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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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**Quarterly Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

For the Quarterly Period Ended August 3, 2013

Commission File Number 01-34219

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**DESTINATION XL GROUP, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**555 Turnpike Street, Canton, MA**  
(Address of principal executive offices)

**04-2623104**  
(IRS Employer  
Identification No.)

**02021**  
(Zip Code)

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

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

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

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

The number of shares of common stock outstanding as of August 3, 2013 was 50,932,799.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

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

	August 3, 2013 (Fiscal 2013) (Unaudited)	February 2, 2013 (Fiscal 2012)
<b>ASSETS</b>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 5,146	\$ 8,162
Accounts receivable	6,652	5,007
Inventories	107,859	104,211
Deferred income taxes	6,066	6,625
Prepaid expenses and other current assets	8,715	9,081
Total current assets	<u>134,438</u>	<u>133,086</u>
Property and equipment, net of accumulated depreciation and amortization	83,817	65,942
<i>Other assets:</i>		
Intangible assets	5,191	6,256
Deferred income taxes	39,427	38,688
Other assets	2,394	1,973
Total assets	<u>\$ 265,267</u>	<u>\$ 245,945</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<i>Current liabilities:</i>		
Current portion of deferred gain on sale-leaseback	\$ 1,465	\$ 1,465
Accounts payable	26,756	25,464
Accrued expenses and other current liabilities	26,037	23,655
Borrowings under credit facility	12,336	—
Total current liabilities	<u>66,594</u>	<u>50,584</u>
<i>Long-term liabilities:</i>		
Deferred rent and lease incentives	15,275	11,562
Deferred gain on sale-leaseback, net of current portion	16,852	17,585
Other long-term liabilities	4,816	5,002
Total long-term liabilities	<u>36,943</u>	<u>34,149</u>
Commitments and contingencies		
<i>Stockholders' equity:</i>		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized, 61,810,238 and 59,477,008 shares issued at August 3, 2013 and February 2, 2013, respectively	618	595
Additional paid-in capital	295,027	293,977
Treasury stock at cost, 10,877,439 shares at August 3, 2013 and February 2, 2013	(87,977)	(87,977)
Accumulated deficit	(40,398)	(39,822)
Accumulated other comprehensive loss	(5,540)	(5,561)
Total stockholders' equity	<u>161,730</u>	<u>161,212</u>
Total liabilities and stockholders' equity	<u>\$ 265,267</u>	<u>\$ 245,945</u>

*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 six months ended	
	August 3, 2013 (Fiscal 2013)	July 28, 2012 (Fiscal 2012)	August 3, 2013 (Fiscal 2013)	July 28, 2012 (Fiscal 2012)
Sales	<b>\$97,648</b>	\$100,504	<b>\$191,242</b>	\$196,043
Cost of goods sold including occupancy costs	<b>52,155</b>	53,867	<b>101,266</b>	103,803
Gross profit	<b>45,493</b>	46,637	<b>89,976</b>	92,240
Expenses:				
Selling, general and administrative	<b>43,321</b>	37,626	<b>81,653</b>	75,385
Depreciation and amortization	<b>4,513</b>	3,744	<b>8,683</b>	7,434
Total expenses	<b>47,834</b>	41,370	<b>90,336</b>	82,819
Operating income (loss)	<b>(2,341)</b>	5,267	<b>(360)</b>	9,421
Interest expense, net	<b>(241)</b>	(122)	<b>(419)</b>	(287)
Income (loss) from continuing operations before provision (benefit) for income taxes	<b>(2,582)</b>	5,145	<b>(779)</b>	9,134
Provision (benefit) for income taxes	<b>(995)</b>	2,151	<b>(203)</b>	3,690
Income (loss) from continuing operations	<b>(1,587)</b>	2,994	<b>(576)</b>	5,444
Loss from discontinued operations, net of taxes	<b>—</b>	(1,756)	<b>—</b>	(1,937)
Net income (loss)	<b><u>\$(1,587)</u></b>	<u>\$ 1,238</u>	<b><u>\$( 576)</u></b>	<u>\$ 3,507</u>
Net income (loss) per share - basic:				
Income (loss) from continuing operations	<b>(\$ 0.03)</b>	\$ 0.06	<b>(\$ 0.01)</b>	\$ 0.11
Loss from discontinued operations	<b>\$ 0.00</b>	(\$ 0.03)	<b>\$ 0.00</b>	(\$ 0.04)
Net income (loss) per share -basic	<b>(\$ 0.03)</b>	\$ 0.03	<b>(\$ 0.01)</b>	\$ 0.07
Net income (loss) per share - diluted:				
Income (loss) from continuing operations	<b>(\$ 0.03)</b>	\$ 0.06	<b>(\$ 0.01)</b>	\$ 0.11
Loss from discontinued operations	<b>\$ 0.00</b>	(\$ 0.03)	<b>\$ 0.00</b>	(\$ 0.04)
Net income (loss) per share- diluted	<b>(\$ 0.03)</b>	\$ 0.03	<b>(\$ 0.01)</b>	\$ 0.07
Weighted-average number of common shares outstanding:				
Basic	<b>48,479</b>	47,944	<b>48,385</b>	47,804
Diluted	<b>48,479</b>	48,282	<b>48,385</b>	48,242

*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)

	Three Months Ended		Six Months Ended	
	August 3, 2013 <u>(Fiscal 2013)</u>	July 28, 2012 <u>(Fiscal 2012)</u>	August 3, 2013 <u>(Fiscal 2013)</u>	July 28, 2012 <u>(Fiscal 2012)</u>
Net income (loss)	\$ (1,587)	\$ 1,238	\$ (576)	\$ 3,507
Other comprehensive income (loss) before taxes:				
Foreign currency translation	(117)	(179)	(207)	(36)
Pension plan	163	158	319	315
Other comprehensive income before taxes	46	(21)	112	279
Tax provision related to items of other comprehensive loss	(51)	(19)	(91)	(122)
Other comprehensive income, net of tax	(5)	(40)	21	157
Comprehensive income (loss)	<u>\$ (1,592)</u>	<u>\$ 1,198</u>	<u>\$ (555)</u>	<u>\$ 3,664</u>

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

DESTINATION XL GROUP, INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
For the six months ended August 3, 2013  
(In thousands)  
(Unaudited)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amounts		Shares	Amounts			
Balance at February 2, 2013	<u>59,477</u>	<u>\$ 595</u>	<u>\$293,977</u>	<u>(10,877)</u>	<u>\$(87,977)</u>	<u>\$ (39,822)</u>	<u>\$ (5,561)</u>	<u>\$161,212</u>
Exercises under option program	96	1	354					355
Issuance of restricted stock	2,229	22	(22)					—
Stock compensation expense			681					681
Board of Directors compensation	8	—	37					37
Accumulated other comprehensive income (loss):								
Unrecognized loss associated with Pension Plan, net of taxes of \$126							193	193
Foreign currency, net of taxes of \$(35)							(172)	(172)
Net loss						(576)		(576)
Balance at August 3, 2013	<u>61,810</u>	<u>\$ 618</u>	<u>\$295,027</u>	<u>(10,877)</u>	<u>\$(87,977)</u>	<u>\$ (40,398)</u>	<u>\$ (5,540)</u>	<u>\$161,730</u>

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

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

	Six Months Ended	
	August 3, 2013 (Fiscal 2013)	July 28, 2012 (Fiscal 2012)
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (576)	\$ 3,507
<b>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</b>		
Amortization of deferred gain on sale leaseback	(733)	(733)
Depreciation and amortization	8,683	7,434
Deferred taxes, net of valuation allowance	(180)	3,452
Stock compensation expense	681	543
Board of Directors stock compensation	37	21
<b>Changes in operating assets and liabilities :</b>		
Accounts receivable	(1,645)	165
Inventories	(3,648)	559
Prepaid expenses and other current assets	366	(982)
Intangibles and other assets	(46)	26
Accounts payable	1,292	(2,016)
Deferred rent and lease incentives	3,713	724
Accrued expenses and other liabilities	(2,214)	(1,878)
Net cash provided by operating activities	<u>5,730</u>	<u>10,822</u>
<b>Cash flows from investing activities:</b>		
Additions to property and equipment, net	(21,087)	(11,540)
Proceeds from sale of businesses	—	135
Net cash used for investing activities	<u>(21,087)</u>	<u>(11,405)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from the issuance of common stock under option programs	355	—
Costs associated with amendment to credit facility	(350)	—
Borrowings under credit facility, net	12,336	—
Net cash provided by financing activities	<u>12,341</u>	<u>—</u>
Net decrease in cash and cash equivalents	<u>(3,016)</u>	<u>(583)</u>
<b>Cash and cash equivalents:</b>		
Beginning of period	8,162	10,353
End of period	<u>\$ 5,146</u>	<u>\$ 9,770</u>

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

**DESTINATION XL GROUP, INC.**  
**Notes to 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 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 February 2, 2013 included in the Company’s Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 15, 2013.

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 2013 is a 52-week period ending on February 1, 2014. Fiscal 2012 was a 53-week period ending on February 2, 2013.

*Reclassification*

The Company has reclassified the long-term portion of its deferred rent and lease incentives from “Accrued Expenses and Other Current Liabilities” into “Deferred Rent and Lease Incentives” on the consolidated balance sheets.

*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 businesses. The Company considers its operating segments to be similar in terms of economic characteristics, production processes and operations, and have therefore aggregated them into a single reporting segment. The direct operating segment includes the operating results and assets for LivingXL® and ShoesXL®.

*Other Intangibles*

At August 3, 2013, the “Casual Male” trademark has a carrying value of \$3.2 million and is considered a definite-lived asset. The Company is amortizing the remaining carrying value of \$3.2 million 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 first six months of fiscal 2013, 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. 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.

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.

### 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. Other comprehensive income and reclassifications from AOCI for the three and six months ended August 3, 2013 and July 28, 2012 are as follows:

	August 3, 2013			July 28, 2012		
	Pension Plans	Foreign	Total	Pension Plans	Foreign	Total
For the three months ended (in thousands):						
Balance at beginning of the quarter	\$(5,734)	\$ 199	\$(5,535)	\$(5,854)	\$ 335	\$(5,519)
Other comprehensive income (loss) before reclassifications, net of taxes	42	(104)	(62)	35	(176)	(141)
Amounts reclassified from accumulated other comprehensive income (loss), net of taxes <sup>(1)</sup>	57	—	57	101	—	101
Other comprehensive income (loss) for the period	99	(104)	(5)	136	(176)	(40)
Balance at end of the quarter	\$(5,635)	\$ 95	\$(5,540)	\$(5,718)	\$ 159	\$(5,559)

	August 3, 2013			July 28, 2012		
	Pension Plans	Foreign	Total	Pension Plans	Foreign	Total
For the six months ended (in thousands):						
Balance at beginning of fiscal year	\$(5,828)	\$ 267	\$(5,561)	\$(5,949)	\$ 233	\$(5,716)
Other comprehensive income (loss) before reclassifications, net of taxes	86	(172)	(86)	60	(74)	(14)
Amounts reclassified from accumulated other comprehensive income (loss), net of taxes <sup>(1)</sup>	107	—	107	171	—	171
Other comprehensive income (loss) for the period	193	(172)	21	231	(74)	157
Balance at end of the quarter	\$(5,635)	\$ 95	\$(5,540)	\$(5,718)	\$ 159	\$(5,559)

(1) Includes the amortization of the unrecognized (gain)/loss on pension plans which was charged to Selling, General and Administrative expense on the Consolidated Statement of Operations for all periods presented. The amortization of the unrecognized loss, before tax, was \$92,000 and \$117,000 for the three months ended August 3, 2013 and July 28, 2012, respectively. The corresponding tax benefit was \$35,000 and \$16,000 for the three months ended August 3, 2013 and July 28, 2012, respectively.

For the six months ended August 3, 2013 and July 28, 2012, the amortization of the unrecognized loss, before tax, was \$176,000 and \$233,000, respectively. The corresponding tax benefit was \$69,000 and \$62,000 for the six months ended August 1, 2013 and July 28, 2012, respectively.

### Recently Issued Accounting Pronouncements

The Company has reviewed accounting pronouncements and interpretations thereof that have effective dates during the periods reported and in future periods. The Company believes that the following impending standards may have an impact on its future filings. The applicability of any standard will be evaluated by the Company and is still subject to review by the Company.

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-02, *Comprehensive Income – Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* ("ASU 2013-02"). ASU 2013-02 requires the presentation of the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income, but only if the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. The guidance was effective for fiscal years beginning after December 15, 2012. The Company has adopted ASU 2013-02 and has included the related disclosure within the notes to the consolidated financial statements.



In July 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force). U.S. GAAP does not include explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amendments in this ASU state that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company currently presents these tax items in accordance with this guidance; therefore, no changes are necessary for adoption.

## 2. Debt

### *Credit Agreement with Bank of America, N.A.*

On June 26, 2013, the Company amended its credit facility with Bank of America, N.A by executing the First Amendment to the Sixth Amended and Restated Loan and Security Agreement (as amended, the "Credit Facility").

The Credit Facility provides for an increase in the maximum committed borrowings from \$75 million to \$100 million. The Credit Facility continues to include, pursuant to an accordion feature, the ability to increase the Amended 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 letter of credits or the 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 was extended from November 10, 2014 to June 26, 2018. The Company's obligations under the Credit Facility are secured by a lien on all of its assets.

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 one month LIBOR rate) plus a varying percentage, based on the Company's borrowing base, of 0.50%-0.75% (a decrease from 1.00%-1.25%) for prime-based borrowings and 1.50%-1.75% (a decrease from 2.00%-2.25%) for LIBOR-based borrowings. The Company is also subject to an unused line fee of 0.25% (a decrease from 0.375%).

At August 3, 2013, the Company's prime-based interest rate was 3.75%. The Company had approximately \$5.0 million of its outstanding borrowings in LIBOR-based borrowings with an interest rate of 1.65%. The LIBOR-based borrowings expired August 6, 2013. 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.

At August 3, 2013, the Company had outstanding borrowings under the Credit Facility of \$12.3 million. Outstanding standby letters of credit were \$1.8 million and documentary letters of credit were \$1.1 million. Unused excess availability at August 3, 2013 was \$78.1 million. Average borrowings outstanding under this facility during the first six months of fiscal 2013 were \$8.7 million, resulting in an average unused excess availability of approximately \$67.2 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.

The fair value of the amount outstanding under the Credit Facility at August 3, 2013 approximated the carrying value.

### 3. Stock-Based Compensation

All share-based payments, including grants of employee stock options and restricted stock, are recognized as an expense in the statement 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.

#### 2006 Incentive Compensation Plan

At the Company’s Annual Meeting of Stockholders held on August 1, 2013, the stockholders approved an amendment to the 2006 Incentive Compensation Plan, as amended (the “2006 Plan”). This amendment increased the total number of shares of common stock authorized for issuance under the plan by 1,500,000 from 5,750,000 to 7,250,000 shares and as a sub-limit under the 2006 Plan, increased the maximum number of those shares that may be subject to the granting of awards other than stock options and stock appreciation rights by 500,000 shares.

During the second quarter of fiscal 2013, the 2013-2016 Destination XL Group, Inc. Long-Term Incentive Plan (the “2013-2016 LTIP”) was approved and put into place. Pursuant to the terms of the 2013-2016 LTIP, on the date of grant, each participant was granted an unearned and unvested award equal in value to four times his/her annual salary multiplied by the applicable long-term incentive program percentage, which is 100% for the Company’s executive officers, 70% for its senior executives and 50% for other participants in the plan, which we refer to as the “Projected Benefit Amount.” Each participant received 50% of the Projected Benefit Amount in shares of restricted stock, 25% in stock options and the remaining 25% in cash.

Of the total Projected Benefit Amount, 50% is subject to time-based vesting and 50% is subject to performance-based vesting. The time-vested portion of the award (half of the shares of restricted stock, options and cash) vests in three installments with 20% of the time-vested portion vesting at the end of fiscal 2014, 40% at the end of fiscal 2015 and the remaining 40% vesting at the end of fiscal 2016.

For the performance-based portion of the award to vest, the Company must achieve, during any rolling four fiscal quarter period that ends on or before the end of fiscal 2015, revenue of at least \$550 million and an operating margin of not less than 8.0%. In the event that the Company achieves its target of \$550 million in revenue with an operating margin of not less than 8.0% during any rolling fiscal four quarters prior to fiscal 2016, then the total Projected Benefit Amount vests in full.

If the targets for vesting of the performance-based portion of the award are not met by the end of fiscal 2015, then the performance-based target can still be met in fiscal 2016. In fiscal 2016, the Company must achieve revenue of at least \$600 million and an operating margin of not less than 8.0% for participants to receive 100% vesting of the performance-based portion of the Projected Benefit Amount. If the Company does not meet the performance target at the end of fiscal 2016, but the Company is able to achieve revenue equal to or greater than \$510 million at the end of fiscal 2016 and the operating margin is not less than 8.0%, then the participants will receive a pro-rata portion of the performance-based award based on minimum sales of \$510 million (50% payout) and \$600 million (100% payout).

Assuming the Company achieves the performance target and 100% of the Projected Benefit Amount vests, without forfeiture, the total potential value of all awards over this four-year period would be approximately \$22.6 million. Approximately half of the compensation expense relates to the time-vested awards, which is being expensed over forty-four months, based on the respective vesting dates. As the performance targets were not deemed probable during the second quarter of fiscal 2013, no expense for the performance-based awards has been recognized as of August 3, 2013.

2006 Plan—Stock Option and Restricted Share Award Activity

The following tables summarize the stock option activity and restricted share activity under the 2006 Plan for the first six months of fiscal 2013:

<u>Stock Options</u>	<u>Number of Shares</u>	<u>Weighted-average Exercise price per Option</u>	<u>Weighted-average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding options at beginning of year	376,374	\$ 4.31		
Options granted	2,739,187	5.04		
Options canceled	(3,987)	4.19		
Options exercised	—	—		
Outstanding options at end of quarter	3,111,574	\$ 4.95	9.4 years	\$4,085,198
Options exercisable at end of quarter	305,510	\$ 4.50	5.7 years	\$ 585,381

<u>Restricted Shares</u>	<u>Number of Shares</u>	<u>Weighted-average Grant-Date Fair Value <sup>(1)</sup></u>
Restricted shares outstanding at beginning of year	483,403	\$ 3.90
Restricted shares granted	2,229,364	5.08
Restricted shares vested	(310,088)	3.74
Restricted shares canceled	—	—
Restricted shares outstanding at end of quarter	2,402,679	\$ 5.01

- (1) The fair value of a restricted share is equal to the Company's closing stock price on the date of grant.

1992 Stock Incentive Plan (the "1992 Plan")—Stock Option Activity

The following table summarizes stock option activity under the 1992 Plan for the first six months of fiscal 2013:

<u>Stock Options</u>	<u>Number of Shares</u>	<u>Weighted-average Exercise price per Option</u>	<u>Weighted-average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at beginning of year	1,329,815	\$ 6.35		
Options granted	—	—		
Options canceled	(11,000)	8.64		
Options exercised <sup>(1)</sup>	(400,040)	5.16		
Outstanding at end of quarter	918,775	\$ 6.84	1.1 years	\$107,450
Options exercisable at end of quarter	918,775	\$ 6.84	1.1 years	\$107,450

- (1) During the first six months of fiscal 2013, options to purchase 400,040 shares of common stock, with an intrinsic value of approximately \$183,000, were exercised. Includes options that were exercised through net share settlement. As a result, only 96,242 shares were issued with no corresponding option cost.

Share Availability Under the 2006 Plan

At August 3, 2013, the Company has 443,463 shares available for future grant under the 2006 Plan, of which all remains available under the sublimit for awards other than options and stock appreciation rights. No further grants can be made under the 1992 Plan.

Non-Employee Director Stock Purchase Plan

The Company granted 7,624 shares of common stock, with a fair value of approximately \$37,000, to certain of its non-employee directors as compensation for the first six months of fiscal 2013.

### Valuation Assumptions for Stock Options and Restricted Stock

In total, the Company granted stock options to purchase 2,739,187 and 51,286 shares of common stock for the first six months of fiscal 2013 and fiscal 2012, respectively. For the first six months of fiscal 2013, the Company granted 2,229,364 shares of restricted stock. The majority of the grants of both stock options and restricted stock for the first six months of fiscal 2013 is attributable to the Company's 2013-2016 LTIP. There were no grants of restricted stock for the first six months of fiscal 2012.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. The weighted-average grant date fair-value of stock options granted during the first six months of fiscal 2013 was \$2.07 per share.

The following assumptions were used for grants for the first six months of fiscal 2013 and fiscal 2012:

	August 3, 2013	July 28, 2012
Expected volatility	52.0%	55.0%
Risk-free interest rate	0.34-0.79%	0.31-0.67%
Expected life	3.0-4.1 yrs	3.0 -4.5 yrs
Dividend rate	-	-

Expected volatilities are based on historical volatilities of the Company's common stock; the expected life represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and historical exercise patterns; and the risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option.

For the first six months of fiscal 2013 and fiscal 2012, the Company recognized total stock-based compensation expense of \$0.7 million and \$0.5 million, respectively. The total compensation cost related to time-vested stock options and time-based restricted stock awards not yet recognized as of August 3, 2013 is approximately \$7.1 million which will be expensed over a weighted average remaining life of 32 months. At August 3, 2013, the Company had \$7.1 million of unrecognized compensation expense related to its performance-based stock options and restricted stock. As discussed above, the Company will begin recognizing compensation once achievement of the performance targets becomes probable.

### **4. Earnings Per Share**

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

<i>(in thousands)</i>	For the three months ended		For the six months ended	
	August 3, 2013	July 28, 2012	August 3, 2013	July 28, 2012
<b>Common Stock Outstanding</b>				
Basic weighted average common shares outstanding	48,479	47,944	48,385	47,804
Common stock equivalents – stock options and restricted stock. Common stock equivalents of 231 shares and 273 shares for the three and six months ended August 3, 2013, respectively, were excluded due to the net loss	—	338	—	438
Diluted weighted average common shares outstanding	<u>48,479</u>	<u>48,282</u>	<u>48,385</u>	<u>48,242</u>

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, adjusted for any unearned compensation for the respective periods, if applicable.

<i>(in thousands, except exercise prices)</i>	For the three months ended		For the six months ended	
	August 3, 2013	July 28, 2012	August 3, 2013	July 28, 2012
Stock Options (time-vested)	2,077	1,702	2,323	1,702
Restricted Stock (time-vested)	1,115	—	1,115	—
Range of exercise prices of such stock options	\$4.96-\$10.26	\$3.76-\$10.26	\$4.96-\$10.26	\$3.76-\$10.76

The above options, which were outstanding at August 3, 2013, expire from October 27, 2013 to June 28, 2023.

Excluded from the Company's computation of basic and diluted earnings per share for the quarter and first six months of fiscal 2013, were 1,114,682 shares of unvested performance-based restricted stock and 1,368,272 performance-based stock options. These performance-based awards will be included in the computation of basic and diluted earnings per share if, and when, the respective performance targets are achieved. In addition, 1,114,682 shares of unvested time-based restricted stock are excluded from the computation of basic earnings per share until such shares vest. See Note 3, Stock-Based Compensation, for a discussion of the Company's 2013-2016 LTIP and the respective performance targets.

Although the shares of performance-based and time-based restricted stock are not considered outstanding or common stock equivalents for earnings per share purposes until certain vesting and performance thresholds are achieved, all 2,229,364 shares of restricted stock 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 are forfeitable if the restricted stock is forfeited.

## 5. Income Taxes

At August 3, 2013, the Company had net deferred tax assets of approximately \$49.0 million, with a corresponding valuation allowance of \$3.5 million. The deferred tax assets include approximately \$31.3 million of net operating loss carryforwards and approximately \$7.2 million of deferred gain on sale-leaseback and, to a lesser extent, other book/tax timing differences. As of August 3, 2013, the Company had gross net operating loss carryforwards of \$85.6 million for federal income tax purposes and \$47.0 million for state income tax purposes that are available to offset future taxable income through fiscal year 2033. Included in the net operating loss carryforwards for both federal and state income tax is approximately \$13.0 million relating to stock compensation deductions, the tax benefit from which, if realized, will be credited to additional paid-in capital.

On a continuing income basis, the Company's effective tax rate for the first six months of fiscal 2013 was 26.1% as compared to 40.4% for the first six months of fiscal 2012 and is consistent with the statutory tax rate applicable to the U.S. and the blended state rate for the states in which the Company conducts business. The effective tax rate for the first six months of fiscal 2013 is lower than the prior year due to the impact of discrete and permanent items that reduced the income tax benefit recognized on the Company's pre-tax loss for fiscal 2013.

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. At August 3, 2013, the Company had no material unrecognized tax benefits.

The Company is subject to U.S. federal income tax as well as income tax of multiple state and certain foreign jurisdictions. The Company has concluded all U.S. federal income tax matters for years through fiscal 1997, with remaining fiscal years subject to income tax examination by federal tax authorities.

The Company's policy is to recognize accrued interest and penalties related to unrecognized tax benefits in its income tax provision. The Company has not accrued or paid interest or penalties which were material to its results of operations for the first six months of fiscal 2013.

## 6. Discontinued Operations

In the second quarter of fiscal 2012, the Company exited its European Direct business. As a result, the operating results of the European Direct business for the first six months of fiscal 2012 have been reclassified to reflect the operating results as discontinued operations. The following table summarizes the results from discontinued operations from the Company's European Direct Business for the second quarter and first six months of fiscal 2012. No activity occurred in fiscal 2013.

<i>(in thousands)</i>	For the three months ended July 28, 2012	For the six months ended July 28, 2012
Sales	\$ 439	\$ 813
Gross margin	(218)	(84)
Selling, general and administrative expenses	(1,534)	(1,845)
Depreciation and amortization	(4)	(8)
Benefit from income taxes	—	—
Loss from discontinued operations, net of taxes	<u>\$ (1,756)</u>	<u>\$ (1,937)</u>

## 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. 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. Numerous factors could cause our actual results to differ materially from such forward-looking statements. We encourage readers to refer to Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended February 2, 2013, filed with the Securities and Exchange Commission on March 15, 2013, and Part II, Item 1A of this Quarterly Report which identify certain risks and uncertainties that may have an impact on our future earnings and the direction of our Company.

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. (formerly known as Casual Male Retail Group, Inc.) together with our subsidiaries (the "Company") is the largest specialty retailer of big & tall men's apparel with retail and direct operations in the United States, London, England and direct businesses throughout the United States and Canada. We operate under the trade names of Destination XL®, DXL®, Casual Male XL®, Casual Male XL Outlets, Rochester Clothing, B&T Factory Direct™, ShoesXL® and LivingXL®. At August 3, 2013, we operated 65 Destination XL stores, 257 Casual Male XL retail stores, 55 Casual Male XL outlet stores and 11 Rochester Clothing stores. Our direct business includes our DestinationXL.com e-commerce site and several catalogs which support our brands and product extensions.

Unless the context indicates otherwise, all references to "we," "our," "ours," "us" and "the Company" refer to Destination XL Group, Inc. and our consolidated subsidiaries. We refer to our fiscal years which end on February 1, 2014 and February 2, 2013 as "fiscal 2013" and "fiscal 2012," respectively. Fiscal 2013 is a 52-week period and Fiscal 2012 was a 53-week period.

Total comparable sales for all periods include our retail stores that have been open for at least one full fiscal year together with our e-commerce and catalog sales. Our direct businesses are included as part of our calculation of total comparable sales because we are a multi-channel retailer offering our customers convenient alternatives for their shopping needs. Retail comparable sales reflect same-store sales and exclude our direct business. Stores that have been remodeled, expanded or re-located during the period are also included in our determination of comparable sales. Most of our DXL stores are considered relocations and comparable to all the closed stores in each respective market area for the first twelve months. For the first six months of fiscal 2013, all 65 DXL stores were included in our comparable store base. The sales from 36 of those 65 DXL stores are comparable to prior year sales that included the sales from 49 closed Casual Male XL stores and 2 closed Rochester Clothing stores. On a comparable sales basis, our selling square footage for those 36 DXL stores increased 69.7% compared to the square footage of the comparable Casual Male XL and Rochester Clothing stores that were closed. 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 companies.

## SEGMENT REPORTING

We report our operations as one reportable segment, Big & Tall Men's Apparel, which consists of our two principal operating segments: retail and direct. We consider our operating segments to be similar in terms of economic characteristic, production processes and operations, and have therefore aggregated them into a single reporting segment.

## RESULTS OF OPERATIONS

### *Executive Summary*

For the second quarter of fiscal 2013, we had a net loss of \$1.6 million, or \$(0.03) per diluted share, compared to net income of \$1.2 million, or \$0.03 per diluted share, for the second quarter of fiscal 2012. For the first six months of fiscal 2013, we had a net loss of \$0.6 million, or \$(0.01) per diluted share, compared to net income of \$3.5 million, or \$0.07 per diluted share, for the first six months of fiscal 2012. As we have mentioned, fiscal 2013 will be a transition year for us as we work towards transforming from Casual Male XL stores to DXL stores.

The decrease in earnings for both the second quarter and first six months of fiscal 2013 is due primarily to the increase in marketing costs during the quarter of \$4.1 million related to our National Marketing campaign as well as pre-opening costs, such as payroll and occupancy, related to the opening of our DXL stores and trademark amortization during the second quarter of \$3.1 million, or \$0.09 per diluted share, in aggregate. The positive impact of the National Marketing campaign during the quarter was dramatic on the DXL stores which had a comparable sales increase of 28.8% in the quarter (up from a 17.7% increase in the first quarter), and a 16.5% increase for DXL stores open longer than one year (up from a 4.7% increase in the first quarter). We opened 11 DXL stores during the second quarter, while closing 23 Casual Male XL stores and one Rochester Clothing store. During the second quarter of fiscal 2013, the DXL store sales represented 26% of our comparable retail store sales.

Our comparable sales for the second quarter increased 3.8% and increased 1.7% for the first six months of fiscal 2013. While our direct business continues to be impacted negatively by our reduced catalog sales, we saw positive results from our recent marketing campaign with an increase in traffic to our website of 80% which is a good indication that we are building brand awareness. We see this browsing as the first step in building our new brand and are working to ensure that these customers will return to purchase when the time comes. Merchandise margins continued to improve in the second quarter increasing 150 basis points over the prior year as a result of increasing initial markups and lower markdown costs. As expected, our occupancy costs, selling, general & administrative ("SG&A") and depreciation and amortization all increased slightly over the prior year's second quarter as a result of our accelerated DXL store opening initiative and our increased investment in our marketing program.

We expect to open another 39 DXL stores during the balance of the year, as well as close another 61 Casual Male XL and Rochester Clothing stores. With the success of the National Marketing campaign in the second quarter of fiscal 2013, we have discontinued the distribution of the unproductive catalogs, and instead diverted the funds to enhance the National Marketing campaign in the second half of the year.

Given the lower than expected sales performance of our direct business, primarily associated with the precipitous drop off in demand emanating from our catalogs, as well as lower than expected sales due to the change in the timing of opening DXL stores during the year, we have lowered our sales guidance for 2013 by 5%, or \$20 million, and are now expecting comparable sales growth of between 6-7% for the year. As a result, our earnings for the year were lowered by \$0.05 to \$0.06 per diluted share to a net loss of between \$(0.03)-\$(0.05) per diluted share. See "Fiscal 2013 Outlook" below.

### *Corporate Name Change*

During the first quarter of fiscal 2013, we formally changed our corporate name to Destination XL Group, Inc. to reflect our transition to our DXL retail stores and [DestinationXL.com](http://DestinationXL.com) website. This followed the change we made in December 2012 of our stock ticker symbol to "DXLG."

### *Destination XL*

Fiscal 2013 will be a transitional year for us as we continue to accelerate our DXL store openings. Our original plan for fiscal 2013 was to open an additional 57 to 64 DXL stores while closing 110 to 119 Casual Male XL and Rochester Clothing stores. We now expect 55 to 58 DXL stores to open in fiscal 2013 while closing 100 to 105 Casual Male XL and Rochester Clothing stores. In fiscal 2014, we plan to open another 60 DXL stores, completing the roll-out with an expected total of 215 to 230 stores by the end of fiscal 2015.

Through the end of the second quarter of fiscal 2013, we have opened 65 DXL® stores. All 65 stores are considered “comparable stores” at August 3, 2013, with a combined comparable sales increase of 28.8% for the second quarter of fiscal 2013 and a comparable sales increase of 23.7% for the first six months of fiscal 2013. For the 29 DXL stores opened greater than a year, the comparable sales increase in the second quarter was 16.5% and 11.6% for the first six months of fiscal 2013. An important metric for the long-term growth of the DXL concept is dollars per transaction which rose 23% in the second quarter as a result of both improved sales associate productivity and an enhancement in the sales mix towards higher priced name brands and increased sales penetration in tailored clothing. For the first six months of fiscal 2013, dollars per transactions have increased by 21% over the prior year.

The DXL stores accounted for approximately 24.3% of our total retail comparable store sales for the first six months of fiscal 2013 as compared to 11.4% for the prior year’s first six months. During the second quarter of fiscal 2013, the number of visits to our DXL stores increased 6.4% and, on average, our DXL stores experienced a 26.1% lift in new customers as compared to the prior year second quarter. Our DXL stores continue to outperform our Casual Male XL stores and as the chain is converted, our top line sales growth should improve accordingly.

As we have previously disclosed, this transition will result in incremental annual costs of approximately \$10.0 million per annum, as a result of early store closures, as well as additional SG&A expenses to support the rollout. The rollout is expected to be substantially completed by the end of fiscal 2015. Our projections, which are based on current economic conditions, suggest that this investment will significantly enhance revenues and produce double-digit operating margins for the longer term. Our financial modeling, based upon the performance of the DXL stores to date, indicates that at the end of the three-year accelerated investment period in the DXL concept, our sales in fiscal 2016 should exceed \$600 million with operating margins greater than 10%. The capital expenditures, incremental SG&A and other charges totaling approximately \$150 million over the next three years associated with the accelerated rollout, are expected to be funded primarily from operating cash flows and limited borrowings under our credit facility of \$10.0 to \$15.0 million. By the end of fiscal 2015, we anticipate we will be cash positive with no borrowings. Longer-term, we expect revenues to grow to over \$600 million with operating margins greater than 10% and free cash flow in the range of \$60 to \$70 million by the end of fiscal 2016. Projection of free cash flow (non-GAAP) for fiscal 2016 is based on expected cash flow from operating activities of \$77.0-\$87.0 million, less expected capital expenditures of \$17.0 million.

For the second quarter of fiscal 2013, we incurred transition costs of \$3.1 million related to \$1.3 million of pre-opening occupancy and lease exit costs, \$1.3 million of SG&A expenses related to pre-opening payroll, training, store operations and test marketing and \$0.5 million in trademark amortization. In addition, our marketing costs increased \$4.1 million over the prior year to fund the national marketing campaign. For the first six months of fiscal 2013, total transition costs were \$5.5 million and included \$1.7 million of pre-opening occupancy costs and lease exit costs, \$2.9 million of SG&A expenses and \$0.9 million related to trademark amortization. Marketing costs increased \$3.9 million as compared to the first six months of fiscal 2012.

### ***National Marketing Campaign***

In fiscal 2012, we developed and tested a new marketing program to help us build DXL brand awareness, introducing our customer base to the new DXL concept. We developed and tested a full marketing campaign in select markets, which consisted of a combination of television, radio and digital advertising. The testing was refined during the first quarter of fiscal 2013 with marketing expanded to the Dallas and Providence markets. Based on the successful results, we launched the first flight of our National Marketing campaign on May 5, 2013. The advertising ran for a six week period. As a result of the campaign, we saw DXL brand awareness increase 38% from 13% to 18%. Brand awareness among our smaller 40-46” waist customer, increased by 64% from 9.2% to 15.1%. In addition, during the second quarter of fiscal 2013, we saw a positive shift in the percentage of sales from our smaller size categories, with a 250 basis point increase in our 1x to 3x tops and a 420 basis point increase in the percentage of sales from our 40-46” waist sizes. In total, our first quarter comparable sales for our DXL stores increased 17.7% while for the second quarter comparable sales rose to an increase of 28.8%, largely driven by our marketing campaign.

Another seven-week advertising flight is currently scheduled to start in September 2013. Similar to our Spring flight, we will be using a mix of radio, digital and TV. For the Fall flight, however, we will be including two broadcast networks, which will result in increased impressions and an additional reach of approximately 12% over the Spring flight.



## Fiscal 2013 Outlook

Based on the sales shortfall from our direct business for the first half of fiscal 2013, as well as a change in the projected store opening dates for some of our new DXL stores, we have revised earnings for fiscal 2013. For fiscal 2013, we are planning on the following:

- Sales range of \$395.0 to \$400.0 million (down from \$415.0 to \$420.0 million). The decrease in our sales projection of \$20.0 million relates to a forecasted decrease in our direct business of \$10.0 million, principally related to our catalog sales, and a decrease of \$10.0 million due to the change in the projected store openings of some of our DXL stores. Comparable sales for fiscal 2013 are expected to increase 6-7%.
- Gross margin rate is expected to increase  $\pm 10$  basis points from fiscal 2012 (down from  $\pm 20$  basis points), which is based on merchandise margins improving by approximately 110 basis points (up from 40 to 60 basis points) with an offsetting increase in occupancy costs of 100 to 120 basis points (up from 40 to 60 basis points).
- SG&A costs are planned to increase by approximately \$10.6 to \$12.6 million (down from \$15.0 to \$17.1 million). The increase in SG&A costs is primarily related to preopening costs, payroll (both store and support) as well as increased marketing costs associated with the National Marketing campaign to raise DXL awareness with our target market. As a percentage of sales, SG&A expenses are expected to increase by 310 basis points (up from 220 basis points).
- Operating margin as a percent of sales for fiscal 2013 is expected to be approximately (0.5)% (down from breakeven to 0.5%). As a result, we are forecasting a net loss for fiscal 2013 of \$(0.03) to \$(0.05) per diluted share (down from breakeven to earnings of \$0.03 per diluted share).

We expect to spend approximately \$56.5 million in capital expenditures in fiscal 2013, which will be partially offset by approximately \$11.5 million in tenant allowances, primarily related to opening our DXL stores. (The capital expenditures after tenant allowances and rent credits remain unchanged at \$45 million). We expect to fund the remainder of our capital expenditures primarily from our operating cash flow but expect to have borrowings under our credit facility of \$10.0-\$15.0 million (unchanged from prior guidance) at the end of the year. From a liquidity perspective, we expect cash flow from operating activities of \$34.5 million (up from \$32.0 million including the \$11.5 million of tenant allowances), resulting in negative free cash flow (as defined below under "Presentation of Non-GAAP Measures") of approximately \$(22.0) million (unchanged from prior guidance).

### Presentation of Non-GAAP Measures

The presentation of non-GAAP free cash flow is not a measure determined by GAAP and should not be considered superior to or as a substitute for net income or cash flows from operating activities or any other measure of performance derived in accordance with GAAP. In addition, all companies do not calculate non-GAAP financial measures in the same manner and, accordingly, "free cash flows" presented in this report may not be comparable to similar measures used by other companies. We calculate free cash flows as cash flow from operating activities, less capital expenditures and discretionary store asset acquisitions. We believe that inclusion of this non-GAAP measure helps investors gain a better understanding of our cash flow performance, especially when comparing such results to previous periods. The following table reconciles our non-GAAP free cash flow measure:

We calculate free cash flows as cash flow provided by operating activities less capital expenditures and discretionary store asset acquisitions, if applicable:

<i>(in millions)</i>	For the first six months ended August 3, 2013	For the first six months ended July 28, 2012	Projected Cash Flow Fiscal 2013
<b>Cash flow provided by operating activities:</b>			
Cash flow provided by operating activities other than tenant allowances	\$ 4.1	\$ 10.6	\$ 23.0
Tenant allowances	1.6	0.2	11.5
<b>Cash flow provided by operating activities</b>	<b>5.7</b>	<b>10.8</b>	<b>34.5</b>
<b>Less: capital expenditures</b>	<b>(21.1)</b>	<b>(11.5)</b>	<b>(56.5)</b>
<b>Free cash flow</b>	<b>\$ (15.4)</b>	<b>\$ (0.7)</b>	<b>\$ (22.0)</b>

The decrease in free cash flow of \$14.7 million for the first six months of fiscal 2013 as compared to the first six months of the prior year is due to the decrease in operating income, partly due to DXL related transition costs of \$5.5 million, as well as our increased marketing costs of \$3.9 million and an increase in capital expenditures related to the DXL store openings.

## Financial Summary

### Sales

For the second quarter of fiscal 2013, total sales were \$97.6 million as compared to \$100.5 million for the second quarter of fiscal 2012. The decrease of \$2.9 million in total sales was principally due to a decrease of \$4.8 million in closed stores related to lease termination or stores unassociated with a DXL store and a decrease of \$1.3 million due to the shift in comparable weeks partially offset by a comparable sales increase of 3.8%, or \$3.6 million, as compared to the second quarter of fiscal 2012. The comparable sales increase of 3.8% consisted of an increase in our retail business of 6.9%, or \$5.3 million, offset by a decrease in our direct business of 9.8%, or \$1.7 million. The decrease in the direct business was primarily driven by a decrease in our catalog sales of \$1.3 million for the second quarter of fiscal 2013 as compared to the last year's second quarter. The increase in our retail business of \$5.3 million was driven by our 65 DXL stores which had a comparable store sales increase of \$4.8 million, or 28.8%, as compared to the second quarter of fiscal 2012. Our remaining retail stores had a comparable sales increase of \$0.5 million, or 0.8%.

The decrease in sales of \$4.8 million from closed stores is due to the overall drop in sales from our Casual Male XL and Rochester Clothing stores that have closed since last year, which have not been replaced with a DXL store. These stores were primarily smaller volume stores located in remote, outlying areas and were outside of our DXL market areas. The following table summarizes the year over year change in sales:

	Sales (in millions)
<b>Sales – Second Quarter of fiscal 2012</b>	<b>\$ 100.5</b>
Less 2012 sales for stores that have closed <sup>(1)</sup>	(4.8)
	<b>\$ 95.7</b>
Increase in DXL comparable sales	4.8
Decrease in catalog sales	(1.3)
Other, net <sup>(2)</sup>	(1.6)
<b>Sales – Second Quarter of fiscal 2013</b>	<b>\$ 97.6</b>

- (1) Represents Casual Male XL and Rochester Clothing stores that closed during fiscal 2012 or fiscal 2013 and are not associated with a DXL store for comparable sales purposes.
- (2) Includes \$1.3 million decrease in sales due to the shift in comparable weeks. Fiscal 2012 was a 53 week year; therefore, comparable sales for the second quarter of fiscal 2013 are shown on a trailing 52 week comparison. As a result of this calendar shift, when comparing to the prior year, we have one extra week of summer sales and one less week of our spring sales, which is a consistently higher sales period.

For the first six months of fiscal 2013, total sales were \$191.2 million as compared to \$196.0 million for the first six months of fiscal 2012. The decrease of \$4.8 million in total sales was principally due to a decrease of \$8.3 million in closed stores related to lease termination or stores unassociated with a DXL store, partially offset by a comparable sales increase of 1.7%, or \$3.1 million. The comparable sales increase of 1.7% consisted of an increase in our retail business 3.8%, or \$5.8 million, partially offset by a decrease in our direct business of 7.9%, or \$2.7 million. The increase in our retail business for the first six months of fiscal 2013 included a comparable store sales increase from our DXL stores of 23.7%, or \$7.3 million, over the prior year's first six months. Our remaining stores had a comparable store sales decrease of 1.2%, or \$1.5 million.

With respect to our direct business, sales from our catalogs continued to impact sales negatively with a decrease of 51.7% in the second quarter compared to the prior year. Based on the results of our catalog sales through the end of the second quarter of fiscal 2013, we will be eliminating our catalogs completely for the fall of fiscal 2013. We anticipate replacing the catalogs with a more cost-effective 16-page direct mailer. We have been decreasing our catalog circulations and impressions on existing catalogs over the past year, with impressions down 84% in the second quarter, as part of our shift toward our more profitable e-commerce business.

Catalog sales accounted for approximately 6.9% of our sales for the first six months of fiscal 2013 as compared to 14.6% for the first six months of fiscal 2012. While catalog sales have decreased, the profit margin from our direct business has increased 5.2%, from 24.9% to 26.2% and is expected to approximate 30% for fiscal 2013, up by almost 400 basis points from fiscal 2012. In the long-term, we expect our e-commerce business to replace the current shortfall in sales from our legacy brand catalogs.

The following is a summary of the breakdown of our comparable sales for the second quarter and first six months of fiscal 2013:

	Number of Stores	Second Quarter of Fiscal 2013	First Six Months of Fiscal 2013
<b>Total comparable sales</b>		3.8%	1.7%
<b>Retail Business</b>	388	6.9%	3.8%
DXL stores <sup>(1)</sup>	65	28.8%	23.7%
Casual Male XL and Rochester Clothing stores	323	0.8%	(1.2%)
<b>Direct Business</b>		(9.8%)	(7.9%)
E-commerce		(2.7%)	1.1%
Catalog		(51.7%)	(56.3%)

- (1) Of the 65 comparable DXL stores, 29 stores have been open more than one year and had a comparable sales increase of 16.5% and 11.6% for the second quarter and first six months of fiscal 2013, respectively.

#### *Gross Profit Margin*

For the second quarter of fiscal 2013, our gross margin rate, inclusive of occupancy costs, was 46.6% as compared to a gross margin rate of 46.4% for the second quarter of fiscal 2012. The increase of 20 basis points for the second quarter of fiscal 2013 was the result of an improvement in merchandise margins of 150 basis points partially offset by an increase in occupancy costs of 130 basis points. On a dollar basis, occupancy costs for the second quarter of fiscal 2013 increased 5.5% over the prior year. The increase in occupancy costs for the second quarter of fiscal 2013 as compared to the prior year's second quarter was due to the timing of DXL store openings and the associated pre-opening costs as well as the timing of our Casual Male XL store closings and lease exit costs. The improvement in merchandise margins of 150 basis points was the result of continued improvement in our initial markups as well as a favorable markdown rate compared to the prior year.

For the first six months of fiscal 2013, our gross margin rate, inclusive of occupancy costs, was 47.0% as compared to a gross margin rate of 47.1% for the first six months of fiscal 2012. The slight decrease of 10 basis points was due to an increase in occupancy costs of 110 basis points partially offset by improvement in our merchandise margins of 100 basis points.

Based on our revised forecast, we are expecting that our occupancy costs for fiscal 2013, on a dollar-basis, will increase approximately \$4.0 million as a result of adding approximately 55 to 58 DXL stores in fiscal 2013 and certain lease termination costs associated with closing 100-105 Casual Male XL and Rochester Clothing stores. As a result, we expect occupancy costs will be between 100 to 120 basis points higher than fiscal 2012. From a merchandise margin perspective, we are planning a continued improvement of approximately 110 basis points. Accordingly, for fiscal 2013, we are expecting gross margin will be  $\pm$  10 basis points.

#### *Selling, General and Administrative Expenses*

As a percentage of sales, SG&A expenses for the second quarter of fiscal 2013 increased to 44.4% as compared to 37.4% for the second quarter of fiscal 2012. On a dollar basis, SG&A expenses increased \$5.7 million, or 15.1%, for the second quarter of fiscal 2013 as compared to the prior year's second quarter. The increase of \$5.7 million is principally due to incremental costs of approximately \$4.1 million related to marketing costs associated with the launch of our national marketing program in May 2013 and DXL transition costs of approximately \$1.3 million for increased payroll-related costs, such as pre-opening payroll, training and store operations, and an increase in stock-based compensation expense of \$0.4 million related to the Company's long-term incentive program.

For the first six months of fiscal 2013, SG&A expenses were 42.7% of sales as compared to 38.5% of sales for the first six months of fiscal 2012. On a dollar basis, SG&A expenses increased \$6.3 million, or 8.3%, for the first six months of fiscal 2013 as compared to the prior year's first six months. Similar to the second quarter of fiscal 2013, the increase in SG&A of \$6.3 million for the first six months of fiscal 2013 is primarily due to an increase of \$3.9 million in additional marketing costs and \$2.9 million in DXL transition costs offset by net savings in \$0.5 million in corporate expenses.

As discussed above, fiscal 2013 is a transition year for us and, as such, our SG&A expenses are expected to be noticeably higher than they have been in past years. Based on our revised forecast and expected store openings, we expect that our SG&A expenses will increase by \$10.6 to \$12.6 million and as a percentage of sales will be 310 basis points higher than fiscal 2012. This increase in dollars is primarily related to increased store payroll to support our planned opening of 55 to 58 new DXL stores, incremental marketing costs associated with our National Marketing campaign in an effort to increase brand awareness, costs to close 100 to 105 Casual Male XL and Rochester Clothing stores and other infrastructure-related costs. Overall, we expect to limit our SG&A growth rates, except where necessary to support our growth activities or where there are unanticipated costs that are necessary to support our overall activities.

### *Depreciation and Amortization*

Depreciation and amortization for the second quarter of fiscal 2013 was \$4.5 million as compared to \$3.7 million for the second quarter of fiscal 2012. For the first six months of fiscal 2013, depreciation and amortization was \$8.7 million as compared to \$7.4 million for the first six months of fiscal 2012. The increase for the both the second quarter and first six months of fiscal 2013 is due to capital expenditures of \$21.1 million, primarily related to our DXL store growth.

### *Interest Expense, Net*

Net interest expense for the second quarter of fiscal 2013 was \$0.2 million as compared to \$0.1 million for the second quarter of fiscal 2012. For the first six months of fiscal 2013, net interest expense was \$0.4 million as compared to \$0.3 million for the first six months of fiscal 2012. Interest expense for the past few years has remained relatively low due to minimal borrowings on our credit facility. However, with our planned store growth in fiscal 2013, we expect interest costs during fiscal 2013 will increase slightly as we fund a portion of our store growth with limited borrowings from our credit facility.

During the second quarter of fiscal 2013, we amended and extended our credit facility. As part of the amendment, our interest rate costs decreased approximately 50 basis points and our availability under the credit facility increased by approximately \$25 million. See "Liquidity and Capital Resources" for more discussion regarding our current credit facility and future liquidity needs.

### *Income Taxes*

At August 3, 2013, our total deferred tax assets were approximately \$49.0 million, with a corresponding valuation allowance of \$3.5 million. The deferred tax assets include approximately \$31.3 million of net operating loss carryforwards and approximately \$7.2 million of deferred gain on our sale-leaseback and, to a lesser extent, other book/tax timing differences.

The effective tax rate for fiscal 2013 is expected to be approximately 35%.

### *Income/Loss from Continuing Operations*

For the second quarter of fiscal 2013, we had a loss from continuing operations of \$1.6 million, or \$(0.03) per diluted share, compared to income from continuing operations of \$3.0 million, or \$0.06 per diluted share, for the second quarter of fiscal 2012. The decrease is primarily attributable to the DXL transition costs and increased marketing costs, discussed above, of \$7.2 million, or \$0.09 per diluted share.

### *Discontinued Operations*

In the second quarter of fiscal 2012, we closed our European direct business. The operating results for the European direct business for the first six months of fiscal 2012 are reported as discontinued operations.

### *Net Income (Loss)*

For the second quarter of fiscal 2013, we had a net loss of \$1.6 million, or \$(0.03) per diluted share, compared to net income of \$1.2 million, or \$0.03 per diluted share, for the second quarter of fiscal 2012. For the first six months of fiscal 2013, we had a net loss of \$0.6 million, or \$(0.01) per diluted share, compared to net income of \$3.5 million, or \$0.07 per diluted share, for the first six months of fiscal 2012.

### *Inventory*

At August 3, 2013, total inventory was \$107.9 million compared to \$104.2 million at February 2, 2013 and \$103.6 million at July 28, 2012. On a dollar basis, inventories have increased 4.1% at August 3, 2013 as compared to July 28, 2012, however, unit-basis inventories have only increased 2.5%. Unit inventories in branded apparel have increased as we open more DXL stores, which have a greater mix of branded apparel and therefore a higher carrying cost. Although our store count has decreased from the second quarter of fiscal 2012, our square footage is relatively flat at August 3, 2013 as compared to July 28, 2012. At the end of fiscal 2013, inventories are expected to drop 2.5% from the prior year.

## **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, which was most recently amended in June 2013, with Bank of America, N.A. (“Credit Facility”). Our current cash needs are primarily for working capital (essentially inventory requirements), capital expenditures and growth initiatives. As discussed below, our capital expenditures for fiscal 2013 are expected to be \$56.5 million, primarily related to the planned opening of 55 to 58 new DXL stores and information technology projects. However, we expect to receive approximately \$11.5 million in tenant allowances to offset these capital expenditures. We expect to fund our store growth in fiscal 2013 primarily through earnings with limited borrowings from our Credit Facility. For fiscal 2013, while our borrowings are projected to reach approximately \$40.0 million during our key seasonal buying periods, we expect that our borrowings at the end of fiscal 2013 will be approximately \$10.0-\$15.0 million.

We currently believe that our existing cash generated by operations together with our availability under our credit facility will be sufficient within current forecasts for us to meet our foreseeable liquidity requirements. For the first six months of fiscal 2013, free cash flow, which we define as cash flow from operating activities, less capital expenditures and discretionary store asset acquisitions, if any, decreased by \$14.7 million to \$(15.4) million from \$(0.7) million for the first six months of fiscal 2012. This decrease in free cash flow was principally due to a decrease in operating income, partly related to increased marketing costs and an increase in capital expenditures of \$9.6 million related to the new store openings. See “Presentation of Non-GAAP Measure” above regarding non-GAAP free cash flow.

During the second quarter of fiscal 2013, we amended our Credit Facility with Bank of America, N.A. In addition to extending the term of Credit Facility from November 10, 2014 to June 26, 2018, the amendment also increased our total maximum committed borrowing to \$100 million (from \$75 million) and continues to include an accordion feature which could increase the committed borrowings by an additional \$50 million upon our request and the agreement of the lender(s) participating in the increase. Further, the Company’s borrowing rates were decreased by 50 basis points for both prime-based and LIBOR-based borrowings. 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. Our Credit Facility is described in more detail in Note 2 to the Notes to the Consolidated Financial Statements.

We had outstanding borrowings of \$12.3 million under the Credit Facility at August 3, 2013. Outstanding standby letters of credit were \$1.8 million and outstanding documentary letters of credit were \$1.1 million. The average monthly borrowing outstanding under this facility during the first six months of fiscal 2013 was approximately \$8.7 million, resulting in an average unused excess availability of approximately \$67.2 million. Unused excess availability at August 3, 2013 was \$78.1 million. Our obligations under the Credit Facility are secured by a lien on all of our assets.

### Capital Expenditures

The following table sets forth the open stores and related square footage at August 3, 2013 and July 28, 2012, respectively:

<u>Store Concept</u> <i>(square footage in thousands)</i>	<u>At August 3, 2013</u>		<u>At July 28, 2012</u>	
	<u>Number of Stores</u>	<u>Square Footage</u>	<u>Number of Stores</u>	<u>Square Footage</u>
Casual Male XL	312	1,105	399	1,396
DXL	65	623	29	298
Rochester Clothing	11	95	13	118
Total Stores	388	1,823	441	1,812

Below is a summary of store openings and closings from February 2, 2013 to August 3, 2013:

<u>Number of Stores:</u>	<u>DXL</u>	<u>Casual Male XL Retail</u>	<u>Rochester Clothing</u>	<u>Casual Male XL Outlets</u>	<u>Total stores</u>
At February 2, 2013	48	297	12	55	412
New stores <sup>(1)</sup>	—	—	—	—	—
Replaced stores <sup>(2)</sup>	17	(21)	(1)	—	(5)
Closed retail stores <sup>(3)</sup>	—	(19)	—	—	(19)
At August 3, 2013	65	257	11	55	388
Estimated store count at February 1, 2014	104	197	10	55	366

- (1) The opening of new DXL stores represents DXL stores opened in new markets.
- (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 six months of fiscal 2013 were \$21.1 million as compared to \$11.5 million for the first six months of fiscal 2012. The \$9.6 million increase is primarily related to the opening of 17 new DXL stores during the first six months of fiscal 2013.

For fiscal 2013, our capital expenditures are expected to be approximately \$56.5 million and we expect to receive approximately \$11.5 million in tenant allowances to offset these expenditures. This includes approximately \$44.7 million, excluding any allowance, related to the opening of 55-58 new Destination XL stores and approximately \$7.4 million for continued information technology projects, including further web-related enhancements and upgraded planning and allocation software, upgraded POS system, with the remainder for general overhead projects. In addition, we expect to close approximately 100-105 existing stores, most of which are in connection with the opening of our new DXL stores.

### **CRITICAL ACCOUNTING POLICIES**

There have been no material changes to the critical accounting policies and estimates disclosed in our Annual Report on Form 10-K for the year ended February 2, 2013 filed with the SEC on March 15, 2013.

### **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 recently amended 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 June 26, 2018, bear interest at variable rates based on Bank of America's prime rate or LIBOR. At August 3, 2013, the interest rate on our prime based borrowings was 3.75%. Approximately \$5.0 million of our outstanding borrowings were in LIBOR contracts with an interest rate of 1.65%. Based upon a sensitivity analysis as of August 3, 2013, assuming average outstanding borrowing during the first six months of fiscal 2013 of \$8.7 million, a 50 basis point increase in interest rates would have resulted in a potential increase in interest expense of approximately \$43,500 on an annualized basis.

#### Foreign Currency

Our Sears Canada catalog operations conduct business in Canadian dollars and our Rochester Clothing store located in London, England conducts business in British pounds. If the value of the Canadian dollar or British pound against the U.S. dollar weakens, the revenues and earnings of these operations will be reduced when they are translated or remeasured to U.S. dollars. Also, the value of these assets to U.S. dollars may decline. As of August 3, 2013, sales from our Sears Canada operations and our London Rochester Clothing store were immaterial to consolidated sales. As such, we believe that movement in foreign currency exchange rates will not have a material adverse affect on our financial position or results of operations.

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**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 August 3, 2013. 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 August 3, 2013, 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 August 3, 2013 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 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 (“Risk Factors”) of our Annual Report on Form 10-K for the year ended February 2, 2013 filed with the SEC on March 15, 2013.

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

None.

### **Item 3. Defaults Upon Senior Securities.**

None.

### **Item 4. Mine Safety Disclosures.**

Not applicable.

### **Item 5. Other Information.**

None.

### **Item 6. Exhibits.**

- 10.1 First Amendment to Sixth Amended and Restated Loan and Security Agreement dated June 26, 2013, by and among Bank of America, N.A., as Administrative Agent and Collateral Agent, the Revolving Credit Lenders identified therein, the Company, as Borrowers’ Representative, and the Company and CMRG Apparel, LLC, as Borrowers.
- 10.2 Form of Non-Qualified Stock Option Agreement pursuant to the Company’s Long-Term Incentive Plan 2013-2016.
- 10.3 Form of Restricted Stock Grant Agreement pursuant to the Company’s Long-Term Incentive Plan 2013-2016.
- 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 August 3, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Changes in Stockholders’ Equity, (iv) Consolidated Statements of Comprehensive Income, (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: August 23, 2013

By: /S/ PETER H. STRATTON, JR.

Peter H. Stratton, Jr.

Senior Vice President of Finance, Corporate Controller  
and Chief Accounting Officer

FIRST AMENDMENT TO SIXTH AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT, FIRST AMENDMENT TO AMENDED AND RESTATED GUARANTY, FIRST AMENDMENT TO AMENDED AND RESTATED SECURITY AGREEMENT, AND TERMINATION AGREEMENT

FIRST AMENDMENT TO SIXTH AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT, FIRST AMENDMENT TO AMENDED AND RESTATED GUARANTY, FIRST AMENDMENT TO AMENDED AND RESTATED SECURITY AGREEMENT, AND TERMINATION AGREEMENT (this "Amendment") dated as of June 26, 2013 by and among **DESTINATION XL GROUP, INC. (f/k/a Casual Male Retail Group, Inc.)**, a Delaware corporation, as a Borrower and as Borrowers' Representative for the other Borrowers now or hereafter party to the Loan Agreement, **CMRG APPAREL, LLC**, a Delaware limited liability company, as a Borrower, the Guarantors party hereto, the Revolving Credit Lenders party hereto, and **BANK OF AMERICA, N.A.**, as Administrative Agent (in such capacity, the "Administrative Agent") and as Collateral Agent (in such capacity, the "Collateral Agent").

WITNESSETH:

WHEREAS, the Borrowers' Representative, the Borrowers, certain of the Revolving Credit Lenders, the Administrative Agent and the Collateral Agent, among others, have entered into a certain Sixth Amended and Restated Loan and Security Agreement, dated as of November 10, 2010 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"); and

WHEREAS, the parties to the Loan Agreement desire to modify certain provisions of the Loan Agreement as provided herein;

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

1. Incorporation of Terms and Conditions of Loan Agreement. Except as amended hereby, all of the terms and conditions of the Loan Agreement (including, without limitation, all definitions set forth therein) are specifically incorporated herein by reference. Except as amended hereby, all capitalized terms used (including in the preamble hereto) but not otherwise defined herein shall have the same meaning as in the Loan Agreement, as applicable.
2. Representations and Warranties. Each Loan Party hereby represents and warrants that, as of the First Amendment Effective Date, (i) no Default or Event of Default exists under the Loan Agreement or under any other Loan Document and (ii) all representations and warranties contained in the Loan Agreement and in the other Loan Documents, each as amended hereby, are true and correct in all material respects; *provided* that, to the extent that such representations and warranties specifically refer to an earlier date, they are true and correct in all material respects as of such earlier date; *provided, further* that, any representation and warranty that is qualified as to "materiality," "material adverse effect" or similar language is true and correct (after giving effect to any qualification therein) in all respects.

3. Ratification of Loan Documents, Guaranties and Security Interests. The Loan Agreement, as hereby amended, and, except as specifically set forth herein, all other Loan Documents, are hereby ratified, confirmed and re-affirmed in all respects and shall continue in full force and effect. Each Guarantor hereby acknowledges, confirms and agrees that its Liabilities as a Guarantor under, and as defined in, the applicable Guarantor Agreements to which it is a party include, without limitation, all Liabilities of the Loan Parties at any time and from time to time outstanding under the Loan Agreement and the other Loan Documents, each as amended hereby. The Loan Parties hereby acknowledge, confirm and agree that, except as specifically provided herein, the Loan Documents and any and all Collateral pledged to the Collateral Agent, for the benefit of the Secured Parties, pursuant to the Loan Documents as amended hereby shall continue to secure all applicable Liabilities of the Loan Parties at any time and from time to time outstanding under the Loan Agreement and the other Loan Documents, each as amended hereby.

4. Amendments to Loan Agreement. Subject to the satisfaction or waiver of the conditions precedent set forth in Section 8 hereof:

a. Article 1 of the Loan Agreement is hereby amended as follows:

i. by deleting the table in the definition of “**Applicable Margin**” in its entirety and substituting the following in its stead:

<u>LEVEL</u>	<u>AVERAGE EXCESS AVAILABILITY</u>	<u>APPLICABLE MARGIN FOR LIBOR LOANS</u>	<u>APPLICABLE MARGIN FOR BASE MARGIN LOANS</u>
I	Greater than 35% of the Borrowing Base	1.50%	0.50%
II	Less than or equal to 35% of the Borrowing Base	1.75%	0.75%

ii. by deleting in its entirety the first sentence immediately after the table in the definition of “**Applicable Margin**” and substituting the following in its stead:

The Applicable Margin shall be set on the First Amendment Effective Date based upon the Average Excess Availability for the three (3) months immediately preceding the First Amendment Effective Date and shall remain unchanged until the first day of the first calendar quarter commencing no earlier than three calendar months after the First Amendment Effective Date.

- iii. by deleting the reference to “twelve (12) Fiscal months” in the fifth line of the definition of “**Availability Condition**” and substituting “six (6) Fiscal months” in its stead;
- iv. by deleting the definition of “**BALC Indebtedness**” in its entirety and substituting the following in its stead:  
“**BALC Indebtedness**”: Indebtedness pursuant to equipment financing arrangements with BALC on terms and conditions reasonably acceptable to the Administrative Agent.
- v. by deleting the definition of “**BALC Loan Agreement**” in its entirety;
- vi. by deleting each reference to “fifteen percent (15%) of the Loan Cap” in the definition of “**Cash Dominion Event**” and substituting “twelve and one-half percent (12.5%) of the Loan Cap” in its stead;
- vii. by deleting the definition of “**Fee Letter**” in its entirety and substituting the following in its stead:  
“**Fee Letter**” means, initially, the letter dated as of September 28, 2010 between Borrowers’ Representative and the Administrative Agent, as such letter may from time to time be amended, restated, supplemented or otherwise modified and, from and after the First Amendment Effective Date, the letter dated May 30, 2013 among the Borrowers’ Representative, Bank of America, N.A., and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as such letter may from time to time be amended, restated, supplemented or otherwise modified.
- viii. By deleting the reference to “fourteen days” in clause (a) of the definition of “**Interest Period**” and substituting “seven days” in its stead;
- ix. by adding a new clause (c) at the end of the definition of “**Liabilities**” as follows:  
(c) Notwithstanding anything herein to the contrary, the Liabilities shall not include any Excluded Swap Obligations.
- x. by adding the following phrase at the end of the definition of “**Material Accounting Change**”:

Notwithstanding anything to the contrary above or in the definition of Capital Lease Obligations or Capital Expenditures, in the event of a change under GAAP (or the application thereof) requiring all leases to be capitalized, only those leases that would result or would have resulted in Capital Lease Obligations or Capital Expenditures on the First Amendment Effective Date (assuming for purposes hereof that they were in existence on the date hereof) hereunder shall be considered capital leases hereunder and all calculations and deliverables under this Agreement or any other Loan Document shall be made in accordance therewith.

- xi. by deleting the definition of “**Maturity Date**” in its entirety and substituting the following in its stead:  
“**Maturity Date**”: June 26, 2018.
- xii. by deleting clause (c) of the definition of “**Payment Conditions**” in its entirety and substituting the following in its stead:  
(c) after giving pro forma effect to such transaction or payment, the Consolidated Fixed Charge Coverage Ratio, tested on a trailing twelve month basis, shall be equal to or greater than 1.0 to 1.0; provided that this clause (c) shall not apply if Excess Availability at the time of such determination and projected for the six (6) Fiscal months immediately following and after giving effect to such transaction or payment was equal to or greater than the greater of (x) twenty five percent (25%) of the Loan Cap and (y) \$20,000,000.
- xiii. by adding a new clause (h) at the end of the definition of “**Permitted Indebtedness**” as follows:  
(h) Indebtedness with respect to senior unsecured subordinated convertible notes; provided that (i) no Default or Event of Default shall exist on the date such Indebtedness is incurred or shall result therefrom, (ii) such Indebtedness shall not have a maturity date that is earlier than ninety (90) days after the Maturity Date, and (iii) the terms and conditions of such Indebtedness shall be reasonably satisfactory to the Administrative Agent.
- xiv. By deleting the last sentence of the definition of “Revolving Credit Commitments” in its entirety and substituting the following in its stead:  
The aggregate Revolving Credit Dollar Commitments as of the First Amendment Effective Date is \$100,000,000.00.

xv. by adding the following new definitions in appropriate alphabetical order:

**“Arranger”**: Merrill Lynch, Pierce, Fenner & Smith Incorporated, in its capacity as lead arranger and book manager.

**“Change in Law”** means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

**“Commodity Exchange Act”**: The Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

**“Connection Income Tax”** means Other Connection Taxes that are imposed or measured by income (however denominated) or that are franchise Taxes or branch profits Taxes.

**“Covenant Compliance Event”**: The failure of the Borrowers to maintain Excess Availability at all times equal to or greater than the greater of (x) ten percent (10%) of the Loan Cap and (y) \$7,500,000. For purposes hereof, the occurrence of a Covenant Compliance Event shall be deemed continuing until the first date thereafter when Excess Availability has equaled or exceeded the greater of (x) ten percent (10%) of the Loan Cap and (y) \$7,500,000, for thirty (30) consecutive calendar days. The termination of a Covenant Compliance Event as provided herein shall in no way limit, waive or delay the occurrence of a subsequent Covenant Compliance Event in the event that the conditions set forth in this definition again arise.

**“Excluded Swap Obligation”**: With respect to any Loan Party, any Swap Obligation if, and to the extent that, all or a portion of such Loan Party’s guaranty (or deemed guaranty), or the grant by such Loan Party of a security interest to secure, such Swap Obligation (or any guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Loan Party’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act (determined after giving effect to Section 19.20(e) hereof and any and all guaranties of such Loan Party’s Swap Obligations by other Loan Parties) and the regulations thereunder at the time the guaranty of such Loan Party, or the grant by such Loan Party of such security interest becomes, or is deemed to become, effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one “swap” (within the meaning of Section 1a(47) of the Commodity Exchange Act), such exclusion shall apply only to the portion of such Swap Obligation that is attributable to “swaps” (within the meaning of Section 1a(47) of the Commodity Exchange Act) for which such guaranty or security interest is or becomes illegal.

**“Excluded Taxes”** means any of the following Taxes imposed on or with respect to any Secured Party or required to be withheld or deducted from a payment to a Secured Party, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Secured Party being organized under the laws of, or having its principal office or, in the case of any Revolving Credit Lender, its Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Revolving Credit Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Revolving Credit Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Revolving Credit Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 10.13) or (ii) such Revolving Credit Lender changes its Lending Office, except in each case to the extent that, pursuant to Section 3.01(a)(ii) or (c), amounts with respect to such Taxes were payable either to such Revolving Credit Lender’s assignor immediately before such Revolving Credit Lender became a party hereto or to such Revolving Credit Lender immediately before it changed its Lending Office, and (c) any U.S. federal withholding Taxes imposed pursuant to FATCA.

**“FATCA”** means Sections 1471 through 1474 of the Internal Revenue Code of 1986, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code of 1986.

**“First Amendment Effective Date”**: June 26, 2013.

**“Governmental Authority”** means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

**“Indemnified Taxes”** means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

**“Lending Office”** means, as to any Revolving Credit Lender, the office or offices of such Revolving Credit Lender as such Revolving Credit Lender may from time to time notify the Borrower’s Representative and the Agent.

**“Other Connection Taxes”** means, with respect to any Secured Party, Taxes imposed as a result of a present or former connection between such Secured Party and the jurisdiction imposing such Tax (other than connections arising from such Secured Party having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

**“Other Taxes”** means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 3.06).



**“Qualified ECP Guarantor”**: At any time, each Loan Party with total assets exceeding \$10,000,000 or that otherwise qualifies at such time as an “eligible contract participant” under the Commodity Exchange Act and can cause another Person to qualify as an “eligible contract participant” at such time under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

**“Specified Loan Party”**: Any Loan Party that is not then an “eligible contract participant” under the Commodity Exchange Act (determined prior to giving effect to Section 19.20(e)).

**“Swap Obligation”**: With respect to any Loan Party, any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act.

**“Taxes”** means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

- b. Section 2.13 is hereby amended by deleting it in its entirety and substituting the following in its stead:
- 2.13 STRUCTURING FEE.** In consideration of the Arranger having arranged the Revolving Credit Facility for the Borrowers, as of the First Amendment Effective Date there has been earned by the Arranger and the Borrowers shall pay the “Structuring Fee” to the Arranger in the amount and payable as provided in the Fee Letter.
- c. Section 2.16 of the Loan Agreement is hereby amended by deleting the reference to “0.375%” in the third line thereof and substituting “0.25%” in its stead.
- d. Section 2.24(c) of the Loan Agreement is hereby amended by:
- i. deleting the reference to “the Administrative Agent” in the eighth line thereof and substituting “the Arranger” in its stead; and
  - ii. adding the phrase “and the Arranger” immediately after the phrase “the Administrative Agent” in the proviso thereto.

- e. Section 2.24(d) of the Loan Agreement is hereby amended by adding the phrase “and the Arranger” immediately after the phrase “the Administrative Agent” in the second line thereof.
- f. Section 5.9 of the Loan Agreement is hereby amended by deleting clauses (b) and (c) thereof in their entirety and substituting the following in their stead:
- (b) The Administrative Agent may obtain appraisals of the Collateral conducted by such appraisers as are satisfactory to the Administrative Agent. As of the First Amendment Effective Date, the Administrative Agent shall be entitled to obtain one (1) appraisal (at the Loan Parties’ expense) of the Loan Parties’ Inventory during any twelve (12) month period during which this Agreement is in effect, conducted by such appraisers as are satisfactory to the Administrative Agent; provided that, if Excess Availability at any time is less than thirty percent (30%) of the Loan Cap, the Loan Parties acknowledge that the Administrative Agent may, in its discretion, undertake up to two (2) appraisals of the Loan Parties’ Inventory in the following twelve (12) month period at the Loan Parties’ expense. In addition, the Administrative Agent may obtain additional appraisals at its own expense; provided, however, that following the occurrence of an Event of Default, the Administrative Agent may, in its discretion, cause additional appraisals to be undertaken at the Loan Parties’ expense.
- (c) The Administrative Agent may obtain commercial finance audits of the Loan Parties’ books and records, conducted by such examiners as are satisfactory to the Administrative Agent. As of the First Amendment Effective Date, the Administrative Agent shall be entitled to conduct one (1) commercial finance audit (at the Loan Parties’ expense) of the Loan Parties’ books and records during any twelve (12) month period during which this Agreement is in effect, conducted by such examiners as are satisfactory to the Administrative Agent; provided that, if Excess Availability at any time is less than thirty percent (30%) of the Loan Cap, the Loan Parties acknowledge that the Administrative Agent may, in its discretion, undertake up to two (2) commercial finance audits of the Loan Parties’ books and records in the following twelve (12) month period at the Loan Parties’ expense. In addition, the Administrative Agent may obtain additional commercial finance audits at its own expense; provided, however, that following the occurrence of an Event of Default, the Administrative Agent may, in its discretion, cause additional commercial finance audits to be undertaken at the Loan Parties’ expense.

g. Section 5.11 of the Loan Agreement is hereby amended by deleting it in its entirety and substituting the following in its stead:

**5.11 FINANCIAL COVENANT.** So long as a Covenant Compliance Event is continuing, the Borrowers shall not permit the Consolidated Fixed Charge Coverage Ratio, tested monthly on a trailing twelve month basis commencing with the Fiscal month ending immediately prior to the occurrence of a Covenant Compliance Event, to be less than 1.0 to 1.0.

h. Section 8.1 of the Loan Agreement is hereby amended by deleting it in its entirety and substituting the following in its stead:

**8.1. GRANT OF SECURITY INTEREST.** To secure the Borrowers' prompt, punctual, and faithful performance of all and each of the Liabilities, each Borrower hereby grants to the Collateral Agent, for the benefit of the Secured Parties as their interests may appear herein, a continuing security interest in and to, and assigns to the Collateral Agent, for the benefit of the Secured Parties as their interests may appear herein the following, and each item thereof, whether now owned or now due, or in which that Borrower has an interest, or hereafter acquired, arising, or to become due, or in which that Borrower obtains an interest, and all products, Proceeds, substitutions, and accessions of or to any of the following (all of which, together with any other property in which the Collateral Agent may in the future be granted a security interest, is referred to herein as the "Collateral"; any of the following terms not defined in this Agreement shall have the meanings attributed thereto in the UCC):

- (a) all Accounts;
- (b) all Inventory;
- (c) all Documents with respect to such Borrower's Accounts and Inventory;
- (d) all Instruments and Chattel Paper with respect to or arising from the Disposition of such Borrower's Accounts and Inventory;
- (e) all Letters of Credit and Letter-of-Credit Rights with respect to or arising from the Disposition of each Borrower's Accounts and Inventory;
- (f) all General Intangibles with respect to such Borrower's Accounts and Inventory (other than to the extent consisting of trademarks, copyrights, patents or other intellectual property);
- (g) all Deposit Accounts (other than Exempt DDAs);

- (h) all Supporting Obligations with respect to or arising from the Disposition of such Borrower's Accounts and Inventory;
  - (i) all Commercial Tort Claims relating to or arising from the foregoing Collateral;
  - (j) all books, records, and information relating to the foregoing Collateral, and all rights of access to such books, records, and information, and all property in which such books, records, and information are stored, recorded, and maintained;
  - (k) all Securities Accounts containing any cash Proceeds of any of the foregoing; and
  - (l) all Proceeds and products of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, and any and all proceeds of any insurance, indemnity, warranty or guaranty payable to such Borrower from time to time with respect to any of the foregoing.
- i. Section 8.2 of the Loan Agreement is hereby amended by:
- i. deleting the phrase "is in addition to, and supplemental of, any security interest previously granted by any Borrower to the Collateral Agent and" from clause (a) thereto;
  - ii. deleting clause (b) thereof in its entirety and substituting "Reserved" in its stead; and
  - iii. adding the phrase "that constitutes Collateral" in the first line of clause (c) thereof immediate after the phrase "acquire a Commercial Tort Claim".
- j. Section 10.19 of the Loan Agreement is hereby amended by deleting the reference to "July 31, 2010" therein and substituting "February 2, 2013" in its stead.
- k. Section 15.2 of the Loan Agreement is hereby amended by adding the following sentence at the end of clause (a) thereof immediately after sub-clause (iii):
- Until the Majority Revolving Credit Lenders otherwise direct the Administrative Agent to cease making Revolving Credit Loans and issuing L/Cs, the Revolving Credit Lenders will fund their Revolving Credit Percentage Commitment of all Revolving Credit Loans and participate in all SwingLine Loans and L/Cs whenever made or issued, which are requested by the Borrowers and which, notwithstanding the failure of the Loan Parties to comply with the provisions of Section 2.5, are agreed to by the Administrative

Agent, provided, however, that the making of any such Revolving Credit Loans or the issuance of any L/Cs shall not be deemed a modification or waiver by any Secured Party of the provisions of Section 2.5 on any future occasion or a waiver of any rights of the Secured Parties as a result of any such failure to comply. The conditions set forth in Section 2.5 are for the sole benefit of the Secured Parties.

1. Section 19.8 of the Loan Agreement is hereby amended by deleting it in its entirety and substituting the following in its stead:

**19.8. INCREASED COSTS.** (a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Revolving Credit Lender (except any reserve requirement reflected in the LIBOR Rate) or the Issuer;

(ii) subject any Secured Party to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Revolving Credit Lender or the Issuer or the London interbank market any other condition, cost or expense affecting this Agreement or LIBOR Rate Loans made by such Revolving Credit Lender or any L/C or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Revolving Credit Lender of making, converting to, continuing or maintaining any Libor Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to such Revolving Credit Lender or the Issuer of participating in, issuing or maintaining any L/C (or of maintaining its obligation to participate in or to issue any L/C), or to reduce the amount of any sum received or receivable by such Revolving Credit Lender or the Issuer hereunder (whether of principal, interest or any other amount) then, upon written request of such Revolving Credit Lender or the Issuer (such request to set out in reasonable detail the facts giving rise to and a summary calculation of such increased cost or reduced income), the Loan Parties will pay to such Revolving Credit Lender or the Issuer, as the case may be, such additional amount or amounts as will compensate such Revolving Credit Lender or the Issuer, as the case may be, for such additional costs incurred or reduction suffered.

(b) **Capital Requirements.** If any Revolving Credit Lender or the Issuer determines that any Change in Law affecting such Revolving Credit Lender or the Issuer or any Lending Office of such Revolving Credit Lender or such Revolving Credit Lender's or the Issuer's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Revolving Credit Lender's or the Issuer's capital or on the capital of such Revolving Credit Lender's or the Issuer's holding company, if any, as a consequence of this Agreement, the Commitments of such Revolving Credit Lender or the Loans made by, or participations in L/Cs or SwingLine Loans held by, such Revolving Credit Lender, or the L/Cs issued by the Issuer, to a level below that which such Revolving Credit Lender or the Issuer or such Revolving Credit Lender's or the Issuer's holding company could have achieved but for such Change in Law (taking into consideration such Revolving Credit Lender's or the Issuer's policies and the policies of such Revolving Credit Lender's or the Issuer's holding company with respect to capital adequacy), then, upon written request of such Revolving Credit Lender or Issuer or the Administrative Agent (such request to set out in reasonable detail the facts giving rise to and a summary calculation of such reduction), from time to time the Loan Parties will pay to such Revolving Credit Lender or the Issuer, as the case may be, such additional amount or amounts as will compensate such Revolving Credit Lender or the Issuer or such Revolving Credit Lender's or the Issuer's holding company for any such reduction suffered.

- m. Section 19.13(a) of the Loan Agreement is hereby amended by deleting the phrase "Unless otherwise specifically provided for herein," at the beginning thereof and substituting the following in its stead:

All computations of interest for Base Margin Loans when the Base Rate is determined by Bank of America's "prime rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of

- n. Section 19.14(b) of the Loan Agreement is hereby amended by deleting the phrase "and that they cover all assets of each Loan Party" at the end thereof.

- o. Section 19.20 of the Loan Agreement is hereby amended by adding a new clause (e) at the end thereof as follows:

(e) Each Borrower that is a Qualified ECP Guarantor at the time that a guaranty (or deemed guaranty) or the grant of a security interest under the Loan Documents, in each case, by any Specified Loan Party becomes effective with respect to any Swap Obligation (or any guaranty thereof), hereby jointly and severally, absolutely, unconditionally and irrevocably

undertakes to provide such funds or other support to each Specified Loan Party with respect to such Swap Obligation as may be needed by such Specified Loan Party from time to time to honor all of its obligations under the Loan Documents in respect of a guaranty of such Swap Obligation (but, in each case, only up to the maximum amount of such liability that can be incurred without rendering such Qualified ECP Guarantor's obligations and undertakings under its guaranty (or deemed guaranty) of the Liabilities voidable under Applicable Law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations and undertakings of each Qualified ECP Guarantor under this Section shall remain in full force and effect until all of the Liabilities have been indefeasibly paid and performed in full. Each such Loan Party intends this Section to constitute, and this Section shall be deemed to constitute, a guarantee of the obligations of, and a "keepwell, support, or other agreement" for the benefit of, each Specified Loan Party for all purposes of the Commodity Exchange Act.

p. EXHIBIT 2.23 of the Loan Agreement is hereby amended and restated in its entirety as of the First Amendment Effective Date as set forth in Annex A hereto.

5. Amendment to Guaranty Agreement. Subject to the satisfaction or waiver of the conditions precedent set forth in Section 8 hereof, that certain Amended and Restated Guaranty, dated as of November 10, 2010, by the Guarantors in favor of the Administrative Agent (as amended, restated, supplemented or otherwise modified from time to time, the "Guaranty Agreement"), is hereby amended by adding two new paragraphs at the end thereof as follows:

**LIMITATION OF LIABILITY:** Notwithstanding anything herein to the contrary, the Liabilities guaranteed by the Guarantors under this Guaranty shall not include any Excluded Swap Obligations.

**KEEPWELL:** Each Guarantor that is a Qualified ECP Guarantor at the time this Guaranty or the grant of a security interest under the Loan Documents, in each case, by any Specified Loan Party becomes effective with respect to any Swap Obligation, hereby jointly and severally, absolutely, unconditionally and irrevocably undertakes to provide such funds or other support to each Specified Loan Party with respect to such Swap Obligation as may be needed by such Specified Loan Party from time to time to honor all of its obligations under the Loan Documents in respect of such Swap Obligation (but, in each case, only up to the maximum amount of such liability that can be hereby incurred without rendering such Qualified ECP Guarantor's obligations and undertakings under this Guaranty voidable under Applicable Law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations and undertakings of each Qualified ECP Guarantor under this paragraph shall remain in full force and effect until all of the Liabilities have been indefeasibly

paid and performed in full. Each Guarantor intends this paragraph to constitute, and this paragraph shall be deemed to constitute, a guarantee of the obligations of, and a “keepwell, support, or other agreement” for the benefit of, each Specified Loan Party for all purposes of the Commodity Exchange Act.

6. Amendment to Security Agreement. Subject to the satisfaction or waiver of the conditions precedent set forth in Section 8 hereof, that certain Amended and Restated Security Agreement, dated as of November 10, 2010, by and among the Guarantors and the Collateral (as amended, restated, supplemented or otherwise modified from time to time, the “Security Agreement”), is hereby amended as follows:

a. Section 2.1 of the Security Agreement is hereby amended by deleting it in its entirety and substituting the following in its stead:

**2.1. GRANT OF SECURITY INTEREST.** To secure each Guarantor’s prompt, punctual, and faithful performance of all and each of the Liabilities and the obligations of each Guarantor under the 2010 Guaranty, each Guarantor hereby grants to the Agent, for the benefit of the Agent and the other Secured Parties, a continuing security interest in and to, and assigns to the Agent, for the benefit of the Agent and the other Secured Parties, the following, and each item thereof, whether now owned or now due, or in which such Guarantor has an interest, or hereafter acquired, arising, or to become due, or in which such Guarantor obtains an interest, and all products, Proceeds, substitutions, and accessions of or to any of the following (all of which, together with any other property in which the Agent may in the future be granted a security interest, is referred to herein as the “**Collateral**”):

- (a) all Accounts;
- (b) all Inventory;
- (c) all Documents with respect to such Guarantor’s Accounts and Inventory;
- (d) all Instruments and Chattel Paper with respect to or arising from the Disposition of such Guarantor’s Accounts and Inventory;
- (e) all Letters of Credit and Letter-of-Credit Rights with respect to or arising from the Disposition of each Guarantor’s Accounts and Inventory;
- (f) all General Intangibles with respect to such Guarantor’s Accounts and Inventory (other than to the extent consisting of trademarks, copyrights, patents or other intellectual property);



- (g) all Deposit Accounts (other than Exempt DDAs);
  - (h) all Supporting Obligations with respect to or arising from the Disposition of such Guarantor's Accounts and Inventory;
  - (i) all Commercial Tort Claims relating to or arising from the foregoing Collateral;
  - (j) all books, records, and information relating to the foregoing Collateral, and all rights of access to such books, records, and information, and all property in which such books, records, and information are stored, recorded, and maintained;
  - (k) all Securities Accounts containing any cash Proceeds of any of the foregoing; and
  - (l) all Proceeds and products of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, and any and all proceeds of any insurance, indemnity, warranty or guaranty payable to such Guarantor from time to time with respect to any of the foregoing.
- b. Section 2.2 of the Security Agreement is hereby amended by:
- i. deleting the phrase "is in addition to, and supplemental of, any security interest previously granted by the Guarantors to the Agent and" from clause (a) thereto;
  - ii. deleting clause (b) thereof in its entirety and substituting "Reserved" in its stead; and
  - iii. adding the phrase "that constitutes Collateral" in the first line of clause (c) thereof immediate after the phrase "acquire a Commercial Tort Claim".
- c. Section 6.7(b) of the Security Agreement is hereby amended by deleting the phrase "and that they cover all assets of the Guarantors" at the end thereof.
7. Termination of Pledge Agreements and IP Security Documents. Subject to the satisfaction or waiver of the conditions precedent set forth in Section 8 hereof, as of the date hereof, the documents set forth below in this Section 7 shall be terminated and be of no further force and effect (except for provisions of any such documents that by their own terms survive the termination thereof), the parties thereto shall have no further rights and obligations thereunder, and the Collateral Agent hereby releases all Collateral Interests granted to it for the benefit of the Secured Party pursuant to the terms thereof:
- a. Amended and Restated Pledge Agreement dated as of November 10, 2010, by and among Destination XL Group, Inc. (f/k/a Casual Male Retail Group, Inc.) and the Collateral Agent.

- b. Amended and Restated Guarantor Pledge Agreement dated as of November 10, 2010, by and among Casual Male Store, LLC, Casual Male RBT, LLC, CMRG Holdco, LLC, CMRG Apparel Management, Inc., CMXL Apparel, LP, and the Collateral Agent.
  - c. Amended and Restated Trademark and Trademark Applications Security Agreement dated as of November 10, 2010, by and between CMRG Apparel, LLC and the Collateral Agent.
  - d. Copyright and Copyright Applications Security Agreement dated as of November 10, 2010, by and between CMRG Apparel, LLC and the Collateral Agent.
  - e. Patent and Patent Applications Security Agreement dated as of November 10, 2010, by and between CMRG Apparel, LLC and the Collateral Agent.
8. Conditions to Effectiveness. This Amendment shall not be effective until each of the following conditions precedent has been fulfilled to the satisfaction of, or waived by, the Administrative Agent and the Revolving Credit Lenders:
- a. This Amendment shall have been duly executed and delivered by the Borrowers, the Borrowers' Representative, the Guarantors, and the Revolving Credit Lenders. The Administrative Agent shall have received a fully executed original or .pdf copy hereof.
  - b. Each Revolving Credit Lender that so requests shall have received a Revolving Credit Note duly executed and delivered by each Borrower in the full amount of such Revolving Credit Lender's Revolving Credit Dollar Commitment as of the date hereof.
  - c. The Administrative Agent shall have received a fully executed copy of a perfection certificate in form and substance satisfactory to it with respect to the Borrowers' Representative and its subsidiaries dated as of the date hereof.
  - d. All action on the part of each Loan Party necessary for the valid execution, delivery and performance by such Loan Party of this Amendment shall have been duly and effectively taken.
  - e. The Borrowers shall have paid the amounts set forth in the Fee Letter dated May 30, 2013.

- f. There shall not have occurred a material adverse change (x) in the business, assets, properties, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of the Borrowers' Representative and its subsidiaries, taken as a whole, since February 2, 2013, or (y) in the facts and information regarding such entities as represented by such entities to date.
  - g. After giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing.
  - h. The Revolving Credit Lenders shall have received satisfactory evidence that the Administrative Agent (for the benefit of the Secured Parties) shall have a valid and perfected first priority lien and security interest in the Collateral to secure all Liabilities under the Loan Documents as amended hereby, including, without limitation, results of UCC searches with respect to each Loan Party satisfactory to the Administrative Agent and Revolving Credit Lenders.
  - i. No action, suit, investigation or proceeding shall be pending or, to the knowledge of the Borrowers, threatened in any court or before any arbitrator or governmental authority that could reasonably be expected to (x) have a material adverse effect on the business, assets, properties, liabilities (actual and contingent), operations, condition (financial or otherwise) or prospects of the Borrowers' Representative and its subsidiaries, taken as a whole, (y) adversely affect the ability of any Borrower or any Guarantor to perform its obligations under the Loan Documents, or (z) adversely affect the rights and remedies of the Administrative Agent or the Revolving Credit Lenders under the Loan Documents.
  - j. The Administrative Agent shall have received, in form and substance reasonably satisfactory to it, all such opinions of counsel or certifications as it may reasonably request.
9. Loan Document. This Amendment shall constitute a Loan Document for all purposes.
10. Binding Effect. The terms and provisions hereof shall be binding upon the parties hereto and their successors and assigns and shall inure to the benefit of each Agent and each Revolving Credit Lender and their respective successors and assigns.
11. Multiple Counterparts. This Amendment may be executed in multiple counterparts, each of which shall constitute an original and which together shall constitute but one and the same instrument. The delivery of an executed counterpart of a signature page of this Amendment by telecopier or other electronic transmission shall be as effective as delivery of a manually executed counterpart.

12. Severability. Any determination that any provision of this Amendment or any application thereof is invalid, illegal, or unenforceable in any respect in any instance shall not affect the validity, legality, or enforceability of such provision in any other instance, or the validity, legality, or enforceability of any other provision of this Amendment.
13. Headings. The headings at various places in this Amendment are intended for convenience only and shall not affect the interpretation of this Amendment.
14. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF.

*[Signature Pages Follow]*

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered by each of the parties hereto as of the date first above written and is intended to take effect as a sealed instrument.

BORROWERS:

**DESTINATION XL GROUP, INC. (f/k/a  
Casual Male Retail Group, Inc.),** as a Borrower

By /S/ DAVID A. LEVIN

Name: David A. Levin

Title: President and CEO

**CMRG APPAREL, LLC,** as a Borrower

By /S/ DENNIS R. HERNREICH

Name: Dennis R. Hernreich

Title: EVP, COO, CFO, Treasurer and Secretary

BORROWERS' REPRESENTATIVE:

**DESTINATION XL GROUP, INC. (f/k/a  
Casual Male Retail Group, Inc.),** as Borrowers'  
Representative

By /S/ DENNIS R. HERNREICH

Name: Dennis R. Hernreich

Title: EVP, COO, CFO, Treasurer and Secretary

*[Signature Page to First Amendment]*

**GUARANTORS:**

**CASUAL MALE CANADA INC.**

By: /S/ DENNIS R. HERNREICH  
Name: Dennis R. Hernreich  
Title: EVP, COO, CFO, Treasurer and Secretary

**CAPTURE, LLC**

By: Casual Male Store, LLC, its sole Member

By: /S/ DENNIS R. HERNREICH  
Name: Dennis R. Hernreich  
Title: EVP, COO, CFO, Treasurer and Secretary

**CASUAL MALE STORE, LLC**

By: /S/ DENNIS R. HERNREICH  
Name: Dennis R. Hernreich  
Title: EVP, COO, CFO, Treasurer and Secretary

**CASUAL MALE RETAIL STORE, LLC**

By: /S/ DENNIS R. HERNREICH  
Name: Dennis R. Hernreich  
Title: EVP, COO, CFO, Treasurer and Secretary

**CASUAL MALE DIRECT, LLC**

By: /S/ DENNIS R. HERNREICH  
Name: Dennis R. Hernreich  
Title: EVP, COO, CFO, Treasurer and Secretary

*[Signature Page to First Amendment]*

**CASUAL MALE RBT, LLC**

By: /S/ DENNIS R. HERNREICH  
Name: Dennis R. Hernreich  
Title: EVP, COO, CFO, Treasurer and Secretary

**CASUAL MALE RBT (U.K.) LLC**

By: /S/ DENNIS R. HERNREICH  
Name: Dennis R. Hernreich  
Title: EVP, COO, CFO, Treasurer and Secretary

**CANTON PL LIQUIDATING CORP.**

By: /S/ DENNIS R. HERNREICH  
Name: Dennis R. Hernreich  
Title: EVP, COO, CFO, Treasurer and Secretary

**THINK BIG PRODUCTS LLC**

By: /S/ DENNIS R. HERNREICH  
Name: Dennis R. Hernreich  
Title: EVP, COO, CFO, Treasurer and Secretary

**CMXL APPAREL, LP**

By: /S/ DENNIS R. HERNREICH  
Name: Dennis R. Hernreich  
Title: EVP, COO, CFO, Treasurer and Secretary

**CMRG HOLDCO, LLC**

By: /S/ DENNIS R. HERNREICH  
Name: Dennis R. Hernreich  
Title: EVP, COO, CFO, Treasurer and Secretary

*[Signature Page to First Amendment]*

**CMRG APPAREL MANAGEMENT, INC.**

By: /S/ DENNIS R. HERNREICH

Name: Dennis R. Hernreich

Title: EVP, COO, CFO, Treasurer and Secretary

**CASUAL MALE (EUROPE) LLC**

By: /S/ DENNIS R. HERNREICH

Name: Dennis R. Hernreich

Title: EVP, COO, CFO, Treasurer and Secretary

*[Signature Page to First Amendment]*



AGENTS:

**BANK OF AMERICA, N.A.**, as Administrative Agent, as  
Collateral Agent, and as a Revolving Credit Lender

By: /S/ DAVID VEGA

Name: David Vega

Title: Managing Director

*[Signature Page to First Amendment]*

REVOLVING CREDIT LENDERS:

**JPMORGAN CHASE BANK, N.A.**, as a Revolving Credit Lender

By: /S/ NISHA GUPTA

Name: Nisha Gupta

Title: Authorized Officer

*[Signature Page to First Amendment]*

**WELLS FARGO BANK, NATIONAL ASSOCIATION**, as a  
Revolving Credit Lender

By: /S/ CONNIE LIU

Name: Connie Liu

Title: Director

*[Signature Page to First Amendment]*

ANNEX A

Exhibit 2.23

Revolving Credit Lenders' Commitments

<u>Revolving Credit Lender</u>	<u>Revolving Credit Dollar Commitment</u>	<u>Revolving Credit Percentage Commitment</u>
Bank of America, N.A.	\$ 50,000,000	50.0000000000%
JPMorgan Chase Bank, N.A.	\$ 25,000,000	25.0000000000%
Wells Fargo Bank, National Association	\$ 25,000,000	25.0000000000%
<b>Total</b>	<b>\$ 100,000,000</b>	<b>100%</b>

*Annex A*

**DESTINATION XL GROUP, INC.**  
**2006 INCENTIVE COMPENSATION PLAN**  
**AND**  
**2013-2016 LONG-TERM INCENTIVE PLAN**  
**NON-QUALIFIED STOCK OPTION AGREEMENT**  
**Agreement**

1. **Grant of Option.** DESTINATION XL GROUP, INC., a Delaware corporation (the “**Company**”), hereby grants, as of May 28, 2013 (“**Date of Grant**”), to «**First\_Name**» «**Last\_Name**» (the “**Optionee**”) an option (the “**Option**”) to purchase up to «**NQ\_Shares**» shares of the Company’s common stock, \$.01 par value per share (the “**Shares**”), at an exercise price per share equal to \$5.04 (the “**Exercise Price**”). The Option shall be subject to the terms and conditions set forth herein. The Option was granted as part of the Awards issued under the Company’s 2013-2016 Long-Term Incentive Plan (the “**Plan**”) pursuant to the 2006 Incentive Compensation Plan, as amended (the “**2006 Compensation Plan**”), both of which are incorporated herein for all purposes. The Option is a Non-Qualified Stock Option, and not an Incentive Stock Option. At this time, 51% of the Option is subject to shareholder approval at the Company’s annual meeting scheduled for August 1, 2013. If approval is not obtained, 51% of the Option shall be cancelled and you will receive instead a grant of a right to receive cash subject to the same vesting schedule in accordance with Section 5(e) of the Plan. The Optionee hereby acknowledges receipt of copies of the Plan and the 2006 Compensation Plan and agrees to be bound by all of the terms and conditions hereof and thereof and all applicable laws and regulations.

2. **Definitions.** Unless otherwise provided herein, terms used herein that are defined in the Plan and not defined herein shall have the meanings attributed thereto in the Plan. To the extent terms used herein are not defined herein or in the Plan, then those words shall have the meanings attributed to them in the 2006 Compensation Plan.

3. **Exercise Schedule.**

a) Except as otherwise provided in Section 6 of this Agreement, 50% of the Option is part of your Time-Based Vesting Amount and shall vest and become exercisable in accordance with Section 6(a) of the Plan and 50% of the Option is part of your Performance-Based Vesting Amount and shall vest and become exercisable in accordance with Section 6(b) of the Plan. To the extent that the Option has become exercisable with respect to a percentage of Shares as provided in the Plan, the Option may thereafter be exercised by the Optionee, in whole or in part, at any time or from time to time prior to the expiration of the Option as provided herein.

b) There may be an acceleration of the exercisability of the Option, but only as set forth in Sections 6(a), 6(b) and 6(d) of the Plan, as applicable.

c) Upon the termination of the Optionee’s Continuous Service with the Company and its Related Entities, any unvested portion of the Option shall terminate and be null and void, except as set forth in the Plan or as may otherwise be determined by the Committee in writing in its sole discretion.

d) In the event that Optionee has a Termination of Employment after FYE 2014 and before FYE 2015, and such Termination of Employment was for any reason other than: (A) by the Company without Justifiable Cause; (B) by the Participant for Good Reason; or (C) by reason of the Participant’s

death, Disability or Retirement, then in addition to any other remedy that may be available to the Company in law or equity, and as pursuant to Optionee's employment agreement, if any, Optionee also shall be required to pay to the Company, immediately upon written demand by the Committee or the Board, any Gains resulting from Optionee's exercise of the Option.

**4. Method of Exercise.** The vested portion of this Option shall be exercisable in whole or in part as referenced in Section 3 hereof by written notice which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such Shares as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by the Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The written notice shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised after both (a) receipt by the Company of such written notice accompanied by the Exercise Price (except in the case of a cashless exercise or a net share settlement, both as defined below) and (b) arrangements that are satisfactory to the Committee in its sole discretion have been made for Optionee's payment to the Company of the amount, if any, that is necessary to be withheld in accordance with applicable Federal or state withholding requirements. No Shares shall be issued pursuant to the Option unless and until such issuance and such exercise shall comply with all relevant provisions of applicable law, including the requirements of any stock exchange upon which the Shares then may be traded.

**5. Method of Payment.** Payment of the Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee: (a) cash; (b) check; (c) to the extent permitted by the Committee, with Shares owned by the Optionee, or the withholding of Shares that otherwise would be delivered to the Optionee as a result of the exercise of the Option (*i.e.*, a net-share settlement); (d) pursuant to a "cashless exercise" procedure, by delivery of a properly executed exercise notice together with such other documentation, and subject to such guidelines, as the Committee shall require to effect an exercise of the Option and delivery to the Company by a licensed broker acceptable to the Company of proceeds from the sale of Shares, or (e) such other consideration or in such other manner as may be determined by the Committee in its absolute discretion.

**6. Termination of Option.**

a) Except as otherwise required to comply with Section 6 (b)(iv) or Section 6 (d) of the Plan, any unexercised portion of the Option shall automatically and without notice terminate and become null and void at the time of the earliest to occur of the following:

(i) unless the Committee otherwise determines in writing in its sole discretion, three months after the date on which the Optionee's Continuous Services is terminated other than by reason of (A) by the Company or a Related Entity for Justifiable Cause, (B) a Disability of the Optionee as determined by a medical doctor satisfactory to the committee, or (C) the death of the Optionee;

(ii) immediately upon the termination of the Optionee's Continuous Service by the Company or a Related Entity for Justifiable Cause;

(iii) twelve months after the date on which the Optionee's Continuous Service is terminated by reason of a Disability as determined by a medical doctor satisfactory to the Committee;

(iv) (A) twelve months after the date of termination of the Optionee's Continuous Service by reason of death of the Optionee, or, if later, (B) three months after the date on which the Optionee shall die if such death shall occur during the one year period specified in Section 6(a)(iii) hereof, or

(v) the tenth anniversary of the date as of which the Option is granted.

b) If a Participant's Continuous Service terminates after FYE 2014 and on or before FYE 2016, by reason of the Participant's death or Disability, or by the Company without Justifiable Cause or by the Participant for Good Reason, or terminates by reason of the Participant's Retirement after FYE 2013 and on or before FYE 2016, then the portion (the "Post-Termination Contingent Vesting Portion") of the Participant's Option that is part of the Participant's Performance-Based Vesting Award that was not vested as of the date of the termination of the Participant's Continuous Service and that may vest after the date of such termination pursuant to Section 6(b)(iv)(A)(2), 6(b)(iv)(B) or 6(b)(iv)(C)(2) shall not be forfeited as a result of such termination. Instead, if the Post-Termination Contingent Vesting Portion vests on or before FYE 2016 pursuant to the provisions of Section 6(b)(iv)(A)(2), 6(b)(iv)(B) or 6(b)(iv)(C)(2), then notwithstanding the provisions of Section 6(a) above, the Post-Termination Contingent Vesting Portion of the Option shall not terminate until 90 days after the date on which the Post-Termination Contingent Vesting Portion vests. If the Post-Termination Contingent Vesting Portion does not vest on or before FYE 2016, then the Post-Termination Contingent Vesting Portion shall automatically terminate on FYE 2016. Similarly, if the Participant's Continuous Service is terminated by the Company without Justifiable Cause or by the Participant for Good Reason, or by reason of the Participant's death or Disability, and a Change in Control occurs within 6 months after such termination, then notwithstanding any provision of this Agreement to the contrary, the Option shall not be deemed to have previously terminated and the provisions of Section 6(d) shall apply with respect to the Option.

c) The Option (regardless of whether vested) shall be forfeited immediately in the event Optionee leaves employment with Company and its Related Entities during fiscal year 2015 other than for termination without Justifiable Cause, resignation for Good Reason, death, Disability or Retirement.

7. **Transferability.** Unless otherwise determined by the Committee, the Option granted hereby is not transferable otherwise than by will or under the applicable laws of descent and distribution, and during the lifetime of the Optionee the Option shall be exercisable only by the Optionee, or the Optionee's guardian or legal representative. In addition, the Option shall not be assigned, negotiated, pledged or hypothecated in any way (whether by operation of law or otherwise), and the Option shall not be subject to execution, attachment or similar process. Upon any attempt to transfer, assign, negotiate, pledge or hypothecate the Option, or in the event of any levy upon the Option by reason of any execution, attachment or similar process contrary to the provisions hereof, the Option shall immediately become null and void. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

8. **No Rights of Stockholders.** Neither the Optionee nor any personal representative (or beneficiary) shall be, or shall have any of the rights and privileges of, a stockholder of the Company with respect to any Shares purchasable or issuable upon the exercise of the Option, in whole or in part, prior to the date of exercise of the Option.

9. **No Right to Continued Employment.** Neither the Option nor this Agreement shall confer upon the Optionee any right to continued employment or service with the Company.

10. **Law Governing.** This Agreement shall be governed in accordance with and governed by the internal laws of the State of Delaware.

11. **Interpretation / Provisions of Plan Control.** This Agreement is subject to all the terms, conditions and provisions of the Plan and the 2006 Compensation Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan and the 2006 Compensation Plan adopted by the Committee as may be in effect from time to time. If and to

the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan and the 2006 Compensation Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. The Optionee accepts the Option subject to all of the terms and provisions of the Plan, the 2006 Compensation Plan and this Agreement. The undersigned Optionee hereby accepts as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan, the 2006 Compensation Plan and this Agreement, unless shown to have been made in an arbitrary and capricious manner.

12. **Notices.** Any notice under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of the Company, to the Company's Secretary at 555 Turnpike Street, Canton, MA 02021, or if the Company should move its principal office, to such principal office, and, in the case of the Optionee, to the Optionee's last permanent address as shown on the Company's records, subject to the right of either party to designate some other address at any time hereafter in a notice satisfying the requirements of this Section.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the 15th day of July, 2013.

**COMPANY:**

**DESTINATION XL GROUP, INC., a Delaware corporation**

By: \_\_\_\_\_  
Name: David A. Levin  
Title: President, CEO

The Optionee acknowledges receipt of a copy of the Plan and the 2006 Compensation Plan, and represents that he or she has reviewed the provisions of the Plan, the 2006 Compensation Plan and this Agreement in their entirety, is familiar with and understands their terms and provisions, and hereby accepts this Option subject to all of the terms and provisions of the Plan, the 2006 Compensation Plan and this Agreement. The Optionee further represents that he or she has had an opportunity to obtain the advice of counsel prior to executing this Agreement.

**OPTIONEE:**

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
«First\_Name» «Last\_Name»



**DESTINATION XL GROUP, INC.**  
**2013-2016 LONG-TERM INCENTIVE PLAN**  
**RESTRICTED STOCK AGREEMENT**  
**FOR**

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1. **Award of Restricted Stock.** The Committee hereby grants, as of \_\_\_\_\_ (the “**Date of Grant**”), to \_\_\_\_\_, \_\_\_\_\_ restricted shares of the Company’s Common Stock, par value \$0.01 per share (collectively the “**Restricted Stock**”). The Shares of Restricted Stock were granted as part of the Awards issued under the Company’s 2013-2016 Long-Term Incentive Plan (the “**Plan**”) pursuant to the 2006 Incentive Compensation Plan, as amended (the “**2006 Compensation Plan**”), both of which are incorporated herein for all purposes. As a condition to entering into this Agreement, and as a condition to the issuance of any Shares (or any other securities of the Company), the Recipient agrees to be bound by all of the terms and conditions herein and in both the Plan and the 2006 Compensation Plan.

2. **Definitions.**

For purposes of this Agreement, unless otherwise provided herein, terms used herein that are defined in the Plan and not defined herein shall have the meanings attributable thereto in the Plan. To the extent terms used herein are not defined herein or in the Plan, then those words shall have the meanings attributed to them in the 2006 Compensation Plan. In addition, the following terms shall have the meanings indicated:

(i) “**Non-Vested Shares**” means any portion of the Restricted Stock subject to this Agreement that has not become vested pursuant to Section 3 of this Agreement.

(ii) “**Vested Shares**” means any portion of the Restricted Stock subject to this Agreement that is and has become vested pursuant to this Section 3 of this Agreement.

3. **Vesting of Restricted Stock.**

(a) 50% of the Shares of Restricted Stock are part of your Time-Based Vesting Amount and shall vest in accordance with Section 6 (a) of the Plan and 50% of the Shares of Restricted Stock, are part of your Performance-Based Vesting Amount and shall vest in accordance with Section 6 (b) of the Plan.

(b) There may be an acceleration of the exercisability of the Restricted Stock, but only as set forth in Sections 6(a), 6(b) and 6(d) of the Plan.

(c) In the event that Recipient has a Termination of Employment after FYE 2014 and before FYE 2015, and such Termination of Employment was for any reason other than: (A) by the Company without Justifiable Cause; (B) by the Participant for Good Reason; or (C) by

reason of the Participant's death, Disability or Retirement, then in addition to any other remedy that may be available to the Company in law or equity, and/or pursuant to Recipient's employment agreement, if any, Recipient also shall be required to pay to the Company, immediately upon written demand by the Committee or the Board, any Gains resulting from the grant or vesting of Shares granted to Recipient under this Agreement.

4.                      **Delivery of Restricted Stock.**

(a) **Issuance of Stock Certificates and Legends.** One or more stock certificates evidencing the Restricted Stock shall be issued in the name of the Recipient but shall be held and retained by the Records Administrator of the Company until the date (the "**Applicable Date**") on which the shares (or a portion thereof) subject to this Restricted Stock award become Vested Shares pursuant to Section 2 hereof. All such stock certificates shall bear the following legends, along with such other legends that the Board or the Committee shall deem necessary and appropriate:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO SUBSTANTIAL VESTING AND OTHER RESTRICTIONS AS SET FORTH IN THE RESTRICTED STOCK AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE SHARES, AND INCLUDE VESTING CONDITIONS WHICH MAY RESULT IN THE COMPLETE FORFEITURE OF THE SHARES.

(b) **Stock Powers.** The Recipient shall deposit with the Company stock powers or other instruments of transfer or assignment, duly endorsed in blank with signature(s) guaranteed, corresponding to each certificate representing Shares of Restricted Stock until such Shares become Vested Shares. If the Recipient shall fail to provide the Company with any such stock power or other instrument of transfer or assignment, the Recipient hereby irrevocably appoints the Secretary of the Company as his attorney-in-fact, with full power of appointment and substitution, to execute and deliver any such power or other instrument which may be necessary to effectuate the transfer of the Shares of Restricted Stock (or assignment of distributions thereon) on the books and records of the Company.

(c) **Delivery of Stock Certificates.** On or after each Applicable Date, upon written request to the Company by the Recipient, the Company shall promptly cause a new certificate or certificates to be issued for and with respect to all Shares that become Vested Shares on that Applicable Date, which certificate(s) shall be delivered to the Recipient as soon as administratively practicable after the date of receipt by the Company of the Recipient's written request. The new certificate or certificates shall continue to bear those legends and endorsements that the Company shall deem necessary or appropriate (including those relating to restrictions on transferability and/or obligations and restrictions under the Securities Laws).

(d) **Issuance Without Certificates.** If the Company is authorized to issue Shares without certificates, then the Company may, in the discretion of the Committee, issue Shares pursuant to this Agreement without certificates, in which case any references in this Agreement to certificates shall instead refer to whatever evidence may be issued to reflect the Recipient's ownership of the Shares subject to the terms and conditions of this Agreement.

5. **Forfeiture of Non-Vested Shares.** Except as otherwise provided in Sections 6(b)(iv) or 6(d) of the Plan, if the Recipient's Continuous Service is terminated for any reason, any Shares of Restricted Stock that are not Vested Shares, and that do not become Vested Shares as a result of such termination, shall be forfeited immediately upon such termination of Continuous Service and revert back to the Company without any payment to the Recipient. The Committee shall have the power and authority to enforce on behalf of the Company any rights of the Company under this Agreement in the event of the Recipient's forfeiture of Non-Vested Shares pursuant to this Section 5.

6. **Rights with Respect to Restricted Stock.**

(a) **General.** Except as otherwise provided in this Agreement, the Recipient shall have, with respect to all of the Shares of Restricted Stock, whether Vested Shares or Non-Vested Shares, all of the rights of a holder of Shares, including without limitation (i) the right to vote such Shares of Restricted Stock, (ii) the right to receive dividends, if any, as may be declared on the Shares of Restricted Stock from time to time, and (iii) the rights available to all holders of Shares upon any merger, consolidation, reorganization, liquidation or dissolution, stock split-up, stock dividend or recapitalization undertaken by the Company; provided, however, that all of such rights shall be subject to the terms, provisions, conditions and restrictions set forth in this Agreement (including without limitation conditions under which all such rights shall be forfeited). Any Non-Vested Shares will not be entitled to receive subscription rights in connection with rights offerings. Any Shares issued to the Recipient as a dividend with respect to Shares of Restricted Stock shall have the same status and bear the same legend as the Shares of Restricted Stock and shall be held by the Company, if the Shares of Restricted Stock that such dividend is attributed to is being so held, unless otherwise determined by the Committee. In addition, notwithstanding any provision to the contrary herein, any cash dividends declared with respect to Shares of Restricted Stock subject to this Agreement shall be held in escrow by the Committee until such time as the Shares of Restricted Stock that such cash dividends are attributed to shall become Vested Shares, and in the event that such Shares of Restricted Stock are subsequently forfeited, the cash dividends attributable to such portion shall be forfeited as well.

(b) **Adjustments to Shares.** If at any time while this Agreement is in effect (or Shares granted hereunder shall be or remain unvested while Recipient's Continuous Service continues and has not yet terminated or ceased for any reason), there shall be any increase or decrease in the number of issued and outstanding Shares of the Company through the declaration of a stock dividend or through any recapitalization resulting in a stock split-up, combination or exchange of such Shares, then and in that event, the Board or the Committee shall make any adjustments it deems fair and appropriate, in view of such change, in the number of Shares of Restricted Stock then subject to this Agreement. If any such adjustment shall result in a fractional Share, such fraction shall be disregarded.

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

7. **Transferability.** Unless otherwise determined by the Committee, the Shares of Restricted Stock are not transferable unless and until they become Vested Shares in accordance with this Agreement, otherwise than by will or under the applicable laws of descent and distribution. The terms of this Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Recipient. Except as otherwise permitted pursuant to the first sentence of this Section, any attempt to effect a Transfer of any Shares of Restricted Stock prior to the date on which the Shares become Vested Shares shall be void *ab initio*. For purposes of this Agreement, "Transfer" shall mean any sale, transfer, encumbrance, gift, donation, assignment, pledge, hypothecation, or other disposition, whether similar or dissimilar to those previously enumerated, whether voluntary or involuntary, and including, but not limited to, any disposition by operation of law, by court order, by judicial process, or by foreclosure, levy or attachment.

#### 8. **Tax Matters; Section 83(b) Election.**

(a) **Section 83(b) Election.** If the Recipient properly elects, within thirty (30) days of the Date of Grant, to include in gross income for federal income tax purposes an amount equal to the fair market value (as of the Date of Grant) of the Shares of Restricted Stock pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended (the "**Code**"), the Recipient shall make arrangements satisfactory to the Company to pay to the Company any federal, state or local income taxes required to be withheld with respect to the Shares of Restricted Stock. If the Recipient shall fail to make such tax payments as are required, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind (including without limitation, the withholding of any Shares that otherwise would be issued to the Recipient under this Agreement) otherwise due to the Recipient any federal, state or local taxes of any kind required by law to be withheld with respect to the Shares of Restricted Stock.

**(b) No Section 83(b) Election.** If the Recipient does not properly make the election described in paragraph 8(a) above, the Recipient shall, no later than the date or dates as of which the restrictions referred to in this Agreement hereof shall lapse, pay to the Company, or make arrangements satisfactory to the Committee for payment of, any federal, state or local taxes of any kind required by law to be withheld with respect to the Shares of Restricted Stock (including without limitation the vesting thereof), and the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind (including without limitation, the withholding of any Shares that otherwise would be distributed to the Recipient under this Agreement) otherwise due to Recipient any federal, state, or local taxes of any kind required by law to be withheld with respect to the Shares of Restricted Stock.

**(c) Satisfaction of Withholding Requirements.** The Recipient may satisfy the withholding requirements with respect to the Shares of Restricted Stock pursuant to any one or combination of the following methods:

(i) payment in cash or check; or

(ii) if and to the extent permitted by the Committee, payment by surrendering unrestricted previously held Shares which have a value equal to the required withholding amount or the withholding of Shares that otherwise would be deliverable to the Recipient pursuant to this Award. The Recipient may surrender Shares either by attestation or by delivery of a certificate or certificates for Shares duly endorsed for transfer to the Company, and if required with medallion level signature guarantee by a member firm of a national stock exchange, by a national or state bank (or guaranteed or notarized in such other manner as the Committee may require); or

(iii) if and to the extent permitted by the Committee, payment by entering into a net-share settlement with the Company which will result in the Company's withholding Shares that otherwise would be deliverable to the Recipient pursuant to this Award which have a value equal to the required withholding amount.

**(d) Recipient's Responsibilities for Tax Consequences.** Tax consequences on the Recipient (including without limitation federal, state, local and foreign income tax consequences) with respect to the Shares of Restricted Stock (including without limitation the grant, vesting and/or forfeiture thereof) are the sole responsibility of the Recipient. The Recipient shall consult with his or her own personal accountant(s) and/or tax advisor(s) regarding these matters, the making of a Section 83(b) election, and the Recipient's filing, withholding and payment (or tax liability) obligations.

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

10. **Complete Agreement.** This Agreement (together with those agreements and documents expressly referred to herein, for the purposes referred to herein) embody the complete and entire agreement and understanding between the parties with respect to the subject matter hereof, and supersede any and all prior promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, which may relate to the subject matter hereof in any way.

11. **Miscellaneous.**

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

(b) **No Limit on Other Compensation Arrangements.** Nothing contained in this Agreement shall preclude the Company or any Related Entity from adopting or continuing in effect other or additional compensation plans, agreements or arrangements, and any such plans, agreements and arrangements may be either generally applicable or applicable only in specific cases or to specific persons.

(c) **Severability.** If any term or provision of this Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or under any applicable law, rule or regulation, then such provision shall be construed or deemed amended to conform to applicable law (or if such provision cannot be so construed or deemed amended without materially altering the purpose or intent of this Agreement and the grant of Shares of Restricted Stock hereunder, such provision shall be stricken as to such jurisdiction and the remainder of this Agreement and the award hereunder shall remain in full force and effect).

(d) **No Trust or Fund Created.** Neither this Agreement nor the grant of Shares of Restricted Stock hereunder shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Related Entity and the Recipient or any other person. To the extent that the Recipient or any other person acquires a right to receive payments from the Company or any Related Entity pursuant to this Agreement, such right shall be no greater than the right of any unsecured general creditor of the Company.

(e) **Law Governing.** This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware (without reference to the conflict of laws rules or principles thereof).

(f) **Interpretation.** The Recipient accepts the Shares of Restricted Stock subject to all of the terms, provisions and restrictions of this Agreement and the Plan. The undersigned Recipient hereby accepts as binding, conclusive and final all decisions or interpretations of the Board or the Committee upon any questions arising under this Agreement or the Plan.

(g) **Headings.** Section, paragraph and other headings and captions are provided solely as a convenience to facilitate reference. Such headings and captions shall not be deemed in any way material or relevant to the construction, meaning or interpretation of this Agreement or any term or provision hereof.

(h) **Notices.** Any notice under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of the Company, to the Company's President at 555 Turnpike Street, Canton, MA 02021, or if the Company should move its principal office, to such principal office, and, in the case of the Recipient, to the Recipient's last permanent address as shown on the Company's records, subject to the right of either party to designate some other address at any time hereafter in a notice satisfying the requirements of this Section.

(i) **Section 409A.**

(a) It is intended that the Restricted Stock awarded pursuant to this Agreement be exempt from Section 409A of the Code ("Section 409A") because it is believed that the Agreement does not provide for a deferral of compensation and accordingly that the Agreement does not constitute a nonqualified deferred compensation plan within the meaning of Section 409A. The provisions of this Agreement shall be interpreted in a manner consistent with this intention, and the provisions of this Agreement may not be amended, adjusted, assumed or substituted for, converted or otherwise modified without the Recipient's prior written consent if and to the extent that such amendment, adjustment, assumption or substitution, conversion or modification would cause the award to violate the requirements of Section 409A.

(b) In the event that either the Company or the Recipient believes, at any time, that any benefit or right under this Agreement is subject to Section 409A, and does not comply with the requirements of Section 409A, it shall promptly advise the other and the Company and the Recipient shall negotiate reasonably and in good faith to amend the terms of such benefits and rights, if such an amendment may be made in a commercially reasonable manner, such that they comply with Section 409A with the most limited possible economic affect on the Recipient and on the Company.

(c) Notwithstanding the foregoing, the Company does not make any representation to the Recipient that the Shares of Restricted Stock awarded pursuant to this Agreement are exempt from, or satisfy, the requirements of Section 409A, and the Company shall have no liability or other obligation to indemnify or hold harmless the Recipient or any Beneficiary for any tax, additional tax, interest or penalties that the Recipient or any Beneficiary may incur in the event that any provision of this Agreement, or any amendment or modification thereof or any other action taken with respect thereto is deemed to violate any of the requirements of Section 409A.

(j) **Non-Waiver of Breach.** The waiver by any party hereto of the other party's prompt and complete performance, or breach or violation, of any term or provision of this Agreement shall be effected solely in a writing signed by such party, and shall not operate nor be construed as a waiver of any subsequent breach or violation, and the waiver by any party hereto to exercise any right or remedy which he or it may possess shall not operate nor be construed as the waiver of such right or remedy by such party, or as a bar to the exercise of such right or remedy by such party, upon the occurrence of any subsequent breach or violation.

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

**IN WITNESS WHEREOF**, the parties hereto, intending to be legally bound, have executed this Agreement as of the date first written above.

Destination XL Group, Inc.

By: \_\_\_\_\_  
Name: David A. Levin  
Title: President, CEO

Agreed and Accepted:

RECIPIENT:

By: \_\_\_\_\_

Date: \_\_\_\_\_



## 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: August 23, 2013

/s/ DAVID A. LEVIN

David A. Levin

Chief Executive Officer

## CERTIFICATION

I, Dennis R. Hernreich, 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: August 23, 2013

/s/ DENNIS R. HERNREICH

Dennis R. Hemreich  
Chief Financial Officer

**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 August 3, 2013, 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.

Dated: August 23, 2013

/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.*

**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 August 3, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dennis R. Hernreich, 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.

Dated: August 23, 2013

/s/ DENNIS R. HERNREICH

\_\_\_\_\_  
Dennis R. Hernreich  
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.*