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

# FORM 10-Q

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

**For the Quarterly Period Ended August 2, 2014**

**Commission File Number 01-34219**

# DESTINATION XL GROUP, INC.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware**<br>**(State or other jurisdiction of incorporation or organization)** | **04-2623104**<br>**(IRS Employer Identification No.)** |
| **555 Turnpike Street, Canton, MA**<br>**(Address of principal executive offices)** | **02021**<br>**(Zip Code)** |

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 the registrant's common stock outstanding as of August 1, 2014 was 50,638,196.

DESTINATION XL GROUP, INC.
CONSOLIDATED BALANCE SHEETS

August 2, 2014 and February 1, 2014

| | August 2, 2014 (Fiscal 2014) (Unaudited) | February 1, 2014 (Fiscal 2013) |
|---|---|---|
| | (In thousands, except share data) | |
| ASSETS | | |
| *Current assets:* | | |
| Cash and cash equivalents | **$ 5,567** | $ 4,544 |
| Accounts receivable | **6,428** | 8,347 |
| Inventories | **116,028** | 105,556 |
| Prepaid expenses and other current assets | **8,947** | 7,994 |
| Total current assets | **136,970** | 126,441 |
| Property and equipment, net of accumulated depreciation and amortization | **111,866** | 102,939 |
| *Other assets:* | | |
| Intangible assets | **3,778** | 4,393 |
| Other assets | **3,328** | 3,608 |
| Total assets | **$ 255,942** | $ 237,381 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| *Current liabilities:* | | |
| Current portion of long-term debt | **$ 6,457** | $ 4,561 |
| Current portion of deferred gain on sale-leaseback | **1,465** | 1,465 |
| Accounts payable | **33,921** | 32,945 |
| Accrued expenses and other current liabilities | **27,929** | 28,227 |
| Borrowings under credit facility | **25,695** | 9,029 |
| Total current liabilities | **95,467** | 76,227 |
| *Long-term liabilities:* | | |
| Long-term debt, net of current portion | **16,154** | 12,145 |
| Deferred rent and lease incentives | **25,458** | 22,835 |
| Deferred gain on sale-leaseback, net of current portion | **15,387** | 16,120 |
| Deferred tax liability | **38** | — |
| Other long-term liabilities | **4,001** | 5,083 |
| Total long-term liabilities | **61,038** | 56,183 |
| Commitments and contingencies | | |
| *Stockholders' equity:* | | |
| Preferred stock, $0.01 par value, 1,000,000 shares authorized, none issued | **—** | — |
| Common stock, $0.01 par value, 100,000,000 shares authorized, 61,515,635 and 61,473,083 shares issued at August 2, 2014 and February 1, 2014, respectively | **615** | 615 |
| Additional paid-in capital | **298,151** | 296,501 |
| Treasury stock at cost, 10,877,439 shares at August 2, 2014 and February 1, 2014 | **(87,977)** | (87,977) |
| Accumulated deficit | **(107,176)** | (99,608) |
| Accumulated other comprehensive loss | **(4,176)** | (4,560) |
| Total stockholders' equity | **99,437** | 104,971 |
| Total liabilities and stockholders' equity | **$ 255,942** | $ 237,381 |

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

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

| | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | **August 2, 2014 (Fiscal 2014)** | August 3, 2013 (Fiscal 2013) | **August 2, 2014 (Fiscal 2014)** | August 3, 2013 (Fiscal 2013) |
| | *(In thousands, except per share data)* | | | |
| Sales | **$ 103,707** | $ 98,046 | **$ 200,474** | $ 192,003 |
| Cost of goods sold including occupancy costs | **56,285** | 52,797 | **109,123** | 102,416 |
| Gross profit | **47,422** | 45,249 | **91,351** | 89,587 |
| Expenses: | | | | |
| Selling, general and administrative | **45,242** | 43,077 | **86,819** | 81,264 |
| Depreciation and amortization | **5,698** | 4,513 | **11,128** | 8,683 |
| Total expenses | **50,940** | 47,590 | **97,947** | 89,947 |
| Operating loss | **(3,518)** | (2,341) | **(6,596)** | (360) |
| Interest expense, net | **(451)** | (241) | **(862)** | (419) |
| Loss before provision for income taxes | **(3,969)** | (2,582) | **(7,458)** | (779) |
| Provision (benefit) for income taxes | **63** | (995) | **110** | (203) |
| Net loss | **$ (4,032)** | $ (1,587) | **$ (7,568)** | $ (576) |
| Net loss per share -basic and diluted | **($ 0.08)** | ($ 0.03) | **($ 0.16)** | ($ 0.01) |
| Weighted-average number of common shares outstanding: | | | | |
| Basic | **48,743** | 48,479 | **48,699** | 48,385 |
| Diluted | **48,743** | 48,479 | **48,699** | 48,385 |

*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 2, 2014 (Fiscal 2014)** | August 3, 2013 (Fiscal 2013) | **August 2, 2014 (Fiscal 2014)** | August 3, 2013 (Fiscal 2013) |
| Net loss | **$ (4,032)** | $ (1,587) | **$ (7,568)** | $ (576) |
| Other comprehensive income (loss) before taxes: | | | | |
| Foreign currency translation | **15** | (117) | **107** | (207) |
| Pension plan | **138** | 163 | **277** | 319 |
| Other comprehensive income (loss) before taxes | **153** | 46 | **384** | 112 |
| Tax (provision) benefit related to items of other comprehensive income (loss) | **—** | (51) | **—** | (91) |
| Other comprehensive income (loss), net of tax | **153** | (5) | **384** | 21 |
| Comprehensive loss | **$ (3,879)** | $ (1,592) | **$ (7,184)** | $ (555) |

*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 2, 2014
(In thousands)
(Unaudited)

| | Common Stock Shares | Common Stock Amounts | Additional Paid-in Capital | Treasury Stock Shares | Treasury Stock Amounts | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at February 1, 2014 | 61,473 | $ 615 | $296,501 | (10,877) | $(87,977) | $ (99,608) | $ (4,560) | $104,971 |
| Stock compensation expense | | | 1,463 | | | | | 1,463 |
| Exercises under option program | 16 | — | 81 | | | | | 81 |
| Cancellation of restricted stock, net of issuances | 6 | — | — | | | | | — |
| Board of Directors compensation | 20 | — | 106 | | | | | 106 |
| Accumulated other comprehensive income (loss): | | | | | | | | |
| Unrecognized loss associated with Pension Plan | | | | | | | 277 | 277 |
| Foreign currency | | | | | | | 107 | 107 |
| Net loss | | | | | | (7,568) | | (7,568) |
| Balance at August 2, 2014 | 61,515 | $ 615 | $298,151 | (10,877) | $(87,977) | $ (107,176) | $ (4,176) | $ 99,437 |

*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 2, 2014 (Fiscal 2014) | August 3, 2013 (Fiscal 2013) |
|---|---|---|
| | (In thousands) | |
| Cash flows from operating activities: | | |
| Net loss | **$ (7,568)** | $ (576) |
| Adjustments to reconcile net loss to net cash used for operating activities: | | |
| Amortization of deferred gain on sale leaseback | **(733)** | (733) |
| Depreciation and amortization | **11,128** | 8,683 |
| Deferred taxes, net of valuation allowance | **38** | (180) |
| Stock compensation expense | **1,463** | 681 |
| Issuance of common stock to Board of Directors | **106** | 37 |
| Changes in operating assets and liabilities : | | |
| Accounts receivable | **1,919** | (1,645) |
| Inventories | **(10,472)** | (3,648) |
| Prepaid expenses and other current assets | **(953)** | 366 |
| Other assets | **307** | (46) |
| Accounts payable | **976** | 1,292 |
| Deferred rent and lease incentives | **2,623** | 3,713 |
| Accrued expenses and other liabilities | **(1,506)** | (2,214) |
| Net cash used for operating activities | **(2,672)** | 5,730 |
| Cash flows from investing activities: | | |
| Additions to property and equipment, net | **(18,930)** | (21,087) |
| Net cash used for investing activities | **(18,930)** | (21,087) |
| Cash flows from financing activities: | | |
| Proceeds from the exercise of stock options | **81** | 355 |
| Proceeds from the issuance of long-term debt | **8,912** | — |
| Principal payments on long-term debt | **(3,007)** | — |
| Debt issuance costs | **(27)** | (350) |
| Net borrowings under credit facility | **16,666** | 12,336 |
| Net cash provided by financing activities | **22,625** | 12,341 |
| Net increase (decrease) in cash and cash equivalents | **1,023** | (3,016) |
| Cash and cash equivalents: | | |
| Beginning of period | **4,544** | 8,162 |
| End of period | **$ 5,567** | $ 5,146 |

*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 with its subsidiaries is 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 1, 2014 included in the Company's Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 17, 2014.

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 2014 and Fiscal 2013 are 52-week periods ending January 31, 2015 and February 1, 2014, respectively.

*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®.

*Reclassifications*

Beginning in the first quarter of fiscal 2014, the Company is reporting revenue from its on-site tailoring and the related tailoring costs associated with such revenue as part of "Sales" and "Cost of Goods Sold Including Occupancy Costs", respectively, on the Consolidated Statement of Operations. The Company has reclassified the revenue and related cost of goods sold for the second quarter and first six months of fiscal 2013 from "Selling, General and Administrative Expenses", where the amounts were previously netted, to "Sales" and "Cost of Goods Sold Including Occupancy Costs."

*Intangibles*

At August 2, 2014, the "Casual Male" trademark had a carrying value of $1.9 million and is considered a definite-lived asset. The Company is amortizing the remaining carrying value of $1.9 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 2014, no event or circumstance occurred which would cause a reduction in the fair value of the Company's reporting units, requiring interim testing of the Company's "Rochester" trademark.

*Fair Value of Financial Instruments*

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

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

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

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

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

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

The fair value of long-term debt is classified within Level 2 of the valuation hierarchy. At August 2, 2014 the fair value approximates the carrying amount based upon terms available to the Company for borrowings with similar arrangements and remaining maturities.

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

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

*Accumulated Other Comprehensive Income (Loss) - ("AOCI")*

Other comprehensive income (loss) includes amounts related to foreign currency and pension plans and is reported in the Consolidated Statements of Comprehensive Income (Loss). Other comprehensive income and reclassifications from AOCI for the three and six months ended August 2, 2014 and August 3, 2013 are as follows:

| | August 2, 2014 | | | August 3, 2013 | | |
|---|---|---|---|---|---|---|
| | (in thousands) | | | | | |
| *For the three months ended:* | Pension Plans | Foreign Currency | Total | Pension Plans | Foreign Currency | Total |
| Balance at beginning of the quarter | $(4,408) | $ 79 | $(4,329) | $(5,734) | $ 199 | $(5,535) |
| Other comprehensive income (loss) before reclassifications, net of taxes | 82 | 15 | 97 | 42 | (104) | (62) |
| Amounts reclassified from accumulated other comprehensive income (loss), net of taxes (1) | 56 | — | 56 | 57 | — | 57 |
| Other comprehensive income (loss) for the period | 138 | 15 | 153 | 99 | (104) | (5) |
| Balance at end of quarter | $(4,270) | $ 94 | $(4,176) | $(5,635) | $ 95 | $(5,540) |

| | August 2, 2014 | | | August 3, 2013 | | |
|---|---|---|---|---|---|---|
| | (in thousands) | | | | | |
| *For the six months ended:* | Pension Plans | Foreign Currency | Total | Pension Plans | Foreign Currency | Total |
| Balance at beginning of fiscal year | $(4,547) | $ (13) | $(4,560) | $(5,828) | $ 267 | $(5,561) |
| Other comprehensive income (loss) before reclassifications, net of taxes | 164 | 107 | 271 | 86 | (172) | (86) |
| Amounts reclassified from accumulated other comprehensive income (loss), net of taxes (2) | 113 | — | 113 | 107 | — | 107 |
| Other comprehensive income (loss) for the period | 277 | 107 | 384 | 193 | (172) | 21 |
| Balance at end of quarter | $(4,270) | $ 94 | $(4,176) | $(5,635) | $ 95 | $(5,540) |

(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 $56,000 and $92,000 for the three months ended August 2, 2014 and August 3, 2013, respectively. The corresponding tax benefit was $35,000 for the three months ended August 3, 2013. There was no tax benefit for the three months ended August 2, 2014.

(2) For the six months ended August 2, 2014 and August 3, 2013, the amortization of the unrecognized loss, before tax, was $113,000 and $176,000, respectively. The corresponding tax benefit was $69,000 for the six months ended August 3, 2013. There was no tax benefit for the six months ended August 2, 2014.

*Revenue Recognition*

Revenue from the Company's retail store operation is recorded upon purchase of merchandise by customers, net of an allowance for sales returns. Revenue from the Company's catalog and e-commerce operations is recognized at the time a customer order is delivered, net of an allowance for sales returns. Revenue is recognized by the operating segment that fulfills a customer's order.

*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 April 2014, the FASB issued ASU No. 2014-08, *Presentation of Financial Statements (Top 205): Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity* ("ASU 2014-08"). The objective of ASU No. 2014-08 is to clarify the criteria for determining which disposals can be presented as discontinued operations and also modifies related disclosure requirements. The standard is required to be adopted by public business entities in annual periods beginning on or after December 15, 2014, and interim periods within those annual periods. Early adoption is permitted for new disposals beginning in the first quarter of 2014, provided financial statements have not been issued before the release of this standard.

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers*," which supersedes the revenue recognition requirements in ASC 605, "Revenue Recognition," as well as various other sections of the ASC, such as, but not limited to, ASC 340-20, "Other Assets and Deferred Costs-Capitalized Advertising Costs." The core principle of ASU 2014-09 is that an entity should recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and is to be applied either retrospectively to each prior reporting period presented or with the cumulative effect recognized at the date of initial adoption as an adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets on the balance sheet). Early adoption is not permitted. The Company is in the process of evaluating the impact of ASU 2014-09 on its Consolidated Financial Statements, including the choice of retrospective application upon 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 a maximum committed borrowing of $100 million, which, pursuant to an accordion feature, may be increased to $150 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 is 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 annual LIBOR rate for the respective interest period) plus a varying percentage, based on the Company's borrowing base, of 0.50%-0.75% for prime-based borrowings and 1.50%-1.75% for LIBOR-based borrowings. The Company is also subject to an unused line fee of 0.25%. At August 2, 2014, the Company's prime-based interest rate was 3.75%. At August 2, 2014, the Company had approximately $20.0 million of its outstanding borrowings in a LIBOR-based contract with an interest rate of 1.65%. The LIBOR-based contracts expired August 7, 2014 through August 10, 2014. 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 2, 2014, the Company had outstanding borrowings under the Credit Facility of $25.7 million. Outstanding standby letters of credit were $2.2 million and documentary letters of credit were $1.1 million. Unused excess availability at August 2, 2014 was $71.0 million. Average monthly borrowings outstanding under the Credit Facility during the first six months of fiscal 2014 were $28.3 million, resulting in an average unused excess availability of approximately $65.2 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 2, 2014 approximated the carrying value.

***Long-Term Debt***

Components of long-term debt are as follows:

| (in thousands) | August 2, 2014 | February 1, 2014 |
|---|---|---|
| Total long-term debt | $22,611 | $ 16,706 |
| Less: current portion of long-term debt | 6,457 | 4,561 |
| Long-term debt, net of current portion | $16,154 | $ 12,145 |

Pursuant to a Master Loan and Security Agreement with Banc of America Leasing & Capital, LLC, dated July 20, 2007 and amended September 30, 2013 (the "Master Agreement"), the Company has entered into twelve equipment security notes (in aggregate, the "Notes"). The Company has borrowed an aggregate of $26.4 million between September 2013 and June 2014, of which $8.9 million was borrowed during the first six months of fiscal 2014. The Notes are for a term of 48 months and accrue interest at fixed rates ranging from 3.07% and 3.50%. Principal and interest are paid monthly, in arrears.

The Notes are secured by a security interest in all of the Company's rights, title and interest in and to certain equipment. The Company is subject to a prepayment penalty equal to 1% of the prepaid principal of the Notes until the first anniversary, 0.5% of the prepaid principal from the first anniversary until the second anniversary and no prepayment penalty thereafter. The Master Agreement includes default provisions that are customary for financings of this type and are similar and no more restrictive than the Company's existing Credit Facility.

## 3. Stock-Based Compensation

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

*2013-2016 LTIP*

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 Chief Executive Officer, 70% for its senior executives and 50% for other participants in the plan, which the Company refers to as the "Projected Benefit Amount." Each participant was granted 50% of the Projected Benefit Amount in shares of restricted stock, 25% in stock options and the remaining 25% in cash. All shares were granted from the Company's 2006 Incentive Compensation Plan.

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, excluding estimated forfeitures, the total potential value of all awards over this four-year period, as of August 2, 2014, would be approximately $19.5 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 at August 2, 2014, no expense for the performance-based awards has been recognized through the first six months of fiscal 2014. However, as a result of two terminations during the first six months of fiscal 2014, the Company did recognize additional stock compensation expense of approximately $77,000 related to the partial pro-rata vesting of the performance awards that each former employee was entitled to pursuant to the terms of the 2013-2016 LTIP. In total, 10,200 shares of performance-related restricted stock vested and performance-related options to purchase 12,418 shares of common stock vested.

## 2006 Plan—Stock Option and Restricted Share Award Activity

Pursuant to the Company's 2006 Incentive Compensation Plan, as amended (the "2006 Plan"), the Company has 7,250,000 shares authorized for issuance, of which 4,250,000 shares may be subject to the granting of awards other than stock options and stock appreciation rights.

The following tables summarize the stock option activity and restricted share activity under the 2006 Plan for the first six months of fiscal 2014:

| Stock Options | Number of Shares | Weighted-average Exercise price per Option | Weighted-average Remaining Contractual Term | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding options at beginning of year | 2,721,569 | $ 4.95 | | |
| Options granted | 106,882 | 5.29 | | |
| Options canceled | (87,306) | 5.04 | | |
| Options exercised (1) | (16,224) | 5.04 | | |
| Outstanding options at end of quarter | 2,724,921 | $ 4.96 | 8.4 years | $671,295 |
| Options exercisable at end of quarter | 340,069 | $ 4.50 | 5.2 years | $329,714 |

(1) The intrinsic value of options exercised was immaterial.

| Restricted Shares | Number of Shares | Weighted-average Grant-Date Fair Value (1) |
|---|---|---|
| Restricted shares outstanding at beginning of year | 2,017,940 | $ 5.01 |
| Restricted shares granted | 74,018 | 5.33 |
| Deferred shares granted (2) | 5,448 | 5.24 |
| Restricted shares vested | (143,203) | 4.31 |
| Restricted shares canceled | (67,974) | 5.00 |
| Restricted and Deferred shares outstanding at end of quarter | 1,886,229 | $ 5.08 |

(1) The fair value of a restricted share is equal to the Company's closing stock price on the date of grant.
(2) During the first six months of fiscal 2014, the Company granted 5,448 shares of deferred stock, with a fair value of approximately $28,560 to a director as compensation in lieu of cash and in accordance with his irrevocable election. The shares of deferred stock will vest three years from the date of grant. The Company is recognizing compensation expense over the respective vesting periods.

## 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 2014:

| Stock Options | Number of Shares | Weighted-average Exercise price per Option | Weighted-average Remaining Contractual Term | Aggregate Intrinsic Value (1) |
|---|---|---|---|---|
| Outstanding at beginning of year | 911,775 | $ 6.82 | | |
| Options granted | — | — | | |
| Options canceled | (440,775) | 7.28 | | |
| Options exercised | (7,500) | 5.67 | | |
| Outstanding at end of quarter | 463,500 | $ 6.40 | 0.4 years | — |
| Options exercisable at end of quarter | 463,500 | $ 6.40 | 0.4 years | — |

(1) The intrinsic value of the options outstanding at August 2, 2014 was immaterial.

*Share Availability Under the 2006 Plan*

At August 2, 2014, the Company had 1,175,472 shares available for future grant under the 2006 Plan, of which 1,035,230 remain 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 20,155 shares of common stock, with a fair value of approximately $105,942, to certain of its non-employee directors as compensation in lieu of cash in the first six months of fiscal 2014.

*Valuation Assumptions for Stock Options and Restricted Stock*

For the first six months of fiscal 2014, the Company granted 74,018 shares of restricted stock, 5,448 shares of deferred stock and stock options to purchase 106,882 shares of common stock. For the first six months of fiscal 2013, the Company granted stock options to purchase 2,739,187 shares of common stock and 2,229,364 shares of restricted stock. The majority of the stock option and restricted stock grants for both periods is attributable to the Company's 2013-2016 LTIP and include a combination of time-based and performance-based awards.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. The following assumptions were used for grants for the first six months of fiscal 2014 and fiscal 2013:

| | August 2, 2014 | August 3, 2013 |
|---|---|---|
| Expected volatility | 46.0% | 52.0% |
| Risk-free interest rate | 0.79% | 0.34-0.79% |
| Expected life | 3.1 yrs | 3.0-4.1 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 2014 and fiscal 2013, the Company recognized total stock-based compensation expense of $1.5 million and $0.7 million, respectively. The total compensation cost related to time-vested stock options and time-based restricted stock awards not yet recognized as of August 2, 2014 is approximately $4.0 million, net of estimated forfeitures, which will be expensed over a weighted average remaining life of 21 months. At August 2, 2014, the Company had $7.2 million of unrecognized compensation expense, net of estimated forfeitures, related to its performance-based stock options and restricted stock. As discussed above, the Company will begin recognizing compensation if, and when, 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:

| | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| *(in thousands)* | August 2, 2014 | August 3, 2013 | August 2, 2014 | August 3, 2013 |
| Common Stock Outstanding: | | | | |
| Basic weighted average common shares outstanding | 48,743 | 48,479 | 48,699 | 48,385 |
| Common stock equivalents – stock options and restricted stock. Common stock equivalents of 520 and 231 shares for the three months ended August 2, 2014 and August 3, 2013, respectively, and 538 and 273 shares for the six months ended August 2, 2014 and August 3, 2013, respectively, were excluded due to the net loss | — | — | — | — |
| Diluted weighted average common shares outstanding | 48,743 | 48,479 | 48,699 | 48,385 |

The following potential common stock equivalents were excluded from the computation of diluted earnings per share in each period because the exercise price of such options was greater than the average market price per share of common stock for the respective periods.

| | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| *(in thousands, except exercise prices)* | August 2, 2014 | August 3, 2013 | August 2, 2014 | August 3, 2013 |
| Stock Options (time-vested) | 1,648 | 2,077 | 1,648 | 2,323 |
| Restricted Stock (time-vested) | — | 1,115 | — | 1,115 |
| Range of exercise prices of such options | \$4.96 - \$7.52 | \$4.96 - \$10.26 | \$4.96 - \$7.52 | \$4.96 - \$10.26 |

The above options, which were outstanding at August 2, 2014, expire from August 4, 2014 to January 29, 2024.

Excluded from the Company's computation of basic and diluted earnings per share for the second quarter and first six months of fiscal 2014, were 936,224 shares of unvested performance-based restricted stock and 1,158,570 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, another 936,224 shares of unvested time-based restricted stock were 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 issued in connection with the 2013-2016 LTIP are not considered outstanding or common stock equivalents for earnings per share purposes until certain vesting and performance thresholds are achieved, all 1,872,448 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 rights are forfeited if the restricted stock is forfeited.

## 5. Income Taxes

At August 2, 2014, the Company had total deferred tax assets of approximately \$73.9 million, total deferred tax liabilities of \$16.0 million and a corresponding valuation allowance of \$57.9 million.

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

As of August 2, 2014, the Company had net operating loss carryforwards of \$111.9 million for federal income tax purposes and \$64.1 million for state income tax purposes that are available to offset future taxable income through fiscal year 2034. Additionally, the Company has alternative minimum tax credit carryforwards of \$2.3 million, which are available to further reduce income taxes over an indefinite period. Additionally, the Company has \$0.1 million and \$2.5 million of net operating loss for tax purposes related to the Company's operations in the Netherlands and Canada, respectively, though both are expected to expire largely unutilized. Included in the net operating loss carryforwards for both federal and state income tax is approximately \$13.4 million relating to stock compensation deductions, the tax benefit from which, if realized, will be credited to additional paid-in capital.

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

The Company's tax provision for the second quarter and first six months of fiscal 2014, which was computed on a discrete basis, reflects the increase in state gross margin tax and foreign income tax as well as an increase in the valuation allowance against the deferred tax assets. The Company's effective tax rate for the first six months of fiscal 2013 was 26.1%, which was lower than the statutory U.S. federal tax rate and blended state tax rate due to impact of discrete and permanent items that reduced the income tax benefit recognized on the Company's pre-tax loss.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The charge for taxation is based on the results for the year as adjusted for items that are non-assessable or disallowed. The charge is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Pursuant to Topic 740, Income Taxes, the Company will recognize the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. The liability for unrecognized tax benefits at August 2, 2014 was $3.2 million. This amount is directly associated with a prior year tax position related to exiting the European direct business. The amount of unrecognized tax benefit has been presented as a reduction in the reported amounts of its federal and state NOL carryforwards. It is the Company's policy to record interest and penalties on unrecognized tax benefits as income taxes; however, no penalties or interest have been accrued on this liability because the carryforwards have not yet been utilized.

The Company is subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. The Company has concluded all U.S. federal income tax matters for years through fiscal 1998, with remaining fiscal years subject to income tax examination by federal tax authorities.

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

## FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "may," "will," "estimate," "intend," "plan," "continue," "believe," "expect" or "anticipate" or the negatives thereof, variations thereon or similar terminology. The forward-looking statements contained in this Quarterly Report are generally located in the material set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," but may be found in other locations as well, and include statements regarding cash flows, operating and gross profit margins, store counts, costs, capital expenditures, borrowings, sales and earnings expectations for fiscal 2014 and beyond, the expected benefit of marketing initiatives and anticipated pace and number of store openings in fiscal 2014. 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 1, 2014, filed with the Securities and Exchange Commission on March 17, 2014, that sets forth certain risks and uncertainties that may have an impact on future results and direction of the Company, including risks relating to the execution of our DXL strategy and ability to grow our market share, our ability to predict customer tastes and fashion trends and to compete successfully in the United States men's big & tall apparel market.

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

## BUSINESS SUMMARY

Destination XL Group, Inc. (formerly known as Casual Male Retail Group, Inc., and 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 2, 2014, we operated 113 Destination XL stores, 181 Casual Male XL retail stores, 51 Casual Male XL outlet stores and 9 Rochester Clothing stores. Our direct business includes our DestinationXL.com e-commerce site and several mailers 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 January 31, 2015 and February 1, 2014 as "fiscal 2014" and "fiscal 2013," respectively. Both fiscal years are 52-week periods.

## 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.

## COMPARABLE SALES

Beginning in the first quarter of fiscal 2014, total comparable sales for all periods include our retail stores that have been open for at least 13 months and our U.S. direct business. Our U.S. direct business is 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 U.S. direct business. 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.

Through the end of fiscal 2013, the majority of our DXL stores were considered relocations and comparable to all the closed Casual Male XL and/or Rochester Clothing stores in each respective market area for the first twelve months. Due to the small number of DXL stores opened for more than a year, we believed that this was a useful comparison as to how a DXL store was performing in the market when compared to the sales of the predecessor stores. However, with 61 DXL stores open at least 13 months, we believe that a traditional DXL comparable will have more meaning going forward. Therefore, beginning with fiscal year 2014, only DXL stores that have been open at least 13 months will be included in comparable store sales.

**SEARS CANADA BUSINESS**

In the second quarter of fiscal 2014, we notified Sears Canada of our intent to exit the business and began the process of an orderly wind-down. Because we are winding down the business, beginning in the second quarter of fiscal 2014, sales from our Sears Canada business will no longer be included in our comparable sales results. We anticipate concluding the wind-down in the fourth quarter of fiscal 2014. Sears Canada represented less than 5% of our total direct business in fiscal 2013.

**RECLASSIFICATIONS**

Beginning in the first quarter of fiscal 2014, we began reporting alterations revenue in top line sales with the associated tailor wages in cost of goods sold. As alterations and tailors become a more significant part of our business model, we believe the revenue and cost should be shown within gross margin rather than encompassed in selling, general and administrative expenses ("SG&A"). We have reclassified the results for the second quarter and first six months of fiscal 2013 to reflect this presentation on a comparative basis.

**RESULTS OF OPERATIONS**

The following table shows GAAP net loss per diluted share for fiscal 2014 and Non-GAAP adjusted net loss per diluted share for fiscal 2014, with a comparison to GAAP net income for fiscal 2014. See "Presentation of Non-GAAP Measures" below for a reconciliation of GAAP net loss to non-GAAP adjusted net loss.

| | For the Second Quarter | | For the First Six Months | |
|---|---|---|---|---|
| | Fiscal 2014 | Fiscal 2013 | Fiscal 2014 | Fiscal 2013 |
| Diluted earnings per share: | | | | |
| Net loss (GAAP basis) | $ (0.08) | $ (0.03) | $ (0.16) | $ (0.01) |
| Net loss (Non-GAAP basis)(1) | $ (0.05) | n/a | $ (0.09) | n/a |

(1) Net loss per diluted share, on a non-GAAP basis, assumes a normalized tax rate of 40%.

*Executive Summary*

For the second quarter of fiscal 2014, we reported a net loss of $4.0 million, or $(0.08) per diluted share, as compared to a net loss for the second quarter of fiscal 2013 of $1.6 million, or $(0.03) per diluted share. For the second quarter of fiscal 2014 we incurred transition costs of $1.7 million, or $0.03 per diluted share (no tax benefit), which includes $0.6 million of pre-opening occupancy costs, $0.8 million of selling, general and administrative (SG&A) expenses and $0.3 million related to trademark amortization. This compares to transition costs incurred in the second quarter of fiscal 2013 of $3.1 million, or $0.04 per diluted share. Our results for the second quarter include a loss from operations from our Sears Canada business, as discussed above, of $1.0 million, or $(0.02) per diluted share, as compared to net income of $0.1 million for the second quarter of fiscal 2013. On a non-GAAP basis, our adjusted net loss for the second quarter of fiscal 2014, assuming a normal tax benefit, was $2.4 million, or $(0.05) per diluted share, as compared to $(0.03) per diluted share for the second quarter of fiscal 2013.

Our comparable sales growth continues to be driven by our DXL stores, which have had double-digit comparable sales increases for five consecutive quarters. Comparable sales for our DXL stores were up 11.3% for the second quarter of fiscal 2014 as compared to the second quarter of fiscal 2013. We are seeing a positive shift in our DXL store metrics. In fiscal 2013, our comparable sales growth was primarily driven by an increase in dollars per transaction. For the second quarter of fiscal 2014, however, while our dollars per transaction decreased slightly by 1.1%, the number of transactions increased by 13.1% and our conversion rate from store traffic increased 6.2%, primarily as a result of our marketing and in-store promotional initiatives. We estimate that sales per square foot for our DXL stores will be $160-$165 per square foot at the end of fiscal 2014 as compared to $147 per square foot at the end of fiscal 2013.

Our Rochester Clothing and Casual Male XL retail and outlet stores reported a combined comparable sales increase of 7.1% for the second quarter of fiscal 2014. As we discussed in the first quarter of fiscal 2014, we returned to standard operating hours for many of our Casual Male XL retail stores and this has had a significant impact on sales.

Sales from our U.S. direct business, with a comparable sales increase of 0.5% for the second quarter of fiscal 2014, were disappointing but not unexpected. This is partially due to the fact that our direct business was still up against our prior year catalog business for the beginning of the second quarter. However, during the quarter we improved website functionality, increased our digital display marketing and promotional cadence and, as a result, with no residual prior year catalog sales, we saw a double-digit comparable sales increase in our direct business in the month of July. We expect to see a similar level of growth through the remainder of fiscal 2014, as our internet business continues to grow with no residual prior year catalog sales.

Our merchandise margin for the second quarter of fiscal 2014 decreased by approximately 120 basis points from the second quarter of fiscal 2013. The primary reason for the decrease was the increased promotional activity as we focus on driving conversion of our Casual Male XL customers to our DXL stores and top line sales. Markdowns were higher due to increased in-store promotions and customer acquisition initiatives. While these efforts adversely affected our merchandise margin rate for the second quarter of fiscal 2014, we believe it is helping to transition our existing customer base to our DXL store locations and to drive overall store traffic.

As we outlined during the first quarter, we are still in the process of implementing several other initiatives in fiscal 2014. In summary:

- *Protecting and growing our existing customer base*. As a result of our marketing initiatives and in-store marketing at our Casual Male XL stores, our customer base is growing. Our promotional marketing activities during the first six months of fiscal 2014 have helped to improve store traffic and increase our transactions. In addition to attracting new customers to our DXL concept, we are also continuing to work on specific marketing initiatives geared towards converting and retaining our existing customer base.
- *Opening 5,000 – 6,000 square foot DXL stores*. We are planning to open 5 of these smaller concept stores during the second half of fiscal 2014. The smaller square footage will allow us to enter markets that otherwise could not support our larger DXL format. Although the square footage will be less, we will still be able to display a full assortment of our merchandise. The success of this concept in smaller markets will provide us with increased opportunities for continued store growth beyond our projected 220 - 250 DXL stores.
- *Slowing down the pace of our existing Casual Male XL store closings*. In addition, we have returned to standard operating hours for most of our Casual Male XL stores. This change in store hours has had a significant impact on comparable sales. For the second quarter of fiscal 2014, the Casual Male XL retail stores had a comparable sales increase of 11.3% as compared to the second quarter of fiscal 2013. Our existing Casual Male XL stores are also providing us with a marketing tool to help transition our existing customer base to our DXL concept, through Casual Male XL in-store advertising and promotional coupons for our DXL stores.
- *Opening the majority of our DXL stores prior to the fourth quarter of fiscal 2014*. During the first six months of fiscal 2014, we opened 14 new DXL stores and are scheduled to open an additional 26 stores through the remainder of fiscal 2014, with the majority opening by the end of the third quarter. Our intention is to get these new stores open prior to the holiday shopping season to maximize the profitability of each store.

### *Marketing Campaign*

During the first six months of fiscal 2014, we implemented several initiatives to educate our Casual Male XL customer about our new DXL stores, including several promotions to entice our existing customers to shop the new store format. During the second quarter, we distributed, on a limited basis to customers who had not shopped within 2 years, our "Experience Book" to help introduce our customers to the DXL concept. In addition, we have also had great response to our "Free Polo Shirt" offer. These types of programs have had a very positive impact on increased traffic to our DXL stores and customer reactivations.

As we head into our fall selling season, we will launch our fall advertising campaign, which will include television and radio commercials. In an effort to align our media presence with our key selling weeks, we will be moving our fall advertising closer to the holidays. We will launch an initial flight of advertising in mid-October, which is about three weeks later than in the fall of 2013, and will run the second flight of television and radio commercials at Thanksgiving running through mid-December. With this shift in advertising, our sales in the third quarter of fiscal 2014 will be up against the earlier advertising campaign in fiscal 2013. We expect this shift will have a negative impact on our third quarter sales, but we believe the later timing will help drive traffic and sales during the key holiday shopping season.

### *Fiscal 2014 Outlook*

Our earnings guidance of a net loss of $(0.21)-$(0.27) per diluted share, or $(0.12)-$(0.16) per diluted share on a non-GAAP basis, remains unchanged from the guidance previously disclosed. We have adjusted our expected year-end borrowing levels to reflect our intention to take early receipt of Spring merchandise at the end of the fiscal year. Accordingly, our guidance for fiscal 2014 is as follows:

- Sales range of $413.0 million to $418.0 million
- Gross margin rate is expected to be 45.5% to 46.1% as compared to 46.0% in fiscal 2013. The change is based on merchandise margins decreasing by approximately 60 to 100 basis points and occupancy as a percentage of sales improving by 50 to 70 basis points.
- SG&A costs are expected to be $176.0 million to $177.6 million, or an increase of approximately $5.3 million to $6.9 million, which is primarily related to store payroll hours to support the increase in forecasted sales, discussed above. As a percentage of sales, SG&A expenses are expected to increase by 140 to 150 basis points.

We expect to spend approximately $45.7 million in capital expenditures in fiscal 2014, which will be partially offset by approximately $9.3 million in tenant allowances, primarily related to opening our DXL stores. We expect to fund the remainder of our capital expenditures through a combination of operating cash flow, equipment financings, and borrowings under our credit facility. At the end of fiscal 2014, we expect to have total debt of approximately $55.0-$60.0 million, consisting of $20.0 million from equipment financing notes with the balance from our credit facility. This is a slight increase from our previous estimate of $50.0-$55.0 million. At the end of the year, we plan to take early receipt of a portion of our spring inventory to ensure that we are in a strong inventory position before the season. As a result, from a liquidity perspective, we expect cash flow from operating activities of $11.6 million (including the $9.3 million of tenant allowances), resulting in free cash flow (as defined below under "Presentation of Non-GAAP Measures") of approximately $(34.1) million. This is a change from our previous estimate of cash flow from operating activities of $22.5 million and free cash flow of $(23.2) million and primarily relates to the shift in inventory receipts.

### Presentation of Non-GAAP Measures

The above discussion includes a net loss for the second quarter and first six months of fiscal 2014, on a non-GAAP basis, of $(0.05) per diluted share and $(0.09) per diluted share, respectively. In addition, our guidance for fiscal 2014 includes a net loss, on a non-GAAP basis, of $(0.12) to $(0.16) per diluted share. For fiscal 2014, we expect to continue to provide a full valuation allowance against our deferred tax assets; therefore, we will not recognize any income tax benefit in fiscal 2014.

The net loss of $(0.12) to $(0.16) per diluted share for fiscal 2014 was calculated by taking the 2014 forecasted net loss of $(0.21)-$(0.27) and multiplying each by 40% to calculate an estimated income tax benefit of $0.09-$0.11 per diluted share, resulting in an adjusted non-GAAP net loss of $(0.12)-$(0.16) per diluted share.

For comparison purposes, the following is a reconciliation of net loss, on a GAAP basis, to a net loss, on a non-GAAP basis, assuming a normal tax benefit of 40% for the second quarter and first six months of fiscal 2014:

| | For the three months ended | | | | For the six months ended | | | |
|---|---|---|---|---|---|---|---|---|
| | August 2, 2014 | | August 3, 2013 | | August 2, 2014 | | August 3, 2013 | |
| *(in thousands, except per share data)* | $ | Per diluted share | $ | Per diluted share | $ | Per diluted share | $ | Per diluted share |
| **Net income (loss), GAAP basis** | $(4,032) | $ (0.08) | $(1,587) | $ (0.03) | $(7,568) | $ (0.16) | $(576) | $ (0.01) |
| Add back: Actual income tax provision | 63 | | | | 110 | | | |
| Income tax benefit, assuming normal tax rate of 40% | 1,588 | | | | 2,983 | | | |
| **Adjusted net income (loss), non-GAAP basis** | $(2,381) | $ (0.05) | $(1,587) | $ (0.03) | $(4,475) | $ (0.09) | $(576) | $ (0.01) |
| Weighted average number of common shares outstanding on a diluted basis | | 48,743 | | 48,479 | | 48,699 | | 48,385 |

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 (loss) or cash flows from operating activities or any other measure of performance derived in accordance with GAAP. In addition, all companies do not calculate non-GAAP financial measures in the same manner and, accordingly, "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:

| *(in millions)* | For the six months ended August 2, 2014 | For the six months ended August 3, 2013 | Projected Cash Flow Fiscal 2014 |
|---|---|---|---|
| **Cash flow provided by operating activities:** | | | |
| Cash flow provided by operating activities other than tenant allowances | $ (3.9) | $ 4.1 | $ 2.3 |
| Tenant allowances | 1.2 | 1.6 | 9.3 |
| **Cash flow provided by operating activities** | **(2.7)** | **5.7** | **11.6** |
| **Less: capital expenditures** | **(18.9)** | **(21.1)** | **(45.7)** |
| **Free cash flow** | **$ (21.6)** | **$ (15.4)** | **$ (34.1)** |

The decrease in free cash flow of $6.2 million for the first six months of fiscal 2014 as compared to the first six months of the prior year is due to the operating loss and timing of certain working capital accounts, specifically inventory, offset slightly by a decrease in capital expenditures related to our DXL store openings.

***Financial Summary***

*Sales*

| | **Second Quarter** | **First Six Months** |
|---|---|---|
| | *(in millions)* | |
| **Sales for the second quarter and first six months of fiscal 2013** | **$ 98.0** | **$ 192.0** |
| Less: 2013 sales for stores that have closed | (3.9) | (7.8) |
| | **$ 94.1** | **$ 184.2** |
| Increase in DXL comparable sales | 2.4 | 4.6 |
| Increase in other retail comparable sales | 3.1 | 3.7 |
| Increase in U.S. direct business | 0.1 | 0.2 |
| Non-comparable sales, primarily DXL stores open less than 13 months | 5.0 | 9.0 |
| Other, net (1) | (1.0) | (1.2) |
| **Sales for the second quarter and first six months of fiscal 2014** | **$ 103.7** | **$ 200.5** |

(1) Includes decrease in sales from our Sears Canada business.

For the second quarter of fiscal 2014, total sales were $103.7 million as compared to $98.0 million for the second quarter of fiscal 2013. The increase of $5.7 million in total sales was primarily due to an increase in comparable sales of $5.6 million and an increase in non-comparable store sales of $5.0 million, partially offset by $3.9 million in closed stores and a decrease of $1.0 million which primarily relates to Sears Canada. The comparable sales increase of 7.0% consisted of an increase in our retail business of 8.5%, or $5.5 million, and an increase in our direct business of 0.5%, or $0.1 million.

For the second quarter of fiscal 2014, comparable sales from our 61 DXL stores continue to perform in the double-digits, with an increase of 11.3%, or $2.4 million, as compared to the second quarter of fiscal 2013. The Casual Male XL retail and outlet stores and Rochester Clothing stores had a combined comparable sales increase of 7.1%, or $3.1 million, for the second quarter of fiscal 2014. This increase was principally driven by our Casual Male XL retail stores. During the first quarter of fiscal 2014, we returned to standard operating hours for many of our Casual Male XL stores which is having a positive impact on sales. Our 181 Casual Male XL retail stores had a comparable sales increase of 11.3%, or $3.2 million for the second quarter of fiscal 2014, as compared to the second quarter of fiscal 2013. Our 9 Rochester Clothing stores were down 2.0% or $(0.1) million, and our Casual Male XL outlets were flat over the prior year second quarter.

With respect to our U.S. direct business, sales for the second quarter of fiscal 2014 improved slightly with an increase of 0.5% over the prior year. We discontinued our catalog business in the second quarter of fiscal 2013, so our comparable sales are still affected by those prior year sales. However, for July 2014, with no prior year catalog sales and increased marketing and promotional efforts, we saw a double digit increase in sales. In the long-term, we expect our direct business to more than replace the shortfall in sales from legacy brand catalogs.

For the first six months of fiscal 2014, total sales were $200.5 million as compared to $192.0 million for the first six months of fiscal 2013. This increase of 8.5 million is primarily the result of an increase in comparable sales of $8.5 million and an increase in non-comparable store sales of $9.0 million, partially offset by $7.8 million in sales from closed stores and a decrease of $1.2 million, primarily related to Sears Canada. The comparable sales increase of 5.2% consisted of an increase in our retail business of 6.6%, or $8.3 million, and an increase in our direct business of 0.7%, or $0.2 million.

As discussed above, through the end of fiscal 2013, revenue from our on-site tailoring business was netted against the associated tailoring costs and included in SG&A expense. However, because tailoring is increasing as part of our growing DXL business, in the first quarter of fiscal 2014, we started reporting tailoring revenue as a component of sales, with the associated costs recorded as cost of goods sold. Accordingly, the results for the second quarter and first six months of fiscal 2013 were reclassified to reflect this presentation. For the second quarter and first six months of fiscal 2013, sales increased $0.4 million and $0.8 million, respectively, cost of goods sold increased $0.6 million and $1.2 million, respectively, and selling, general and administrative expenses decreased $0.2 million and $0.4 million, respectively.

The following is a summary of the breakdown of our comparable sales for the second quarter and first six months of fiscal 2014:

| Comparable sales: | Number of stores | Second Quarter of Fiscal 2014 | First Six Months of Fiscal 2014 |
|---|---|---|---|
| **Retail Business** | **302** | **8.5%** | **6.6%** |
| DXL comp stores | 61 | 11.3% | 12.0% |
| Casual Male XL and Rochester Clothing stores | 241 | 7.1% | 4.3% |
| **Direct Business – U.S. direct business** | | **0.5%** | **0.7%** |
| **Total comparable sales** | | **7.0%** | **5.2%** |

*Gross Profit Margin*

For the second quarter of fiscal 2014, our gross margin rate, inclusive of occupancy costs, was 45.7% as compared to a gross margin rate of 46.1% for the second quarter of fiscal 2013. The decrease of 40 basis points for the second quarter of fiscal 2014 was the result of a decrease in merchandise margin of 120 basis points partially offset by a decrease in occupancy costs of 80 basis points. The decrease in merchandise margin for the second quarter of fiscal 2014 was due to an increase in our promotional activity. During the first quarter of fiscal 2014, we implemented a new promotional coupon program to incentivize our Casual Male XL customers to visit one of our DXL stores. We continued with similar promotional programs during the second quarter, which as discussed above is helping to improve our store traffic and number of transactions and will benefit our sales in the long-term as well. The improvement in occupancy costs of 80 basis points is due to a decrease in lease termination costs as a result of keeping more Casual Male XL stores open until the contractual lease termination. On a dollar basis, occupancy costs for the second quarter of fiscal 2014 increased less than 1.0% over the prior year second quarter.

For the first six months of fiscal 2014, our gross margin rate, inclusive of occupancy costs, was 45.6% as compared to 46.7% for the first six months of fiscal 2013. The decrease of 110 basis points was due to a decrease in merchandise margin of 140 basis points offset partially by a decrease in occupancy costs of 30 basis points. The decrease in merchandise margin was due to the marketing initiatives in addition to clearance markdowns incurred in the first quarter.

For fiscal 2014, we are expecting that our occupancy costs will increase approximately $1.5 to $1.7 million as a result of adding approximately 40 DXL stores in fiscal 2014. However, we expect occupancy costs as a percentage of sales will improve 50 to 70 basis points over fiscal 2013. We are expecting that our merchandise margins, which have improved over 170 basis points over the past four years, will decrease by 60 to 100 basis points as a result of our increase in promotional activity which is geared towards converting our customers to our DXL stores and improving overall store traffic. Accordingly, for fiscal 2014, we are expecting that gross margin will range from a decrease of 50 basis points to an increase of 10 basis points as compared to fiscal 2013.

*Selling, General and Administrative Expenses*

As a percentage of sales, SG&A expenses for the second quarter of fiscal 2014 decreased to 43.6% as compared to 43.9% for the second quarter of fiscal 2013. On a dollar basis, SG&A expenses increased $2.2 million, or 5.0%, for the second quarter of fiscal 2014 as compared to the prior year's second quarter. The increase of $2.2 million includes increased marketing costs of approximately $1.1 million and an increase in payroll-related costs of $1.1 million. The increase in payroll-related costs primarily relates to the return to standard hours in our Casual Male XL stores and an increase in incentive accruals as compared to the prior year. Preopening payroll, training and other incremental costs to support our DXL store openings were $0.8 million for the second quarter of fiscal 2014, as compared to $1.3 million in the prior year second quarter.

For the first six months of fiscal 2014, SG&A expenses, as a percentage of sales, increased to 43.3% as compared to 42.3% for the first six months of fiscal 2013. On a dollar basis, SG&A expenses increased $5.6 million, or 6.8%, for the first six months of fiscal 2014 as compared to the prior year's first six months. Similar to the second quarter, the increase was primarily driven by increased store payroll to support the return to standard hours in our Casual Male XL stores, higher than expected payroll during the first quarter in our DXL stores (which did not recur in the second quarter), increased marketing costs, and increased incentive accruals as compared to the first six months of fiscal 2013.

For fiscal 2014, we are expecting that our SG&A expenses will increase to $176.0 to $177.6 million as we continue to grow the DXL format. The $5.3-$6.9 million increase from fiscal 2013 is primarily related to incremental operating costs associated with our growing DXL concept, as well as expected costs to close approximately 1 Rochester Clothing and 39 Casual Male XL stores. 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 first six months of fiscal 2014 increased $2.4 million to $11.1 million as compared to $8.7 million for the first six of fiscal 2013. The increase of $2.4 million is due to the store growth associated with our DXL store concept.

*Interest Expense, Net*

Net interest expense was $0.5 million for the second quarter of fiscal 2014 as compared to $0.2 million for the second quarter of fiscal 2013. For the first six months of fiscal 2014, interest costs increased $0.4 million to $0.8 million as compared to $0.4 million for the first six months of fiscal 2013. Interest expense for the past few years has remained relatively low due to minimal borrowings on our credit facility. However, with our continued planned store growth in fiscal 2014, we expect interest costs to increase as we fund a portion of our store growth with equipment financing loans and borrowings under our credit facility. Through the end of the second quarter of fiscal 2014, we funded approximately $26.4 million of our capital expenditures through equipment financing. See "Liquidity and Capital Resources" for more discussion regarding our current credit facility, equipment financings and future liquidity needs.

*Income Taxes*

At August 2, 2014, we had total deferred tax assets of $73.9 million, total deferred tax liabilities of $16.0 million and a corresponding valuation allowance of $57.9 million. The deferred tax assets include approximately $39.5 million of net operating loss carryforwards and approximately $6.6 million of deferred gain on our sale-leaseback and, to a lesser extent, other book/tax timing differences.

At the end of fiscal 2013, we entered into a three-year cumulative loss and we expected our three-year cumulative loss to increase at the end of fiscal 2014. When considering all positive and negative evidence as of February 1, 2014, we established a full valuation allowance against our net deferred tax assets. Based on our earnings guidance for fiscal 2014, we believe that a full valuation allowance remains appropriate at this time.

Our tax provision for the first six months of fiscal 2014, which was computed on a discrete basis, reflects the increase in the valuation allowance against our deferred tax assets as well as state gross margin tax and foreign income tax. Our effective tax rate for the first six months of fiscal 2013 was 26.1%, which was lower than the statutory U.S. federal tax rate and blended state tax rate due to impact of discrete and permanent items that reduced the income tax benefit recognized on the Company's pre-tax loss.

*Net Income*

For the second quarter of fiscal 2014, we had a net loss of $4.0 million, or $(0.08) per diluted share, compared with a net loss of $1.6 million, or $(0.03) per diluted share, for the second quarter of fiscal 2013. On a non-GAAP basis, assuming a normalized tax rate for fiscal 2014, the net loss for the second quarter of fiscal 2014 was $(0.05) per diluted share.

For the first six months of fiscal 2014, we had a net loss of $7.6 million, or $(0.16) per diluted share, compared with a net loss of $0.6 million, or $(0.01) per diluted share, for the first six months of fiscal 2013. On a non-GAAP basis, assuming a normalized tax rate for fiscal 2014, the net loss for the first six months of fiscal 2014 was $4.5 million, or $(0.09) per diluted share. See "Presentation of Non-GAAP Measures" above for a reconciliation of these non-GAAP measures.

Included in the net loss for the second quarter and first six months of fiscal 2014 is a loss from operations from our Sears Canada business of $1.0 million, or $(0.02) per diluted share, and $1.1 million, or $(0.02) per diluted share, respectively. The loss includes a charge, recorded in the second quarter of fiscal 2014, of approximately $0.8 million related primarily to inventory reserves and sales allowances as a result of our decision to exit the business. As we discussed above, we intend to complete the exit of this business in the fourth quarter of fiscal 2014.

Excluding the charge related to Sears Canada, our decrease in earnings for the second quarter of fiscal 2014 was in line with our projections and reflects the increased costs we are incurring as we continue to rollout our DXL concept. Our results for the first six months of fiscal 2014 are slightly lower than our expectations due to the weak retail environment in February and March, largely due to the tough winter weather. However, sales recovered in April and have been in line with expectations for the remainder of the first six months. As previously disclosed, we are forecasting an increase in operating loss for fiscal 2014, as compared to fiscal 2013, as we continue to rollout our DXL stores.

*Inventory*

At August 2, 2014, total inventory was $116.0 million compared to $105.6 million at February 1, 2014 and $107.9 million at August 3, 2013. While inventory levels on a dollar basis increased $8.1 million as compared to August 3, 2013, on a unit basis, inventories decreased by approximately 1.0%. The increase of $8.1 million is primarily due to a greater mix of higher cost branded apparel as well as the timing of receipts over the prior year's second quarter.

## 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, as amended, 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 above, our capital expenditures for fiscal 2014 are expected to be $45.7 million, primarily related to the planned opening of 40 new DXL stores and information technology projects. However, we expect to receive approximately $9.3 million in tenant allowances to offset these capital expenditures for a net spend of $36.4 million. We expect to fund our store growth in fiscal 2014 primarily through cash flow from operations and borrowings from our Credit Facility as well as equipment financing loans. For fiscal 2014, while our total debt is projected to reach approximately $75.0-$80.0 million during our key seasonal buying periods, we expect that our total debt outstanding at the end of fiscal 2014 will be approximately $55.0-$60.0 million. This estimate is a slight increase from our previous guidance of $50.0-55.0 million, as a result of our decision to take early receipt of a portion of our spring inventory at year end.

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 2014, free cash flow, which we define as cash flow from operating activities, less capital expenditures and discretionary store asset acquisitions, if any, decreased by $6.2 million to $(21.6) million from $(15.4) million for the first six months of fiscal 2013. This decrease in free cash flow was principally due to the increase in the net loss and the timing of working capital accounts, specifically inventory. Capital expenditures for the first six months of fiscal 2014 were approximately $2.2 million less than the prior year's first six months. See "Presentation of Non-GAAP Measure" above regarding non-GAAP free cash flow.

The Credit Facility provides for a maximum committed borrowing of $100 million, which, pursuant to an accordion feature, may be increased to $150 million upon our request and the agreement of the lender(s) participating in the increase. The Credit Facility includes a sublimit of $20 million for commercial and standby letters of credit and a sublimit of up to $15 million for Swingline Loans. The maturity date of the Credit Facility is June 26, 2018. Our Credit Facility is described in more detail in Note 2 to the Notes to the Consolidated Financial Statements included in this report.

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

We had outstanding borrowings of $25.7 million under the Credit Facility at August 2, 2014. Outstanding standby letters of credit were $2.2 million and outstanding documentary letters of credit were $1.1 million. The average monthly borrowing outstanding under the Credit Facility during the first six months of fiscal 2014 was approximately $28.3 million, resulting in an average unused excess availability of approximately $65.2 million. Unused excess availability at August 2, 2014 was $71.0 million. Our obligations under the Credit Facility are secured by a lien on all of our assets. The facility contains no financial covenants.

### Master Loan and Security Agreement

Through the end of the second quarter of fiscal 2014, we have entered into twelve Equipment Security Notes (the "Notes"), whereby we borrowed an aggregate of $26.4 million. The Notes were issued pursuant to a Master Loan and Security Agreement with Banc of America Leasing & Capital, LLC, dated July 20, 2007 and most recently amended September 30, 2013. The Notes are secured by a security interest in all of our rights, title and interest in and to certain equipment. The Notes are for 48 months and accrue interest at fixed rates ranging from 3.07% to 3.50%. Principal and interest, in arrears, are payable monthly. We are subject to a prepayment penalty equal to 1% of the prepaid principal of the Notes until the first anniversary, 0.5% of the prepaid principal from the first anniversary until the second anniversary and no prepayment penalty thereafter. At August 2, 2014, the outstanding balance of Notes was $22.6 million.

The proceeds from the Notes were used to fund partially the capital expenditures associated with our DXL store rollout.

Capital Expenditures

The following table sets forth the open stores and related square footage at August 2, 2014 and August 3, 2013, respectively:

| | At August 2, 2014 | | At August 3, 2013 | |
|---|---|---|---|---|
| **Store Concept** | **Number of Stores** | **Square Footage** | **Number of Stores** | **Square Footage** |
| *(square footage in thousands)* | | | | |
| DXL | 113 | 1,003 | 65 | 623 |
| Casual Male Retail XL | 181 | 643 | 257 | 929 |
| Casual Male Outlet | 51 | 164 | 55 | 176 |
| Rochester Clothing | 9 | 83 | 11 | 95 |
| Total Stores | 354 | 1,893 | 388 | 1,823 |

Below is a summary of store openings and closings from February 1, 2014 to August 2, 2014:

| **Number of Stores:** | **DXL** | **Casual Male XL Retail** | **Casual Male XL Outlets** | **Rochester Clothing** | **Total stores** |
|---|---|---|---|---|---|
| At February 1, 2014 | 99 | 198 | 52 | 10 | 359 |
| New stores (1) | 1 | — | — | — | 1 |
| Replaced stores (2) | 13 | (16) | (1) | (1) | (5) |
| Closed retail stores (3) | — | (1) | — | — | (1) |
| At August 2, 2014 | 113 | 181 | 51 | 9 | 354 |

(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 2014 were $18.9 million as compared to $21.1 million for the first six months of fiscal 2013. The $2.2 million decrease is primarily related to the timing of stores openings during the first six months of fiscal 2014. As of August 2, 2014, we have opened 14 DXL stores as compared to 17 DXL stores at August 3, 2013. In addition, the average square footage of a new DXL store is slightly less than the prior year.

For fiscal 2014, our capital expenditures are expected to be approximately $45.7 million and we expect to receive approximately $9.3 million in tenant allowances to offset these expenditures partially. The budget includes approximately $35.4 million, excluding any allowance, related to the opening of 40 Destination XL stores and approximately $8.7 million for continued information technology projects, including enhanced web in-store inventory visibility, in-store pick-up of web purchases and access to Company-wide inventory for customer fulfillment, with the remainder relating to general overhead projects. In addition, we expect to close approximately 39 existing Casual Male XL stores and 1 Rochester Clothing store, most of which are in connection with the opening of 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 1, 2014 filed with the SEC on March 17, 2014.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Interest Rates

We utilize cash from operations and from our Credit Facility to fund our working capital needs. Our Credit Facility is not used for trading or speculative purposes. In addition, we have available letters of credit as sources of financing for our working capital requirements. Borrowings under the Credit Facility, which expires June 26, 2018, bear interest at variable rates based on Bank of America's prime rate or LIBOR. At August 2, 2014, the interest rate on our prime based borrowings was 3.75%. Approximately $20.0 million of our outstanding borrowings were in LIBOR contracts with an interest rate of 1.65%. Based upon a sensitivity analysis as of August 2, 2014, assuming average outstanding borrowing during the first six months of fiscal 2014 of $28.3 million, a 50 basis point increase in interest rates would have resulted in a potential increase in interest expense of approximately $142,000 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 2, 2014, 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.

## 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 2, 2014. 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 2, 2014, 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 2, 2014 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 1, 2014 filed with the SEC on March 17, 2014.

### 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.

| | |
|---|---|
| 3.1 | Second and Amended By-Laws (included as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 12, 2014, and incorporated herein by reference). |
| 10.1 | Destination XL Group, Inc. Amended and Restated Non-Employee Director Compensation Plan |
| 10.2 | Amended and Restated Employment Agreement between the Company and Peter H. Stratton, Jr. dated as of May 29, 2014 (included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 29, 2014, and incorporated herein by reference). |
| 10.3 | Employment and Chairman Compensation Agreement, dated August 7, 2014, between the Company and Seymour Holtzman (included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 12, 2014, and incorporated herein by reference). |
| 10.4 | Equipment Security Note Number 17608-70013 to the Master Loan and Security Agreement, as amended, dated June 23, 2014 between the Company and Banc of America Leasing & Capital LLC (included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 26, 2014, and incorporated herein by reference). |
| 10.5 | Equipment Security Note Number 17608-70014 to the Master Loan and Security Agreement, as amended, dated June 23, 2014 between the Company and Banc of America Leasing & Capital LLC (included as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 26, 2014, and incorporated herein by reference). |
| 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 2, 2014, 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 28, 2014 | By: /S/ PETER H. STRATTON, JR. |
| | Peter H. Stratton, Jr. |
| | Senior Vice President and Chief Financial Officer |

**Exhibit 10.1**

DESTINATION XL GROUP, INC.
AMENDED AND RESTATED
NON-EMPLOYEE DIRECTOR COMPENSATION PLAN

Section 1. Establishment and Purpose

Destination XL Group, Inc., f/k/a Casual Male Retail Group, Inc. (the "Company") hereby amends and restates the Casual Male Retail Group, Inc. Amended and Restated Non-Employee Director Compensation Plan (the "Plan"), for the purpose of supporting the Company's ongoing efforts to attract and retain exceptional directors to provide strategic guidance to the Company. The Plan also provides a convenient method by which non-employee directors of the Company may acquire shares of Common Stock of the Company ("Shares") at fair market value by voluntarily electing to receive Shares in lieu of fees otherwise payable to them in cash for service as a director or member of a committee of the Board of Directors of the Company (the "Board"). Any such Shares acquired by a non-employee director pursuant to this Plan shall come out of the pool of Shares reserved for issuance under Section 4 of this Plan, subject to adjustment as the Board may from time to time determine, and not from the Incentive Compensation Plan. The Plan shall be effective as of February 2, 2014. Elections for fiscal 2014 must be submitted to the Company in accordance with Section 3(iii) no later than December 1, 2013.

Section 2. Definitions

When used herein, the following capitalized terms shall have the meanings assigned to them, unless the context clearly indicates otherwise. Capitalized terms used herein and not defined shall have the meanings assigned to them in the Incentive Compensation Plan.

(a) "Black-Scholes Valuation" means, with respect to an Option, the value of such Option as of the Grant Date calculated utilizing the same formula and assumptions as the Company utilized for the purpose of valuing outstanding options in its most recently (meaning at the time of the valuation) prepared audited annual financial statement.

(b) "Cash" means U.S. dollars.

(c) "Commission" means the United States Securities and Exchange Commission or any successor agency.

(d) "Common Stock" means the common stock of the Company, par value $.01 per share.

(e) "Compensation" means an award under the Plan that is payable in the form of Cash, Deferred Stock, Options and/or Shares pursuant to the terms and conditions set forth in this Plan.

(f) "Compensation Payment Choice" means the form of payment of Compensation that a Participant selects in accordance with the terms hereof.

(g) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, including rules thereunder and successor provisions and rules thereto.

(h) "Grant Date" means the following: (i) each quarterly retainer and chairperson fee payable pursuant to Sections 3(i)(a)-(d) hereof shall be paid on, and the Grant Dates shall be, the first business day of each quarter in each fiscal year, (ii) each meeting fee payable pursuant to Sections 3(i)(e) and (f) hereof shall be paid on, and the Grant Date shall be, the last business day of each month in which the applicable meeting occurs, and (iii) the Option grant issued pursuant to Section 3(i)(g) with respect to a Director's initial election to the Board shall be issued on, and the Grant Date shall be, the last business day of the month in which such initial election occurs.

(i) "Incentive Compensation Plan" means the Company's 2006 Incentive Compensation Plan, as amended from time to time.

(j) "Irrevocable Election Agreement" means the written agreement, substantially in the form of Exhibit A, between the Company and a Participant, which, together with the Plan, governs the Participant's rights to payment of Compensation under the Plan.

(k) "NASDAQ" means The NASDAQ Stock Market, Inc.

(l) "Non-Employee Director" means a Director who satisfies the requirements set forth in Rule 16b-3(b)(3)(i) under the Exchange Act.

(m) "Participant" means a Non-Employee Director of the Company.

(n) "Plan" means this Destination XL Group, Inc. Amended and Restated Non-Employee Director Compensation Plan, as amended from time to time.

(o) "Separation from Service" means the earliest date on which a Participant has incurred a separation from service, within the meaning of Section 409A(a)(2) of the Code, with the Service Recipient.

(p) "Service Recipient" means the Company and all persons with whom the Company would be considered a single employer under Section 414(b) of the Code (employees of a controlled group of corporations), and all persons with whom such person would be considered a single employer under Section 414(c) of the Code (employees of partnerships, proprietorships, or other entities under company control).

(q) "Treasury Regulations" means the regulations promulgated by the United States Treasury Department with respect to the Code, as amended from time to time.

Section 3. Compensation; Irrevocable Election; Valuation.

(i) The Compensation paid to the Participants shall be as follows:

(a) a retainer equal to $25,562.50 per fiscal quarter (paid only to those Participants serving as a Director as of the Grant Date in the fiscal quarter for which the fee is payable;

(b) to the chairperson of the Company's audit committee, a fee equal to $2,500 per fiscal quarter (paid only to the Participant serving in such position as of the Grant Date in the fiscal quarter for which the fee is payable);

(c) to the chairperson of the Company's compensation committee, a fee equal to $1,250 per fiscal quarter (paid only to the Participant serving in such position as of the Grant Date in the fiscal quarter for which the fee is payable);

(d) to the chairperson of the Company's nominating and corporate governance committee, a fee equal to $1,250 per fiscal quarter (paid only to the Participant serving in such position as of the Grant Date in the fiscal quarter for which the fee is payable);

(e) $1,500 per meeting for his/her attendance at in-person meetings of the Board and committees;

(f) $750 per meeting for his/her attendance at telephonic meetings of the Board and committees; and

(g) Options to purchase 15,000 shares of the Company's common stock upon initial election to the Board.

(ii) Subject to the terms hereof, Compensation shall be paid on the applicable Grant Date unless the Participant elects to receive Deferred Stock. The Participants will have the right to elect payments of the values set forth above in any combination of Cash, Shares, Deferred Stock or Options; provided that (i) Compensation paid in the form of Options and/or Deferred Stock shall be made pursuant to the Incentive Compensation Plan, and can only be made in such form if there is a sufficient number of shares of Common Stock available under the Incentive Compensation Plan; and (ii) Compensation paid in the form of Shares shall be made pursuant to this Plan, and can only be made in such form if there is a sufficient number of shares of Common Stock available under this Plan. In the event that the Company does not have a sufficient number of shares of Common Stock remaining under the Incentive Compensation Plan to satisfy elections to receive Options and/or Deferred Stock, the payments will be made in Cash to the extent of such insufficiency (Participants making similar elections will be allocated the remaining equity ratably in proportion to the respective equity amounts which would otherwise be payable to them absent such insufficiency). In the event that the Company does not have a sufficient number of shares of Common Stock remaining under this Plan to satisfy elections to receive Shares, the payments will be made in Cash to the extent of such insufficiency (Participants making similar elections will be allocated the remaining equity ratably in proportion to the respective equity amounts which would otherwise be payable to them absent such insufficiency). In the event a Participant elects to receive Deferred Stock, then on the Grant Date, the Participant shall receive a Deferred Stock Award and, when the deferment period expires, payment shall be made in shares of Common Stock.

(iii) The elections by the Participants must be made in writing substantially in the form of Exhibit A attached hereto and submitted to the General Counsel of the Company (or such other person as the Committee shall designate) no later than December 1st of the year preceding the fiscal year for which the election is to be effective. All elections (including elections to receive Deferred Stock), once submitted, are irrevocable for that fiscal year. In the event a timely election is not made or a person does not become a Participant until after the deadline for the election to be made or who becomes a Participant during a fiscal year, the payments will be made in cash for that fiscal year.

(iv) Valuation of Shares. For the purposes of determining the number of Shares to be issued to a Participant on a Grant Date, each Share shall be assigned a value equal to the consolidated closing bid price of a share of Common Stock as reported by NASDAQ on the effective Grant Date. Any Shares granted pursuant to this Plan shall be fully vested on the Grant Date. Payouts of Shares under the Plan will be in the form of whole Shares only; the *de minimis* balance of any foregone fees not payable in whole Shares will not be paid.

(v) Valuation of Options and/or Deferred Stock. For the purposes of determining the relative values of Deferred Stock and Options, each share of Deferred Stock shall be assigned a value equal to the closing price of a share of the Common Stock as reported by NASDAQ on the effective Grant Date and each Option to acquire a share of Common Stock shall be assigned a value equal to the Black-Scholes value of an option to acquire a share of Common Stock on the effective Grant Date with an exercise price equal to the closing sale price of a share of Common Stock as reported on a consolidated basis by

NASDAQ on such Grant Date. Any Options issued pursuant to the foregoing shall vest in increments of one-third on the effective Grant Date, one-third on the first anniversary of the effective Grant Date and one-third on the second anniversary of the effective Grant Date. Unless the Board otherwise determines in its sole discretion, any unexercised portion of vested Options shall be exercisable for 10 years after the Grant Date, except in the event of Separation from Service, where vested Options shall automatically terminate: (i) immediately if for cause; (ii) three months if for a reason other than for cause/disability/death; (iii) twelve months if by reason of a Disability; and (iv) (a) twelve months if by reason of death or, if later, (b) three months after the date which the Participant dies if death occurs during the one year period due to Disability. Any Deferred Stock granted pursuant to this Plan shall be fully vested on the Grant Date.

(v) Except in the event of a Change in Control, all unvested Options to which a Participant would otherwise be entitled shall be forfeited immediately upon the Participant's Separation from Service except as may otherwise be determined by the Board in writing in its sole discretion.

(vi) If a Participant elects to receive Deferred Stock, the deferral period shall be 3-5 years after the Grant Date as irrevocably elected by the Participant pursuant to Section 3 (iii) above. Payment of the Deferred Stock Award shall occur on the earlier of (a) the Participant's Separation from Service or (b) the deferral election date specified by the Participant. Notwithstanding the foregoing, if a Participant is a "specified employee", as that term is defined in Section 409A(a)(2)(B)(i) of the Code, then no payment or benefit that is payable on account of the Participant's Separation from Service shall be made before the date that is six months after the Participant's separation from service (or, if earlier, the date of the Participant's death) if and to the extent that such payment or benefit constitutes deferred compensation (or may be nonqualified deferred compensation) under Section 409A and such deferral is required to comply with the requirements of Section 409A.

Section 4. Number of Shares Under the Plan.

Subject to adjustment as the Board may from time to time determine, the total number of Shares reserved and available under the Plan with respect to elections to receive Shares in lieu of fees shall initially be 500,000, as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to the Common Stock.

Section 5. Change in Control.

If and to the extent that it would not violate the requirements of Section 409A of the Code, in the event of a Change in Control prior to, or concurrently with, a Participant's Separation from Service, the full value of the Participant's unpaid or unvested Compensation shall immediately vest and; in the case of any Deferred Stock Award, shall be paid as soon as administratively practicable after, and in all events within 30 days after, the Change of Control.

Section 6. No Acceleration of Benefits

In no event shall the acceleration of the time or schedule of any payment under the Plan be permitted, except to the extent permitted under Section 409A of the Code and the Treasury Regulations and other applicable guidance issued thereunder.

Section 7. Amendment and Termination

This Plan may be amended or terminated in any respect at any time by the Board; provided, however, that no amendment or termination of the Plan shall be effective to reduce any benefits that accrue and are vested before the adoption of such amendment or termination. If and to the extent permitted without violating the requirements of Section 409A of the Code, the Committee may require that the Compensation of all Participants be paid in cash as soon as practicable after such termination, notwithstanding any elections by Participants with regard to the timing or form in which their benefits are to be paid. If and to the extent that the Committee does not accelerate the timing of payments on account of the termination of the Plan pursuant to the preceding sentence, payment of any remaining benefits under the Plan shall be made at the same times and in the same manner as such payments would have been made based upon the most recent elections made by Participants, and the terms of the Plan, as in effect at the time the Plan is terminated.

Section 8. Unfunded Obligation

The obligations of the Company to pay any Compensation under the Plan shall be unfunded and unsecured, and any payments under the Plan shall be made from the general assets of the Company. Participants' rights under the Plan are not assignable or transferable except to the extent that such assignment or transfer is permitted under the terms of the Incentive Compensation Plan (regardless of the fact that not all forms of payment hereunder are being made under the Incentive Compensation Plan).

Section 9. Withholding

The Participants and personal representatives shall bear any and all federal, state, local or other taxes imposed on benefits under the Plan. The Company may deduct from any payments under the Plan the amount of any taxes required to be withheld from such payments by any federal, state or local government, and may deduct from any Compensation or other amounts payable to the Participant the amount of any taxes required to be withheld with respect to any other amounts under the Plan by any federal, state or local government.

Section 10. Applicable Law

This Plan shall be construed and enforced in accordance with the laws of the State of Delaware, except to the extent superseded by federal law.

Section 11. Administration and Interpretation

The Plan will be administered by the Committee. The Committee shall not make any substantive changes to the Compensation set forth in this Plan without the approval of the Board. The Committee will have broad authority to adopt rules and regulations relating to the Plan and make decisions and interpretations regarding the provisions of the Plan. Benefits due and owing to a Participant under the Plan shall be paid when due without any requirement that a claim for benefits be filed. However, any Participant who has not received the benefits to which Participant believes himself or herself entitled may file a written claim with the Committee, which shall act on the claim within thirty days. Any decisions or interpretations by the Committee relating to benefits under the Plan shall be binding and conclusive on all affected parties.

Section 12. Code Section 409A

It is intended that the Compensation granted pursuant to this Plan other than any Deferred Stock Awards, be exempt from Section 409A of the Code ("Section 409A") because it is believed (i) the Compensation payable in cash should qualify for the short-term deferral exception contained in Treasury Regulation §1.409A-1(b)(4), and (ii) any Options granted pursuant to the Plan will have an exercise price that may never be less than the Fair Market Value of a Share on the Grant Date and the other requirements for the exemption of such options under Treasury Regulation §1.409A-1(b)(5)(i)(A) should be met. It also is intended that any compensation payable in the form of a Deferred Stock Award comply with the requirements of Section 409A. The provisions of the Plan shall be interpreted in a manner consistent with the foregoing intentions.

The Committee, in its sole discretion, and without the consent of any Participant or Beneficiary, may amend the provisions of this Plan to the extent that the Committee determines that such amendment is necessary or appropriate in order for the Compensation paid pursuant to the Plan to be exempt from the requirements of Section 409A, or if and to that the Committee determines that the Compensation is not so exempt, to amend the Plan (and any agreements relating to any Compensation) in such manner as the Committee determines shall deem necessary or appropriate to comply with the requirements of Section 409A.

Notwithstanding the foregoing, the Company does not make any representation to any Participant or Beneficiary that the Compensation paid pursuant to this Plan is exempt from, or satisfies, the requirements of Section 409A, and the Company shall have no liability or other obligation to indemnify or hold harmless any Participant or Beneficiary for any tax, additional tax, interest or penalties that the Participant or Beneficiary may incur in the event that any provision of the Plan or any Compensation agreement, or any amendment or any modification thereof, or any other action taken with respect thereto, is deemed to violate any of the requirements of Section 409A.

**THIS SPACE IS LEFT BLANK INTENTIONALLY**

**EXHIBIT A**

**DESTINATION XL GROUP, INC.**
**AMENDED AND RESTATED NON-EMPLOYEE DIRECTOR COMPENSATION PLAN**
**IRREVOCABLE ELECTION AGREEMENT**

TO: General Counsel:

I, ______________, hereby elect to receive my Destination XL Group, Inc. Non-Employee Director Compensation (as defined in the Destination XL Group, Inc. Amended and Restated Non-Employee Director Compensation Plan (the "Plan")) as follows:

| | PAYMENT CHOICES | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **COMPENSATION** | **Cash** | **DXLG Stock** | **DXLG Stock Options** | **DXLG Deferred Stock** | **TOTAL** | **If Deferred Stock was elected, specify Deferral Period** | | |
| **Retainer** | % | % | % | % | 100% | 3 yrs. | 4 yrs. | 5 yrs. |
| **In-Person Meetings** | % | % | % | % | 100% | 3 yrs. | 4 yrs. | 5 yrs. |
| **Telephonic Meetings** | % | % | % | % | 100% | 3 yrs. | 4 yrs. | 5 yrs. |
| **Committee Chair Fee** | % | % | % | % | 100% | 3 yrs. | 4 yrs. | 5 yrs. |

[NOTE: You have the opportunity to decide the Compensation Payment Choice(s): cash, DXLG Stock, DXLG stock options or DXLG Deferred Stock for each type of fee. Your selected option(s) for any given year must equal 100%. If you select Deferred Stock, then distribution of your DXLG shares shall be made on the earlier of the number of years that have elapsed commencing on the Grant Date, and the date of your Separation from Service (or if you become an employee of the Company and are a "specified employee", as defined in the Plan, the 6-month anniversary of the Grant Date). If you do not specify a number of years, distribution will be made upon your Separation from Service.]

I understand and acknowledge that (i) with respect to elections to receive DXLG stock options and/or DXLG Deferred Stock, if there is an insufficient number of DXLG shares available under the Company's 2006 Incentive Compensation Plan, I will be paid in cash and (ii) with respect to elections to receive DXLG Stock, if there is an insufficient number of DXLG shares available under the Plan, I will be paid in cash.

I understand and acknowledge that this election is irrevocable. I understand and acknowledge that I must be a director of the Company on the dates each portion of the Compensation is paid in order to qualify for such payment.

I understand and acknowledge that if there is any conflict between this form or any part of it and the Plan, the provisions of the Plan shall govern.

I have hereunto set my hand and seal this ______day of ________, 20__.

______________________________ ______________________________

(Signature) (Printed name)

**Exhibit 31.1**

**CERTIFICATION**

I, David A. Levin, certify that:

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

Date: August 28, 2014

/s/ David A. Levin
David A. Levin
Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION**

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

1. I have reviewed this quarterly report on Form 10-Q of Destination XL Group, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 28, 2014

/s/ Peter H. Stratton, Jr.

Peter H. Stratton, Jr.
Chief Financial Officer

**Exhibit 32.1**

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

In connection with the Quarterly Report on Form 10-Q of Destination XL Group, Inc. (the “Company”) for the period ended August 2, 2014, 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 28, 2014

/s/ David A. Levin
David A. Levin
Chief Executive Officer

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

**Exhibit 32.2**

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

In connection with the Quarterly Report on Form 10-Q of Destination XL Group, Inc. (the “Company”) for the period ended August 2, 2014, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Peter H. Stratton, Jr., Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

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

Dated: August 28, 2014

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

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