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 28, 2017

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	**04-2623104**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
555 Turnpike Street	
Canton, MA	**02021**
(Address of principal executive offices)	**(Zip Code)**

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☐ (Do not check if a small reporting company)	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 10, 2017, the registrant had 48,686,513 shares of common stock, $0.01 par value per share, outstanding.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements.

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

	October 28, 2017 (Fiscal 2017)	January 28, 2017 (Fiscal 2016)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,791	$ 5,572
Accounts receivable	4,232	7,114
Inventories	119,878	117,446
Prepaid expenses and other current assets	11,747	8,817
Total current assets	141,648	138,949
Property and equipment, net of accumulated depreciation and amortization	116,126	124,347
Other assets:		
Intangible assets	1,923	2,228
Other assets	3,955	3,804
Total assets	$ 263,652	$ 269,328
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 2,296	$ 6,941
Current portion of deferred gain on sale-leaseback	1,465	1,465
Accounts payable	32,750	31,258
Accrued expenses and other current liabilities	24,616	31,938
Borrowings under credit facility	68,198	44,097
Total current liabilities	129,325	115,699
Long-term liabilities:		
Long-term debt, net of current portion	10,892	12,061
Deferred rent and lease incentives	36,075	35,421
Deferred gain on sale-leaseback, net of current portion	10,624	11,723
Deferred tax liability	222	222
Other long-term liabilities	4,735	5,682
Total long-term liabilities	62,548	65,109
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized, 61,426,351 and 61,637,164 shares issued at October 28, 2017 and January 28, 2017, respectively	614	616
Additional paid-in capital	307,115	304,466
Treasury stock at cost, 12,755,873 and 10,877,439 shares at October 28, 2017 and January 28, 2017, respectively	(92,658)	(87,977)
Accumulated deficit	(138,069)	(122,567)
Accumulated other comprehensive loss	(5,223)	(6,018)
Total stockholders' equity	71,779	88,520
Total liabilities and stockholders' equity	$ 263,652	$ 269,328

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 28, 2017 (Fiscal 2017)	October 29, 2016 (Fiscal 2016)	October 28, 2017 (Fiscal 2017)	October 29, 2016 (Fiscal 2016)
Sales	$ 103,700	$ 101,871	$ 332,454	$ 327,637
Cost of goods sold including occupancy costs	58,887	56,633	183,136	177,790
Gross profit	44,813	45,238	149,318	149,847
Expenses:				
Selling, general and administrative	41,968	41,383	137,204	129,051
Depreciation and amortization	7,680	7,494	25,055	22,363
Total expenses	49,648	48,877	162,259	151,414
Operating loss	(4,835)	(3,639)	(12,941)	(1,567)
Interest expense, net	(871)	(779)	(2,497)	(2,346)
Loss before provision for income taxes	(5,706)	(4,418)	(15,438)	(3,913)
Provision for income taxes	-	34	64	126
Net loss	$ (5,706)	$ (4,452)	$ (15,502)	$ (4,039)
Net loss per share - basic and diluted	$ (0.12)	$ (0.09)	$ (0.32)	$ (0.08)
Weighted-average number of common shares outstanding:				
Basic	48,607	49,552	48,966	49,532
Diluted	48,607	49,552	48,966	49,532

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

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

	For the Three Months Ended		For the Nine Months Ended	
	October 28, 2017 (Fiscal 2017)	October 29, 2016 (Fiscal 2016)	October 28, 2017 (Fiscal 2017)	October 29, 2016 (Fiscal 2016)
Net loss	$ (5,706)	$ (4,452)	$ (15,502)	$ (4,039)
Other comprehensive income before taxes:				
Foreign currency translation	(52)	(176)	164	(319)
Pension plans	210	237	631	711
Other comprehensive income before taxes	158	61	795	392
Tax provision related to items of other comprehensive income	—	—	—	—
Other comprehensive income, net of tax	158	61	795	392
Comprehensive loss	$ (5,548)	$ (4,391)	$ (14,707)	$ (3,647)

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 Shares	Common Stock Amounts	Additional Paid-in Capital	Treasury Stock Shares	Treasury Stock Amounts	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 28, 2017	61,637	$ 616	$ 304,466	(10,877)	$ (87,977)	$ (122,567)	$ (6,018)	$ 88,520
Board of Directors compensation	96	1	420					421
Stock compensation expense			1,306					1,306
Restricted Stock issued, reclass from liability to equity (Note 3)	425	4	916					920
Cancellations of restricted stock, net of issuances	(777)	(8)	8					—
Deferred stock vested	45	1	(1)					—
Repurchase of common stock				(1,878)	(4,681)			(4,681)
Accumulated other comprehensive income (loss):								
Pension plan							631	631
Foreign currency							164	164
Net loss						(15,502)		(15,502)
Balance at October 28, 2017	61,426	$ 614	$ 307,115	(12,755)	$ (92,658)	$ (138,069)	$ (5,223)	$ 71,779

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 28, 2017 (Fiscal 2017)	For the Nine Months Ended October 29, 2016 (Fiscal 2016)
Cash flows from operating activities:		
Net loss	$ (15,502)	$ (4,039)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of deferred gain on sale-leaseback	(1,099)	(1,099)
Amortization of deferred debt issuance costs	206	208
Depreciation and amortization	25,055	22,363
Deferred taxes, net of valuation allowance	—	26
Stock compensation expense	1,306	1,076
Board of Directors stock compensation	421	362
Changes in operating assets and liabilities:		
Accounts receivable	2,882	(3,642)
Inventories	(2,432)	(3,167)
Prepaid expenses and other current assets	(2,930)	(705)
Other assets	(151)	(376)
Accounts payable	1,492	(972)
Deferred rent and lease incentives	654	3,976
Accrued expenses and other liabilities	(4,654)	(5,959)
Net cash provided by operating activities	5,248	8,052
Cash flows from investing activities:		
Additions to property and equipment, net	(18,429)	(21,799)
Net cash used for investing activities	(18,429)	(21,799)
Cash flows from financing activities:		
Repurchase of common stock	(4,681)	—
Principal payments on long-term debt	(5,930)	(5,363)
Net borrowings under credit facility	24,011	20,284
Net cash provided by financing activities	13,400	14,921
Net increase in cash and cash equivalents	219	1,174
Cash and cash equivalents:		
Beginning of period	5,572	5,170
End of period	$ 5,791	$ 6,344

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

1. Basis of Presentation

In the opinion of management of Destination XL Group, Inc., a Delaware corporation (formerly known as Casual Male Retail Group, Inc. and, 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 28, 2017 included in the Company's Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 20, 2017.

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 2017 is a 53-week period ending on February 3, 2018 and fiscal 2016 was a 52-week period ending on January 28, 2017.

Segment Information

The Company reports its operations as one reportable segment, Big & Tall Men's Apparel, which consists of two principal operating segments: its retail business and its direct business. The Company considers its operating segments to be similar in terms of economic characteristics, production processes and operations, and has therefore aggregated them into a single reporting segment, consistent with its omni-channel business approach. The direct operating segment includes the operating results and assets for LivingXL® and ShoesXL®.

Intangibles

At October 28, 2017, the "Casual Male" trademark had a carrying value of $0.4 million and is considered a definite-lived asset. The Company is amortizing the remaining carrying value on an accelerated basis, consistent with projected cash flows through fiscal 2018, its estimated remaining useful life.

The Company's "Rochester" trademark is considered an indefinite-lived intangible asset and has a carrying value of $1.5 million. During the nine months ended October 28, 2017, no event or circumstance occurred which would cause a reduction in the fair value of the Company's reporting units, requiring interim testing of the Company's "Rochester" trademark.

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 fair value of long-term debt is classified within Level 2 of the valuation hierarchy. At October 28, 2017, the fair value approximated the carrying amount based upon terms available to the Company for borrowings with similar arrangements and remaining maturities.

The fair value of indefinite-lived assets, which consists of the Company's "Rochester" trademark, is measured on a non-recurring basis in connection with the Company's annual impairment test. The fair value of the trademark is determined using a projected discounted cash flow analysis based on unobservable inputs and is classified within Level 3 of the valuation hierarchy. See *Intangibles* above.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and short-term borrowings 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 and reclassifications from AOCI for the three and nine months ended October 28, 2017 and October 29, 2016, respectively, were as follows:

For the three months ended:	October 28, 2017			October 29, 2016		
	(in thousands)					
	Pension Plans	Foreign Currency	Total	Pension Plans	Foreign Currency	Total
Balance at beginning of the quarter	$ (4,816)	$ (565)	$ (5,381)	$ (5,639)	$ (682)	$ (6,321)
Other comprehensive income (loss) before reclassifications, net of taxes	43	(52)	(9)	61	(176)	(115)
Amounts reclassified from accumulated other comprehensive income, net of taxes (1)	167	—	167	176	—	176
Other comprehensive income (loss) for the period	210	(52)	158	237	(176)	61
Balance at end of quarter	$ (4,606)	$ (617)	$ (5,223)	$ (5,402)	$ (858)	$ (6,260)

For the nine months ended:	October 28, 2017			October 29, 2016		
	(in thousands)					
	Pension Plans	Foreign Currency	Total	Pension Plans	Foreign Currency	Total
Balance at beginning of fiscal year	$ (5,237)	$ (781)	$ (6,018)	$ (6,113)	$ (539)	$ (6,652)
Other comprehensive income (loss) before reclassifications, net of taxes	128	164	292	183	(319)	(136)
Amounts reclassified from accumulated other comprehensive income, net of taxes (1)	503	—	503	528	—	528
Other comprehensive income (loss) for the period	631	164	795	711	(319)	392
Balance at end of quarter	$ (4,606)	$ (617)	$ (5,223)	$ (5,402)	$ (858)	$ (6,260)

(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 amortization of the unrecognized loss, before tax, was $167,000 and $503,000 for the three and nine months ended October 28, 2017, respectively, and $176,000 and $528,000 for the three and nine months ended October 29, 2016, respectively. There was no tax benefit for any period.

Revenue Recognition

Revenue from the Company's retail business is recorded upon purchase of merchandise by customers, net of an allowance for sales returns. Revenue from the Company's direct business is recognized at the time a customer order is delivered, net of an allowance for sales returns. Store sales are defined as sales that originate and are fulfilled directly at the store level. E-commerce sales are defined as sales that originate online, including those initiated online at the store level.

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 significant judgment. Actual results and future changes in estimates may differ from the Company's current estimates.

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 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 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.

In the second quarter of fiscal 2017, the Company recorded an impairment charge of $1.7 million for the write-down of property and equipment. The impairment charge related to a store where the carrying value exceeded fair value. The fair value of these assets, based on Level 3 inputs, was determined using estimated discounted cash flows. The impairment charge was included in Depreciation and Amortization on the Consolidated Statement of Operations for the nine months ended October 28, 2017. There was no material impairment of assets in the third quarter of fiscal 2017 or in the first nine months of fiscal 2016.

Recently Adopted Accounting Pronouncements

In July 2015, the FASB issued ASU 2015-11, "*Inventory (Topic 330): Simplifying the Measurement of Inventory,*" which applies to inventory that is measured using first-in, first-out ("FIFO") or average cost. Under the updated guidance, an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This ASU is effective for annual and interim periods beginning after December 15, 2016, with early adoption permitted. The Company adopted this pronouncement as of January 29, 2017. The adoption of this standard did not have a material impact on the Company's Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-09, "*Compensation - Stock Compensation (Topic 718) - Improvements to Employee Share-Based Payment Accounting*," which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards, and classification on the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company adopted this standard during the first quarter of fiscal 2017. The adoption of this standard did not have a material impact on the Company's provision for income taxes or diluted earnings per share. The Company has elected to adopt the guidance related to the presentation of excess tax benefits in its Consolidated Statements of Cash Flows on a prospective transition method. Since there were no excess tax benefits for the nine months ended October 28, 2017 or October 29, 2016, this election did not result in a change in presentation on the Consolidated Statement of Cash Flows. In addition, the Company has elected to continue to estimate forfeitures at each grant.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers*," which supersedes the revenue recognition requirements in ASC 605, "*Revenue Recognition*," as well as various other sections of the ASC, such as, but not limited to, ASC 340-20, "*Other Assets and Deferred Costs - Capitalized Advertising Costs*". The core principle of ASU 2014-09 is that an entity should recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and is to be applied either retrospectively to each prior reporting period presented or with the cumulative effect recognized at the date of initial adoption as an adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets on the balance sheet). Early adoption is permitted after December 15, 2016. The Company expects to adopt ASU 2014-09 in the first quarter of fiscal 2018, using the modified retrospective approach as a transition method. The Company is continuing to evaluate the impact that ASU 2014-09 will have on its Consolidated Financial Statements and its disclosures, particularly as it relates to the Company's revenue recognition policies and internal controls for gift card breakage, loyalty award program and estimates for sales returns. Based on these efforts, the Company currently anticipates that the performance obligations underlying its core revenue stream and the timing of recognition therefore, will remain substantially unchanged. The Company expects that ASU 2014-09 will require additional disclosure, but does not expect the adoption to have a material impact on its Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*," which will require an entity to recognize lease assets and lease liabilities on its balance sheet and will increase disclosure requirements on its leasing arrangements. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods therein. Early adoption is permitted. In the financial statements in which the ASU is first applied, leases shall be measured and recognized at the beginning of the earliest comparative period presented with an adjustment to equity. While the Company is still evaluating the impact this pronouncement will have on its Consolidated Financial Statements, the Company expects a gross-up of its Consolidated Balance Sheets as a result of recognizing lease liabilities and right of use assets. The extent of such gross-up is under evaluation.

In March 2016, the FASB issued ASU 2016-04, "*Liabilities—Extinguishments of Liabilities: Recognition of Breakage for Certain Prepaid Stored-Value Products*," which amends exempting gift cards and other prepaid stored-value products from the guidance on extinguishing financial liabilities. Rather, they will be subject to breakage accounting consistent with the new revenue guidance in Topic 606. However, the exemption only applies to breakage liabilities that are not subject to unclaimed property laws or that are attached to segregated bank accounts (e.g., consumer debit cards). The ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption of this pronouncement to have a material impact on its Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15, "*Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*," which reduces the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230. The ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company does not expect the adoption of this pronouncement to have a material impact on its Consolidated Financial Statements.

In October 2016, the FASB issued ASU 2016-16, "*Income Taxes (Topic 740): Intra-Entity Transfer of Assets Other Than Inventory*," which reduces the existing diversity in practice in how income tax consequences of an intra-entity transfer of an asset other than inventory should be recognized. The amendments in ASU 2016-16 require an entity to recognize such income tax consequences when the intra-entity transfer occurs rather than waiting until such time as the asset has been sold to an outside party. The ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company does not expect the adoption of this pronouncement to have a material impact on its Consolidated Financial Statements.

In May 2017, the FASB issued ASU 2017-09, "*Compensation—Stock Compensation (Topic 718)*"which provides clarity in order to reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption of this pronouncement to have a material impact on its Consolidated Financial Statements.

No other new accounting pronouncements, issued or effective during the first nine months of fiscal 2017, have had or are expected to have a significant impact on the Company's Consolidated Financial Statements.

2. Debt

Credit Agreement with Bank of America, N.A.

On October 30, 2014, the Company amended its credit facility with Bank of America, N.A, effective October 29, 2014, by executing the Second Amendment to the Sixth Amended and Restated Loan and Security Agreement (as amended, the “Credit Facility”).

The Credit Facility provides for maximum committed borrowings of $125 million. The Credit Facility includes, pursuant to an accordion feature, the ability to increase the Credit Facility by an additional $50 million upon the request of the Company and the agreement of the lender(s) participating in the increase. The Credit Facility includes a sublimit of $20 million for commercial and standby letters of credit and a sublimit of up to $15 million for swingline loans. The Company’s ability to borrow under the Credit Facility is determined using an availability formula based on eligible assets. The maturity date of the Credit Facility is October 29, 2019. The Company’s obligations under the Credit Facility are secured by a lien on substantially all of its assets, excluding (i) a first priority lien held by the lenders of the Term Loan Facility on certain equipment of the Company described below and (ii) intellectual property.

At October 28, 2017, the Company had outstanding borrowings under the Credit Facility of $68.4 million, before unamortized debt issuance costs of $0.2 million. Outstanding standby letters of credit were $3.3 million and outstanding documentary letters of credit were $0.1 million. Unused excess availability at October 28, 2017 was $38.2 million. Average monthly borrowings outstanding under the Credit Facility during the first nine months of fiscal 2017 were $60.4 million, resulting in an average unused excess availability of approximately $43.3 million. The Company’s ability to borrow under the Credit Facility is determined using an availability formula based on eligible assets, with increased advance rates based on seasonality. Pursuant to the terms of the Credit Facility, if the Company’s excess availability under the Credit Facility fails to be equal to or greater than the greater of (i) 10% of the Loan Cap (defined in the Credit Facility as the lesser of the revolving credit commitments at such time or the borrowing base at the relevant measurement time) and (ii) $7.5 million, the Company will be required to maintain a minimum consolidated fixed charge coverage ratio of 1.0:1.0 in order to pursue certain transactions, including but not limited to, stock repurchases, payment of dividends and business acquisitions.

Borrowings made pursuant to the Credit Facility will bear interest at a rate equal to the base rate (determined as the highest of (a) Bank of America N.A.’s prime rate, (b) the Federal Funds rate plus 0.50% or (c) the annual ICE-LIBOR rate (“LIBOR”) for the respective interest period) plus a varying percentage, based on the Company’s borrowing base, of 0.50%-0.75% for prime-based borrowings and 1.50%-1.75% for LIBOR-based borrowings. The Company is also subject to an unused line fee of 0.25%. At October 28, 2017, the Company’s prime-based interest rate was 4.75%. At October 28, 2017, the Company had approximately $64.0 million of its outstanding borrowings in LIBOR-based contracts with an interest rate of 2.70%. The LIBOR-based contracts expired on October 31, 2017. When a LIBOR-based borrowing expires, the borrowings revert back to prime-based borrowings unless the Company enters into a new LIBOR-based borrowing arrangement.

The fair value of the amount outstanding under the Credit Facility at October 28, 2017 approximated the carrying value.

Long-Term Debt

Components of long-term debt are as follows:

(in thousands)	October 28, 2017	January 28, 2017
Equipment financing notes	$ 1,409	$ 6,589
Term loan, due 2019	12,000	12,750
Less: unamortized debt issuance costs	(221)	(337)
Total long-term debt	13,188	19,002
Less: current portion of long-term debt	2,296	6,941
Long-term debt, net of current portion	$ 10,892	$ 12,061

Equipment Financing Loans

Pursuant to a Master Loan and Security Agreement with Banc of America Leasing & Capital, LLC, dated July 20, 2007 and amended on September 30, 2013 (the “Master Agreement”), the Company entered into twelve equipment security notes between September 2013 and June 2014 (in aggregate, the “Notes”), whereby the Company borrowed an aggregate of $26.4 million. The Notes are for a term of 48 months and accrue interest at fixed rates ranging from 3.07% to 3.50%. Principal and interest are paid monthly, in arrears.

The Notes are secured by a security interest in all of the Company’s rights, title and interest in and to certain equipment. The Company was subject to prepayment penalties through the second anniversary of each note. The Company is no longer subject to any prepayment penalties. The Master Agreement includes default provisions that are customary for financings of this type and are similar and no more restrictive than the Company’s existing Credit Facility.

Term Loan

On October 30, 2014, the Company entered into a term loan agreement with respect to a new $15 million senior secured term loan facility with Wells Fargo Bank, National Association as administrative and collateral agent (the “Term Loan Facility”). The effective date of the Term Loan Facility is October 29, 2014 (the “Effective Date”). The proceeds from the Term Loan Facility were used to repay borrowings under the Credit Facility.

The Term Loan Facility bears interest at a rate per annum equal to the greater of (a) 1.00% and (b) the one month LIBOR rate, plus 6.50%. Interest payments are payable on the first business day of each calendar month, and increase by 2% following the occurrence and during the continuance of an “event of default,” as defined in the Term Loan Facility. The Term Loan Facility provides for quarterly principal payments on the first business day of each calendar quarter, which commenced the first business day of January 2015, in an aggregate principal amount equal to $250,000, subject to adjustment, with the balance payable on the termination date.

The Term Loan Facility includes usual and customary mandatory prepayment provisions for transactions of this type that are triggered by the occurrence of certain events. In addition, the amounts advanced under the Term Loan Facility can be optionally prepaid in whole or part without penalty.

The Term Loan Facility matures on October 29, 2019. It is secured by a first priority lien on certain equipment of the Company, and a second priority lien on substantially all of the remaining assets of the Company, excluding intellectual property.

3. Long-Term Incentive Plans

The following is a summary of the Company’s long-term incentive plans. Beginning on August 4, 2016, all equity awards granted under long-term incentive plans are issued from the Company’s stockholder-approved 2016 Incentive Compensation Plan. All prior awards were issued from the Company’s 2006 Incentive Compensation Plan, which expired on July 31, 2016. See Note 4, Stock-Based Compensation.

2016 Long-Term Incentive Wrap-Around Plan

The 2016 Long-Term Incentive Wrap-Around Plan (the “Wrap-Around Plan”), which was approved in the fourth quarter of fiscal 2014, was a supplemental performance-based incentive plan that was only effective if there was no vesting of the performance-based awards under the 2013-2016 LTIP and, as a result, all performance-based awards under that plan are forfeited. The performance targets under the 2013-2016 LTIP were not achieved at the end of fiscal 2016 and accordingly, the Wrap-Around Plan became effective.

The performance target under the Wrap-Around Plan consisted of two metrics, Sales and EBITDA, with threshold (50%), target (80%) and maximum (100%) payout levels. Each metric was weighted as 50% of the total performance target. However, in order for there to be any payout under either metric, EBITDA for fiscal 2016 had to be equal to or greater than the minimum threshold.

The Wrap-Around Plan also provided for an opportunity to receive additional shares of restricted stock if the performance targets were achieved and the Company’s closing stock price was $6.75 or higher on the day earnings for fiscal 2016 were publicly released, which was March 20, 2017. The stock did not achieve a minimum of $6.75, therefore, no additional award was earned.

Based on the operating results for fiscal 2016, the Company achieved a 50.6% payout of its EBITDA target. The minimum threshold for the Sales target was not achieved. Accordingly, subsequent to year-end, in the first quarter of fiscal 2017, the Compensation Committee of the Board of Directors approved awards totaling $2.3 million, with a grant date of March 20, 2017. On that date, the Company granted shares of restricted stock, with a fair value of approximately $1.0 million and cash awards totaling approximately $1.3 million. All awards vested on July 28, 2017.

On March 20, 2017, in conjunction with the grant of restricted stock awards, the Company reclassified $0.9 million of the liability accrual from “*Accrued Expenses and Other Current Liabilities*” to “*Additional Paid-In Capital.*” See the Consolidated Statement of Changes in Stockholders’ Equity.

New Long-Term Incentive Plan

With the 2013-2016 LTIP and Wrap-Around Plan expiring at the end of fiscal 2016, on March 15, 2016, the Compensation Committee approved the Destination XL Group, Inc. Long-Term Incentive Plan, as amended February 1, 2017 (the "new LTIP").

Under the terms of the new LTIP, each year the Compensation Committee will establish performance targets which will cover a two-year performance period (each a "Performance Period"), thereby creating overlapping Performance Periods. Each participant in the plan will be entitled to receive an award 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 long-term incentive program percentage, which is 100% for the Company's Chief Executive Officer, 70% for its senior executives and 25% for other participants in the plan. Because of the overlapping two-year Performance Periods, the Target Cash Value for any award is based on one year of annual salary, as opposed to two years, to avoid doubling an award payout in any given fiscal year.

For each participant, 50% of the Target Cash Value is subject to time-based vesting and 50% is subject to performance-based vesting. The time-vested portion of the award will vest in two installments with 50% of the time-vested portion vesting on April 1 following the fiscal year end which marks the end of the applicable Performance Period and 50% vesting on April 1 the succeeding year. The performance-based vesting is subject to the achievement of the performance target(s) for the applicable Performance Period. Performance awards granted will vest on August 31 following the end of the applicable Performance Period.

For the 2016-2017 Performance Period, the Compensation Committee established two performance targets under the LTIP (the "2016-2017 LTIP"), each weighted 50%. The first target is EBITDA for fiscal 2017, defined as earnings before interest, taxes, depreciation and amortization, and the second target is "DXL Comparable Store Marginal Cash-Over-Cash Return", defined as the aggregate of each comparable DXL store's four-wall cash flow for fiscal 2017 divided by the aggregate capital investment, net of any tenant allowance, for each comparable DXL store.

For the 2017-2018 Performance Period, the Compensation Committee established two performance targets under the LTIP (the "2017-2018 LTIP"), each weighted 50%. The first target is Total Company Comparable Sales and will be measured based on a two-year stack, which is the sum of the Total Company Comparable Sales for fiscal 2017 and fiscal 2018. The second target is a Modified ROIC, which is defined as Operating Income divided by Invested Capital (Total Debt plus Stockholders' Equity).

All awards granted under both the 2016-2017 LTIP and 2017-2018 LTIP were in restricted stock units (RSUs). Assuming that the Company achieves the performance target at target levels and all time-vested awards vest, the compensation expense associated with the 2016-2017 LTIP and 2017-2018 LTIP is estimated to be approximately $4.0 million and $4.2 million, respectively. Approximately half of the compensation expense for each plan relates to the time-vested RSUs, which are being expensed over thirty-six months, based on the respective vesting dates. With respect to the performance-based component, RSUs will be granted at the end of the performance period if the performance targets are achieved. Through the end of the third quarter of fiscal 2017, the Company had accrued approximately $0.3 million in compensation expense related to the potential payout of performance awards under the 2016-2017 LTIP. No accrual has been made for performance awards under the 2017-2018 LTIP.

4. Stock-Based Compensation

Through the end of the second quarter of fiscal 2016, the Company's 2006 Incentive Compensation Plan (as amended and restated effective as of August 1, 2013, the "2006 Plan") was the only stockholder-approved plan. The 2006 Plan expired on July 31, 2016. In the third quarter of fiscal 2016, at the Company's 2016 Annual Meeting of Stockholders held August 4, 2016, the Company's stockholders approved the adoption of the 2016 Incentive Compensation Plan (the "2016 Plan").

2016 Plan

The initial share reserve under the 2016 Plan, including the rollover of 525,538 available shares under our 2006 Plan was 5,725,538 shares of our 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. In accordance with the terms of the 2016 Plan, any shares outstanding under the 2006 Plan at August 4, 2016 that subsequently terminate, expire or are canceled for any reason without having been exercised or paid are added back and become available for issuance under the 2016 Plan, with options and stock appreciation rights 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 28, 2017, the Company had 6,437,283 shares available under the 2016 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 Company's 2006 Plan and 2016 Plan, on a combined basis, for the first nine months of fiscal 2017:

	Restricted shares	Restricted Stock Units (1)	Deferred shares (2)	Fully-vested shares (3)	Total number of shares	Weighted-average grant-date fair value (4)
Shares						
Outstanding non-vested shares at beginning of year	856,332	369,828	64,876	—	1,291,036	$ 5.09
Shares granted	484,558	804,701	74,968	66,325	1,430,552	$ 2.68
Shares vested/issued	(430,336)	(27,697)	(44,599)	(66,325)	(568,957)	$ 2.66
Shares canceled	(857,221)	(37,649)	—	—	(894,870)	$ 4.94
Outstanding non-vested shares at end of quarter	53,333	1,109,183	95,245	—	1,257,761	$ 3.52

(1) Restricted Stock Units ("RSUs") were primarily granted in connection with the 2017-2018 LTIP. The RSUs will vest in two tranches with the first 50% vesting on April 1, 2019 and the second 50% vesting on April 1, 2020.

(2) The 74,968 shares of deferred stock, with a fair value of $182,852, represent compensation to certain directors in lieu of cash, in accordance with their irrevocable elections. The shares of deferred stock will vest three years from the date of grant or at separation of service, based on the irrevocable election of each director.

(3) During the first nine months of fiscal 2017, the Company granted 66,325 shares of stock, with a fair value of approximately $166,139, to certain directors as compensation in lieu of cash, in accordance with their irrevocable elections. Directors are required to elect 50% of their quarterly retainer in equity. Any shares in excess of the minimum required election are issued from the Company's Third Amendment to the Second Amended and Restated Non-Employee Director Compensation Plan ("Non-Employee Director Compensation Plan").

(4) The fair value of a restricted share, deferred share and fully-vested share is equal to the Company's closing stock price on the day immediately preceding the date of grant.

	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	2,524,546	$ 4.98		$ 11,286
Options granted	30,000	$ 1.85		
Options canceled	(1,259,579)	$ 5.05		
Options exercised	—	—		
Outstanding options at end of quarter	1,294,967	$ 4.82	4.8 years	$ 3,000
Options exercisable at end of quarter	1,294,967	$ 4.82	4.8 years	

Valuation Assumptions

For the first nine months of fiscal 2017, the Company granted 30,000 stock options, 484,558 shares of restricted stock, 804,701 RSUs and 74,968 shares of deferred stock. For the first nine months of fiscal 2016, the Company granted 8,522 stock options, 3,834 shares of restricted stock, 431,270 RSUs and 23,570 shares of deferred stock.

Unless otherwise specified by the Compensation Committee, RSUs, restricted stock and deferred stock are valued using the closing price of the Company's common stock on the day immediately preceding the date of grant.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. The following assumptions were used for grants for the first nine months of fiscal 2017 and fiscal 2016:

	October 28, 2017	October 29, 2016
Expected volatility	49.9%	39.3%
Risk-free interest rate	1.44%	0.78%
Expected life	3.0 yrs	2.0 yrs
Dividend rate	—	—

Non-Employee Director Compensation Plan

The Company granted 29,425 shares of common stock, with a fair value of approximately $71,454, to certain of its non-employee directors as compensation in lieu of cash in the first nine months of fiscal 2017.

Stock Compensation Expense

The Company recognized total stock-based compensation expense of $1.3 million and $1.1 million for the first nine months of fiscal 2017 and fiscal 2016, respectively. The total compensation cost related to time-vested stock options, restricted stock and RSU awards not yet recognized as of October 28, 2017 was approximately $2.4 million, net of estimated forfeitures, which will be expensed over a weighted average remaining life of 22 months.

5. 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	
(in thousands)	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
Common Stock Outstanding:				
Basic weighted average common shares outstanding	48,607	49,552	48,966	49,532
Common stock equivalents – stock options and restricted stock (1)	—	—	—	—
Diluted weighted average common shares outstanding	48,607	49,552	48,966	49,532

(1) Common stock equivalents of 92 shares and 67 shares for the three and nine months ended October 28, 2017, respectively, and 483 shares and 402 shares for the three and nine months ended October 29, 2016, respectively, were excluded due to the net loss in all periods.

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 of the unearned compensation associated with either stock options, restricted stock units, restricted or deferred stock had an anti-dilutive effect.

	For the three months ended		For the nine months ended	
(in thousands, except exercise prices)	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
Stock Options (time-vested)	1,295	1,232	1,295	1,232
Restricted Stock Units (time-vested)	1,106	3	1,109	409
Restricted and Deferred Stock	54	2	78	10
Range of exercise prices of such options	$1.85 - $7.02	$4.49 - $7.52	$1.85- $7.02	$4.49 - $7.52

The above options, which were outstanding at October 28, 2017, expire from June 8, 2018 to August 31, 2027 .

There were no performance-based awards outstanding at October 28, 2017. For the third quarter and first nine months of fiscal 2016, 893,621 shares of unvested performance-based restricted stock and 1,125,317 performance-based stock options were excluded from the Company's computation of basic and diluted earnings per share. All outstanding performance-based awards expired unvested in March 2017 as a result of the Company's not achieving performance targets in fiscal 2016.

Shares of unvested time-based restricted stock of 53,333 at October 28, 2017 and 356,227 shares at October 29, 2016 were excluded from the computation of basic earnings per share and will continue to be excluded until such shares vest. See Note 3, Long-Term Incentive Plans, for a discussion of the Company's LTIP plans and equity awards.

All 53,333 shares of restricted stock outstanding at October 28, 2017 are considered issued and outstanding. Each share of restricted stock has all of the rights of a holder of the Company's common stock, including, but not limited to, the right to vote and the right to receive dividends, which rights are forfeited if the restricted stock is forfeited.

6. Stock Repurchase Plan

On March 17, 2017, the Company's Board of Directors approved a stock repurchase plan. Under the stock repurchase plan, the Company may purchase up to $12.0 million of its common stock through open market and privately negotiated transactions during fiscal 2017. 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 2017 and will expire on February 3, 2018, 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. Any repurchased common stock will be held as treasury stock and will be recorded on a trade-date basis.

Through October 28, 2017, the Company purchased 1,878,434 shares of common stock at an average price of $2.49 per share. Approximately $7.3 million remains available under the stock repurchase plan. There were no stock repurchases during the third quarter of fiscal 2017.

7. Income Taxes

At October 28, 2017, the Company had total deferred tax assets of approximately $84.4 million, total deferred tax liabilities of $12.6 million and a corresponding valuation allowance of $72.0 million.

In the fourth quarter of fiscal 2013, the Company entered into a three-year cumulative loss position and based on forecasts at that time, the Company expected the cumulative three-year loss to increase as of the end of fiscal 2014. Management determined that this represented significant negative evidence at February 1, 2014. While the Company has projected it will return to profitability, generate taxable income and ultimately emerge from a three-year cumulative loss, based on a consideration of all positive and negative evidence as of February 1, 2014, the Company established a full allowance against its net deferred tax assets. Based on the Company's forecast for fiscal 2017, the Company believes that a full allowance remains appropriate at this time.

As of October 28, 2017, the Company had net operating loss carryforwards of $155.9 million for federal income tax purposes and $88.8 million for state income tax purposes that are available to offset future taxable income through fiscal year 2037. Additionally, the Company has alternative minimum tax credit carryforwards of $2.3 million, which are available to further reduce income taxes over an indefinite period. Additionally, the Company has $2.6 million of net operating loss for tax purposes related to the Company's operations in Canada.

The utilization of net operating loss carryforwards and the realization of tax benefits in future years depends predominantly upon having taxable income. Under the provisions of the Internal Revenue Code, certain substantial changes in the Company's ownership may result in a limitation on the amount of net operating loss carryforwards and tax credit carryforwards which may be used in future years.

The Company's tax provision for the first nine months of fiscal 2017 represented current state margin tax. For the first nine months of fiscal 2016 the tax provision primarily represents current state margin tax and foreign income tax.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The charge for taxation is based on the results for the year as adjusted for items that are non-assessable or disallowed. The charge is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Pursuant to Topic 740, "*Income Taxes*", the Company will recognize the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. The unrecognized tax benefit at October 28, 2017 was $3.0 million. This amount is directly associated with a prior year tax position related to exiting the Company's direct business in Europe. The amount of unrecognized tax benefit has been presented as a reduction in the reported amounts of its federal and state net operating loss carryforwards. It is the Company's policy to record interest and penalties on unrecognized tax benefits as income taxes; however, no penalties or interest have been accrued on this liability because the carryforwards have not yet been utilized.

The Company is subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. The Company has concluded all U.S. federal income tax matters for years through fiscal 2001, with remaining fiscal years subject to income tax examination by federal tax authorities.

8. Related Parties

Oliver Walsh was elected as a director at the Company's Annual Meeting of Stockholders on August 3, 2017. On August 17, 2017, Mr. Walsh entered into a temporary consulting agreement with the Company, to serve as the Company's Interim Chief Marketing Officer through the Fall and Holiday selling seasons, while the Company searches for a new Chief Marketing Officer. Pursuant to the terms of the temporary consulting agreement, Mr. Walsh is entitled to receive compensation at a rate of $7,000 per week plus reimbursement for all business and travel expenses. Because of the related party relationship, the temporary consulting agreement was approved by the Company's Audit Committee. Through the end of the third quarter of fiscal 2017, Mr. Walsh received total compensation pursuant to the temporary consulting agreement, excluding reimbursement of expenses, of $70,000.

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 cash flows, gross profit margins, merchandise margins, marketing costs, selling, general and administrative expenses, store counts, inventory levels, capital expenditures, borrowings, interest costs, sales and earnings expectations for fiscal 2017 and beyond, the expected impact of inventory management improvements on inventory levels and working capital in fiscal 2017, the expected impact of investments in marketing on 2017 sales and longer term impact on customer acquisition and brand awareness, and the anticipated pace and number of store openings and closings in fiscal 2017 and anticipated impact of expanding into Canada or future growth. 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 28, 2017, included in our Annual Report on Form 10-K for the year ended January 28, 2017, as filed with the Securities and Exchange Commission on March 20, 2017 (our "Fiscal 2016 Annual Report").

Numerous factors could cause our actual results to differ materially from such forward-looking statements. We encourage readers to refer to the "Risk Factors" section in Part I, Item 1A of our Fiscal 2016 Annual Report, that sets forth certain risks and uncertainties that may have an impact on future results and direction of our Company, including, without limitations, risks relating to the execution of our corporate strategy, and our ability to grow our market share, predict customer tastes and fashion trends, forecast sales growth trends, maintain and build our brand awareness and compete successfully in our market.

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 & tall men's apparel with retail and direct operations in the United States, Canada and London, England. We operate under the trade names of Destination XL®, DXL®, DXL Outlets, Casual Male XL®, Casual Male XL Outlets, Rochester Clothing, ShoesXL® and LivingXL®. At October 28, 2017, we operated 211 Destination XL stores, 14 DXL outlet stores, 81 Casual Male XL retail stores, 33 Casual Male XL outlet stores and 5 Rochester Clothing stores. Our e-commerce site, DestinationXL.com, supports our stores, brands and product extensions.

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 February 3, 2018 and January 28, 2017 as "fiscal 2017" and "fiscal 2016," respectively. Fiscal 2017 is a 53-week period and fiscal 2016 was a 52-week period.

SEGMENT REPORTING

We report our operations as one reportable segment, Big & Tall Men's Apparel. We consider our retail and direct (e-commerce) businesses, especially in our growing omni-channel environment, to be similar in terms of economic characteristics, production processes and operations, and have, therefore, aggregated them into a single reporting segment.

COMPARABLE SALES

Total comparable sales include our retail stores that have been open for at least 13 months and our direct business. Stores that have been remodeled or re-located during the period are also included in our determination of comparable 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.

As we disclosed at the end of fiscal 2016, with over 200 DXL stores open, we have transitioned to one comparable sales figure for the Company which includes stores and our e-commerce business. We no longer provide comparable store sales on a discrete basis for our DXL format stores.

In addition, our customer's shopping experience continues to evolve across multiple channels and we are continually changing to meet his needs. As part of our omni-channel initiatives, the majority of our retail 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 store. Because this omni-channel approach to retailing is changing the boundaries of where a sale originates and where a sale is ultimately settled, we do not report comparable sales separately for our retail and e-commerce businesses. However, as we invest in building our e-commerce platform, bringing a heightened digital focus to our Company, additional disclosure on our e-commerce growth as it relates to our current initiatives is important. Beginning in the second quarter of fiscal 2017, we define store sales as sales that originate and are fulfilled directly at the store level. E-commerce sales are defined as sales that originate online, including those initiated online at the store level. This reclassification on how we define a store sale from an e-commerce sale had no effect on our previous disclosure or how we report total Company comparable sales.

RESULTS OF OPERATIONS

The following is a summary of results for the third quarter and first nine months of fiscal 2017 as compared to the prior year's third quarter and first nine months, including EBITDA, which is a non-GAAP measure. Please see "Non-GAAP Financial Measures" below for a reconciliation of Net Loss to EBITDA.

	For the three months ended		For the nine months ended	
	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
(in millions, except per share data)				
Net loss	$ (5.7)	$ (4.5)	$ (15.5)	$ (4.0)
EBITDA (Non-GAAP basis)	$ 2.8	$ 3.9	$ 12.1	$ 20.8
Per diluted share:				
Net loss	$ (0.12)	$ (0.09)	$ (0.32)	$ (0.08)

Executive Summary

Our sales for the third quarter were below expectations and were negatively impacted by the delayed arrival of cold weather in the Northeast and Hurricanes Irma and Harvey. We believe that our customer is a need-based shopper and the onset of cold weather is typically when he comes to shop. Comparable sales for our DXL stores in the Northeast region trailed our stores in the rest of the country by approximately 400 basis points. We estimate that the negative impact of the comp sales of our Northeast stores on our total comparable sales of (0.1%) for the third quarter was approximately 90 basis points. Additionally, from a merchandising category perspective, our cold weather categories trended behind the remainder of our merchandise assortment by over 10% for the third quarter and over 20% for the month of October. With the cold weather arriving in the first few weeks of the fourth quarter, we are beginning to see an improvement in comparable sales performance. In addition to the unseasonably warm weather during the quarter, we also had 34 stores that were closed for at least one day, with the majority closed three to four days, as a result of Hurricanes Irma and Harvey. We estimate that the combined impact from both storms on our comparable sales for the third quarter was approximately 50 basis points.

Despite, the warm weather and hurricanes, which contributed to a decrease in store traffic, we are pleased with our sales productivity in our stores, with average dollars per transactions, units per transaction and conversion all increasing over the prior year. We remain committed to driving traffic to our stores and website and building brand awareness as we head into the fourth quarter of fiscal 2017. We are pleased to have launched our new Holiday advertising campaign and believe our integrated social, digital and media marketing plan, which we discuss below, will drive traffic to our stores and website.

During the third quarter of fiscal 2017, as part of our ongoing inventory initiatives, we took an aggressive approach to moving some of our traditional slower-moving categories, which resulted in increased markdowns for the quarter and decreased merchandise margins from a year ago of approximately 120 basis points. On a comparative basis with the end of the third quarter of the prior year, we have reduced inventories by approximately $8.3 million, or 6.5% at October 28, 2017, with minimal impact to our merchandise margin which, on a year-to-date basis, has decreased by only 40 basis points compared to the prior year. We expect our merchandise margins to return to a more normalized level in the fourth quarter due to fewer merchandise markdowns. This initiative has enabled us to reduce our inventory thereby improving our working capital and free cash flow.

Our net loss for the third quarter of fiscal 2017 was $(5.7) million, or $(0.12) per diluted share, as compared to a net loss of $(4.5) million, or $(0.09) per diluted share, for the third quarter of fiscal 2016. For the first nine months of fiscal 2017, the net loss was $(15.5) million, or $(0.32) per diluted share, as compared to a net loss of $(4.0) million, or $(0.08) per diluted share for the prior year period. Included in net loss for the first nine months of fiscal 2017 was an impairment charge of approximately $1.7 million, or $0.03 per diluted share, for the write-down of certain store assets and an increase of approximately $4.2 million, or $0.09 per diluted share, in advertising costs.

In the first nine months of fiscal 2017, we opened a total of 20 stores, which includes two DXL retail stores in Ontario, Canada. These two stores mark our first Company-operated DXL stores located outside of the United States. We believe that Canada provides a strategic growth opportunity for our DXL brand. In addition, for fiscal 2017 we expect to close approximately 19 Casual Male XL stores and 3 Casual Male XL outlet stores, the majority of which are in connection with the opening of the DXL retail and outlet stores in the same geographic market. Of the 114 Casual Male XL stores in operation, 112 are generating positive free cash flow.

Marketing Campaign ~ Holiday 2017

As we discussed last quarter, we are committed to improving brand awareness, driving traffic to our stores and growing our e-commerce business through a robust investment in both our traditional and digital marketing programs. Our new marketing campaign, "Time to XL," launched on social media and on our website on November 7, 2017. Our new creative ad will begin to air on television starting November 25, 2017 and will run through the Christmas holiday. In addition to our digital and media advertising, we will also be sponsoring the Frisco Bowl college football game on December 20, 2017. Our new campaign is centered on changing the conversation around Men's XL apparel and celebrating the style of our customer base. The campaign features prominent brand ambassadors, including 10-time MLB All-Star David Ortiz, producer and artist DJ Khaled, singer and songwriter Sundance, NHL Stanley Cup winner Hal Gill and fashion blogger Kelvin Davis; five celebrities with larger-than-life personalities, each with his own sense of #XLstyle. We want the XL community to know who we are and that we "XL" at service, selection, comfort and fit. We are confident that this campaign will signal a new chapter in the DXL store and we are hopeful that the campaign will drive brand awareness and new customers to our DXL brand.

Stock Repurchase Program

As discussed more fully below under "*Liquidity and Capital Resources*," in March 2017 our Board of Directors approved a stock repurchase plan, pursuant to which we may purchase up to $12.0 million of our outstanding common stock during fiscal 2017. During the first nine months of fiscal 2017, we repurchased approximately 1.9 million shares at a total cost of approximately $4.7 million. There were no stock repurchases during the third quarter of fiscal 2017.

Inventory Management Review

In fiscal 2016, we began our inventory optimization project in an effort to improve inventory receipt flow and procurement, tightening controls over the number of weeks of supply and refining our in-stock positions by sku level. We expect these changes to result in a more optimized inventory structure and expect our inventory at the end of fiscal 2017 to be $12.0 to $15.0 million less than fiscal 2016. This reduction in inventory is expected to improve our working capital position and partially reduce our debt in fiscal 2017. At the end of the third quarter of fiscal 2017, we were ahead of plan having reduced inventory levels by $8.3 million, or a decrease of 6.5%, as compared to the end of the third quarter last year. We do not believe these changes have jeopardized sales from out-of-stock positions in either our retail stores or in our direct business.

Fiscal 2017 Outlook

As a result of our sales falling below expectations due in part to the delay of cold weather, we are revising our guidance. In the second quarter of fiscal 2017, we increased our marketing expense for fiscal 2017 to $29.0 million to help drive brand awareness, store traffic and our digital presence. This is an increase of approximately $10.8 million from fiscal 2016. While we expect this will benefit sales in the fourth quarter of fiscal 2017, we strongly believe that this investment in marketing and customer acquisition was important for our long-term growth. We currently expect to open 20 DXL retail stores and 1 DXL outlet store in fiscal 2017, while closing 19 Casual Male XL retail stores and 3 Casual Male XL outlet stores, the majority of which are in connection with the opening of the DXL retail and outlet stores in the same geographic markets. All DXL store growth for the year will be funded by cash from operations.

For fiscal 2017, our revised outlook, based on a 53-week year, is as follows:

- Sales are expected to be in the range from $466.0 million to $470.0 million, with a total company comparable sales increase of flat to 2.0% (a decrease from previous guidance of $470.0 - $480.0 million in sales with a total company comparable sales increase of 1.0% to 4.0%).
- Gross margin rate of approximately 45.0% to 45.5% , a decrease of 50 basis points to flat from fiscal 2016 (a change from previous guidance of 45.5% to 46.0%).
- SG&A costs, as a percentage of sales, to increase by approximately 280 to 310 basis points (an increase from previous guidance of 230 to 290 basis points due to the decrease in sales guidance).

- Net loss, on a GAAP basis, of $(17.0) to $(21.0) million, or $(0.35) to $(0.42) per diluted share (a decrease in earnings from previous guidance of $(11.7) to $(16.7) million, or $(0.24) to $(0.34) per diluted share).
- EBITDA of $16.0 to $20.0 million (a decrease from previous guidance of $20.0 to $25.0 million).
- Adjusted net loss of $(0.21) to $(0.25) per diluted share (a decrease from previous guidance of $(0.14) to $(0.21) per diluted share). Because we expect to continue providing a full valuation allowance against our deferred tax assets, we do not expect to recognize any income tax benefit in fiscal 2017. See "*Non-GAAP Financial Measures*" below for a reconciliation of adjusted net loss.
- Capital expenditures of approximately $22.0 million, $13.7 million of which will be for new DXL stores and $8.3 million of which will be for infrastructure projects, partially offset by approximately $5.0 million in tenant allowances. We expect to fund our capital expenditures primarily from our operating cash flow (unchanged).
- At the end of fiscal 2017, we expect cash flow from operating activities of $31.0 million to $35.0 million (including tenant allowances) and positive free cash flow, before DXL capital expenditures, of $22.7 million to $26.7 million. Free cash flow, after DXL capital expenditures, will be approximately $9.0 million to $13.0 million (a decrease from our previous guidance of cash flow from operating activities of activities of $35.0 to $40.0 million, free cash flow, before DXL capital expenditures, of $26.7 million to $31.7 million and free cash flow, after DXL capital expenditures, of $13.0 to $18.0 million).

Financial Summary

Sales

	Third Quarter	First Nine Months
	(in millions)	
Sales for fiscal 2016	**$ 101.9**	**$ 327.6**
Less 2016 sales for stores that have closed /converted	(4.9)	(17.5)
	$ 97.0	**$ 310.1**
Decrease in comparable sales	(0.1)	(1.6)
Non-comparable sales, primarily DXL stores open less than 13 months	6.4	23.0
Other, net	0.4	1.0
Sales for fiscal 2017	**$ 103.7**	**$ 332.5**

Total sales for the third quarter of fiscal 2017 increased 1.8% to $103.7 million from $101.9 million from the third quarter of fiscal 2016. The increase of $1.8 million in total sales was due to non-comparable sales of $6.4 million and other revenue of $0.4 million, partially offset by a decrease in sales from closed stores of $4.9 million and a comparable sales decrease of $0.1 million, or (0.1)%. As discussed above, sales for the third quarter were impacted by the unseasonably warm weather and the hurricanes which impacted our Florida and Texas stores. While store traffic was down 5% for the third quarter, we did see increases in sales productivity with increases in average dollars per transactions, units per transaction and conversion.

For the first nine months of fiscal 2017, sales increased $4.8 million, or 1.5%, as compared to the first nine months of fiscal 2016. The increase in sales was primarily due to non-comparable sales of $23.0 million, partially offset by sales from closed stores of $17.5 million and a decrease of 0.5%, or $1.6 million, in comparable sales.

With our transformation of our store base complete, we are focused on growing our e-commerce business and improving store productivity through an integrated strategy. We are implementing several initiatives to enhance our digital presence and provide our customers with improved functionality and increased touchpoints across all of our e-commerce platforms with the objective of growing and retaining our customer base. On a trailing twelve-month basis, e-commerce sales as a percentage of net sales were 20.8% at the end of the third quarter of fiscal 2017 as compared to 19.5% at the end of the third quarter of the prior year.

Our end-of-rack customer grew to 45.3% of our bottoms business from 44.8% in the third quarter of fiscal 2016. Our end-of-rack customer, with a waist size of 46 inches or less, shops 52% more often than our customer with a waist size of 48 inches or more and, on an annual basis, spends twice as much.

Gross Profit Margin

For the third quarter of fiscal 2017, our gross margin rate, inclusive of occupancy costs, was 43.2% as compared to a gross margin rate of 44.4% for the third quarter of fiscal 2016. The decrease of 120 basis points was due to a decrease in merchandise margins of 120 basis points. The decrease in merchandise margin was related to an increase in promotional markdowns related to our inventory productivity initiatives as compared to the prior year's third quarter. In addition, during the third quarter we took an aggressive approach to move slow-moving and clearance inventory, which also contributed to an increase in markdowns. As a result, our clearance inventory at October 28, 2017 was 7%, a decrease from 9% at October 29, 2016. Occupancy costs, as a percentage of sales, remained flat.

For the first nine months of fiscal 2017, our gross margin rate, inclusive of occupancy costs, was 44.9% as compared to a gross margin rate of 45.7% for the first nine months of fiscal 2016. The decrease of 80 basis points was due to a 40 basis point decrease in merchandise margins and a 40 basis point increase in occupancy costs. The increase in occupancy costs was primarily due to an increase in DXL total square footage and the comparable sales decline. On a dollar basis, occupancy costs for the first nine months of fiscal 2017 increased approximately 4.2% over the prior year's first nine months, primarily as a result of an increase of 1.5% in total square footage and the increased percentage of DXL stores.

The decrease of 40 basis points in merchandise margins for the first nine months of fiscal 2017 as compared to the prior year was due primarily to our inventory initiatives and increased efforts to reduce slow-moving merchandise categories which resulted in higher promotional markdowns than the prior year. Our inventory initiatives have resulted in a 6.5% decrease in inventory levels from a year ago, improved inventory turn and days on hand, while at the same time managing a strong merchandise margin.

Selling, General and Administrative Expenses

As a percentage of sales, SG&A expenses for the third quarter of fiscal 2017 were 40.5% as compared to 40.6% for the third quarter of fiscal 2016. For the first nine months of fiscal 2017 SG&A expenses as a percentage of sales were 41.3% as compared to 39.4% for the first nine months of fiscal 2016. On a dollar basis, SG&A increased by $0.6 million and $8.2 million for the third quarter and first nine months of fiscal 2017, respectively. The increase in the third quarter of fiscal 2017 was primarily due to increases in store payroll and other supporting costs associated with our DXL store base and e-commerce initiatives.

For the first nine months of fiscal 2017, the increase was principally due to an increase of $4.2 million in advertising expense. As discussed above, we are increasing our investment in our marketing initiatives to help drive brand awareness, store traffic and our digital presence. The remainder of the increase was due to increases in store payroll and other supporting costs associated with a greater DXL store base and e-commerce initiatives.

Depreciation and Amortization

Depreciation and amortization for the third quarter of fiscal 2017 increased $0.2 million to $7.7 million as compared to $7.5 million for the third quarter of fiscal 2016.

For the first nine months of fiscal 2017, depreciation and amortization was $25.1 million as compared to $22.4 million for the first nine months of fiscal 2016. The increase of $2.7 million includes a $1.7 million impairment charge taken in the second quarter of fiscal 2017 to write-down certain store assets. The remainder of the increase was due to the continued store growth associated with our DXL retail and outlet stores.

Interest Expense, Net

Net interest expense for the third quarter and first nine months of fiscal 2017 of $0.9 million and $2.5 million, respectively, increased slightly from $0.8 million and $2.3 million, respectively, for the third quarter and first nine months of fiscal 2016. As a result of our inventory initiatives undertaken to improve liquidity, we expect interest costs for fiscal 2017 will be similar to fiscal 2016 levels.

Income Taxes

At October 28, 2017, we had total deferred tax assets of $84.4 million, total deferred tax liabilities of $12.6 million and a corresponding valuation allowance of $72.0 million. The deferred tax assets included approximately $59.4 million of net operating loss carryforwards and approximately $4.7 million of deferred gain on our sale-leaseback and, to a lesser extent, other book/tax timing differences.

At the end of fiscal 2013, we established a full valuation allowance against our deferred tax assets. Based on our earnings guidance for fiscal 2017, we believe that a full valuation allowance continues to remain appropriate at this time.

Our tax provision for the third quarter and first nine months of fiscal 2017 represented current state margin tax. For the third quarter and first nine months of fiscal 2016, the tax provision represented current state margin tax and foreign income tax.

Net Loss

For the third quarter of fiscal 2017, we had a net loss of $(5.7) million, or $(0.12) per diluted share, compared with a net loss of $(4.5) million, or $(0.09) per diluted share, for the third quarter of fiscal 2016.

For the first nine months of fiscal 2017, we had a net loss of $(15.5) million, or $(0.32) per diluted share, compared with a net loss of $(4.0) million, or $(0.08) per diluted share. Results for the first nine months of fiscal 2017 included an impairment charge of $1.7 million, or $0.03 per diluted share, associated with write-down of store assets, and increased advertising costs of $4.2 million, or $0.09 per diluted share.

On a non-GAAP basis, assuming a normalized tax rate for both periods, adjusted net loss per share for the third quarter and first nine months of fiscal 2017 was $(0.07) per diluted share and $(0.19) per diluted share, respectively, as compared to adjusted net loss of $(0.05) per diluted share and $(0.05) per diluted share, respectively, for the third quarter and first nine months of fiscal 2016.

Inventory

At October 28, 2017, total inventory was $119.9 million compared to $117.4 million at January 28, 2017 and $128.2 million at October 29, 2016. The 6.5% decrease of $8.3 million from October 29, 2016 was due to inventory initiatives that began in fiscal 2016 to improve timing of receipts and reduce weeks of supply on hand. At October 28, 2017, our clearance inventory represented 7.0% of our total inventory, as compared to 9.0% at October 29, 2016.

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 with Bank of America, N.A., which was most recently amended in October 2014 ("Credit Facility"). Our current cash needs are primarily for working capital (essentially inventory requirements), capital expenditures, growth initiatives, and, as discussed further below, our stock repurchase program, which was announced in March 2017.

As discussed below, our capital expenditures for fiscal 2017 are expected to be approximately $22.0 million, primarily related to the planned opening of approximately 20 new DXL retail and 1 outlet stores and information technology projects. However, we expect to receive approximately $5.0 million in tenant allowances to offset these capital expenditures. We expect to fund this store growth and stock repurchase program in fiscal 2017 primarily through cash flow from operations, with periodic borrowings from our Credit Facility. We currently believe that our existing cash generated by operations together with our Credit Facility will be sufficient within current forecasts for us to meet our foreseeable liquidity requirements.

For fiscal 2017, we expect cash flow from operating activities of $31.0 million to $35.0 million (including tenant allowances), and positive free cash flow of $9.0 to $13.0 million that will be used to reduce outstanding debt and purchase shares of the Company's common stock as part of its stock repurchase program.

For the first nine months of fiscal 2017, free cash flow improved by $0.5 million to $(13.2) million from $(13.7) million for the first nine months of fiscal 2016. The improvement in free cash flow was primarily due to the lower capital expenditures and positive working capital changes, partially offset by reduced earnings.

The following is a summary of our total debt outstanding at October 28, 2017 with the associated unamortized debt issuance costs:

(in thousands)	Gross Debt Outstanding	Less Debt Issuance Costs	Net Debt Outstanding
Credit facility	$ 68,444	$ (246)	$ 68,198
Equipment financing notes	1,409	(5)	1,404
Term loan, due 2019	12,000	(216)	11,784
Total debt	$ 81,853	$ (467)	$ 81,386

Credit Facility

Our credit facility with Bank of America, N.A., effective October 29, 2014 (our "Credit Facility") provides for a maximum committed borrowing of $125.0 million, which, pursuant to an accordion feature, may be increased to $175.0 million upon our request and the agreement of the lender(s) participating in the increase. 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. The maturity date of the Credit Facility is October 29, 2019. Our Credit Facility is described in more detail in Note 2 of the Notes to the Consolidated Financial Statements included in this Quarterly Report.

Borrowings made pursuant to the Credit Facility bear interest at a rate equal to the base rate (determined as the highest of (a) Bank of America N.A.'s prime rate, (b) the Federal Funds rate plus 0.50% and (c) the annual ICE-LIBOR ("LIBOR") rate for the respective interest period) plus a varying percentage, based on our borrowing base, of 0.50%-0.75% for prime-based borrowings and 1.50%-1.75% for LIBOR-based borrowings.

We had outstanding borrowings of $68.4 million under the Credit Facility at October 28, 2017. At October 28, 2017, outstanding standby letters of credit were $3.3 million and outstanding documentary letters of credit were $0.1 million. The average monthly borrowing outstanding under the Credit Facility during the first nine months ended October 28, 2017 was approximately $60.4 million, resulting in an average unused excess availability of approximately $43.3 million. Unused excess availability at October 28, 2017 was $38.2 million. Our obligations under the Credit Facility are secured by a lien on substantially all of our assets, excluding (i) a first priority lien held by the lenders of the Term Loan Facility on certain of our equipment described below and (ii) intellectual property.

Equipment Financing Loans

We have entered into twelve Equipment Security Notes (the “Notes”), whereby we borrowed an aggregate of $26.4 million. The Notes, which were issued between September 2013 and June 2014, were issued pursuant to a Master Loan and Security Agreement with Banc of America Leasing & Capital, LLC, dated July 20, 2007 and most recently amended on September 30, 2013. The Notes are secured by a security interest in all of our rights, title and interest in and to certain equipment. The Notes are for 48 months and accrue interest at fixed rates ranging from 3.07% to 3.50%. Principal and interest, are payable monthly, in arrears. The Company was subject to prepayment penalties through the second anniversary of each note. The Company is no longer subject to any prepayment penalties.

Term Loan, Due 2019

We have a $15.0 million senior secured term loan facility with Wells Fargo Bank, National Association as administrative and collateral agent (the “Term Loan Facility”). The Term Loan Facility bears interest at a rate per annum equal to the greater of (a) 1.00% and (b) the one month LIBOR rate, plus 6.50%. Interest payments are payable on the first business day of each calendar month, and increase by 2% following the occurrence and during the continuance of an “event of default,” as defined in the Term Loan Facility. The Term Loan Facility, which matures on October 29, 2019, provides for quarterly principal payments on the first business day of each calendar quarter, which commenced the first business day of January 2015, in an aggregate principal amount equal to $250,000, subject to adjustment, with the balance payable on the termination date.

The Term Loan Facility includes usual and customary mandatory prepayment provisions for transactions of this type that are triggered by the occurrence of certain events. In addition, the amounts advanced under the Term Loan Facility can be optionally prepaid in whole or part without penalty.

The Term Loan Facility is secured by a first priority lien on certain of our equipment, and a second priority lien on substantially all of our remaining assets, excluding intellectual property.

Capital Expenditures

The following table sets forth the open stores and related square footage at October 28, 2017 and October 29, 2016, respectively:

	October 28, 2017		October 29, 2016	
Store Concept	Number of Stores	Square Footage	Number of Stores	Square Footage
(square footage in thousands)				
DXL Retail	211	1,659	188	1,513
DXL Outlets	14	72	12	60
Casual Male XL Retail	81	280	108	385
Casual Male Outlets	33	103	39	123
Rochester Clothing	5	51	5	51
Total Stores	344	2,165	352	2,132

Below is a summary of store openings and closings from January 28, 2017 to October 28, 2017:

Number of Stores:	DXL	DXL Outlets	Casual Male XL Retail	Casual Male XL Outlets	Rochester Clothing	Total Stores
At January 28, 2017	192	13	97	36	5	343
New stores(1)	8	—	—	—	—	8
Replaced stores(2)	11	1	(13)	(3)	—	(4)
Closed retail stores(3)	—	—	(3)	—	—	(3)
At October 28, 2017	211	14	81	33	5	344

(1) Represents stores opened in new markets, including 2 stores located in Ontario, Canada. The Company’s five DXL Studio locations, which were opened during the third quarter, are considered temporary store locations and are, therefore, not included in the above store count.

(2) Represents the total number of DXL stores opened in existing markets with the corresponding total number of Casual Male XL stores and/or Rochester Clothing stores closed in such markets in connection with those DXL store openings.
(3) Represents closed stores for which there were no corresponding openings of a DXL store in the same market.

Our capital expenditures for the first nine months of fiscal 2017 were $18.4 million as compared to $21.8 million for the first nine months of fiscal 2016. We have opened 19 DXL retail stores and 1 DXL outlet during the first nine months of fiscal 2017 as compared to 22 DXL retail stores and 3 DXL outlets for the first nine months of fiscal 2016.

For fiscal 2017, our capital expenditures are expected to be approximately $22.0 million and we expect to receive approximately $5.0 million in tenant allowances to offset these expenditures. Our budget includes approximately $13.7 million, excluding any allowance, related to the opening of 20 DXL retail stores and 1 DXL outlet stores, and approximately $8.3 million for continued information technology projects and general overhead projects. In addition, we expect to close approximately 19 Casual Male XL stores and 3 Casual Male XL outlet stores, the majority of which are in connection with the opening of the DXL retail and outlet stores in the same geographic market.

CRITICAL ACCOUNTING POLICIES

There have been no material changes to the critical accounting policies and estimates disclosed in our Fiscal 2016 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

Adjusted net loss, adjusted net loss per diluted share, free cash flow, free cash flow before DXL capital expenditures and 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 loss 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)*:

Adjusted net loss and adjusted net loss per diluted share. The above discussion includes an adjusted net loss for the third quarter and first nine months of fiscal 2017 and fiscal 2016 on a non-GAAP basis, which reflected an adjustment assuming a normal tax rate of 40%. We have fully reserved against our deferred tax assets and, therefore, net loss is not reflective of earnings assuming a "normal" tax position. Adjusted net income (loss) provides investors with a useful indication of the financial performance of the business, on a comparative basis, assuming a normalized effective tax rate of 40%.

The following is a reconciliation of the net loss to adjusted net loss, assuming a normal tax rate of 40% for the first nine months of fiscal 2017 and fiscal 2016:

	For the three months ended				For the nine months ended			
	October 28, 2017		October 29, 2016		October 28, 2017		October 29, 2016	
(in thousands, except per share data)	$	Per diluted share	$	Per diluted share	$	Per diluted share	$	Per diluted share
Net loss (GAAP basis)	$ (5,706)	$ (0.12)	$ (4,452)	$ (0.09)	$ (15,502)	$ (0.32)	$ (4,039)	$ (0.08)
Add back: Actual income tax provision	—		34		64		126	
Income tax benefit, assuming a normal tax rate of 40%	2,282		1,767		6,175		1,565	
Adjusted net loss (non-GAAP basis)	$ (3,424)	$ (0.07)	$ (2,651)	$ (0.05)	$ (9,263)	$ (0.19)	$ (2,348)	$ (0.05)
Weighted average number of common shares outstanding on a diluted basis		48,607		49,552		48,966		49,532

Free Cash Flow and Free Cash Flow Before DXL Capital Expenditures. We define free cash flow as cash flow from operating activities less capital expenditures. Free cash flow before DXL capital expenditures is free cash flow with DXL capital expenditures added back. Free cash flow excludes the mandatory and discretionary repayment of debt. Free cash flow and free cash flow before DXL capital expenditures are metrics that management uses to monitor liquidity. We expect to fund our ongoing DXL capital expenditures with cash flow from operations. We believe this metric is important to investors because it demonstrates our ability to strengthen liquidity while also contributing to the funding of the DXL store growth.

The following table reconciles free cash flow and free cash flow before DXL capital expenditures:

	For the nine months ended	
(in millions)	October 28, 2017	October 29, 2016
Cash flow from operating activities (GAAP basis)(1)	$ 5.2	$ 8.1
Capital expenditures, infrastructure projects	(5.8)	(5.8)
Free Cash Flow, before DXL capital expenditures	$ (0.6)	$ 2.3
Capital expenditures for DXL stores	(12.6)	(16.0)
Free Cash Flow (non-GAAP basis)	$ (13.2)	$ (13.7)

(1) Cash flow from operating activities includes lease incentives received against our capital expenditures.

EBITDA. EBITDA is calculated as earnings before interest, taxes, depreciation and amortization. We believe that EBITDA is useful to investors in evaluating our performance. With the significant capital investment associated with the DXL transformation and, therefore, increasing levels of depreciation and interest, management uses EBITDA as a key metric to measure profitability and economic productivity.

The following table is a reconciliation of net income (loss) to EBITDA:

	For the three months ended		For the nine months ended	
(in millions)	October 28, 2017	October 29, 2016	October 28, 2017	October 29, 2016
Net loss (GAAP basis)	$ (5.7)	$ (4.5)	$ (15.5)	$ (4.0)
Add back:				
Provision for income taxes	-	-	0.1	0.1
Interest expense	0.9	0.8	2.5	2.3
Depreciation and amortization	7.7	7.5	25.1	22.4
EBITDA (non-GAAP basis)	$ 2.8	$ 3.9	$ 12.1	$ 20.8

Fiscal 2017 Outlook - GAAP to Non-GAAP Reconciliations.

The following table is a reconciliation of non-GAAP measures used in our Fiscal 2017 Outlook:

	Projected Fiscal 2017	
(in millions, except per share data)		*per diluted share*
Net loss (GAAP basis)	$(17.0)-$(21.0)	
Add back:		
Provision for income taxes	0.1	
Interest expense	3.3	
Depreciation and amortization	33.6	
EBITDA (non-GAAP basis)	$16.0-$20.0	
Net loss (GAAP basis)	$(17.0)-$(21.0)	$(0.35)-$(0.42)
Income tax benefit, assuming 40% rate	$6.8-$8.4	$0.14-$0.17
Adjusted net loss (non-GAAP basis)	$(10.2)-$(12.6)	$(0.21)-$(0.25)
Weighted average common shares outstanding - diluted	48.5	
Cash flow from operating activities (GAAP basis)	$31.0-$35.0	
Capital expenditures, infrastructure projects	(8.3)	
Free Cash Flow, before DXL capital expenditures (non-GAAP basis)	$22.7-$26.7	
Capital expenditures for DXL stores	(13.7)	
Free Cash Flow (non-GAAP basis)	$9.0-$13.0	

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.

Interest Rates

We utilize cash from operations and from our Credit Facility to fund our working capital needs. Our Credit Facility is not used for trading or speculative purposes. In addition, we have available letters of credit as sources of financing for our working capital requirements. Borrowings under the Credit Facility, which expires October 29, 2019, bear interest at variable rates based on Bank of America’s prime rate or LIBOR. At October 28, 2017, the interest rate on our prime based borrowings was 4.75%. At October 28, 2017, approximately $64.0 million of our outstanding borrowings were in LIBOR contracts with an interest rate of 2.70%. At October 28, 2017, we also had $12.0 million outstanding under a term loan, which bears interest at a variable rate based on one-month LIBOR rates plus 6.5%.

Based upon a sensitivity analysis as of October 28, 2017, assuming average outstanding borrowing during the first nine months of fiscal 2017 of $60.4 million under our Credit Facility and $12.0 million outstanding under our term loan, a 50 basis point increase in interest rates would have resulted in a potential increase in interest expense of approximately $362,000 on an annualized basis.

Foreign Currency

Our Rochester Clothing store located in London, England conducts business in British pounds and our two DXL stores located in Ontario, Canada conduct business in Canadian dollars. As of October 28, 2017, sales from these stores were immaterial to consolidated sales. As such, we believe that movement in foreign currency exchange rates will not have a material adverse effect on our financial position or results of operations.

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 28, 2017. 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 28, 2017, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended October 28, 2017 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 2016 Annual Report.

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

On March 17, 2017, the Company's Board of Directors approved a stock repurchase plan. Under the stock repurchase plan, the Company may purchase up to $12.0 million of its common stock through open market and privately negotiated transactions during fiscal 2017. Through October 28, 2017, the Company purchased 1,878,434 shares of common stock at an average price of $2.49 per share. Approximately $7.3 million remains available under the stock repurchase plan. There were no stock repurchases during the third quarter of fiscal 2017.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

10.1	Letter Agreement, dated January 29, 2014, by and between the Company and Red Mountain Capital Partners LLC.
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	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended October 28, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.

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, 2017	By: /S/ John F. Cooney
	John F. Cooney Vice President, Chief Accounting Officer and Corporate Controller (Duly Authorized Officer and Chief Accounting Officer)

Exhibit 10.1

January 29, 2014

Red Mountain Capital Partners LLC
10100 Santa Monica Boulevard, Suite 925
Los Angeles, California 90067

Ladies and Gentlemen:

1. Red Mountain Capital Partners LLC, a Delaware limited liability company ("Red Mountain"), and Destination XL Group, Inc., a Delaware corporation (the "Company" and, together with Red Mountain, the "Parties"), understand and agree that, subject to the terms of, and in accordance with, this letter agreement, the Company has agreed and expects to provide Red Mountain with certain information about its properties, employees, finances, businesses and operations (including monthly financial information and the information and materials provided or made available to the board of directors of the Company (the "Board") during the time when any person affiliated with Red Mountain serves on the Board); provided that nothing in this letter agreement obligates the Company to disclose any information if such disclosure would be unlawful or result in a breach by the Company or one of its subsidiaries of a confidentiality agreement with a third party. Any such information provided by the Company shall be used by Red Mountain and its Affiliates (as defined below) solely to enable Red Mountain and its Affiliates to make non-publicly disclosed suggestions to the Board regarding the Company's ongoing business and corporate strategies and policies.

2. All information about the Company or any third party that is furnished by the Company or its Representatives (as defined below) to Red Mountain before the date hereof, now or in the future, and regardless of the manner in which it is furnished, is referred to in this letter agreement as "Proprietary Information". Proprietary Information does not include, however, any information that (i) is or becomes generally available to the public other than as a result of a disclosure by Red Mountain, any of its Affiliates or any of their respective Representatives in violation of this letter agreement; (ii) was available to Red Mountain, any of its Affiliates or any of their respective Representatives on a non-confidential basis prior to its disclosure by the Company or its Representatives; (iii) becomes available to Red Mountain, any of its Affiliates or any of their respective Representatives from a person other than the Company or its Representatives who is not subject to any legally binding obligation to keep such information confidential; or (iv) was independently developed by Red Mountain, any of its Affiliates or any of their respective Representatives without reference to or use of the Proprietary Information. For purposes of this letter agreement, (x) "Affiliates" of Red Mountain shall mean (A) Red Mountain Partners, L.P., a Delaware limited partnership, (B) RMCP GP LLC, a Delaware limited liability company, (C) Red Mountain Capital Management, Inc., and (D) Willem Mesdag, a natural person, (y) "Representative" shall mean, as to any person, its directors, officers, employees, agents and attorneys; and (z) "person" shall be broadly

interpreted to include, without limitation, any corporation, company, partnership, other entity or individual.

3. Subject to paragraph 4 below, unless otherwise agreed to in writing by the Company, Red Mountain shall, (i) except as required by law, keep all Proprietary Information confidential and not disclose or reveal any Proprietary Information to any person (other than to its Affiliates, its Representatives and Representatives of its Affiliates who have a need to know such information for purposes of assisting in Red Mountain's evaluation of the Company, provided that each such Affiliate and Representative shall keep confidential all Proprietary Information that is so disclosed or revealed to him or her in accordance with Red Mountain's confidentiality obligations hereunder with respect to such Proprietary Information); (ii) not use Proprietary Information for any purpose other than enabling Red Mountain to make non-publicly disclosed suggestions to the Board regarding the Company's ongoing business and corporate strategies and policies; and (iii) except as required by law or legal process, not disclose to any person the fact that Proprietary Information has been disclosed to Red Mountain, provided that, for the avoidance of doubt, the disclosure of the existence of this letter agreement and the filing of this letter agreement as an exhibit to any Schedule 13D or amendment thereto shall not be deemed to be a breach of the foregoing clause (iii). Red Mountain will be responsible for any violation of the confidentiality provisions of this letter agreement by its Affiliates, its Representatives and the Representatives of its Affiliates as if they were parties hereto. The obligations of Red Mountain contained in this paragraph 3 to keep Proprietary Information confidential shall survive any termination or expiration of this letter agreement solely for a period of one year from and after such termination or expiration.

4. In the event that Red Mountain, any of its Affiliates or any of their respective Representatives is requested pursuant to, or required by, applicable law or regulation (including, without limitation, any rule, regulation or policy statement of any national securities exchange, market or automated quotation system applicable to Red Mountain or any of its Affiliates) or by legal process to disclose any Proprietary Information, Red Mountain shall provide the Company with prompt notice of such request or requirement in order to enable the Company (i) to seek an appropriate protective order or other remedy, (ii) to consult with Red Mountain with respect to the Company's taking steps to resist or narrow the scope of such request or legal process or (iii) to waive compliance, in whole or in part, with the terms of this letter agreement. In the event that such protective order or other remedy is not timely sought or obtained, or the Company waives compliance, in whole or in part, with the terms of this letter agreement, Red Mountain shall (x) use commercially reasonable efforts to disclose only that portion of the Proprietary Information which is legally required to be disclosed and to ensure that all Proprietary Information that is so disclosed will be accorded confidential treatment and (y) provide the Company with the text of such required disclosure as far in advance of its disclosure as reasonably practicable and consider in good faith the Company's suggestions concerning the nature and scope of the information to be contained therein. In the event that Red Mountain shall have complied, in all material respects, with the provisions of this paragraph 4, such disclosure may be made

by Red Mountain, such Affiliate or such Representative, as applicable, without any liability hereunder.

5. For a period commencing on the date of this letter agreement and ending on the later to occur of (i) December 31, 2014 or (ii) (A) the date upon which no persons affiliated with Red Mountain are serving on the Board (in the case of subparagraph (a) below) and (B) three months after such date (in the case of subparagraphs (b) through (h) below), none of Red Mountain or any person affiliated with Red Mountain shall, without the prior written consent of the Company or the Board, directly or indirectly:

(a) acquire, offer to acquire, or agree to acquire, directly or indirectly, by purchase or otherwise, (i) any additional common stock of the Company or direct or indirect rights to acquire common stock of the Company, such that Red Mountain, its Affiliates and any other person affiliated with Red Mountain collectively would beneficially own, directly or indirectly, for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 13d-3 thereunder (or any comparable or successor law or regulation), after giving effect to such acquisition, in excess of 15% of the amount of the issued and outstanding common stock of the Company, provided that, for the avoidance of doubt, any increase in percentage beneficial ownership of common stock of the Company beyond 15% that is caused by a reduction in the number of issued and outstanding common stock of the Company from time to time shall not be deemed to be a violation of this subparagraph (a), or (ii) any assets of the Company or any subsidiary thereof or any successor to or person in control of the Company;

(b) make, or in any way participate, directly or indirectly, in any "solicitation" of "proxies" to vote (as such terms are used in the rules of the Securities and Exchange Commission), or seek to advise or influence any person or entity with respect to the voting of any voting securities of the Company;

(c) nominate, or seek to nominate, directly or indirectly, any person to the Board;

(d) make any public announcement with respect to, or submit a proposal for, or offer of (with or without conditions) any extraordinary transaction involving the Company or any of its securities or assets (including, for the avoidance of doubt and without limitation, a tender offer);

(e) form, join or in any way participate in a "group" as defined in Section 13(d)(3) of the Exchange Act in connection with any of the foregoing; provided that, for the avoidance of doubt, the existence of a group consisting of Red Mountain, its Affiliates and other persons affiliated with Red Mountain shall not be deemed to be a violation of this subparagraph (e);

(f) otherwise act or seek to control or influence the Board or the management or policies of the Company (provided that the taking of any action described in subparagraph (a) after the expiration of the restrictions thereunder shall not, by itself, be deemed a violation of this subparagraph (f));

(g) take any action that could reasonably be expected to require the Company to make a public announcement regarding the possibility of any of the events described in subparagraphs (a) through (e) above (provided that the taking of any action described in subparagraph (a) after the expiration of the restrictions thereunder shall not, by itself, be deemed a violation of this subparagraph (g)); or

(h) request that the Company or any of its Representatives, directly or indirectly, to amend or waive any provision of this paragraph 5.

For the avoidance of doubt, if Mr. Mesdag or any other person affiliated with Red Mountain serves on the Board, the provisions of this paragraph 5 are not intended to be construed to limit Mr. Mesdag or such person's confidential communications with the Company or the Board in his capacity as a member of the Board.

6. Notwithstanding anything to the contrary herein, Red Mountain may, in its sole discretion, terminate the provisions of paragraph 5 of this letter agreement (including all restrictions thereunder on the activities in which Red Mountain, its Affiliates and other persons affiliated with Red Mountain may engage with respect to the Company) by delivering written notice of such termination to the Company at any time after the approval by the Board of:

(a) any sale of more than 20% of the assets of the Company and its subsidiaries, taken as a whole;

(b) the beneficial ownership (as defined by Rule 13d-3 under the Exchange Act) by any person of more than 20% of any class of outstanding equity securities of the Company, including any equity issuance, tender offer, exchange offer or other transaction or series of transactions that, if consummated, would result in any person beneficially owning more than 20% of any class of outstanding equity securities of the Company; or

(c) any merger, consolidation or other business combination involving the Company or any of its subsidiaries and a third party, other than any such transaction where (i) the holders of equity securities of the Company outstanding immediately prior to such transaction continue to hold a majority of the equity securities of the surviving or resulting company or its ultimate parent immediately after giving effect to the transaction, and (ii) does not otherwise involve either (A) any sale of more than 20% of the assets of the Company and its subsidiaries, taken as a whole or (B) where no person after such transaction will beneficially own (within the meaning of Rule 13d-3 under the Exchange Act) more than 20% of any class of outstanding equity securities of the Company.

In addition, if the Board undertakes a formal process to solicit proposals with respect to any of the foregoing or, with respect to unsolicited proposals, determines that any proposal relating to any of the foregoing is reasonably likely to be approved, the Company shall notify Red Mountain that paragraph 5(h) has been waived by the Company.

7. To the extent that any Proprietary Information may include material subject to the attorney-client privilege, work product doctrine or any other applicable privilege concerning pending or threatened legal proceedings or governmental investigations, the Parties understand and agree that they have a commonality of interest with respect to such matters and it is their desire, intention and mutual understanding that the sharing of such material is not intended to, and shall not, waive or diminish in any way the confidentiality of such material or its continued protection under the attorney-client privilege, work product doctrine or other applicable privilege. All Proprietary Information provided by the Company that is entitled to protection under the attorney-client privilege, work product doctrine or other applicable privilege shall remain entitled to such protection under these privileges, this letter agreement, and under the joint defense doctrine. Nothing in this letter agreement obligates the Company to reveal material subject to the attorney-client privilege, work product doctrine or any other applicable privilege. For the avoidance of doubt, if Mr. Mesdag or any other person affiliated with Red Mountain serves on the Board, Mr. Mesdag or such person shall not share any legally privileged information received in Mesdag or such person's capacity as a member of the Board with Red Mountain.

8. Red Mountain acknowledges that neither the Company nor any of its Representatives makes any express or implied representation or warranty as to the accuracy or completeness of any Proprietary Information, and Red Mountain agrees that none of such persons shall have any liability to any of Red Mountain, any of its Affiliates or any of their respective Representatives relating to or arising from the use of any Proprietary Information.

9. At any time upon the request of the Company, Red Mountain shall promptly deliver to the Company or destroy (provided that any such destruction shall be certified by Red Mountain) all Proprietary Information and all copies, reproductions, summaries, analyses or extracts thereof or based thereon (whether in hard-copy form or on intangible media, such as electronic mail or computer files) in the possession of Red Mountain, any of its Affiliates or any of their respective Representatives; provided that Red Mountain, its Affiliates and their respective Representatives shall be permitted to retain a copy of such Proprietary Information to the extent such person believes in good faith that the retention of such copy is required under applicable law (including the recordkeeping requirements under the Investment Advisers Act of 1940, as amended). Red Mountain acknowledges that the Company reserves the right, in its sole discretion and without giving any reason therefor, to request the return or destruction of Proprietary Information pursuant to this paragraph 9.

10. Red Mountain is aware of the restrictions imposed by the United States securities laws on the purchase or sale of securities by any person who has received material, non-public information from the issuer of such securities and on the communication of such information to any other person when it is reasonably foreseeable that such other person is likely to purchase or sell such securities in reliance upon such information.

11. Without prejudice to the rights and remedies otherwise available to either party hereto, the Company shall be entitled to equitable relief by way of injunction or otherwise if Red Mountain, any of its Affiliates or any of their respective Representatives breaches or threatens to breach any of the provisions of this letter agreement.

12. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder.

13. This letter agreement shall be governed by and construed in accordance with the laws of the State of Delaware. Each Party hereby irrevocably and unconditionally consents to the exclusive institution and resolution of any action, suit or proceeding of any kind or nature with respect to or arising out of this letter agreement brought by any Party in the Chancery Court of the State of Delaware and the appellate courts thereof. Each Party hereby irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this letter agreement in such court, and further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum. The Parties agree that a final judgment in any such dispute shall be conclusive and may be enforced in other jurisdictions by suits on the judgment or in any other manner provided by law.

14. This letter agreement contains the entire agreement between the Parties concerning the subject matter hereof, and no modification of this letter agreement or waiver of the terms and conditions hereof shall be binding unless approved in writing by the Parties.

15. This letter agreement shall terminate automatically upon the later to occur of (i) December 31, 2014 or (ii) the date upon which no persons affiliated with Red Mountain are serving on the Board; provided that Red Mountain's obligations under paragraphs 3 and 5 shall terminate as provided for therein and in paragraph 6.

16. This letter agreement may be executed in two or more counterparts (including by fax and .pdf), which together shall constitute a single agreement.

Please confirm your agreement with the foregoing by signing and returning this letter agreement to the undersigned, whereupon this letter agreement shall become a binding agreement.

Very truly yours,

DESTINATION XL GROUP, INC.

By: /s/ David A. Levin____________
Name: David A. Levin
Title: President & CEO

ACCEPTED AND AGREED as of the date first written above:

RED MOUNTAIN CAPITAL PARTNERS LLC

By: /s/ Willem Mesdag_____________
Name: Willem Mesdag
Title: Managing Partner

[*Signature Page to Letter Agreement]*

Exhibit 31.1

CERTIFICATION

I, David A. Levin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Destination XL Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date:November 17, 2017

By: /s/ David A. Levin

David A. Levin
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Peter H. Stratton, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Destination XL Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:November 17, 2017

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

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Destination XL Group, Inc. (the "Company") for the period ended October 28, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Levin, 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, 2017

By: /s/ David A. Levin
David A. Levin
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.

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Destination XL Group, Inc. (the "Company") for the period ended October 28, 2017, 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, 2017

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.