due primarily to lower promotional markdowns partially offset by an increase in freight and shipping costs.

Selling, General and Administrative Expenses

As a percentage of sales, SG&A (selling, general and administrative) expenses for the third quarter of fiscal 2022 were 37.3% as compared to 34.5% for the third quarter of fiscal 2021. The SG&A rate for third quarter of fiscal 2021 was abnormally low due to the surge in sales from pent-up demand and stimulus money while at the same time experiencing a shortage in store staffing. However,

our SG&A rate as a percentage of sales is favorable when compared against 39.5% in the third quarter of fiscal 2019, which was our last normalized third quarter, pre-pandemic.

On a dollar basis, SG&A expenses increased by \$6.4 million as compared to the third quarter of fiscal 2021. The increase was primarily due to an increase in marketing costs to drive customer acquisition and engagement, payroll costs to support sales growth, including merit adjustments and filling open positions, and an increase in performance-based incentive accruals. Our marketing costs for the third quarter of fiscal 2022 represented 5.9% of sales as compared to 4.5% in the third quarter of fiscal 2021. For fiscal 2022, we are expecting marketing costs to be approximately 6.2% of sales.

For the first nine months of fiscal 2022, SG&A expenses were 35.9% of sales as compared to 32.5% of sales for the first nine months of fiscal 2021. Similar to the third quarter, the prior year rate was abnormally low. When compared against the first nine months of fiscal 2019 when the rate was 39.1% of sales, the savings that we have been able to realize in our SG&A costs is evident. As compared to the first nine months of fiscal 2021, SG&A costs increased \$23.6 million, or 19.5%, as a result of increased marketing costs, payroll costs to support sales growth, annual merit adjustments, filling open positions and an increase in performance-based incentive accruals. Marketing costs represented 5.5% of sales for the first nine months of fiscal 2022 as compared to 3.7% for the first nine months of fiscal 2021.

Management views SG&A expenses through two primary cost centers: Customer Facing Costs and Corporate Support Costs. Customer Facing Costs, which include store payroll, marketing and other store and direct operating costs, represented 20.4% of sales in the first nine months of fiscal 2022 as compared to 18.1% of sales in the first nine months of fiscal 2021. Corporate Support Costs, which include the distribution center and corporate overhead costs, represented 15.5% of sales in the first nine months of fiscal 2022 compared to 14.4% of sales in the first nine months of fiscal 2021.

Impairment (Gain) of Assets

There were no impairments or non-cash gains recognized in the third quarter of fiscal 2022. During the third quarter of fiscal 2021, we recorded non-cash gains of \$1.2 million, and for the first nine months of fiscal 2022 and fiscal 2021, we recorded non-cash gains of \$0.6 million and \$2.3 million, respectively. These non-cash gains related to the reduction of our operating lease liability in connection with our decision to close certain retail stores, which resulted in a revaluation of the lease liability. The portion of the gains that related to previously recorded impairment charges against the operating lease right-of-use asset were included as an offset to previously recorded asset impairment charges. Accordingly, \$1.1 million for the third quarter of fiscal 2021, and \$0.4 million and \$2.1 million for the first nine months of fiscal 2022 and fiscal 2021, respectively, were included in the Impairment (Gain) of Assets line of the Consolidated Statement of Operations. The remaining gains were recorded as a reduction to occupancy costs in each period.

Depreciation and Amortization

Depreciation and amortization for the third quarter of fiscal 2022 decreased to \$3.8 million as compared to \$4.1 million for the third quarter of fiscal 2021. For the first nine months of fiscal 2022, depreciation and amortization decreased to \$11.7 million as compared to \$13.0 million for the first nine months of fiscal 2021. The decrease was due to a lower depreciable cost base, especially from our store assets, due to our limited capital spending since fiscal 2020.

Interest Expense, Net

Interest expense for third quarter of fiscal 2022 was \$0.1 million, as compared to \$2.2 million for the third quarter of fiscal 2021. For the first nine months of fiscal 2022, interest expense was \$0.4 million as compared to \$4.3 million for the first nine months of fiscal 2021. The Company had no outstanding debt and no borrowings under its credit facility during the third quarter and first nine months of fiscal 2022 resulting in a decrease in interest expense as compared to the third quarter and first nine months of fiscal 2021. Interest expense for the third quarter and first nine months of fiscal 2021 included a prepayment penalty of \$1.1 million associated with the Company's early prepayment of its long-term debt.

Income Taxes

Since the end of fiscal 2013, we have maintained a full valuation allowance against our deferred tax assets. During the second quarter of fiscal 2022, we determined that it was more likely than not that we would be able to realize the benefit of substantially all of our deferred tax assets in the United States. In reaching this determination, we considered the cumulative three years of profitability, our expectations regarding the generation of future taxable income as well as the overall improvement in the Company's business and its current market position. As a result, in the second quarter of fiscal 2022, we recognized a tax benefit related to the release of approximately \$35.5 million in valuation allowance against our deferred tax assets in the United States. At October 29, 2022, we continued to provide a valuation allowance of \$2.4 million, primarily against certain state and foreign net operating losses ("NOLs").

For the third quarter of fiscal 2022, we recorded an income tax provision of \$2.1 million, which included a \$2.0 million discrete tax expense to adjust the release of the valuation allowance to reflect an increase in third quarter earnings and full-year earnings forecast.

For the first nine months of fiscal 2022, we recorded an income tax benefit of \$32.9 million, which included a discrete tax benefit of \$33.5 million for the release of the valuation allowance.

For the third quarter and first nine months of fiscal 2021, we recorded an income tax provision of \$94,000 and \$548,000, respectively, primarily related to income tax in states where NOL usage was statutorily limited.

Net Income

For the third quarter of fiscal 2022, we recorded net income of \$10.5 million, or \$0.16 per diluted share, as compared to net income of \$13.7 million, or \$0.20 per diluted share, for the third quarter of fiscal 2021. The decrease in earnings from the prior year third quarter was primarily due to the planned investment in marketing, an increase in payroll to support the increased sales volume and an increase in tax provision as a result of the reversal of the valuation allowance. As mentioned previously, our operating cost structure in fiscal 2021 was insufficient to support our 2022 sales growth objectives and was unsustainable over the long-term.

For the first nine months of fiscal 2022, we have recorded net income of \$80.8 million, or \$1.20 per diluted share, as compared to net income of \$46.8 million, or \$0.69 per diluted share, for the first nine months of fiscal 2021. Results for the first nine months of fiscal 2022 include a non-cash tax benefit of \$33.5 million, or \$0.50 per diluted share, related to the release of substantially all of the Company's valuation allowance against its deferred tax assets.

Inventory

As of October 29, 2022, our inventory increased approximately \$24.5 million to \$106.8 million, as compared to \$82.3 million at October 30, 2021. We are in a stronger inventory position at October 29, 2022 than at the end of the third quarter last year. This increase was purposeful in order to replenish several categories that were depleted last year. While our inventory has increased over last year's third quarter, inventory is down 11.1% and inventory turnover is up over 30% from the third quarter of fiscal 2019, or pre-pandemic levels. Managing our inventory remains a primary focus for us given the potential impact that inflation may have on consumer spending. As we head into the fourth quarter of fiscal 2022, we believe that we are in a strong inventory position. At October 29, 2022, our clearance inventory was 6.7% of our total inventory, as compared to 8.9% at October 30, 2021 and 10.0% at November 2, 2019.

SEASONALITY

Historically, and consistent with the retail industry, we have experienced seasonal fluctuations as it relates to our operating income and net income. Traditionally, a significant portion of our operating income and net income is generated in the fourth quarter, as a result of the "Holiday" season.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash generated from operations and availability under our credit facility. At October 29, 2022, we had no outstanding debt, including no borrowings under our credit facility during the first nine months of fiscal 2022. We believe our cash on hand, availability under our credit facility, and ongoing cash generated from our operations will be sufficient to fund our working capital requirements, our stock repurchase program and capital expenditures for the next 12 months. We believe that cash flows from operating activities and cash on hand will also be sufficient to satisfy our capital requirements in the longer-term, however, to the extent future capital requirements exceed cash on hand plus cash flows from operating activities, we anticipate that working capital will be financed by our credit facility, as discussed below.

For the first nine months of fiscal 2022, cash flow from operations decreased to \$30.2 million as compared to \$64.2 million for the first nine months of fiscal 2021. Free cash flow, a non-GAAP measure, decreased to \$22.3 million for the first nine months of fiscal 2022 as compared to \$61.3 million for the first nine months of fiscal 2021. The decrease in free cash flow was due to our purposeful replenishment of inventory in several categories that were depleted last year, the payout of incentive-based awards, and an increase in capital expenditures.

Cash flow used from financing activities for the first nine months of fiscal 2022 improved by \$59.1 million as compared to the first nine months of fiscal 2021, primarily due to the repayment in the prior year of amounts outstanding under our credit facility and the early repayment of our long-term debt. This was partially offset by the stock offering in February 2021 and the repurchase of our common stock, as discussed below, in the first nine months of fiscal 2022.

Stock Repurchase Program

In March 2022, the Company's Board of Directors approved a stock repurchase program. Under the stock repurchase program, the Company may repurchase up to \$15.0 million of its common stock through open market and privately negotiated transactions. For

the first nine months of fiscal 2022, the Company repurchased 2.9 million shares at an aggregate cost, including fees, of \$12.7 million from available cash on hand. There were no stock repurchases in the third quarter of fiscal 2022. Shares of repurchased common stock are held as treasury stock. The stock repurchase program will expire in March 2023.

Credit Facility

On October 28, 2021, we entered into a \$125.0 million revolving credit agreement with a five-year term, which replaced our prior credit facility that was due to expire in May 2023 (the "Credit Facility"). The Credit Facility includes a sublimit of \$20.0 million for commercial and standby letters of credit and a sublimit of up to \$15.0 million for swingline loans. Borrowings made pursuant to the Credit Facility will be made pursuant to either a Base Rate loan or LIBOR Rate loan, at the Company's option. Base Rate loans bear interest, at a rate equal to (i) the greater of: (a) the Prime Rate, (b) the Federal Funds effective rate plus 0.50% per annum and (c) the daily LIBOR rate plus 1.00% per annum, plus (ii) a varying percentage, based on the Company's average excess availability, of either 0.25% or 0.50%. LIBOR Rate loans, which may be either for 1 month or 3 months, bear interest at (i) the LIBOR rate, or the Benchmark Rate as defined in the credit agreement plus (ii) a varying percentage based on the Company's average excess availability, of either 1.25% or 1.50%.

We had no outstanding borrowings under our Credit Facility at October 29, 2022 and no borrowings during the first nine months of fiscal 2022. At October 29, 2022, outstanding standby letters of credit were \$3.8 million and outstanding documentary letters of credit were \$1.0 million. The average unused excess availability during the first nine months of fiscal 2022 was approximately \$82.0 million and the unused excess availability at October 29, 2022 was \$90.2 million.

Capital Expenditures

The following table sets forth the open stores and related square footage at October 29, 2022 and October 30, 2021, respectively:

Store Concept	October 29, 2022		October 30, 2021	
	Number of Stores	Square Footage	Number of Stores	Square Footage
<i>(square footage in thousands)</i>				
DXL Retail	218	1,664	220	1,678
DXL Outlets	16	80	16	80
Casual Male XL Retail	30	100	38	126
Casual Male Outlets	19	57	20	60
Total Stores	283	1,901	294	1,944

Our capital expenditures in fiscal 2021 and fiscal 2020 were very limited due to the pandemic. For fiscal 2022, we expect our capital expenditures will be approximately \$10.0-\$12.0 million as we make investments in technology related to our marketing and merchandising initiatives. We are also actively pursuing opportunities to relocate or convert our remaining Casual Male XL stores to DXL stores which may require some capital investment in fiscal 2022. During the first nine months of fiscal 2022, we closed 5 Casual Male XL retail stores and 2 DXL retail stores.

We are also reviewing white space opportunities in markets where our store footprint is underpenetrated and relocation opportunities where we have an existing Casual Male XL store. We believe that our store portfolio is a vital asset to our business strategy and we expect to continue to invest in stores over the next several years as we further strengthen the store portfolio. Over the next three to five years, based on our preliminary store development plan, we believe that we could potentially open up to 50 new and relocated stores.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no material changes to the critical accounting policies and estimates disclosed in our Fiscal 2021 Annual Report. See Note 1 to the Consolidated Financial Statements included in this report for information on recent accounting pronouncements and changes in accounting principles.

Non-GAAP Financial Measures

Free cash flow and Adjusted EBITDA are non-GAAP measures. These non-GAAP measures are not presented in accordance with GAAP and should not be considered superior to or as a substitute for net income or cash flows from operating activities or any other measure of performance derived in accordance with GAAP. In addition, all companies do not calculate non-GAAP financial measures in the same manner and, accordingly, the non-GAAP measures presented in this Quarterly Report may not be comparable to similar measures used by other companies. We believe that inclusion of these non-GAAP measures helps investors gain a better

understanding of our performance, especially when comparing such results to previous periods and that they are useful as an additional means for investors to evaluate our operating results, when reviewed in conjunction with our GAAP financial statements.

Reconciliations of these non-GAAP measures are presented in the following tables (*certain columns may not foot due to rounding*):

Free Cash Flow. We define free cash flow as cash flow from operating activities less capital expenditures. Free cash flow excludes the mandatory and discretionary repayment of debt. Free cash flow is a metric that management uses to monitor liquidity. We expect to fund our ongoing capital expenditures with cash flow from operations.

The following table reconciles free cash flow:

<i>(in millions)</i>	For the nine months ended	
	October 29, 2022	October 30, 2021
Cash flow from operating activities (GAAP basis)	\$ 30.2	\$ 64.2
Capital expenditures	(7.9)	(2.8)
Free Cash Flow (non-GAAP basis)	\$ 22.3	\$ 61.3

Adjusted EBITDA. Adjusted EBITDA is calculated as earnings before interest, taxes, depreciation and amortization and is before any impairment of assets, if any. We believe that adjusted EBITDA is useful to investors in evaluating our performance and is a key metric to measure profitability and economic productivity. The following table reconciles adjusted EBITDA from net income:

<i>(in millions)</i>	For the three months ended		For the nine months ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Net income (GAAP basis)	\$ 10.5	\$ 13.7	\$ 80.8	\$ 46.8
Add back:				
Impairment (gain) of assets	—	(1.1)	(0.4)	(2.1)
Provision (benefit) for income taxes	2.1	0.1	(32.9)	0.5
Interest expense	0.1	2.2	0.4	4.3
Depreciation and amortization	3.8	4.1	11.7	13.0
Adjusted EBITDA (non-GAAP basis)	\$ 16.4	\$ 19.0	\$ 59.6	\$ 62.5

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

In the normal course of business, our financial position and results of operations are routinely subject to a variety of risks, including market risk associated with interest rate movements on borrowings and foreign currency fluctuations. We regularly assess these risks and have established policies and business practices to protect against the adverse effects of these and other potential exposures.

There have not been any material changes to our interest rate or foreign currency risks previously disclosed in Part II, Item 7A of our Fiscal 2021 Annual Report.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of October 29, 2022. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of October 29, 2022, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

While the majority of our home office employees continue to work remotely for a portion of the work week, we have not experienced any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended October 29, 2022 that has materially affected, or is 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 proceedings and claims that arise in the ordinary course of business. Management currently believes that the resolution of these matters will not have a material adverse impact on our future results of operations or financial position.

Item 1A. Risk Factors.

There have been no material changes to the risk factors as previously disclosed in Part I, Item 1A of our Fiscal 2021 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

- 10.1 [Employment Agreement between the Company and James Reath dated as of September 19, 2022.*](#)
- 10.2 [Stand-alone Inducement Restricted Stock Unit Award Agreement between the Company and James Reath dated as of October 7, 2022.*](#)
- 10.3 [Stand-alone Inducement Restricted Stock Unit Award Agreement between the Company and Jonathan Sainsbury dated as of October 26, 2022.*](#)
- 31.1 [Certification of the Chief Executive Officer of the Company pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934*](#)
- 31.2 [Certification of the Chief Financial Officer of the Company pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934.*](#)
- 32.1 [Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*](#)
- 32.2 [Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*](#)
- 101.INS [Inline XBRL Instance Document. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.](#)
- 101.SCH [Inline XBRL Taxonomy Extension Schema Document.](#)
- 101.CAL [Inline XBRL Taxonomy Extension Calculation Linkbase Document.](#)
- 101.DEF [Inline XBRL Taxonomy Extension Definition Linkbase Document.](#)
- 101.LAB [Inline XBRL Taxonomy Extension Label Linkbase Document.](#)
- 101.PRE [Inline XBRL Taxonomy Extension Presentation Linkbase Document.](#)
- 104 [Cover Page Interactive Data File – The cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.](#)

* Filed herewith.

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.

DESTINATION XL GROUP, INC.

Date: November 17, 2022

By: /s/ John F. Cooney
John F. Cooney
Senior Vice President, Chief Accounting Officer and
Corporate Controller (Duly Authorized Officer and Chief
Accounting Officer)

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is made effective as of September 26, 2022 (the "Effective Date") between CMRG APPAREL, LLC, (the "Company"), a "Related Entity" as defined in the 2016 Incentive Compensation Plan (as amended), of Destination XL Group, Inc., a Delaware corporation with an office at 555 Turnpike Street, Canton, Massachusetts 02021 ("DXLG" which term includes any affiliates and subsidiaries), and JAMES REATH (the "Executive") having an address at 159 Watchung Ave., Montclair, NJ 07043.

WITNESSETH:

WHEREAS, the Company desires that Executive work for the Company and Executive desires to be so employed by the Company as its Chief Marketing Officer.

WHEREAS, Executive and the Company desire to set forth in writing the terms and conditions of the Executive's employment with the Company from the date hereof.

NOW, THEREFORE, in consideration of the promises and the mutual promises, representations and covenants herein contained, the parties hereto agree as follows:

1. **EMPLOYMENT**

The Company hereby employs Executive and Executive hereby accepts such employment, subject to the terms and conditions herein set forth.

2. **TERM**

The term of employment under this Agreement (the "Term of Employment") shall begin on the Effective Date and shall continue until terminated by either party as hereinafter set forth.

3. **COMPENSATION**

(a) During the Term of Employment, as compensation for the employment services to be rendered by Executive hereunder, the Company agrees to pay to Executive, and Executive agrees to accept, payable in equal bi-weekly installments in accordance with Company practice, an annual base salary of Four Hundred Thousand Dollars and 00/100 Cents (\$400,000.00) (the "Base Salary") as of the Effective Date. The Base Salary shall be reviewed at least annually to ascertain whether, in the judgment of the Company, such Base Salary should be adjusted. If so, the adjusted Base Salary shall be adjusted for all purposes of this Agreement.

(b) In addition to the Base Salary, during the Term of Employment, Executive is eligible to participate in the Company's Annual Incentive Plan. Such incentive shall be determined and payable in accordance with the Company's incentive program in effect at the time, subject to change from year to year in the Company's sole discretion. Executive will participate in the Company's incentive program and Executive's target bonus under such plan (if all individual and Company performance conditions are met) shall be 50% of Executive's actual annual base

earnings (which shall be the total Base Salary as may be paid during the fiscal year (“Base Earnings”). The actual award under the incentive program, if any, may be more or less than the target and will be based on Executive’s performance and the performance of the Company and payment will be made in accordance with and subject to the terms and conditions of the incentive program then in effect.

(c) In addition, during the Term of Employment, Executive is eligible to participate in the Company’s Long-Term Incentive Plan (“LTIP”). Such incentive shall be determined and distributable in accordance with and subject to the terms and conditions as described in the LTIP documents in effect at the time of the award, subject to change from year-to-year in the Compensation Committee’s sole discretion. Executive will participate in the Company’s LTIP at a target incentive rate of 70% of Executive’s Base Salary in effect on the Executive’s Effective Date of Participation, for the incentive period, based upon the Company’s targeted performance as defined in the LTIP documents in effect at the time of the award.

(d) In consideration for the promises in Paragraph 10 below, the Company shall pay Executive a sign-on award consisting of \$150,000 cash payable as of October 7, 2022 (the “Sign-on Award” and an inducement grant of \$200,000 of restricted stock units of the Common Stock of Destination XL Group, Inc. (“RSUs”) effective October 7, 2022 (the “Inducement Award”). The RSUs granted in the Inducement Award shall be determined based on the close price of the Company’s stock on Thursday, October 6, 2022 and shall vest ratably over three (3) years on the anniversary of the date of grant. Details will be provided in a formal Stand-Alone Inducement Restricted Stock Unit Agreement. The Sign-on Award and Inducement Award are subject to clawback as set forth in Paragraph 7(j).

(e) Subject to Executive’s continued employment, the Company shall advance Executive a relocation allowance in the amount of \$75,000 (prior to any applicable taxes) with \$25,000 to be paid on October 7, 2022 and \$50,000 to be paid on June 1, 2023 (an “*Advance*”). In the event Executive ceases to be employed by the Company due to his voluntary termination (other than for Good Reason) prior to June 1, 2024, Executive shall repay such Advance to the Company within thirty (30) days following Executive’s termination of employment; provided, however, that the amount of the Advance that is required to be repaid shall be reduced by 1/12th of the Advance for each completed month that Executive is employed by the Company following the final installment of the Advance.

4. EXPENSES

The Company shall pay or reimburse Executive, in accordance with the Company's policies and procedures and upon presentment of suitable vouchers, for all reasonable business and travel expenses, which may be incurred or paid by Executive during the Term of Employment in connection with his employment hereunder. Executive shall comply with such restrictions and shall keep such records as the Company may reasonably deem necessary to meet the requirements of the Internal Revenue Code of 1986, as amended from time to time, and regulations promulgated thereunder.

5. OTHER BENEFITS

(a) During the Term of Employment, Executive shall be entitled to such vacations and to participate in and receive any other benefits customarily provided by the Company to its management (including any profit sharing, pension, 401(k), short and long-term disability insurance, medical and dental insurance and group life insurance plans in accordance with and subject to the terms of such plans, including, without limitation, any eligibility requirements contained therein), all as determined from time to time by the Compensation Committee of the Board of Directors in its discretion.

(b) The Company will, during the Term of Employment, provide Executive with an automobile allowance in the total amount of Eight Thousand Four Hundred Dollars and 00/100 (\$8,400.00) annually, in equal bi-weekly payments in accordance with the Company's normal payroll practices. Executive shall pay and be responsible for all insurance, repairs and maintenance costs associated with operating the automobile. Executive is responsible for his gasoline, unless the gasoline expense is reimbursable under the Company's policies and procedures.

(b) Executive will be eligible to participate in the Company's annual performance appraisal process.

6. DUTIES

(a) Executive shall perform such duties and functions consistent with the position of Chief Marketing Officer and/or as the Company shall from time to time determine and Executive shall comply in the performance of his duties with the policies of, and be subject to the direction of the Company.

(b) During the Term of Employment, Executive shall devote substantially all of his time and attention, vacation time and absences for sickness excepted, to the business of the Company, as necessary to fulfill his duties. Executive shall perform the duties assigned to him with fidelity and to the best of his ability. Notwithstanding anything herein to the contrary, and subject to the foregoing and review by the Company's Board of Directors, Executive shall not be prevented from accepting positions in outside organizations so long as such activities do not interfere with Executive's performance of his duties hereunder and do not violate paragraph 10 hereof.

(c) The principal location at which the Executive shall perform his duties hereunder shall be in Montclair, New Jersey until Executive relocates and, thereafter, at the Company's offices in Canton, Massachusetts or at such other location as may be designated from time to time by the Company. Prior to relocating, Executive shall bear the cost of travel to and from Canton, Massachusetts. Notwithstanding the foregoing, Executive shall perform such services at such other locations as may be required for the proper performance of his duties hereunder, and Executive recognizes that such duties may involve travel.

7. TERMINATION OF EMPLOYMENT; EFFECT OF TERMINATION

(a) The Term of Employment may be terminated by the Company at any time:

(i) upon the determination by the Company that Executive's performance of his duties has not been fully satisfactory for any reason which would not constitute justifiable cause (as hereinafter defined) or for other business reasons necessitating termination which do not

constitute justifiable cause, in either case upon thirty (30) days' prior written notice to Executive; or

(ii) upon the determination of the Company that there is justifiable cause (as hereinafter defined) for such termination.

(b) The Term of Employment shall terminate upon:

(i) the death of Executive;

(ii) the date on which the Company elects to terminate the Term of Employment by reason of the "disability" of Executive (as hereinafter defined in subsection (c) herein) pursuant to subsection (g) hereof; or

(iii) Executive's resignation of employment.

(c) For the purposes of this Agreement, the term "disability" shall mean Executive is physically or mentally incapacitated so as to render Executive incapable of performing the essentials of Executive's job, even with reasonable accommodation, as reasonably determined by the Company, which determination shall be final and binding.

(d) For the purposes hereof, the term "justifiable cause" shall mean: any failure or refusal to perform any of the duties pursuant to this Agreement or any breach of this Agreement by the Executive; Executive's breach of any material written policies, rules or regulations which have been adopted by the Company; Executive's repeated failure to perform his duties in a satisfactory manner; Executive's performance of any act or his failure to act, as to which if Executive were prosecuted and convicted, a crime or offense involving money or property of the Company or its subsidiaries or affiliates, or a crime or offense constituting a felony in the jurisdiction involved, would have occurred; any unauthorized disclosure by Executive to any person, firm or corporation of any confidential information or trade secret of the Company or any of its subsidiaries or affiliates; any attempt by Executive to secure any personal profit in connection with the business of the Company or any of its subsidiaries and affiliates; or the engaging by Executive in any business other than the business of the Company and its subsidiaries and affiliates which interferes with the performance of his duties hereunder. Upon termination of Executive's employment for justifiable cause, Executive shall not be entitled to any amounts or benefits hereunder other than such portion of Executive's Base Salary and reimbursement of expenses pursuant to paragraph 4 hereof as have been accrued through the date of his termination of employment.

(e) If the Company terminates this Agreement without "justifiable cause" as provided in subsection 7(a)(i), the Company shall pay Executive his then current base salary for six months (that is, the one month notice period referenced in Paragraph 7(a)(i) and five months after the effectiveness of such termination), payable in equal payments in accordance with the Company's customary payroll practices commencing with the first payroll period that begins at least 30 days after the termination of the Executive's Term of Employment conditioned upon the Executive having provided the Company with an executed general release substantially in the form attached hereto as Exhibit A or such other form that is acceptable to the Company, in its sole discretion (the "General Release") and the time for Executive's revocation of the General Release having expired.

Such payments shall be made in accordance with the Company's customary payroll practices until paid in full. Any payment pursuant to this paragraph 7(e) is contingent upon Executive's execution of the General Release within 21 days (or such longer period as may be authorized by the Company or otherwise required by applicable law) after termination of the Term of Employment (and the Executive's not revoking that General Release) and will be in lieu of payments to which Executive might have been entitled under any other severance plan of the Company.

(f) If Executive shall die during the term of his employment hereunder, this Agreement shall terminate immediately. In such event, the estate of Executive shall thereupon be entitled to receive such portion of Executive's base annual salary and reimbursement of expenses pursuant to paragraph 4 as have been accrued through the date of his death.

(g) Upon Executive's "disability", the Company shall have the right to terminate Executive's employment. Any termination pursuant to this subsection (g) shall be effective on the earlier of (i) the date 30 days after which Executive shall have received written notice of the Company's election to terminate or (ii) the date he begins to receive long-term disability insurance benefits under the policy provided by the Company pursuant to paragraph 5 hereof.

(h) Upon the resignation of Executive in any capacity, that resignation will be deemed to be a resignation from all offices and positions that Executive holds with respect to the Company and any of its subsidiaries and affiliates. In the event of Executive's resignation, he shall be entitled only to receive such portion of his annual Base Salary and reimbursement of expenses pursuant to paragraph 4 as have been accrued through the date of his resignation.

(i) Change of Control. In the event the Term of Employment is terminated by the Company without justifiable cause (as defined herein) or Executive resigns with Good Reason (as defined herein) within one (1) year following a Change of Control of the Company has occurred, then, in such event, the Company shall pay Executive an amount equal to twelve (12) months of Base Salary in effect at the time of the termination. For the purposes of the foregoing, Change of Control shall have the meaning set forth in the Company's 2016 Incentive Compensation Plan (without regard to any subsequent amendments thereto). For purposes of the foregoing, "Good Reason" means the occurrence of any of the following: (i) a material diminution in the Executive's base compensation; (ii) a material diminution in the Executive's authority, duties, or responsibilities; (iii) a material change in the geographic location at which the Employee must perform the services under this Agreement; or (iv) any other action or inaction that constitutes a material breach by the Company of this Agreement. For purposes of this provision, Good Reason shall not be deemed to exist unless the Employee's termination of employment for Good Reason occurs within 2 years following the initial existence of one of the conditions specified in clauses (i) through (iv) above, the Employee provides the Company with written notice of the existence of such condition within 90 days after the initial existence of the condition, and the Company fails to remedy the condition within 30 days after its receipt of such notice. The Company shall pay the amount required under this paragraph 7(i) in a single payment thirty (30) days after termination of the Term of Employment, subject to and conditioned upon the Executive's execution of the General Release required pursuant to paragraph 7(k) hereof and such release becoming irrevocable. Any payments made pursuant to this paragraph 7(i) will be in lieu of payments to which Executive might have been entitled under paragraph 7(e) of this Agreement or under any other severance plan of the Company. The payments under this Agreement shall be reduced if and to the extent necessary to avoid any

payments or benefits to Executive being treated as “excess parachute payments” within the meaning of Internal Revenue Code Section 280G(b)(i).

(j) Clawback of Certain Compensation and Benefits. If, after the termination of the Term of Employment for any reason other than by the Company for “justifiable cause”:

A. it is determined in good faith by the Company within twelve (12) months after the termination of the Term of Employment (the “Termination Date”) that the Executive’s employment could have been terminated by the Company for justifiable cause under paragraph 7(d) hereof (unless the Company knew or should have known that as of the Termination Date, the Executive’s employment could have been terminated for justifiable cause in accordance with paragraph 7(d) hereof); or

B. the Executive breaches any of the provisions of paragraph 10, then, in addition to any other remedy that may be available to the Company in law or equity and/or pursuant to any other provisions of this Agreement, the Executive’s employment shall be deemed to have been terminated for justifiable cause retroactively to the Termination Date and the Executive also shall be subject to the following provisions:

1) the Executive shall be required to pay to the Company, immediately upon written demand by the Company, all amounts paid to Executive by the Company, whether or not pursuant to this Agreement (other than such portion of Executive’s Base Salary and reimbursement of expenses pursuant to paragraph 4 hereof as have been accrued through the date of the termination of the Term of Employment), on or after the Termination Date (including the pre-tax cost to the Company of any benefits that are in excess of the total amount that the Company would have been required to pay to the Executive if the Executive’s employment with the Company had been terminated by the Company for justifiable cause in accordance with paragraph 7(d) above);

2) all vested and unvested Awards (as that term is defined in the 2016 Incentive Compensation Plan) then held by the Executive shall immediately expire; and

3) the Executive shall be required to pay to the Company, immediately upon written demand by the Company, an amount equal to any Gains resulting from the exercise or payment of any Awards (as that term is defined in the 2016 Incentive Compensation Plan) at any time on or after, or during the one year period prior to, the Termination Date. For these purposes, the term “Gain” shall mean (i) in the case of each stock option or stock appreciation right (“SAR”), the difference between the fair market value per share of the Company’s common stock underlying such option or SAR as of the date on which the Executive exercised the option or SAR, less the exercise price or grant price of the option or SAR; and (ii) in the case of any Award other than a stock option or SAR that is satisfied by the issuance of Common Stock of the Company, the value of such stock on the Termination Date, and (iii) in the case of any Award other than a stock option or SAR, that is satisfied in cash or any property other than Common Stock of the Company, the amount of cash and the value of the property on the payment date paid to satisfy the Award.

(k) Any payment pursuant to paragraph 7(e) or 7(i) shall be contingent upon Executive’s execution of the General Release within 21 days after termination of the Term of

Employment (or such longer time as may be authorized by the Company or otherwise required by applicable law), and the Executive's not revoking that release.

8. COMPLIANCE WITH SECTION 409A

(a) General. It is the intention of both the Company and the Executive that the benefits and rights to which the Executive could be entitled pursuant to this Agreement comply with Section 409A of the Code and the Treasury Regulations and other guidance promulgated or issued thereunder ("Section 409A"), to the extent that the requirements of Section 409A are applicable thereto, and the provisions of this Agreement shall be construed in a manner consistent with that intention. If the Executive or the Company believes, at any time, that any such benefit or right that is subject to Section 409A does not so comply, it shall promptly advise the other and shall negotiate reasonably and in good faith to amend the timing of such benefits and rights such that they comply with Section 409A (with the most limited possible economic effect on the Executive).

(b) Distributions on Account of Separation from Service. If and to the extent required to comply with Section 409A, no payment or benefit required to be paid under this Agreement on account of termination of the Executive's employment shall be made unless and until the Executive incurs a "separation from service" within the meaning of Section 409A.

(c) 6 Month Delay for "Specified Employees".

(i) If the Executive is a "specified employee", then no payment or benefit that is payable on account of the Executive's "separation from service", as that term is defined for purposes of Section 409A, shall be made before the date that is six months after the Executive's "separation from service" (or, if earlier, the date of the Executive's death) if and to the extent that such payment or benefit constitutes deferred compensation (or may be nonqualified deferred compensation) under Section 409A and such deferral is required to comply with the requirements of Section 409A. Any payment or benefit delayed by reason of the prior sentence shall be paid out or provided in a single lump sum at the end of such required delay period in order to catch up to the original payment schedule. There shall be added to any payments that are delayed pursuant to this provision interest at the prime rate as reported in the Wall Street Journal for the date of the Executive's separation from service. Such interest shall be calculated from the date on which the payment otherwise would have been made until the date on which the payment is made.

(ii) For purposes of this provision, the Executive shall be considered to be a "specified employee" if, at the time of his separation from service, the Executive is a "key employee", within the meaning of Section 416(i) of the Code, of the Company (or any person or entity with whom the Company would be considered a single employer under Section 414(b) or Section 414(c) of the Code) any stock in which is publicly traded on an established securities market or otherwise.

(d) No Acceleration of Payments. Neither the Company nor the Executive, individually or in combination, may accelerate any payment or benefit that is subject to Section 409A, except in compliance with Section 409A and the provisions of this Agreement, and no amount that is subject to Section 409A shall be paid prior to the earliest date on which it may be paid without violating Section 409A.

(e) Treatment of Each Installment as a Separate Payment. For purposes of applying the provisions of Section 409A to this Agreement, each separately identified amount to which the Executive is entitled under this Agreement shall be treated as a separate payment. In addition, to the extent permissible under Section 409A, any series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

(f) Taxable Reimbursements.

(i) Any reimbursements by the Company to the Executive of any eligible expenses under this Agreement that are not excludable from the Executive's income for Federal income tax purposes (the "Taxable Reimbursements") shall be made by no later than the earlier of the date on which they would be paid under the Company's normal policies and the last day of the taxable year of the Executive following the year in which the expense was incurred.

(ii) The amount of any Taxable Reimbursements to be provided to the Executive during any taxable year of the Executive shall not affect the expenses eligible for reimbursement to be provided in any other taxable year of the Executive.

(iii) The right to Taxable Reimbursements shall not be subject to liquidation or exchange for another benefit.

9. REPRESENTATION AND AGREEMENTS OF EXECUTIVE

(a) Executive represents and warrants that he is free to enter into this Agreement and to perform the duties required hereunder, and that there are no employment contracts or understandings, restrictive covenants or other restrictions, whether written or oral, preventing the performance of his duties hereunder.

(b) Executive agrees to submit to a medical examination and to cooperate and supply such other information and documents as may be required by any insurance company in connection with the Company's obtaining life insurance on the life of Executive, and any other type of insurance or fringe benefit as the Company shall determine from time to time to obtain.

(c) Executive represents and warrants that he has never been convicted of a felony and he has not been convicted or incarcerated for a misdemeanor within the past five years, other than a first conviction for drunkenness, simple assault, speeding, minor traffic violations, affray, or disturbance of the peace.

(d) Executive represents and warrants that he has never been a party to any judicial or administrative proceeding that resulted in a judgment, decree, or final order (i) enjoining his from future violations of, or prohibiting any violations of any federal or state securities law, or (ii) finding any violations of any federal or state securities law.

(e) Executive represents and warrants that he has never been accused of any impropriety in connection with any employment;

Any breach of any of the above representations and warranties is "justifiable cause" for termination under paragraph 7(d) of this Agreement.

10. NON-COMPETITION

(a) In consideration for the Sign-On Award, the Inducement Award referenced in Paragraph 3(d), the Advance referenced in paragraph 3(e) and the potential to receive additional compensation pursuant to paragraph 7(a)(i) and 7(e) above, Executive further covenants and agrees that during the Term of Employment and during the one (1) year period immediately following the Termination Date (the "Non-Competitive Period"), Executive shall not, directly or indirectly, as owner, partner, joint venturer, stockholder, employee, broker, agent, principal, trustee, corporate officer, director, licensor, or in any capacity whatsoever, engage in, become financially interested in, be employed by, render any consultation or business advice with respect to, accept any competitive business on behalf of, or have any connection with any business which is competitive with products or services of the Company or any subsidiaries and affiliates, in any geographic area in which the Executive provided services or had a material presence or influence on behalf of the Company, whether in the United States, Canada, Europe or elsewhere during the two years prior to Executive's separation from the Company; provided, however, that Executive may own any securities of any corporation which is engaged in such business and is publicly owned and traded but in an amount not to exceed at any one time one percent (1%) of any class of stock or securities of such corporation. In addition, Executive shall not, during the Non-Competitive Period, directly or indirectly: (1) request or cause any suppliers or customers with whom the Company or any of its subsidiaries or affiliates has a business relationship to cancel or terminate any such business relationship with the Company or any of its subsidiaries or affiliates or otherwise compromise the Company's good will; or (2) solicit, hire, interfere with or entice from the Company or any of its subsidiaries or affiliates any employee (or former employee who has been separated from service for less than 12 months) of the Company or any of its subsidiaries or affiliates.

(b) If any portion of the restrictions set forth in this paragraph 10 should, for any reason whatsoever, be declared invalid by a court of competent jurisdiction, the validity or enforceability of the remainder of such restrictions shall not thereby be adversely affected. For the purposes of this paragraph 10, a business competitive with the products and services of the Company (or such subsidiaries and affiliates) is limited to a specialty retailer which primarily distributes, sells or markets so-called "big and tall" apparel of any kind for men or which utilizes the "big and tall" retail or wholesale marketing concept as part of its business.

(c) Executive acknowledges that the Company conducts business throughout the world, that Executive's duties and responsibilities on behalf of the Company are of a worldwide nature, that its sales and marketing prospects are for continued expansion throughout the world and therefore, the territorial and time limitations set forth in this paragraph 10 are reasonable and properly required for the adequate protection of the business of the Company and its subsidiaries and affiliates. In the event any such territorial or time limitation is deemed to be unreasonable by a court of competent jurisdiction, Executive agrees to the reduction of the territorial or time limitation to the area or period which such court shall deem reasonable.

(d) The existence of any claim or cause of action (a claim or cause of action is defined as a claim or cause of action which results from a breach of the terms and provisions of this Agreement by the Company, regardless of whether the breach is material) by Executive against the Company or any subsidiary or affiliate shall not constitute a defense to the

enforcement by the Company or any subsidiary or affiliate of the foregoing restrictive covenants, but such claim or cause of action shall be litigated separately.

11. INVENTIONS AND DISCOVERIES

(a) Upon execution of this Agreement and thereafter, Executive shall promptly and fully disclose to the Company, and with all necessary detail for a complete understanding of the same, all existing and future developments, know-how, discoveries, inventions, improvements, concepts, ideas, writings, formulae, processes and methods (whether copyrightable, patentable or otherwise) made, received, conceived, acquired or written during working hours, or otherwise, by Executive (whether or not at the request or upon the suggestion of the Company) during the period of his employment with, or rendering of advisory or consulting services to, the Company or any of its subsidiaries and affiliates, solely or jointly with others, in or relating to any activities of the Company or its subsidiaries and affiliates known to him as a consequence of his employment or the rendering of advisory and consulting services hereunder (collectively the "Subject Matter").

(b) Executive hereby assigns and transfers, and agrees to assign and transfer, to the Company, all his rights, title and interest in and to the Subject Matter, and Executive further agrees to deliver to the Company any and all drawings, notes, specifications and data relating to the Subject Matter, and to execute, acknowledge and deliver all such further papers, including applications for copyrights or patents, as may be necessary to obtain copyrights and patents for any thereof in any and all countries and to vest title thereto to the Company. Executive shall assist the Company in obtaining such copyrights or patents during the term of this Agreement, and at any time thereafter on reasonable notice and at mutually convenient times, and Executive agrees to testify in any prosecution or litigation involving any of the Subject Matter; provided, however, after the Term of Employment that Executive shall be compensated in a timely manner at the rate of \$250 per day (or portion thereof), plus out-of-pocket expenses incurred in rendering such assistance or giving or preparing to give such testimony if it is required after the termination of this Agreement.

12. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION

(a) Executive acknowledges that the Company possesses certain confidential and propriety information that has been or may be revealed to, or learned by, Executive during the course of Executive's employment with the Company and that it would be unfair to use that information or knowledge to compete with or to otherwise disadvantage the Company. Executive shall not, during the Term of Employment or at any time following the Term of Employment, directly or indirectly, disclose or permit to be known (other than as is required in the regular course of his duties (including without limitation disclosures to the Company's advisors and consultants), as required by law (in which case Executive shall give the Company prior written notice of such required disclosure) or with the prior written consent of the Board of Directors, to any person, firm, corporation, or other entity, any confidential information acquired by him during the course of, or as an incident to, his employment or the rendering of his advisory or consulting services hereunder, relating to the Company or any of its subsidiaries or affiliates, the directors of the Company or its subsidiaries or affiliates, any supplier or customer of the Company or any of their subsidiaries or affiliates, or any corporation, partnership or other entity owned or controlled, directly or indirectly, by any of the foregoing, or in which any of the

foregoing has a beneficial interest, including, but not limited to, the business affairs of each of the foregoing. Such confidential information shall include, but shall not be limited to, proprietary technology, trade secrets, patented processes, research and development data, know-how, market studies and forecasts, financial data, competitive analyses, pricing policies, employee lists, personnel policies, employee compensation and benefits information, the substance of agreements with customers, suppliers and others, marketing or dealership arrangements, servicing and training programs and arrangements, supplier lists, customer lists and any other documents embodying such confidential information. This confidentiality obligation shall not apply to any confidential information, which is or becomes publicly available other than pursuant to a breach of this paragraph 12(a) by Executive.

(b) All information and documents relating to the Company and its subsidiaries or affiliates as herein above described (or other business affairs) shall be the exclusive property of the Company, and Executive shall use commercially reasonable best efforts to prevent any publication or disclosure thereof. Upon termination of Executive's employment with the Company, all documents, records, reports, writings and other similar documents containing confidential information, including copies thereof then in Executive's possession or control shall be returned and left with the Company.

(c) In accordance with the Federal Defend Trade Secrets Act, Executive cannot be held criminally or civilly liable under any federal or state trade secret law for disclosing a trade secret (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law, or (ii) in a complaint or other document filed under seal in a lawsuit or other proceeding. Notwithstanding this immunity from liability, Executive may be held liable if Executive unlawfully accesses trade secrets by unauthorized means.

13. SPECIFIC PERFORMANCE

Executive agrees that if he breaches, or threatens to commit a breach of, any enforceable provision of paragraphs 10, 11 or 12 (the "Restrictive Covenants"), the Company shall have, in addition to, and not in lieu of, any other rights and remedies available to the Company under law and in equity, the right to have the Restrictive Covenants specifically enforced by a court of competent jurisdiction, it being agreed that any such breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. Notwithstanding the foregoing, nothing herein shall constitute a waiver by Executive of his right to contest whether such a breach or threatened breach of any Restrictive Covenant has occurred. In the event of litigation between the parties to this Agreement regarding their respective rights and obligations under paragraphs 10, 11, or 12 hereof, the prevailing party shall be entitled to recover from the other all attorneys' fees and expenses reasonably incurred in obtaining a ruling in the prevailing party's favor. Any such damages, attorneys' fees and costs shall be in addition to and not in lieu of any injunctive relief that may be available to the Company.

14. AMENDMENT OR ALTERATION

No amendment or alteration of the terms of this Agreement shall be valid unless made in writing and signed by both of the parties hereto.

15. GOVERNING LAW

This Agreement shall be governed by, and construed and enforced in accordance with the substantive laws of the Commonwealth of Massachusetts, without regard to its principles of conflicts of laws.

16. SEVERABILITY

The holding of any provision of this Agreement to be invalid or unenforceable by a court of competent jurisdiction shall not affect any other provision of this Agreement, which shall remain in full force and effect.

17. NOTICES

Any notices required or permitted to be given hereunder shall be sufficient if in writing, and if delivered by hand or courier, or sent by certified mail, return receipt requested, to the addresses set forth above or such other address as either party may from time to time designate in writing to the other, and shall be deemed given as of the date of the delivery or of the placement of the notice in the mail.

18. WAIVER OF BREACH

It is agreed that a waiver by either party of a breach of any provision of this Agreement shall not operate, or be construed as a waiver of any subsequent breach by that same party.

19. ENTIRE AGREEMENT AND BINDING EFFECT

This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, heirs, distributors, successors and assigns and supersedes any and all prior agreements between the parties whether oral or written. This Agreement may not be modified except upon further written agreement executed by both parties. Executive agrees that the Company may in its sole discretion, during the term of Executive's employment with the Company and thereafter, provide copies of this Agreement (or excerpts of the Agreement) to others, including businesses or entities that may employ, do business with, or consider employing Executive in the future. Executive further agrees that any subsequent change or changes in his duties, compensation or areas of responsibility shall in no way affect the validity of this Agreement or otherwise render inapplicable any of the provisions of paragraphs 10 through 13 of this Agreement, which shall remain in full force and effect except as may be modified by a subsequent written agreement.

20. SURVIVAL

Except as otherwise expressly provided herein, the termination of Executive's employment hereunder or the expiration of this Agreement shall not affect the enforceability of paragraphs 7 through 26 hereof, which shall survive the termination or expiration.

21. RESOLUTION OF DISPUTES

Any and all disputes arising under or in connection with this Agreement shall be resolved in accordance with this paragraph 21 and paragraph 15.

The parties shall attempt to resolve any dispute, controversy or difference that may arise between them through good faith negotiations. In the event the parties fail to reach resolution of any such dispute within thirty (30) days after entering into negotiations, either party may proceed to institute action in any state or federal court located within the Commonwealth of Massachusetts, which courts shall have exclusive jurisdiction, and each party consents to the personal jurisdiction of any such state or federal court. Both parties waive their right to a trial by jury.

22. NON-DISPARAGEMENT

Executive agrees not to make disparaging, critical or otherwise detrimental comments to any person or entity concerning the Company, its officers, directors, trustees, and employees or the services or programs provided or to be provided by the Company and the Company agrees not to make any disparaging, critical or otherwise detrimental comments to any person or entity concerning Executive.

23. FURTHER ASSURANCES

The parties agree to execute and deliver all such further documents, agreements and instruments and take such other and further action as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

24. SUBSIDIARIES AND AFFILIATES

For purposes of this Agreement:

(a) “affiliate” means any entity that controls, is controlled by, or is under common control with, the Company, and “control” means the power to exercise a controlling influence over the management or policies of an entity, unless such power is solely the result of an official position with such entity; and

(b) “subsidiary” means any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity entitled to vote generally in the election of directors (or similar governing body of a non-corporate entity) or in which the Company has the right to receive 50% or more of the distribution of profits or 50% or more of the assets on liquidation or dissolution.

25. HEADINGS

The paragraph headings appearing in this Agreement are for the purposes of easy reference and shall not be considered a part of this Agreement or in any way modify, amend or affect its provisions.

26. COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, under seal, as of the date and year first above written.

CMRG APPAREL, LLC

By: _____
Name: Harvey S. Kanter
Its: President, Chief Executive Officer

Date: _____

James Reath

Date: _____

**EXHIBIT A
FORM OF RELEASE OF CLAIMS**

GENERAL RELEASE OF CLAIMS

1. James Reath, ("Executive"), for himself and his family, heirs, executors, administrators, legal representatives and their respective successors and assigns, in exchange for good and valuable consideration to be paid after the date of Executive's termination as set forth in the Employment Agreement, to which a form of this release is attached as Exhibit A (the "Employment Agreement"), does hereby release and forever discharge, to the maximum extent permitted by law, CMRG Apparel, LLC (the "Company"), its parent, its parent's subsidiaries, affiliated companies, successors and assigns, and their respective current or former directors, officers, employees, shareholders or agents in such capacities (collectively with the Company, the "Released Parties") from any and all actions, causes of action, suits, controversies, claims and demands whatsoever, for or by reason of any matter, cause or thing whatsoever, whether known or unknown including, but not limited to, the Employee Retirement Income Security Act of 1974, 29 U.S.C. §1001 et seq., the Civil Rights Act of 1964, 42 U.S.C. §2000e et seq., COBRA; the Equal Pay Act of 1963, 29 U.S.C. §206(d), the Civil Rights Act of 1991; the Age Discrimination in Employment Act (ADEA); the Americans with Disabilities Act, 42 U.S.C. §12101 et seq., the Family and Medical Leave Act (FMLA); the Civil Rights Act of 1866, 42 U.S.C. §1981 et seq., as amended, the Fair Credit Reporting Act, the Worker Adjustment and Retraining Notification Act, the Genetic Information Nondiscrimination Act of 2008, the Massachusetts Law Against Discrimination, G.L. c. 151B; the Massachusetts Privacy Statute, G.L. c. 214, § 1B, the Massachusetts Wage Payment Statute, G.L. c. 149, §§ 148, 148A, 148B, 149, 150, 150A-150C, 151, 152, 152A, et seq.; the Massachusetts Wage and hour laws, G.L. c. 151§1A et seq; the Massachusetts Sexual Harassment Statute, G.L. c. 214 §1C, the Massachusetts Consumer Protection Act, G.L. c. 93A, the Massachusetts Civil Rights Act, G.L. c. 12, § 11, the Massachusetts Equal Rights Act, G.L. c. 93, the Massachusetts Civil Rights Act, G.L. c. 12, § 11; the Massachusetts Equal Rights Act, G.L. c. 93; the Massachusetts AIDS Testing statute, G.L. c. 111, §70F; the Massachusetts Employment Leave for Victims and Family Members of Abuse, G.L. c. 149, §52E, as amended; the Massachusetts Earned Sick Time Law, M.G.L. c. 149, § 148C; the Massachusetts Small Necessities Leave Act; and all claims under any applicable laws arising under or in connection with Executive's employment or termination thereof, whether for tort, breach of express or implied employment contract, wrongful discharge, intentional infliction of emotional distress, or defamation or injuries incurred on the job or incurred as a result of loss of employment.

Executive acknowledges that Executive is specifically advised to consult with an attorney of Executive's choosing before signing this General Release of Claims, and through this General Release of Claims advises Executive to consult with his attorney with respect to possible claims, including but not limited to claims under the ADEA, and that Executive understands that the ADEA is a Federal statute that, among other things, prohibits discrimination on the basis of age in employment and employee benefits and benefit plans. Without limiting the generality of the release provided above, Executive expressly waives any and all claims under ADEA that he may have as of the date hereof. Executive further understands that by signing this General Release of Claims he is in fact waiving, releasing and forever giving up any claim under the ADEA as well as all other laws within the scope of this paragraph 1 that may have existed on or prior to the date hereof. Notwithstanding anything in this paragraph 1 to the contrary, this General Release of

Claims shall not apply to (i) any rights to receive any payments pursuant to the Employment Agreement, or any accrued but unpaid benefits under any employee benefit plan maintained by the Company (ii) any rights or claims that may arise as a result of events occurring after this General Release of Claims is executed, (iii) any indemnification rights Executive may have as a former officer or director of the Company or its subsidiaries or affiliated companies, (iv) any claims for benefits under any directors' and officers' liability policy maintained by the Company or its subsidiaries or affiliated companies in accordance with the terms of such policy, (v) any rights as a holder of equity securities of the Company, and (vi) any rights or claims that, by law, may not be waived, including claims for unemployment compensation and workers' compensation. Nothing contained in this Agreement prevents Executive from filing a charge, cooperating with or participating in any investigation or proceeding before any federal or state Fair Employment Practices Agency, including, without limitation, the Equal Employment Opportunity Commission, except that Executive acknowledges that he will not be able to recover any monetary benefits in connection with any such claim, charge or proceeding.

1. Executive represents that he has not filed against the Released Parties any complaints, charges, or lawsuits arising out of his employment, or any other matter arising on or prior to the date of this General Release of Claims, and covenants and agrees that he will never individually or with any person file, or commence the filing of, any charges, lawsuits, complaints or proceedings with any governmental agency, or against the Released Parties with respect to any of the matters released by Executive pursuant to paragraph 1 hereof (a "Proceeding"); provided, however, Executive shall not have relinquished his right to commence a Proceeding to challenge whether Executive knowingly and voluntarily waived his rights under ADEA.

3. **Non-Competition.**

(a) In consideration for the consideration set forth in the Employment Agreement and the payment of severance benefits set forth in Section 7 of the Employment Agreement, Executive further covenants and agrees that during the Term of Employment and during the one (1) year period immediately following the Termination Date (the "Non-Competitive Period"), Executive shall not, directly or indirectly, as owner, partner, joint venturer, stockholder, employee, broker, agent, principal, trustee, corporate officer, director, licensor, or in any capacity whatsoever, engage in, become financially interested in, be employed by, render any consultation or business advice with respect to, accept any competitive business on behalf of, or have any connection with any business which is competitive with products or services of the Company or any subsidiaries and affiliates, in any geographic area in which the Executive provided services or had a material presence or influence on behalf of the Company, whether in the United States, Canada, Europe or elsewhere during the two years prior to Executive's separation from the Company; provided, however, that Executive may own any securities of any corporation which is engaged in such business and is publicly owned and traded but in an amount not to exceed at any one time one percent (1%) of any class of stock or securities of such corporation. In addition, Executive shall not, during the Non-Competitive Period, directly or indirectly: (1) request or cause any suppliers or customers with whom the Company or any of its subsidiaries or affiliates has a business relationship to cancel or terminate any such business relationship with the Company or any of its subsidiaries or affiliates or otherwise compromise the Company's good will; or (2) solicit, hire, interfere with or entice from the Company or any of its subsidiaries or affiliates any employee (or former employee who has been separated from service for less than 12 months) of the Company or any of its subsidiaries or affiliates.

(b) If any portion of the restrictions set forth in this paragraph 3 should, for any reason whatsoever, be declared invalid by a court of competent jurisdiction, the validity or enforceability of the remainder of such restrictions shall not thereby be adversely affected. For the purposes of this paragraph 3, a business competitive with the products and services of the Company (or such subsidiaries and affiliates) is limited to a specialty retailer which primarily distributes, sells or markets so-called "big and tall" apparel of any kind for men or which utilizes the "big and tall" retail or wholesale marketing concept as part of its business.

(c) Executive acknowledges that the Company conducts business throughout the world, that Executive's duties and responsibilities on behalf of the Company are of a worldwide nature, that its sales and marketing prospects are for continued expansion throughout the world and therefore, the territorial and time limitations set forth in this paragraph 3 are reasonable and properly required for the adequate protection of the business of the Company and its subsidiaries and affiliates. In the event any such territorial or time limitation is deemed to be unreasonable by a court of competent jurisdiction, Executive agrees to the reduction of the territorial or time limitation to the area or period which such court shall deem reasonable.

(d) The existence of any claim or cause of action (a claim or cause of action is defined as a claim or cause of action which results from a breach of the terms and provisions of this Agreement by the Company, regardless of whether the breach is material) by Executive against the Company or any subsidiary or affiliate shall not constitute a defense to the enforcement by the Company or any subsidiary or affiliate of the foregoing restrictive covenants, but such claim or cause of action shall be litigated separately.

4. **Inventions and Discoveries.**

(a) Upon execution of this General Release of Claims and thereafter, Executive shall promptly and fully disclose to the Company, and with all necessary detail for a complete understanding of the same, all existing and future developments, know-how, discoveries, inventions, improvements, concepts, ideas, writings, formulae, processes and methods (whether copyrightable, patentable or otherwise) made, received, conceived, acquired or written during working hours, or otherwise, by Executive (whether or not at the request or upon the suggestion of the Company) during the period of his employment with, or rendering of advisory or consulting services to, the Company or any of its subsidiaries and affiliates, solely or jointly with others, in or relating to any activities of the Company or its subsidiaries and affiliates known to him as a consequence of his employment or the rendering of advisory and consulting services hereunder (collectively the "Subject Matter").

(b) Executive hereby assigns and transfers, and agrees to assign and transfer, to the Company, all his rights, title and interest in and to the Subject Matter, and Executive further agrees to deliver to the Company any and all drawings, notes, specifications and data relating to the Subject Matter, and to execute, acknowledge and deliver all such further papers, including applications for copyrights or patents, as may be necessary to obtain copyrights and patents for any thereof in any and all countries and to vest title thereto to the Company. Executive shall assist the Company in obtaining such copyrights or patents during the term of this General Release Of Claims, and at any time thereafter on reasonable notice and at mutually convenient times, and Executive agrees to testify in any prosecution or litigation involving any of the Subject Matter; provided, however, that Executive shall be compensated in a timely manner at the rate of \$250 per

day (or portion thereof), plus out-of-pocket expenses incurred in rendering such assistance or giving or preparing to give such testimony.

5. **Non-Disclosure of Confidential Information.**

(a) Executive acknowledges that the Company possesses certain confidential and propriety information that has been revealed to him or learned by Executive during the course of Executive's employment with the Company and that it would be unfair to use that information or knowledge to compete with or to otherwise disadvantage the Company. Executive shall not, at any time following the end of Executive's employment with the Company, directly or indirectly, disclose or permit to be known (other than as is required in the regular course of his duties (including without limitation disclosures to the Company's advisors and consultants), as required by law (in which case Executive shall give the Company prior written notice of such required disclosure) or with the prior written consent of the Board of Directors, to any person, firm, corporation, or other entity, any confidential information acquired by him during the course of, or as an incident to, his employment or the rendering of his advisory or consulting services hereunder, relating to the Company or any of its subsidiaries or affiliates, the directors of the Company or its subsidiaries or affiliates, any supplier or customer of the Company or any of their subsidiaries or affiliates, or any corporation, partnership or other entity owned or controlled, directly or indirectly, by any of the foregoing, or in which any of the foregoing has a beneficial interest, including, but not limited to, the business affairs of each of the foregoing. Such confidential information shall include, but shall not be limited to, proprietary technology, trade secrets, patented processes, research and development data, know-how, market studies and forecasts, financial data, competitive analyses, pricing policies, employee lists, personnel policies, the substance of agreements with customers, suppliers and others, marketing or dealership arrangements, servicing and training programs and arrangements, supplier lists, customer lists and any other documents embodying such confidential information. This confidentiality obligation shall not apply to any confidential information, which is or becomes publicly available other than pursuant to a breach of this paragraph 5(a) by Executive.

(b) All information and documents relating to the Company and its subsidiaries or affiliates as herein above described (or other business affairs) shall be the exclusive property of the Company, and Executive shall use commercially reasonable best efforts to prevent any publication or disclosure thereof. Upon termination of Executive's employment with the Company, all documents, records, reports, writings and other similar documents containing confidential information, including copies thereof then in Executive's possession or control shall be returned and left with the Company.

(c) In accordance with the Federal Defend Trade Secrets Act, Executive cannot be held criminally or civilly liable under any federal or state trade secret law for disclosing a trade secret (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law, or (ii) in a complaint or other document filed under seal in a lawsuit or other proceeding. Notwithstanding this immunity from liability, Executive may be held liable if Executive unlawfully accesses trade secrets by unauthorized means.

6. **Specific Performance.** Executive agrees that if he breaches, or threatens to commit a breach of, any enforceable provision of paragraphs 3, 4 or 5 (the "Restrictive Covenants"), the

Company shall have, in addition to, and not in lieu of, any other rights and remedies available to the Company under law and in equity, the right to have the Restrictive Covenants specifically enforced by a court of competent jurisdiction, it being agreed that any such breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. Notwithstanding the foregoing, nothing herein shall constitute a waiver by Executive of his right to contest whether such a breach or threatened breach of any Restrictive Covenant has occurred. Any such damages, attorneys' fees and costs shall be in addition to and not in lieu of any injunctive relief that may be available to the Company.

7. Executive is advised that Executive has up to twenty-one (21) calendar days to consider this General Release before signing it. Executive may knowingly and voluntarily waive that up to twenty-one (21) day period by signing this General Release of Claims earlier. However, in the event Executive's employment terminated as part of a group termination within the meaning of the Older Workers Benefits Protection Act, the up to twenty-one (21) day consideration period shall be enlarged to up to forty-five (45) calendar days, and Executive shall be provided with additional disclosures required by the Older Workers Benefit Protection Act prior to the start of the up to forty-five (45) calendar day consideration period. In either case, Executive also shall have seven (7) business days following the date on which Executive signs this General Release of Claims within which to revoke it by providing a written notice of his revocation to the Company. Any such revocation shall be directed to the HR Director, Associate Relations & Compliance and must be delivered to the HR Director, Associate Relations & Compliance within that seven (7) day revocation period, or mailed to Destination XL Group, Inc., Attn: HR Director, Associate Relations & Compliance, 555 Turnpike Street, Canton, MA 02021 and postmarked within the seven (7) day revocation period.

8. Executive acknowledges that this General Release of Claims will be governed by and construed and enforced in accordance with the internal laws of the Commonwealth of Massachusetts applicable to contracts made and to be performed entirely within the Commonwealth.

9. Executive acknowledges that he has read this General Release of Claims, has been advised that he should consult with an attorney before executing this general release of claims, and that he understands all of its terms and executes it voluntarily and with full knowledge of its significance and the consequences thereof.

10. This General Release of Claims shall take effect on the eighth business day following Executive's execution of this General Release of Claims unless Executive's written revocation is delivered to the Company within seven (7) business days after such execution.

James Reath

DESTINATION XL GROUP, INC.
STAND-ALONE INDUCEMENT RESTRICTED STOCK UNIT AWARD AGREEMENT

FOR

JAMES REATH

1. **Grant of Restricted Stock Units.** DESTINATION XL GROUP, INC., a Delaware corporation (the “Company”), hereby grants, as of October 7, 2022 (“Date of Grant”), to **James Reath** (the “Participant”) an award of 32,840 restricted stock units (the “RSUs”) (the “Award”) to be settled in shares of the Company’s common stock, \$0.01 par value per share, subject to the terms and conditions as set forth herein. Among other things, this Award is paid in consideration for the non-compete provisions contained in the Participant’s Employment Agreement. This RSU award agreement (the “Agreement”) is issued as a stand-alone inducement grant outside of the Company’s 2016 Incentive Compensation Plan (the “2016 Plan”). Unless otherwise provided herein, however, terms used herein that are defined in the 2016 Plan and not defined herein shall have the meanings attributed thereto in the 2016 Plan. The Participant hereby acknowledges receipt of a copy of the 2016 Plan and agrees to be bound by all of the terms and conditions hereof and all applicable laws and regulations.

2. **Vesting of RSUs.**

(a) **General Vesting.** The RSUs shall become vested in accordance with the table below and upon the following conditions, provided that the Continuous Service of the Participant continues through and on the applicable “Vesting Date”. There shall be no proportionate or partial vesting of RSUs in or during the months, days or periods prior to the applicable Vesting Date, and except as otherwise provided in Section 2(b) hereof, all vesting of RSUs shall occur only on the applicable Vesting Date and any RSUs that are not and do not become Vested RSUs pursuant to Section 2(a) of this Agreement shall be forfeited as of the date of the Participant’s termination of employment for any reason.

Vesting Date	Number of RSUs vesting
10/7/2023	10,947
10/7/2024	10,946
10/7/2025	10,947

In the event employment is terminated by the Participant (other than for Good Reason as defined in the Participant’s employment agreement) on or before June 1, 2024, the Participant shall reimburse the Company the dollar amount of this Award, including any Gains, as defined in the Participant’s employment agreement, on the RSUs which were vested, within thirty (30) days following Participant’s termination of employment.

(b) **Acceleration of Vesting Upon Termination.** Notwithstanding Section 2(a), any unvested RSUs subject to this Agreement shall vest as follows:

(i) Upon termination of Continuous Service, on a Prorated Basis, in the event of a termination by the Company or any Related Entity without Justifiable Cause or by the Participant for Good Reason, provided that for purposes of Section 2(b)(i), a “**Prorated Basis**” means the total number of RSUs granted multiplied by the following fraction: the number of days from the Date of Grant divided by the number of days between the Date of Grant and October 7, 2025, less any RSUs that have already vested or

(ii) Upon termination of Continuous Service, in full, in the event of (A) a termination by the Company or any Related Entity without Justifiable Cause, (B) termination by the Participant for Good Reason, or (C) death or termination by the Company for Disability, if such termination event occurs within the 18-month period immediately following a Change in Control.

Additionally, in the event the Participant becomes partially vested and forfeits RSUs pursuant to Section 2(b)(i) and a Change in Control occurs within the 6-month period immediately following the termination by the Company without Justifiable Cause or by the Participant for Good Reason, the Participant shall be paid an amount equal to the value of the RSUs that were forfeited upon his termination (including the value of any Dividend Equivalents that would have been awarded through the date of the Change in Control if the Participant had remained in Continuous Service through the date of the Change in Control), if any, calculated on the date immediately prior to the Change in Control and such payment, less lawful withholdings, shall be made in cash on the first payroll date following the six-month anniversary of the date of termination.

(c) **Definitions.** For purposes of this Agreement, the following terms shall have the meanings indicated:

(i) “**Delivery Date**” means any date occurring as promptly as practical (but in no event more than 30 days) following the date on which the RSUs become Vested RSUs pursuant to Section 2, provided that in the event the RSUs vest pursuant to Section 2(b), the Delivery Date shall be within five (5) days following the vesting date.

(ii) “**Non-Vested RSUs**” means any portion of the RSUs subject to this Agreement that has not become vested pursuant to this Section 2.

(iii) “**Vested RSUs**” means any portion of the RSUs subject to this Agreement that is and has become vested pursuant to this Section 2.

(d) **Additional Forfeiture Provisions.** Any RSUs that are not Vested RSUs, and that do not become Vested RSUs pursuant to Section 2(b) as a result of the Participant’s termination of Continuous Service for any reason or any RSUs that are not Vested RSUs, shall be forfeited immediately upon such termination of Continuous Service, without any payment to the Participant. The Committee shall have the power and authority to enforce on behalf of the Company any rights of the Company under

this Agreement in the event of the Participant's forfeiture of Non-Vested RSUs pursuant to this Section 2.

3. Settlement of the Vested RSUs. The Company shall deliver to the Participant or, in the event of the Participant's death, to the Beneficiary or Beneficiaries designated by the Participant or, if the Participant has not so designated any Beneficiary(ies), or no Beneficiary survives the Participant, to the personal representative of the Participant's estate, on the Delivery Date certificates (or other indicia of ownership) representing the Shares (or other consideration as permitted under the 2016 Plan) corresponding to the number of Vested RSUs.

4. Rights with Respect to RSUs.

(a) **No Rights as Shareholder Until Delivery.** Except as otherwise provided in this Section 4, the Participant shall not have any rights, benefits or entitlements with respect to the Shares corresponding to the RSUs unless and until those Shares are delivered to the Participant (and thus shall have no voting rights, or rights to receive any dividend declared, before those Shares are so delivered). On or after delivery, the Participant shall have, with respect to the Shares delivered, all of the rights of a holder of Shares granted pursuant to the articles of incorporation and other governing instruments of the Company, or as otherwise available at law.

(b) **Adjustments to Shares.** This Award shall be subject to the adjustments on the same terms and conditions as those provided for in Section 11(c) of the 2016 Plan.

(c) **No Restriction on Certain Transactions.** Notwithstanding any term or provision of this Agreement to the contrary, the existence of this Agreement, or of any outstanding RSUs awarded hereunder, shall not affect in any manner the right, power or authority of the Company or any Related Entity to make, authorize or consummate: (i) any or all adjustments, recapitalizations, reorganizations or other changes in the Company's or any Related Entity's capital structure or its business; (ii) any merger, consolidation or similar transaction by or of the Company or any Related Entity; (iii) any offer, issue or sale by the Company or any Related Entity of any capital stock of the Company or any Related Entity, including any equity or debt securities, or preferred or preference stock that would rank prior to or on parity with the Shares represented by the RSUs and/or that would include, have or possess other rights, benefits and/or preferences superior to those that such Shares includes, has or possesses, or any warrants, options or rights with respect to any of the foregoing; (iv) the dissolution or liquidation of the Company or any Related Entity; (v) any sale, transfer or assignment of all or any part of the stock, assets or business of the Company or any Related Entity; or (vi) any other corporate transaction, act or proceeding (whether of a similar character or otherwise).

(d) **Dividend Equivalents.** With respect to any RSUs that have not been settled or been forfeited, provided that the Participant's Continuous Service has not terminated prior to the dividend record date, the Participant shall have the right to receive distributions (the "Dividend Equivalents") from the Company equal to any dividends or other distributions that would have been distributed to the Participant if each of the outstanding RSUs instead was an issued and outstanding Share owned by the Participant. The number of RSUs awarded for a cash dividend or non-cash dividend other than a stock dividend shall be determined by (i) multiplying the number of outstanding RSUs held by the Participant pursuant to this Agreement as of the dividend record

date by the amount of the dividend per Share and (ii) dividing the product so determined by the Fair Market Value of a Share on the dividend payment date. The number of RSUs awarded for a stock dividend shall be determined by multiplying the number of outstanding RSUs held by the Participant pursuant to this Agreement as of the dividend record date by the number of additional Shares actually paid as a dividend per Share. Any additional RSUs awarded pursuant to this Section 4(d) shall be awarded effective the date the dividend was paid, and shall have the same status, and shall be subject to the same terms and conditions (including without limitation the vesting and forfeiture provisions), under this Agreement as the RSUs to which they relate, and shall be distributed, reduced by any applicable withholding taxes, on the same Delivery Date as the RSUs to which they relate (or if later, as of the applicable dividend payment date). Each Dividend Equivalent shall be treated as a separate payment for purposes of Section 409A (as defined in Section 9(i)).

5. **Transferability.** The RSUs are not transferable unless and until the Shares have been delivered to the Participant in settlement of the RSUs in accordance with this Agreement, otherwise than by will or under the applicable laws of descent and distribution, except that the RSUs may be transferred to one or more Beneficiaries or other transferees during the lifetime of the Participant, but only if and to the extent such transfers are permitted by the Committee (subject to any terms and conditions which the Committee may impose thereon), are by gift or pursuant to a domestic relations order, are to a “Permitted Assignee” that is a permissible transferee under the Securities and Exchange Commission for registration of shares of stock on a Form S-8 Registration Statement under the Securities Act of 1933, as amended. For this purpose, a Permitted Assignee shall mean (i) the Participant’s spouse, children or grandchildren (including any adopted and step children or grandchildren), parents, grandparents or siblings, (ii) a trust for the benefit of one or more of the Participant or the persons referred to in clause (i), (iii) a partnership, limited liability company or corporation in which the Participant or the persons referred to in clause (i) are the only partners, members or shareholders, or (iv) a foundation in which any person or entity designated in clauses (i), (ii) or (iii) above control the management of assets. A Beneficiary, transferee, executor, administrator, heir, successor and assign of the Participant or any other person claiming any rights with respect to the RSUs shall be subject to all terms and conditions of this Agreement, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee. Except as otherwise permitted pursuant to the first sentence of this Section, any attempt to effect a Transfer of any RSUs prior to the date on which the Shares have been delivered to the Participant in settlement of the RSUs shall be void ab initio. For purposes of this Agreement, “Transfer” shall mean any sale, transfer, encumbrance, gift, donation, assignment, pledge, hypothecation, or other disposition, whether similar or dissimilar to those previously enumerated, whether voluntary or involuntary, and including, but not limited to, any disposition by operation of law, by court order, by judicial process, or by foreclosure, levy or attachment.

6. **Tax Matters.**

- (a) **Withholding.** As a condition to the Company’s obligations with respect to the RSUs (including, without limitation, any obligation to deliver any Shares) hereunder, the Participant shall make arrangements satisfactory to the Company to pay to the Company any federal, state, local or foreign taxes of any kind required to be

withheld with respect to the delivery of Shares corresponding to such RSUs. If the Participant shall fail to make the tax payments as are required, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind (including the withholding of any Shares that otherwise would be delivered to Participant under this Agreement) otherwise due to the Participant any federal, state or local taxes of any kind required by law to be withheld with respect to such Shares.

- (b) ***Satisfaction of Withholding Requirements.*** The Participant may satisfy the withholding requirements with respect to the RSUs pursuant to any one or combination of the following methods:
 - (i) payment in cash; or
 - (ii) payment by the withholding of Shares that otherwise would be deliverable to the Participant pursuant to this Agreement.
- (c) ***Participant's Responsibilities for Tax Consequences.*** The tax consequences to the Participant (including without limitation federal, state, local and foreign income tax consequences) with respect to the RSUs (including without limitation the grant, vesting and/or delivery thereof) are the sole responsibility of the Participant. The Participant shall consult with his or her own personal accountant(s) and/or tax advisor(s) regarding these matters and the Participant's filing, withholding and payment (or tax liability) obligations.

7. Amendment, Modification & Assignment. This Agreement may only be modified or amended in a writing signed by the parties hereto. No promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, with respect to the subject matter hereof, have been made by either party which are not set forth expressly in this Agreement. Unless otherwise consented to in writing by the Company, in its sole discretion, this Agreement (and Participant's rights hereunder) may not be assigned, and the obligations of Participant hereunder may not be delegated, in whole or in part. The rights and obligations created hereunder shall be binding on the Participant and his heirs and legal representatives and on the successors and assigns of the Company.

8. Complete Agreement. This Agreement (together with reference to the 2016 Plan) embody the complete and entire agreement and understanding between the parties with respect to the subject matter hereof, and supersede any and all prior promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, which may relate to the subject matter hereof in any way.

9. Miscellaneous.

- (a) ***No Right to (Continued) Employment or Service.*** This Agreement and the grant of RSUs hereunder shall not confer, or be construed to confer, upon the Participant any right to employment or service, or continued employment or service, with the Company or any Related Entity.

- (b) **No Limit on Other Compensation Arrangements.** Nothing contained in this Agreement shall preclude the Company or any Related Entity from adopting or continuing in effect other or additional compensation plans, agreements or arrangements, and any such plans, agreements and arrangements may be either generally applicable or applicable only in specific cases or to specific persons.
- (c) **Severability.** If any term or provision of this Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or under any applicable law, rule or regulation, then such provision shall be construed or deemed amended to conform to applicable law (or if such provision cannot be so construed or deemed amended without materially altering the purpose or intent of this Agreement and the grant of RSUs hereunder, such provision shall be stricken as to such jurisdiction and the remainder of this Agreement and the award hereunder shall remain in full force and effect).
- (d) **No Trust or Fund Created.** Neither this Agreement nor the grant of RSUs hereunder shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Related Entity and the Participant or any other person. To the extent that the Participant or any other person acquires a right to receive payments from the Company or any Related Entity pursuant to this Agreement, such right shall be no greater than the right of any unsecured general creditor of the Company.
- (e) **Law Governing.** This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware (without reference to the conflict of laws rules or principles thereof).
- (f) **Interpretation / Provisions of Plan Control.** This Agreement is subject to all the terms, conditions and provisions of the 2016 Plan including, without limitation, any future amendment provisions thereof, and to such rules, regulations and interpretations relating to the 2016 Plan adopted by the Committee as may be in effect from time to time. Except as otherwise provided below, if and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the 2016 Plan, the 2016 Plan shall control, and this Agreement shall be deemed to be modified accordingly. This Agreement is subject to Section 11(f) of the Plan which requires, in part, that without the consent of the Participant, the Award granted pursuant to this Agreement may not be amended or altered in a way that materially and adversely affects the Participant and any future amendment of the 2016 Plan shall not impact this provision as it relates to the Award. The Participant accepts this Agreement subject to all of the terms and provisions of the 2016 Plan and this Agreement. The undersigned Participant hereby accepts as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the 2016 Plan and this Agreement, unless shown to have been made in an arbitrary and capricious manner. Notwithstanding anything to the contrary in the 2016 Plan, it is hereby acknowledged that the references in Sections 7(a) and 8(c) of the 2016 Plan to Section 11(e) of the 2016 Plan are

intended to refer instead to Section 11(f) of the 2016 Plan (and will be interpreted as references to Section 11(f) of the 2016 Plan for purposes of this Agreement, and for purposes of the 2016 Plan in connection with this Agreement).

For the avoidance of doubt, Participant's good faith error in judgment in the normal course of business shall not be deemed "activity that is in conflict with or adverse to the interest of the Company or any Subsidiary" as that phrase is used in Section 8(f)(ii) of the 2016 Plan.

- (g) **Headings.** Section, paragraph and other headings and captions are provided solely as a convenience to facilitate reference. Such headings and captions shall not be deemed in any way material or relevant to the construction, meaning or interpretation of this Agreement or any term or provision hereof.
- (a) **Notices.** Any notice under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of the Company, to the Company's Secretary at 555 Turnpike Street, Canton, MA 02021, or if the Company should move its principal office, to such principal office, and, in the case of the Participant, to the Participant's last permanent address as shown on the Company's records, subject to the right of either party to designate some other address at any time hereafter in a notice satisfying the requirements of this Section.
- (h) **Section 409A.** It is the intention of both the Company and the Participant that the benefits and rights to which the Participant could be entitled pursuant to this Agreement qualify for the short-term deferral exemption under Section 409A of the Code and the Treasury Regulations and other guidance promulgated or issued thereunder ("**Section 409A**"), or comply with Section 409A and the provisions of this Agreement shall be construed in a manner consistent with that intention. Notwithstanding the foregoing, the Company does not make any representation to the Participant that the shares of RSUs awarded pursuant to this Agreement are exempt from, or satisfy, the requirements of Section 409A or that any other payments made under this Agreement are exempt from or comply with Section 409A, and the Company shall have no liability or other obligation to indemnify or hold harmless the Participant or any Beneficiary for any such tax, additional tax, interest or penalties that the Participant or any Beneficiary may incur in the event that any provision of this Agreement, or any amendment or modification thereof or any other action taken with respect thereto is deemed to violate any of the requirements of Section 409A.
- (i) **Non-Waiver of Breach.** The waiver by any party hereto of the other party's prompt and complete performance, or breach or violation, of any term or provision of this Agreement shall be effected solely in a writing signed by such party, and shall not operate nor be construed as a waiver of any subsequent breach or violation, and the waiver by any party hereto to exercise any right or remedy which he or it may possess shall not operate nor be construed as the waiver of such right or remedy by

such party, or as a bar to the exercise of such right or remedy by such party, upon the occurrence of any subsequent breach or violation.

- (j) **Counterparts.** This Agreement may be executed in two or more separate counterparts, each of which shall be an original, and all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have executed this Agreement as of October 7, 2022.

COMPANY:

DESTINATION XL GROUP, INC., a Delaware corporation

By: _____

Name: Peter H. Stratton, Jr.

Title: EVP, Chief Financial Officer and Treasurer

The Participant acknowledges receipt of a copy of the 2016 Plan and represents that he or she has reviewed the applicable provisions of the 2016 Plan and this Agreement and is familiar with and understands their terms and provisions, and hereby accepts this Agreement subject to all of the terms and provisions of the Agreement and the applicable provisions of the 2016 Plan. The Participant further represents that he or she has had an opportunity to obtain the advice of counsel prior to executing this Agreement.

PARTICIPANT:

Dated:

By: _____

James Reath

DESTINATION XL GROUP, INC.
STAND-ALONE INDUCEMENT RESTRICTED STOCK UNIT AWARD AGREEMENT

FOR

JONATHAN P. SAINSBURY

1. **Grant of Restricted Stock Units.** DESTINATION XL GROUP, INC., a Delaware corporation (the “Company”), hereby grants, as of October 26, 2022 (“Date of Grant”), to **Jonathan P. Sainsbury** (the “Participant”) an award of 15,174 restricted stock units (the “RSUs”) (the “Award”) to be settled in shares of the Company’s common stock, \$0.01 par value per share, subject to the terms and conditions as set forth herein. Among other things, this Award is paid in consideration for the non-compete provisions contained in the Participant’s Employment Agreement. This RSU award agreement (the “Agreement”) is issued as a stand-alone inducement grant outside of the Company’s 2016 Incentive Compensation Plan (the “2016 Plan”). Unless otherwise provided herein, however, terms used herein that are defined in the 2016 Plan and not defined herein shall have the meanings attributed thereto in the 2016 Plan. The Participant hereby acknowledges receipt of a copy of the 2016 Plan and agrees to be bound by all of the terms and conditions hereof and all applicable laws and regulations.

2. **Vesting of RSUs.**

(a) **General Vesting.** The RSUs shall become vested in accordance with the table below and upon the following conditions, provided that the Continuous Service of the Participant continues through and on the applicable “Vesting Date”. There shall be no proportionate or partial vesting of RSUs in or during the months, days or periods prior to the applicable Vesting Date, and except as otherwise provided in Section 2(b) hereof, all vesting of RSUs shall occur only on the applicable Vesting Date and any RSUs that are not and do not become Vested RSUs pursuant to Section 2(a) of this Agreement shall be forfeited as of the date of the Participant’s termination of employment for any reason.

Vesting Date	Number of RSUs vesting
10/26/2023	5,058
10/26/2024	5,058
10/26/2025	5,058

(b) **Acceleration of Vesting Upon Termination.** Notwithstanding Section 2(a), any unvested RSUs subject to this Agreement shall vest as follows:

(i) Upon termination of Continuous Service, on a Prorated Basis, in the event of a termination by the Company or any Related Entity without Justifiable Cause or by the Participant

for Good Reason, provided that for purposes of Section 2(b)(i), a “**Prorated Basis**” means the total number of RSUs granted multiplied by the following fraction: the number of days from the Date of Grant divided by the number of days between the Date of Grant and October 7, 2025, less any RSUs that have already vested or

(ii) Upon termination of Continuous Service, in full, in the event of (A) a termination by the Company or any Related Entity without Justifiable Cause, (B) termination by the Participant for Good Reason, or (C) death or termination by the Company for Disability, if such termination event occurs within the 18-month period immediately following a Change in Control.

Additionally, in the event the Participant becomes partially vested and forfeits RSUs pursuant to Section 2(b)(i) and a Change in Control occurs within the 6-month period immediately following the termination by the Company without Justifiable Cause or by the Participant for Good Reason, the Participant shall be paid an amount equal to the value of the RSUs that were forfeited upon his termination (including the value of any Dividend Equivalents that would have been awarded through the date of the Change in Control if the Participant had remained in Continuous Service through the date of the Change in Control), if any, calculated on the date immediately prior to the Change in Control and such payment, less lawful withholdings, shall be made in cash on the first payroll date following the six-month anniversary of the date of termination.

(c) **Definitions.** For purposes of this Agreement, the following terms shall have the meanings indicated:

(i) “**Delivery Date**” means any date occurring as promptly as practical (but in no event more than 30 days) following the date on which the RSUs become Vested RSUs pursuant to Section 2, provided that in the event the RSUs vest pursuant to Section 2(b), the Delivery Date shall be within five (5) days following the vesting date.

(ii) “**Non-Vested RSUs**” means any portion of the RSUs subject to this Agreement that has not become vested pursuant to this Section 2.

(iii) “**Vested RSUs**” means any portion of the RSUs subject to this Agreement that is and has become vested pursuant to this Section 2.

(d) **Additional Forfeiture Provisions.** Any RSUs that are not Vested RSUs, and that do not become Vested RSUs pursuant to Section 2(b) as a result of the Participant’s termination of Continuous Service for any reason or any RSUs that are not Vested RSUs, shall be forfeited immediately upon such termination of Continuous Service, without any payment to the Participant. The Committee shall have the power and authority to enforce on behalf of the Company any rights of the Company under this Agreement in the event of the Participant’s forfeiture of Non-Vested RSUs pursuant to this Section 2.

3. Settlement of the Vested RSUs. The Company shall deliver to the Participant or, in the event of the Participant’s death, to the Beneficiary or Beneficiaries designated by the Participant or, if the Participant has not so designated any Beneficiary(ies), or no Beneficiary survives the

Participant, to the personal representative of the Participant's estate, on the Delivery Date certificates (or other indicia of ownership) representing the Shares (or other consideration as permitted under the 2016 Plan) corresponding to the number of Vested RSUs.

4. Rights with Respect to RSUs.

(a) **No Rights as Shareholder Until Delivery.** Except as otherwise provided in this Section 4, the Participant shall not have any rights, benefits or entitlements with respect to the Shares corresponding to the RSUs unless and until those Shares are delivered to the Participant (and thus shall have no voting rights, or rights to receive any dividend declared, before those Shares are so delivered). On or after delivery, the Participant shall have, with respect to the Shares delivered, all of the rights of a holder of Shares granted pursuant to the articles of incorporation and other governing instruments of the Company, or as otherwise available at law.

(b) **Adjustments to Shares.** This Award shall be subject to the adjustments on the same terms and conditions as those provided for in Section 11(c) of the 2016 Plan.

(c) **No Restriction on Certain Transactions.** Notwithstanding any term or provision of this Agreement to the contrary, the existence of this Agreement, or of any outstanding RSUs awarded hereunder, shall not affect in any manner the right, power or authority of the Company or any Related Entity to make, authorize or consummate: (i) any or all adjustments, recapitalizations, reorganizations or other changes in the Company's or any Related Entity's capital structure or its business; (ii) any merger, consolidation or similar transaction by or of the Company or any Related Entity; (iii) any offer, issue or sale by the Company or any Related Entity of any capital stock of the Company or any Related Entity, including any equity or debt securities, or preferred or preference stock that would rank prior to or on parity with the Shares represented by the RSUs and/or that would include, have or possess other rights, benefits and/or preferences superior to those that such Shares includes, has or possesses, or any warrants, options or rights with respect to any of the foregoing; (iv) the dissolution or liquidation of the Company or any Related Entity; (v) any sale, transfer or assignment of all or any part of the stock, assets or business of the Company or any Related Entity; or (vi) any other corporate transaction, act or proceeding (whether of a similar character or otherwise).

(d) **Dividend Equivalents.** With respect to any RSUs that have not been settled or been forfeited, provided that the Participant's Continuous Service has not terminated prior to the dividend record date, the Participant shall have the right to receive distributions (the "Dividend Equivalents") from the Company equal to any dividends or other distributions that would have been distributed to the Participant if each of the outstanding RSUs instead was an issued and outstanding Share owned by the Participant. The number of RSUs awarded for a cash dividend or non-cash dividend other than a stock dividend shall be determined by (i) multiplying the number of outstanding RSUs held by the Participant pursuant to this Agreement as of the dividend record date by the amount of the dividend per Share and (ii) dividing the product so determined by the Fair Market Value of a Share on the dividend payment date. The number of RSUs awarded for a stock dividend shall be determined by multiplying the number of outstanding RSUs held by the Participant pursuant to this Agreement as of the dividend record date by the number of additional Shares actually paid as a dividend per Share. Any additional RSUs awarded pursuant to this Section 4(d) shall be awarded effective the date the dividend was paid, and shall have the same

status, and shall be subject to the same terms and conditions (including without limitation the vesting and forfeiture provisions), under this Agreement as the RSUs to which they relate, and shall be distributed, reduced by any applicable withholding taxes, on the same Delivery Date as the RSUs to which they relate (or if later, as of the applicable dividend payment date). Each Dividend Equivalent shall be treated as a separate payment for purposes of Section 409A (as defined in Section 9(i)).

5. *Transferability.* The RSUs are not transferable unless and until the Shares have been delivered to the Participant in settlement of the RSUs in accordance with this Agreement, otherwise than by will or under the applicable laws of descent and distribution, except that the RSUs may be transferred to one or more Beneficiaries or other transferees during the lifetime of the Participant, but only if and to the extent such transfers are permitted by the Committee (subject to any terms and conditions which the Committee may impose thereon), are by gift or pursuant to a domestic relations order, are to a “Permitted Assignee” that is a permissible transferee under the Securities and Exchange Commission for registration of shares of stock on a Form S-8 Registration Statement under the Securities Act of 1933, as amended. For this purpose, a Permitted Assignee shall mean (i) the Participant’s spouse, children or grandchildren (including any adopted and step children or grandchildren), parents, grandparents or siblings, (ii) a trust for the benefit of one or more of the Participant or the persons referred to in clause (i), (iii) a partnership, limited liability company or corporation in which the Participant or the persons referred to in clause (i) are the only partners, members or shareholders, or (iv) a foundation in which any person or entity designated in clauses (i), (ii) or (iii) above control the management of assets. A Beneficiary, transferee, executor, administrator, heir, successor and assign of the Participant or any other person claiming any rights with respect to the RSUs shall be subject to all terms and conditions of this Agreement, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee. Except as otherwise permitted pursuant to the first sentence of this Section, any attempt to effect a Transfer of any RSUs prior to the date on which the Shares have been delivered to the Participant in settlement of the RSUs shall be void ab initio. For purposes of this Agreement, “Transfer” shall mean any sale, transfer, encumbrance, gift, donation, assignment, pledge, hypothecation, or other disposition, whether similar or dissimilar to those previously enumerated, whether voluntary or involuntary, and including, but not limited to, any disposition by operation of law, by court order, by judicial process, or by foreclosure, levy or attachment.

6. *Tax Matters.*

- (a) ***Withholding.*** As a condition to the Company’s obligations with respect to the RSUs (including, without limitation, any obligation to deliver any Shares) hereunder, the Participant shall make arrangements satisfactory to the Company to pay to the Company any federal, state, local or foreign taxes of any kind required to be withheld with respect to the delivery of Shares corresponding to such RSUs. If the Participant shall fail to make the tax payments as are required, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind (including the withholding of any Shares that otherwise would be delivered to Participant under this Agreement) otherwise due to the Participant any federal, state or local taxes of any kind required by law to be withheld with respect to such Shares.

- (b) ***Satisfaction of Withholding Requirements.*** The Participant may satisfy the withholding requirements with respect to the RSUs pursuant to any one or combination of the following methods:
- (i) payment in cash; or
 - (ii) payment by the withholding of Shares that otherwise would be deliverable to the Participant pursuant to this Agreement.
- (c) ***Participant's Responsibilities for Tax Consequences.*** The tax consequences to the Participant (including without limitation federal, state, local and foreign income tax consequences) with respect to the RSUs (including without limitation the grant, vesting and/or delivery thereof) are the sole responsibility of the Participant. The Participant shall consult with his or her own personal accountant(s) and/or tax advisor(s) regarding these matters and the Participant's filing, withholding and payment (or tax liability) obligations.

7. Amendment, Modification & Assignment. This Agreement may only be modified or amended in a writing signed by the parties hereto. No promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, with respect to the subject matter hereof, have been made by either party which are not set forth expressly in this Agreement. Unless otherwise consented to in writing by the Company, in its sole discretion, this Agreement (and Participant's rights hereunder) may not be assigned, and the obligations of Participant hereunder may not be delegated, in whole or in part. The rights and obligations created hereunder shall be binding on the Participant and his heirs and legal representatives and on the successors and assigns of the Company.

8. Complete Agreement. This Agreement (together with reference to the 2016 Plan) embody the complete and entire agreement and understanding between the parties with respect to the subject matter hereof, and supersede any and all prior promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, which may relate to the subject matter hereof in any way.

9. Miscellaneous.

- (a) ***No Right to (Continued) Employment or Service.*** This Agreement and the grant of RSUs hereunder shall not confer, or be construed to confer, upon the Participant any right to employment or service, or continued employment or service, with the Company or any Related Entity.
- (b) ***No Limit on Other Compensation Arrangements.*** Nothing contained in this Agreement shall preclude the Company or any Related Entity from adopting or continuing in effect other or additional compensation plans, agreements or arrangements, and any such plans, agreements and arrangements may be either generally applicable or applicable only in specific cases or to specific persons.

- (c) **Severability.** If any term or provision of this Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or under any applicable law, rule or regulation, then such provision shall be construed or deemed amended to conform to applicable law (or if such provision cannot be so construed or deemed amended without materially altering the purpose or intent of this Agreement and the grant of RSUs hereunder, such provision shall be stricken as to such jurisdiction and the remainder of this Agreement and the award hereunder shall remain in full force and effect).
- (d) **No Trust or Fund Created.** Neither this Agreement nor the grant of RSUs hereunder shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Related Entity and the Participant or any other person. To the extent that the Participant or any other person acquires a right to receive payments from the Company or any Related Entity pursuant to this Agreement, such right shall be no greater than the right of any unsecured general creditor of the Company.
- (e) **Law Governing.** This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware (without reference to the conflict of laws rules or principles thereof).
- (f) **Interpretation / Provisions of Plan Control.** This Agreement is subject to all the terms, conditions and provisions of the 2016 Plan including, without limitation, any future amendment provisions thereof, and to such rules, regulations and interpretations relating to the 2016 Plan adopted by the Committee as may be in effect from time to time. Except as otherwise provided below, if and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the 2016 Plan, the 2016 Plan shall control, and this Agreement shall be deemed to be modified accordingly. This Agreement is subject to Section 11(f) of the Plan which requires, in part, that without the consent of the Participant, the Award granted pursuant to this Agreement may not be amended or altered in a way that materially and adversely affects the Participant and any future amendment of the 2016 Plan shall not impact this provision as it relates to the Award. The Participant accepts this Agreement subject to all of the terms and provisions of the 2016 Plan and this Agreement. The undersigned Participant hereby accepts as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the 2016 Plan and this Agreement, unless shown to have been made in an arbitrary and capricious manner. Notwithstanding anything to the contrary in the 2016 Plan, it is hereby acknowledged that the references in Sections 7(a) and 8(c) of the 2016 Plan to Section 11(e) of the 2016 Plan are intended to refer instead to Section 11(f) of the 2016 Plan (and will be interpreted as references to Section 11(f) of the 2016 Plan for purposes of this Agreement, and for purposes of the 2016 Plan in connection with this Agreement).

For the avoidance of doubt, Participant's good faith error in judgment in the normal course of business shall not be deemed "activity that is in conflict with or adverse

to the interest of the Company or any Subsidiary” as that phrase is used in Section 8(f)(ii) of the 2016 Plan.

- (g) **Headings.** Section, paragraph and other headings and captions are provided solely as a convenience to facilitate reference. Such headings and captions shall not be deemed in any way material or relevant to the construction, meaning or interpretation of this Agreement or any term or provision hereof.
- (a) **Notices.** Any notice under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of the Company, to the Company’s Secretary at 555 Turnpike Street, Canton, MA 02021, or if the Company should move its principal office, to such principal office, and, in the case of the Participant, to the Participant’s last permanent address as shown on the Company’s records, subject to the right of either party to designate some other address at any time hereafter in a notice satisfying the requirements of this Section.
- (h) **Section 409A.** It is the intention of both the Company and the Participant that the benefits and rights to which the Participant could be entitled pursuant to this Agreement qualify for the short-term deferral exemption under Section 409A of the Code and the Treasury Regulations and other guidance promulgated or issued thereunder (“**Section 409A**”), or comply with Section 409A and the provisions of this Agreement shall be construed in a manner consistent with that intention. Notwithstanding the foregoing, the Company does not make any representation to the Participant that the shares of RSUs awarded pursuant to this Agreement are exempt from, or satisfy, the requirements of Section 409A or that any other payments made under this Agreement are exempt from or comply with Section 409A, and the Company shall have no liability or other obligation to indemnify or hold harmless the Participant or any Beneficiary for any such tax, additional tax, interest or penalties that the Participant or any Beneficiary may incur in the event that any provision of this Agreement, or any amendment or modification thereof or any other action taken with respect thereto is deemed to violate any of the requirements of Section 409A.
- (i) **Non-Waiver of Breach.** The waiver by any party hereto of the other party's prompt and complete performance, or breach or violation, of any term or provision of this Agreement shall be effected solely in a writing signed by such party, and shall not operate nor be construed as a waiver of any subsequent breach or violation, and the waiver by any party hereto to exercise any right or remedy which he or it may possess shall not operate nor be construed as the waiver of such right or remedy by such party, or as a bar to the exercise of such right or remedy by such party, upon the occurrence of any subsequent breach or violation.
- (j) **Counterparts.** This Agreement may be executed in two or more separate counterparts, each of which shall be an original, and all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have executed this Agreement as of October 26, 2022.

COMPANY:

DESTINATION XL GROUP, INC., a Delaware corporation

By: _____

Name: Harvey S. Kanter

Title: President and Chief Executive Officer

The Participant acknowledges receipt of a copy of the 2016 Plan and represents that he or she has reviewed the applicable provisions of the 2016 Plan and this Agreement and is familiar with and understands their terms and provisions, and hereby accepts this Agreement subject to all of the terms and provisions of the Agreement and the applicable provisions of the 2016 Plan. The Participant further represents that he or she has had an opportunity to obtain the advice of counsel prior to executing this Agreement.

PARTICIPANT:

Dated: 10-26-2022

By: _____

Jonathan P. Sainsbury

**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 Destination XL Group, Inc. (the "Company") for the period ended October 29, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Harvey S. Kanter, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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 (the "Exchange Act"); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is being furnished as an exhibit to the Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing, except to the extent that the Company specifically incorporates this certification by reference.

Date: November 17, 2022

By: /s/ Harvey S. Kanter
Harvey S. Kanter
Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**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 Destination XL Group, Inc. (the "Company") for the period ended October 29, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter H. Stratton, Jr., Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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 (the "Exchange Act"); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is being furnished as an exhibit to the Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing, except to the extent that the Company specifically incorporates this certification by reference.

Date: November 17, 2022

By: /s/ Peter H. Stratton, Jr.
Peter H. Stratton, Jr.
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
