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

FORM 10-K

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

For the fiscal year ended January 29, 2011
(Fiscal 2010)

Commission File Number 01-34219

CASUAL MALE RETAIL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

04-2623104
(IRS Employer Identification No.)

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

02021
(Zip Code)

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

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

Title of each class
Common Stock, \$0.01 par value

Name of each exchange on which registered
The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one):

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of July 31, 2010, the aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately \$100.3 million, based on the last reported sale price on that date. Shares of Common Stock held by each executive officer and director and by each person who owns 10% or more of the outstanding Common Stock have been excluded on the basis that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily determinative for other purposes.

The registrant had 47,786,281 shares of Common Stock, \$0.01 par value, outstanding as of March 10, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2011 Annual Meeting of Stockholders are incorporated by reference into Part III.

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PART I.

Certain statements contained in this Annual Report on Form 10-K 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 Annual Report are generally located in the material set forth under the headings “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” but may be found in other locations as well. These forward-looking statements generally relate to plans and objectives for future operations and are based upon management’s reasonable estimates of future results or trends. The forward-looking statements in this Annual Report should not be regarded as a representation by us or any other person that the objectives or plans of the Company will be achieved. Numerous factors could cause our actual results to differ materially from such forward-looking statements, including, without limitation, those risks and uncertainties, set forth under Item 1A, *Risk Factors*, which begins on page 17 of this report. Readers are encouraged to carefully review these risks and uncertainties.

All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on the Company’s 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 its expectations or any change in events, conditions or circumstances in which the forward-looking statement is based.

Item 1. Business

Casual Male Retail Group, Inc. together with our subsidiaries (the “Company”) is the largest specialty retailer of big & tall men’s apparel with retail operations in the United States and London, England and direct businesses throughout the United States, Canada and Europe. We operate under the trade names of Casual Male XL, Casual Male XL Outlets, Destination XL™, Rochester Clothing, B & T Factory Direct, Shoes XL and Living XL. We operate 380 Casual Male XL retail stores, 60 Casual Male XL outlet stores, 4 Destination XL stores and 16 Rochester Clothing stores. Our direct business includes several catalogs and e-commerce sites which support our brands and product extensions. Unless the context indicates otherwise, all references to “we,” “our,” “ours,” “us” and “the Company” refer to Casual Male Retail Group, Inc. and our consolidated subsidiaries. We refer to our fiscal years ended January 29, 2011, January 30, 2010 and January 31, 2009 as “fiscal 2010”, “fiscal 2009” and “fiscal 2008,” respectively.

HISTORY

Our Company was incorporated in the State of Delaware in 1976 under the name Designs, Inc. Until fiscal 1995, we operated exclusively Levi Strauss & Co. branded apparel mall and outlet stores. In May 2002, we acquired the Casual Male business from Casual Male Corp. at a bankruptcy court-ordered auction. At the time of the acquisition, Casual Male was the largest specialty retailer of men’s clothing in the big & tall market in the United States. As a result of the acquisition and the significance of it to the growth and future identity of our Company, on August 8, 2002, we changed our name to “Casual Male Retail Group, Inc.”

Since the acquisition in 2002, the majority of capital spent over the past eight years has been toward rebuilding our infrastructure. We have modernized our information technology, benefiting every aspect of our operations from distribution, global sourcing, store operations and merchandise planning to overall inventory management and profitability. With our customer in mind, we are presently investing capital into the infrastructure of our e-commerce businesses to upgrade, enhance, as well as combine, our e-commerce sites into one centralized site.

From a real estate perspective, we:

- remodeled approximately 265 of our Casual Male retail and outlet stores and relocated another 63 to improved locations;

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- acquired Rochester Clothing in fiscal 2004, with its then 24 retail stores;
- re-branded all of our Casual Male stores, including all signage, from Casual Male Big & Tall to Casual Male XL. This name change helped to remove the stigma associated with the words “big & tall” and was positively received throughout the chain; and,
- launched our new Destination XL store concept with the opening of four stores in fiscal 2010.

Over the same eight-year period, we have improved upon our business in a number of other ways to better service our customers, such as:

- assembling product assortments that appeal to our broad target market with varied demographics and socioeconomic levels;
- developing a store assortment planning methodology that matches each store location’s with the apparel lifestyle preferences of our customer through an array of product assortments, all of which can be found on our five shopping websites;
- increasing the number of sizes we offer, which approximates 12 sizes in tops and 49 sizes in bottoms. We have sophisticated system applications to help optimize size management while maintaining an acceptable in-stock position by size in all of our locations;
- expanding our direct business from 5% of our sales in fiscal 2002, to almost 20% of our sales in fiscal 2010. Our multi-channel operation provides our customers with consistent product assortments, pricing, and marketing, emphasizing customer convenience; and,
- culturally shifting the focus of our field organization and call center to the apparel needs of our customers, helping them fulfill their wardrobe needs consistent with their lifestyles.

OUR INDUSTRY

The men’s big & tall apparel market, which includes pants with a waist size of 42” and greater, as well as tops sized 1X and greater, generates approximately \$5.5 billion to \$6.0 billion in sales annually and represents approximately 13% of the overall men’s apparel business. Growth in this segment has been driven by rapidly changing market demographics.

The men’s big & tall apparel market is currently served by a variety of retailers, including department stores, mass merchandisers and specialty stores. These stores typically offer a limited assortment of sizes and styles. We estimate that our current market share is approximately 7.7% and believe that we have the potential to reach 12% and beyond. We believe that we can ultimately achieve this goal by catering to the broader target market, attracting customers from various incomes, age and lifestyle segments and offering the widest selection of sizes and styles. A substantial opportunity continues to exist for market share growth from the lower-size range of our market: men in the 42”-46” waist size. These sizes are usually at the high end of the size range for most retailers and, as a result, the selection is usually limited at such retailers.

OUR BUSINESS

We operate as a multi-channel retailer with three primary retail brands: B&T Factory Direct, Casual Male XL and Rochester Clothing. The B&T Factory Direct customer is a value-oriented consumer focused primarily on his very basic apparel needs. The Casual Male XL customer is a consumer of primarily moderately priced branded and private label casual sportswear and dresswear, while our Rochester Clothing customer is a luxury-oriented consumer of fine quality, designer and branded menswear. Our objective is to appeal to all of our customers by providing a good, better, best array of product assortments in all primary lifestyles with multiple and convenient ways to shop. During fiscal 2010, we launched our new store concept, Destination XL (“DXL”). The DXL™ store concept merges all of our brands under one roof, making it easier for our customers to find the merchandise they are looking for without having to shop several stores.

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In addition to our e-commerce and catalog businesses for B&T Factory Direct, Casual Male XL and Rochester Clothing, we operate international web stores for these brands in nine European countries. Also, with shoes being an integral part of our customer's wardrobe, we operate a direct business, Shoes XL, to improve our penetration in the shoe product line. Lastly, our Living XL direct business specializes in high-quality household products which help larger people maintain a more comfortable lifestyle. These direct businesses are a natural extension of our store operations and extend the reach of our brands by offering an easy way for our customers to shop.

During the second quarter of fiscal 2011, we will be launching our new Destination XL e-commerce site, which will bring all of our existing e-commerce sites together, making it easier for our customer to shop the full array of product selection that we have to offer from all of our brands.

This multi-channel approach has enabled us to grow our business by offering a shopping alternative to the full spectrum of our potential target group. Through acquisitions, new business formats and new product development, we believe we cater to all income demographics from the value-oriented consumer to the high-end luxury-oriented consumer. We offer our customers merchandise in all lifestyles from casual to business, young to mature, in all large sizes from XL and up.

Another critical part of the business operation is managing the number of sizes offered to our customers and optimizing our in-stock position throughout the season. Over the past two years, in an effort to improve our in-stock position of all sizes, we have systemically consolidated our complete inventory across all channels. This move not only improved efficiencies, but also customer service. Moreover, our planning and allocation methodologies, with respect to store assortment planning, help to optimize each location's market potential without excessive inventory levels.

B&T Factory Direct

Under the B&T Factory Direct name, we operate a B&T Factory Direct catalog business as well as an e-commerce site, www.btirect.com. This direct business enhances our existing Casual Male XL outlet stores, enabling us to provide a multi-channel shopping experience for the value-oriented customer. The merchandise offered in our "B&T Factory Direct" catalogs and on our website is an expanded selection but similar to the merchandise that can be found in our Casual Male XL outlet stores.

We offer a private label program, specifically for our Casual Male XL outlet stores and our B&T Factory Direct businesses, which is similar to our lifestyle private label lines found in our full-price retail stores but made at lower costs and sold at lower price points for our value-oriented customers. We currently carry *Canyon Ridge*, which is similar in style to our *Harbor Bay* product line, *555 Turnpike*, which is targeted toward our younger customers similar to *626 Blue*, and *Fuse*, a contemporary line similar in style to our *Synrgy* product line.

In addition, B&T Factory Direct will often feature special clearance opportunities of product obtained from Casual Male XL and Rochester Clothing, offering the B&T Factory Direct customer the ability to purchase branded product and fashion product for a specially reduced price.

During fiscal 2010, we mailed 12 editions of our B&T Factory Direct catalog with a circulation of approximately 2.5 million. Approximately 11% of our business is generated by B&T Factory Direct and our Casual Male XL outlet stores, which carry the B&T Factory Direct product. The demographic and socioeconomic characteristics of this market segment are value-oriented customers, which has significant growth potential for us. The B&T Factory Direct catalog and e-commerce business was started in 2007.

Casual Male

Our Casual Male business offers an extensive selection of quality sportswear, dress clothing and footwear for the big & tall customer at moderate prices. Our full-price Casual Male merchandise is sold through our 380 Casual Male XL retail stores, Casual Male XL catalogs and e-commerce site www.casualmaleXL.com.

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Merchandise

The majority of the Casual Male merchandise is basic or fashion-neutral items, such as jeans, casual slacks, tee-shirts, polo shirts, dress shirts and suit separates. The Casual Male customer is primarily interested in comfort and fit, at a reasonable price. As such, Casual Male's clothing has features specifically designed for our customer, such as waist-relaxer pants, stretch belts, zipper ties, wide band socks, neck-relaxer shirts and clothing with comfort-stretch technology and reinforced stress points.

We carry several private label lines in our Casual Male XL retail stores and direct businesses which perform very strongly and represent approximately 80% of our sales:

- *Harbor Bay* was our first proprietary brand and it continues to represent a significant portion of our business, specifically our core basic merchandise. Harbor Bay is a traditional line of clothing which competes with the Dockers®, Izod® and Cutter & Buck® branded products.
- *626 Blue-Vintage Surplus* ("626 Blue") is targeted toward a younger customer. *626 Blue* introduces a younger lifestyle look that caters to a broader market, which is influenced by Abercrombie & Fitch and American Eagle. Our *626 Blue* merchandise is comprised of premium washed denim, casual wovens and tee-shirts.
- *Synrgy* targets the customer looking for a contemporary look. The merchandise is inspired by Perry Ellis Portfolio and Calvin Klein's sportswear line.
- *Oak Hill* is a premier line catering to those customers looking for slightly more style and quality than our *Harbor Bay* but still in a traditional lifestyle.
- *True Nation* is our newest private line which we will be launching in Spring 2011. True Nation is a denim-inspired line consisting of vintage-screen t-shirts and wovens and is geared towards our younger customer. This line will be similar to other denim lines, such as Lucky and Abercrombie & Fitch.

In addition to our many private label lines, we carry several well-known brands of merchandise including: Polo Ralph Lauren, Nautica, Nautica Jeans Co., EcKo, Levi's®, Dockers®, Calvin Klein, Reebok®, Sean John, RocaWear and others.

Our private label brands, together with the traditional well-known brands, enable us to cater better to the various market segments of our overall target market. Our research has shown that we need to appeal to a variety of customers within the big & tall market in our efforts to become the preferred choice among big & tall men.

Our stores are merchandised to showcase entire outfits by lifestyle, including traditional, active, young men's, dresswear and contemporary. This format allows us to merchandise key items and seasonal goods in prominent displays and makes coordinating outfits easier for the customer while encouraging multi-item purchases. This lifestyle layout also allows us to better manage store space in each market to target local demographics. Stores are clustered to meet the demographic needs of customers by climate and ethnicity. The key item strategy is also fully integrated by lifestyle, allowing us to focus on merchandise presentation and offer our customers a compelling value proposition.

Retail Operations

Casual Male XL retail stores.

At January 29, 2011, we operated 380 Casual Male XL full-price retail stores, located primarily in strip centers, power centers or stand-alone locations. These stores offer a broad selection of basic sportswear, other casual apparel, dress wear and accessories, as well as a full complement of our private label collections. The average Casual Male XL retail store is approximately 3,644 square feet and has approximately \$166 in sales per square foot annually.

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Casual Male XL outlet stores

At January 29, 2011, we operated 60 Casual Male XL outlet stores designed to offer a wide range of casual clothing for the big & tall customer at prices that are generally 20-25% lower than those offered at our full-price retail stores. Much of the merchandise in the outlet stores is offered with the purchasing interests of the value-oriented customer in mind. The merchandise assortments and brands carried in the outlet stores are consistent with the merchandise strategies carried in our direct business, B&T Factory Direct, which is discussed above. The average Casual Male XL outlet store is approximately 3,188 square feet and has approximately \$193 in sales per square foot annually.

Casual Male XL Direct Businesses

Our direct businesses are a vital part of our multi-channel business, by allowing us to service our customers better whether from their home or in our store. Our direct businesses bridge that gap for us by encouraging and expecting our store associates to use our catalog and websites to help fulfill our customers' clothing needs. If an item is not available in our store, then our store associates can order the item for our customer through one of our direct channels and have it shipped to the store or directly to the customer. The success of this program represents 5% of our retail stores' sales, which are now derived from in-store orders placed through our direct channels.

Our Casual Male XL website, www.casualmaleXL.com, and our "Casual Male XL" catalogs offer an assortment of merchandise similar to what is available in the stores, but also offer a broader selection of brands, styles and sizes. During fiscal 2010, we issued 13 editions of our Casual Male XL catalogs and circulated over five million catalogs. We also own the domain name www.bigandtall.com. This site acts as a portal to our Casual Male XL, Rochester Clothing, B&T Factory Direct, Living XL and Shoes XL websites in an effort to generate additional traffic.

Through our business relationship with Sears U.S. and Sears Canada, we offer selected Casual Male merchandise on their websites at www.Sears.com and www.Sears.ca. We also have a co-branded section in the Sears Canada catalog, in which we appeared in 3 editions during fiscal 2010. Through our business relationship with Bon-Ton Stores, we offer selected Casual Male merchandise on their website at www.bonton.com. See "Business Strategy" below for more discussion.

Rochester Business

An important element to our business is our high-end, luxury fashion apparel offered by Rochester Clothing. Approximately 14% of our business is done by Rochester Clothing, although there is a potential to expand this business as our Rochester brand is being introduced to a wider group of potential customers with the launch of our DXL store.

Merchandise

Our Rochester Clothing stores carry a broad selection of quality apparel, at higher price points, from well-known branded manufacturers such as Polo Ralph Lauren, Robert Graham, Calvin Klein, Michael Kors, Ermenegildo Zegna, Cutter and Buck, Tommy Bahama, and Paul & Shark. The Rochester customer is able to find a wide range of apparel from traditional and modern sportswear to suits and accessories. These stores cater to our customer, offering a personal shopper-type experience, with experienced staff that has a strong knowledge of the merchandise and services, such as custom made-to-measure suiting and on-site tailoring.

We have also been building a private label program specifically for our Rochester customers. In fiscal 2009, we modified and re-launched this program, introducing higher quality merchandise to complement our branded merchandise. We currently carry two private label lines: *Rochester*[™] is targeted as a classic traditional line offering sportswear, loungewear and dress shirts and *Society of One*, a jeans wear brand catering to the needs of

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the fashion denim customer. We also offer a complete selection of suits and dress shirts under our *Rochester Black Label* private label. All of our proprietary private brands feature the highest quality fabrications, details and construction. These brands represented approximately 11% of Rochester's sales for fiscal 2010. While we do not expect that private label will be as big of a contributor as it is in our Casual Male business, we do believe these lines have found a market with our customers.

Our Rochester business, because of its high price-points, was affected the most by the economic recession. During fiscal 2010, we saw improvements in this business as our higher-end customers started returning. We strongly believe that the Rochester brand is an integral part of our overall objective of providing a shopping alternative to the full spectrum of our target customers, from the value-oriented customer to the high-end Rochester customer. The initiatives that we took in fiscal 2009 to help mitigate the effect of the economy, such as adding a selection of more moderately priced well-known branded apparel lines and improving the quality of our private label lines, had a positive impact on sales over the past 24 months.

Retail Operations

Rochester Clothing stores

At January 29, 2011, we operated 16 Rochester Clothing stores, located in major cities throughout the United States and one store in London, England. The Rochester Clothing stores provide the customer with high-end merchandise from well-recognized brands. The average Rochester Clothing store is approximately 8,314 square feet and has approximately \$258 in sales per square foot annually.

Rochester Clothing direct businesses

Because we currently have only 16 Rochester Clothing retail locations, which may not be accessible for many of our Rochester customers, our direct businesses are a significant portion of our overall Rochester business. Our "Rochester Big & Tall" catalog and www.rochesterclothing.com website offer an assortment of clothing that is similar to what can be found in our Rochester retail stores, with a broader selection in most cases. During fiscal 2010, we issued 13 editions of the Rochester Big & Tall catalog with a circulation of 2.4 million.

Destination XL Stores ("DXL")

Bringing all of brands together in one format has been an important initiative for us. Our target customer group is a very diverse group, and we have previously catered to them in individual groups through our various channels and brands, such as B&T Factory Direct for our value-oriented customers, Casual Male XL for our moderate-price customer and Rochester Clothing for our high-end customers. Through our new DXL store concept we have merged all of our brands under one roof, making it easier for our customers to find the merchandise they are looking for without having to shop several stores, while at the same time, introducing them to our expanded selection of merchandise. The expected size of the DXL stores may vary between 6,000 to 12,000 square feet to not only balance the potential store economics in each respective market, but also to optimally address the needs of each market with the appropriate mix of merchandise assortment selections from B&T Factory Direct, Casual Male XL and Rochester Clothing.

During fiscal 2010, we opened four stores located in Schaumburg, Illinois, Memphis, Tennessee, Las Vegas, Nevada and Houston, Texas. These four stores are supercenters, averaging 11,000 square feet, offering a full assortment from all of our core brands, including Casual Male XL, Rochester Clothing and B&T Factory Direct, as well as expanded assortments of Shoes XL. All of our brands, across all channels, are represented in our new store utilizing a good, better, best pricing structure. Our stores are organized in neighborhoods, with each neighborhood representing a lifestyle, such as *Club*, for traditional clothing and suits, *Studio*, for young mens, and *Essentials*, for our core basics. This new store concept is the first of its kind in the big & tall market.

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By opening a DXL store we are able to serve a market area more efficiently, resulting in higher operating margins and potentially resulting in greater sales volumes. We hope to be able to increase market share in each market by either (a) gaining a larger share of our existing customers' annual expenditures on apparel, or (b) increasing our market penetration with our customers whose waist size is between 42" and 46", or both. Accordingly, the expectation is enhanced returns on capital and operating income from each market compared to our existing locations.

Customer reaction to the new store format, which has almost triple the product assortments of an average Casual Male store, has been positive, and our transaction levels have increased significantly. For fiscal 2010, collectively, the four DXL stores met our expectations, with sales increases of over 20% when compared to the prior year's predecessor stores for each market area. Based on these strong results, we will be opening an additional 10 to 14 stores during fiscal 2011. If we continue to have success with the DXL stores in fiscal 2011, the long-range plan currently envisions 75-100 DXL store locations by fiscal 2015.

To complete this initiative, during the second quarter of fiscal 2011 we will be launching our Destination XL website. Similar to our new store concept, our e-commerce site will bring all of our brands together, enabling our customers the ability to shop by lifestyle or brand or group of clothing. They will be able to shop across various brands with the convenience of one shopping cart.

Our Other Direct Businesses

Shoes XL

Our website www.shoesXL.com carries a complete line of men's footwear in extended sizes. This website offers our customers a full range of footwear in hard-to-find sizes. Our plan is to significantly increase our sales penetration in the shoe product category to levels which are more in line with men's apparel spending for shoes. The assortment on Shoes XL is a reflection of our apparel, with a broad assortment from moderate to luxury and from casual to formal. Shoes XL currently has a selection of more than 500 styles of shoes, ranging in sizes from 10M to 18M and widths up to 5E. We carry a number of designer brands including Cole Haan, Allen Edmonds, Timberland, Calvin Klein, Lacoste and Bruno Magli. Shoes XL is also supported with a catalog. In fiscal 2010, we mailed 5 editions with a circulation of over 600,000.

In addition, we have added the expanded shoe assortments within our existing Casual Male XL and Rochester Clothing catalogs, including on our websites, www.casualmaleXL.com, www.btirect.com and www.rochesterclothing.com, as well as featuring the entire shoe product assortments on www.shoesXL.com.

Living XL

Our Living XL business, which includes our website www.livingxl.com and our Living XL catalogs, specializes in the selling of select high-quality products which help larger people maintain a more comfortable lifestyle. The types of products sold on our website and in our catalogs benefit both men and women and include chairs, outdoor accessories, travel accessories, bed and bath and fitness equipment. During fiscal 2010, we mailed 8 editions of our Living XL catalog with a circulation of 1.5 million.

International Web Stores

We operate online stores for both our Casual Male XL and Rochester Clothing brands in nine European countries: U.K., Germany, France, Italy, Spain, Finland, Sweden, Denmark and the Netherlands. We engage GSI Commerce, Inc. ("GSI"), a leading provider of e-commerce solutions, for the design, development and operations of the 9 online stores. GSI provides the Web store design, order processing, fulfillment and customer call center services for each of the Web stores. Each online store is tailored to the specific European country in which it operates and includes country-specific components, such as online payment processing, content translation and customer service.

BUSINESS STRATEGY

While the recovery of the economic recession is slow, especially as it relates to consumer spending, we are encouraged by the results that we saw during fiscal 2010. Our objective over the next five years is to improve our revenues by 30-40% and more than double current operating margins. A critical component of these revenue and profitability growth objectives is to continue to expand the DXL concept both in stores and direct.

A key component to our business strategy is to continue improving sales productivity. We have invested in our associates and changed our culture to a more customer-centric environment focused on helping our customer identify and select their wardrobe needs. We are seeing results of these efforts through our store metrics. Even though overall traffic to the stores is down, our average dollar per transaction and conversion rate of our customers are increasing. We are continually making changes to our merchandise to meet our customers' needs, varying merchandise selection by market, increasing size offerings, maintaining in-stock position on core product and offering a balanced mix of private label merchandise as well as branded apparel.

We also plan to increase our exposure through new channels, by offering our apparel in a "store within a department store" environment. During the spring of 2011, we will be working with Bon-Ton to open 15 in-store shops, each approximately 1,000 square feet. The in-store shop, which will do business under the name DXL Annex, will carry a varied selection of merchandise that is available at our DXL stores. In addition, our merchandise is currently highlighted on the Bon-Ton website in a similar "big & tall shop" environment under the name DXL Annex, where an even wider selection of our merchandise is available. We will continue to look to new channels in our effort to increase market awareness of our brands.

With our strong gross margins and controlled SG&A cost structure, these sales initiatives will enable us to achieve our overall objective of increasing our operating margins.

MERCHANDISE PLANNING AND ALLOCATION

Our merchandise planning and allocation area is critical to the effective management of our inventory, store assortments, product sizes and overall gross margin profitability. The merchandise planning and allocation team has an array of planning and replenishment tools available to assist in maintaining an appropriate level of inventory, in-stock positions at the store and direct levels, and pre-season planning for product assortments for each store and the direct channels. Additionally, in-season reporting identifies opportunities and challenges in inventory performance. Over the past several years, we have made important investments in implementing best practice tools and processes.

Our core merchandise makes up over 40% of our Casual Male assortment and over 25% of our Rochester assortment. Our planning and allocation team estimates quantity and demand several months in advance to optimize gross margin and minimize end-of-season merchandise for all seasonal merchandise. We have implemented an all-channel assortment planning methodology that customizes each store's assortment to accentuate lifestyle preferences for each store.

Our merchandising data warehouse provides the merchandising team with standardized reporting for monitoring assortment performance by product category and by store, identifying in-stock positions by size and generally monitoring overall inventory levels relative to selling. At season end, we analyze the overall performance of product category, overall assortments and specific styles by store to focus on the opportunities and challenges for the next season's planning cycle.

During the season, we utilize a markdown optimization tool developed internally to closely monitor the selling performance of our fashion assortments and compare against the planned selling curves. When actual selling performance significantly drops below planned selling curves, we will make in-season pricing adjustments so that we maintain planned levels of residual fashion product at season's end.

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Utilizing a set of specific universal reporting tools, we are able to fulfill the daily, weekly and monthly roles and responsibilities of the merchandise planning and allocation team. These reporting tools provide focused and actionable views of the business to optimize the overall assortment by category and by store. We believe that by having all members of the merchandise planning and allocation team follow a standardized set of processes with the use of standardized reporting tools, our inventory performance will be optimized.

STORE OPERATIONS

We believe that our store associates are the key to creating the highest quality experience for our customers. In fiscal 2008, we began a three-year program to change the culture of our stores from essentially an operationally-driven organization to a sales-driven, customer-centric organization. Our overall goal is to help our associates become less task oriented and more focused on serving the customer. We want our associates to help our customers meet their apparel needs by building their wardrobes, not just selling our customers an item. In order to do this, we have invested in educating our associates. Our training approach not only provides product knowledge but also behavioral training; we are teaching our associates how to interact and strengthen the relationship with each customer. A key component to the success of this program is having the right caliber of store associates. In order to accomplish this in a timely manner, in fiscal 2009, we hired a national workforce solution company to assist with this process for all store associates. Due to the success of this program, in fiscal 2010, we have expanded the use of this workforce solution company to also include the outsourcing for District Managers.

We are also able to gauge the effectiveness of this training by measuring sales productivity at each level of the field organization, including individual sales associates. We believe that these education programs, together with monitoring sales metrics to help identify opportunities for further training, will add to our brand loyalty with our customers, while also improving sales productivity.

Our field organization is overseen by our Senior Vice President of Store Sales and Operations and is comprised of approximately 31 District Managers who provide management development and guidance to individual store managers. Our organization is divided among four geographical regions, each region consisting of 7 to 8 District Managers depending on the number of stores and the distance between them. Each District Manager is responsible for hiring and developing store managers at the stores assigned to that District Manager's area and for the overall operations and profitability of those stores. District Managers report to one of our four Regional Vice Presidents, each of whom reports directly to our Senior Vice President of Store Sales and Operations. The Regional Vice President and Senior Vice President of Store Sales and Operations coordinate all sales and operations initiatives and activities, along with the support of the Vice President of Store Operations, the Director of Training and the Director of Store Support and Communications.

Each Casual Male XL, Rochester and DXL store is staffed with a store manager, assistants and associates. The store manager is responsible for achieving certain sales and operational targets. Casual Male XL managers are entitled to receive bonuses based on achieving those targets. Rochester and DXL stores have an incentive-based compensation plan for managers and selling staff. One way we are encouraging our focus on sales productivity and customer-centricity is by blending commission-based pay into our current pay structure beginning in the first quarter of fiscal 2011.

MARKETING AND ADVERTISING

Our marketing department creates and implements a wide variety of national, regional and local advertising, direct marketing and sales promotion programs. These direct mail and e-mail programs are designed to increase sales and customer awareness of all of our business channels, which include Casual Male XL, Rochester Clothing, B&T Factory Direct, Destination XL, Living XL and Shoes XL. The primary component to our marketing budget is our direct mail campaigns to our customer databases. With the majority of sales captured in our customer database, we maintain the largest customer database of purchasers of big & tall clothing. Our direct

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mail and e-mail programs allow continuous communication with our customers both for promotional events as well as relationship programs such as the birthday club and new customer loyalty programs. In addition, local store marketing activities occur on a regular basis and include store opening events and in-store promotion programs.

Advertising and marketing costs for all channels of our businesses represent approximately 4.8% of our total revenue for fiscal 2010, or approximately \$19.0 million. This includes creating and distributing catalogs, retail direct mail pieces and in-store signage for our Casual Male XL business, Rochester business and Destination XL stores, as well as our e-commerce businesses, including B&T Factory Direct, Living XL and Shoes XL, with active internet marketing programs.

In addition, we have a very active e-mail campaign updating all of our customers about the latest fashions, wardrobe ideas, promotional discounts and clearance specials.

We manage a customer loyalty program for our Casual Male XL customers. At the end of fiscal 2010, approximately 95% of our Casual Male active retail customers were enrolled in this program and 80% of all of our active Casual Male customers, both direct and retail, were enrolled. Under the program, customers accumulate points based on purchase activity and earn rewards by reaching certain point thresholds. Rewards earned are valid through the stated expiration date, which is approximately three months from the mailing date and can be redeemed for a discount on a future purchase of merchandise from us. Rewards not redeemed during the three-month redemption period are forfeited. Points accumulate on a calendar year and reset with the beginning of a new year.

Our loyalty program, Prestige XL, is a rewards program for our top highest-spending customers. This group of individuals spends on average over \$1,000 per year. The objective of this program is to recognize these customers and continue to build brand loyalty with them, which closely aligns with our overall store operation objective of building strong customer service. Our store associates are able to identify our Prestige XL customer and cater to his shopping needs. The customer receives specialized benefits including double points, preferred sales, special e-commerce offers and catalog shout-outs. Only a select few are invited to join the Prestige XL program and enrollment is only for one year. Each year we will award our past year's highest spending customers a Prestige XL loyalty card.

We utilize a customer relationship management ("CRM") system which allows us to expand our level of communication to our customers, and makes available pertinent customer information at the store level, with the goal of servicing the customer better. With the customer database maintained at the corporate office, our business has daily results on its direct marketing efforts and has the ability to respond to business immediately. Our sales associates now have an array of information available about their customers. Through the CRM real-time database, our sales associates are able to access valuable information on each customer's buying patterns, preferences and sizes.

For fiscal 2011, we have slightly increased our marketing budget by approximately \$0.7 million to approximately \$19.9 million, primarily to support the marketing efforts related to opening 10 to 14 additional DXL stores. While our overall focus and marketing objectives remain relatively consistent with the past year, we are continuing to work on consolidating our advertising campaigns where possible and narrowing the focus on our existing loyal customer base, through our direct mail and email programs. Beginning in fiscal 2009, we began tailoring our circulation towards our more active customers and reducing the number of circulations to our less productive customers. By focusing on this more active group of customers, we continue to improve our productivity while minimizing our costs.

In addition, we expect that mass-media advertising and prospecting of new customers will be a minimal part of our marketing strategy, but an important component of bringing market awareness to local markets where we plan to open new DXL stores.

GLOBAL SOURCING

We manage a growing direct sourcing program for our private label merchandise, including some of our Living XL products. Over 70% of our Casual Male merchandise is from our private label product lines. All channels within Casual Male and, on a smaller scale, Rochester, have benefited from our direct sourcing initiatives resulting in increased markups as compared to our brand-name product lines.

We have developed business relationships with five specialized apparel buying agents to oversee our production, quality control, and social compliance for the Eastern Hemisphere. In addition, our global sourcing team works directly with factories in Central and South America. Our global sourcing strategy is a balanced approach considering both cost and lead time, depending on the requirements of the program.

We require each vendor and factory to adhere to our Code of Conduct, which is designed to ensure that the operations of each of our business associates are conducted in a legal, ethical and responsible manner. Our Code of Conduct requires that each of our business associates operates in compliance with the applicable wage, benefit and working hours and other laws of the respective countries in which we do business and forbids the use of practices such as child labor or forced labor. We oversee and manage our compliance program internally. We contract with a third-party compliance audit firm to make periodic visits to the factories that produce our merchandise to monitor compliance, including prequalification for new suppliers. All of our agents have their own compliance programs which supplement our program.

In an effort to minimize foreign currency risk, all payments to our direct sourced vendors and buying agents are made in U.S. dollars through the use of letters of credit or payment on account. In fiscal 2010, approximately 30% of our merchandise product flow was directly sourced by our Global Sourcing group. The growth and effectiveness of our global direct sourcing program is a key component to our continued merchandise margin improvement.

DISTRIBUTION

All of our distribution operations, with the exception of our international web stores, are centralized in our headquarters and distribution center located in Canton, Massachusetts. See discussion above under “Our Other Direct Businesses” regarding our international web stores.

We believe that having one centralized distribution facility minimizes the delivered cost of merchandise and maximizes the in-stock position of our stores. We believe that the centralized distribution system enables our stores to maximize selling space by reducing necessary levels of back-room stock carried in each store. In addition, the distribution center provides order fulfillment services for our e-commerce and catalog businesses.

Since 2003, we have utilized United Parcel Services (“UPS”) for all our store shipments as well as all domestic customer deliveries. This association with UPS has improved our distribution capabilities while also reducing our shipping costs by utilizing zone skipping. By utilizing UPS, we are able to track all deliveries from the warehouse to our individual stores, including the status of in-transit shipments. In addition, we are able to provide our Direct-to-Consumer customers with Authorized Return Service and Web labels, making returns more convenient for them. Our current contract with UPS is through January 2013.

We utilize the Manhattan Associates’ PKMS warehousing application for our distribution center systems, which has significantly streamlined our distribution processes, enhanced our in-transit times, and significantly reduced our distribution costs. In 2010, automated packing was added for single piece orders for Direct-to-Consumer improving productivity and lowering packing costs while our space utilization in our distribution center was enhanced with improved reserve racking. Efficiencies were improved in various departments through the implementation of engineered productivity standards. In-bound calls and order fulfillment for our direct businesses are also currently handled at our Canton facility.

MANAGEMENT INFORMATION SYSTEMS

Since we acquired Casual Male in fiscal 2002, the infrastructure of our management information systems has consistently been a priority to us. The investments that we have made in this regard have substantially improved our overall efficiency and most importantly have enabled us to better manage our inventory.

Our management information systems consist of a full range of retail merchandising and financial systems which include merchandise planning and reporting, distribution center processing, inventory allocation, sales reporting, and financial processing and reporting. Our business operates primarily on an IBM AS/400 platform, with the e-commerce/catalog business on the HP environment. We believe that our current infrastructure provides us the ability and capacity to process transactions more efficiently and provides our management team with comprehensive tools with which to manage our business.

Our suite of merchandising systems consists of the JDA Portfolio Solutions, specifically the MMS Merchandise Management System, Retail Ideas Data Warehouse, and Arthur Merchandise Planning and Advanced Allocation systems. In addition, we also utilize JDA's E3 Advanced Replenishment system to optimize fill back from vendors and adjustments from seasonal profiles which we believe has improved sales opportunities and control over our inventory of basic merchandise. For our distribution operations, we use Manhattan Associates' PKMS distribution system. These systems have enabled us to improve sales, better manage inventory levels and streamline operations.

All of our stores have state-of-the-art point-of-sale ("POS") terminals supplied by IBM. The business is supported by a POS business application provided by Epicor, formerly NSB Group. The POS applications capture daily transaction information by item, color and size. Communication between our corporate headquarters and all of our stores is facilitated on a daily basis through the use of an electronic mail system. The POS system includes a multitude of features including CRM tools that enable us to track customer buying habits and provide us with the ability to target customers with specific offers and promotions.

Our web sites have all been standardized on a state-of-the-art platform from Art Technology Group. We also implemented the e-SPS Product Life Cycle Management system from NGC to support the growth of our direct sourcing initiatives. To support the marketing area, we implemented the PlanSystem3 environment from Quad-Systems to manage marketing assets, schedule promotions and monitor activities.

Our merchandising management systems are updated daily with all store transactions and provide daily sales, inventory, pricing and merchandise information and management reports to assist us in operating our retail business. Our merchandising system applications also facilitate the placement and tracking of purchase orders and utilize EDI technology. We evaluate this information, together with weekly reports on merchandise statistics, prior to making decisions regarding reorders of fast-selling items and the allocation of merchandise.

Using QuantiSense, a business intelligence and data warehousing application, we are able to provide our management team with the ability to integrate data from several sources into reports that are useful and easily obtained. With its customized reporting capabilities, we have visibility down to the lowest level: style, SKU and store. Over the past few years, we have developed customized reporting that has been extremely beneficial to our business. With the use of this software, we now have store grading applications and size scaling to the store level. During fiscal 2008, we completed the customization of our merchandise allocation roles and created a standardized set of "best practices." During fiscal 2009, we designed similar sets of standardized best practices for our planning group. These reporting and processing enhancements will allow us to further improve our inventory management.

Prior to fiscal 2009, our direct businesses and retail businesses maintained separate inventory systems. In fiscal 2009, we integrated these systems so that our inventory is now shared among all channels of our business.

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This has provided numerous benefits to us including eliminating the redundancy of inventory items that previously existed as a result of managing two systems and, from an operational perspective, it simplified the ordering process considerably.

During fiscal 2010, we integrated our primary merchandise management system with our product lifecycle management system, giving our merchants and sourcing department full visibility and automation from purchase order to received shipments, which is increasingly more important as our private label program continues to grow. We also merged our Casual Male and Rochester system platforms to deliver greater efficiencies and open our full product assortment to all of our business formats.

As previously discussed, one of our primary projects for fiscal 2011, is the launch during the second quarter of our new Destination XL website which will include the latest in best practices, features and functions. Following that launch, we expect to convert all of our existing websites to the new platform. The completion of this project will allow our customers with the ability to shop across all of our brands and concepts without having to visit our multiple sites. In addition, we will be adding enhanced advanced search programs allowing more complex faceted searches. Our primary short-term goal is to maintain and strengthen our relationship with our customer; when they visit our direct businesses on-line, we want to ensure that the experience is effortless and that they find what they are seeking.

COMPETITION

Our business faces competition from a variety of sources, including department stores, mass merchandisers, other specialty stores and discount and off-price retailers, as well as other retailers that sell big & tall merchandise. While we have successfully competed on the basis of merchandise selection, favorable pricing, customer service and desirable store locations, there can be no assurances that other retailers will not adopt purchasing and marketing concepts similar to ours. Discount retailers with significant buying power, such as Wal-Mart, J.C. Penney and Kohl's, represent a source of competition for us. In addition, certain discount retailers and other specialty stores have recently announced their intentions to expand their big & tall offerings, including in some cases, plans to test specialty big & tall stores.

The United States men's big & tall apparel market is highly competitive with many national and regional department stores, specialty apparel retailers, single market operators and discount stores offering a broad range of apparel products similar to ours. Besides retail competitors, we consider any casual apparel manufacturer operating in outlet malls throughout the United States to be a competitor in the casual apparel market. We believe that we are the only national operator of apparel stores focused on the men's big & tall market.

The catalog business has several competitors, including the King Size Catalog (which is owned by Redcats USA, a wholly-owned subsidiary of Pinault-Printemps-Redoute, SA of France).

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.

TRADEMARKS/TRADEMARK LICENSE AGREEMENTS

We own several service marks and trademarks relating to our businesses, including, among others, "Casual Male[®]", "Casual Male XL[®]", "B&T Factory Direct[™]", "Rochester Big & Tall[®]", "Harbor Bay[®]", "Oak Hill Established 1972[®]", "Oak Hill[®]", "Flex-Zone[®]", "Comfort Zone[®]", "Synrgy[™]", "Society of One[®]", "True Nation[™]", "Castagne[®]", "Destination XL[™]" and "DXL[®]". We also hold a U.S. patent for an extendable collar system, which is marketed as "Neck-Relaxer[®]" and a U.S. copyright for a no iron hang tag.

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EMPLOYEES

As of January 29, 2011, we employed approximately 2,464 associates, of whom 1,576 were full-time personnel. We hire additional temporary employees during the peak Fall and Holiday seasons. None of our employees is represented by any collective bargaining agreement.

AVAILABLE INFORMATION

Our corporate website is www.casualmaleXL.com. We make available, free of charge, through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to such reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we have electronically filed such material with, or furnished such materials to, the Securities and Exchange Commission. The SEC maintains an internet site that contains reports, proxy and information statements, and other information for issuers that file electronically with the SEC at <http://www.sec.gov>.

Item 1A. Risk Factors

The following discussion identifies certain important factors that could affect our financial position, our actual results of operations and our actions and could cause our financial position, results of operations and our actions to differ materially from any forward-looking statements made by or on behalf of our Company. Other factors, which are not identified herein, could also have such an effect.

The following risk factors are all of the important factors of which we are aware that could cause actual results, performance or achievements to differ materially from those expressed in any of our forward-looking statements. We operate in a continually changing business environment and new risk factors emerge from time to time. Other unknown or unpredictable factors also could have material adverse effects on our future results, performance or achievements. We cannot assure you that projected results or events will be achieved or will occur.

Risks Related to Our Company and Our Industry

The re-occurrence of any disruption to the capital and credit markets could adversely affect our results of operations, cash flows and financial condition, or those of our customers and vendors.

The re-occurrence of any disruption to the capital and credit markets could adversely impact our results of operations, cash flows and financial condition, or those of our customers and vendors. Disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives or failures of significant financial institutions could adversely affect our access to liquidity. Such disruptions may also adversely impact the capital needs of our customers and vendors, which, in turn, could adversely affect our results of operations, cash flows and financial condition.

Our business is seasonal and is affected by general economic conditions.

Like most other retail businesses, our business is seasonal. Historically, approximately 50% or more of our operating income has been generated during November, December and January. Like other retail businesses, our operations may be negatively affected by local, regional or national economic conditions, such as levels of disposable consumer income, consumer debt, interest rates and consumer confidence.

Our business may be adversely affected by economic and foreign issues abroad.

Economic and civil unrest in areas of the world where we source merchandise for our global sourcing program, as well as shipping and docking issues could adversely impact the availability and cost of such merchandise. Political instability, the financial instability of our suppliers, merchandise quality issues, trade restrictions, tariffs, currency exchange rates, transport capacity and costs, inflation and other factors relating to foreign trade are beyond our control. In the event of disruptions or delays in deliveries due to economic or political conditions in foreign countries, such disruptions or delays could adversely affect our results of operations unless and until alternative supply arrangements could be made. These and other issues affecting our suppliers could adversely affect our business and financial performance.

We are dependent on third parties for the manufacture of the merchandise we sell.

We do not own or operate any manufacturing facilities and are therefore entirely dependent on third parties for the manufacture of the merchandise we sell. Without adequate supplies of merchandise to sell to our customers in the merchandise styles and fashions demanded by our particular customer base, sales would decrease materially and our business would suffer. We are dependent on their ability to fulfill our merchandise orders and meet our delivery terms. Furthermore, over approximately 70% of our merchandise is manufactured specifically for Casual Male and our customers. In the event that manufacturers are unable or unwilling to ship products to us in a timely manner or continue to manufacture products for us, we would have to rely on other

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current manufacturing sources or identify and qualify new manufacturers. We might not be able to identify or qualify such manufacturers for existing or new products in a timely manner and such manufacturers might not allocate sufficient capacity to us in order to meet our requirements. Our inability to secure adequate and timely supplies of private label merchandise would negatively impact proper inventory levels, sales and gross margin rates, and ultimately our results of operations.

In addition, even if our current manufacturers continue to manufacture our products, they may not maintain adequate controls with respect to product specifications and quality and may not continue to produce products that are consistent with our standards. If we are forced to rely on products of inferior quality, then our brand recognition and customer satisfaction would likely suffer. These manufacturers may also increase the cost to us of the products we purchase from them.

If our suppliers increase our costs, our margins may be adversely affected.

A significant portion of our merchandise is directly imported from other countries, and U.S. domestic suppliers who source their goods from other countries supply most of our remaining merchandise. In the event that commercial transportation is curtailed or substantially delayed, we may not be able to maintain adequate inventory levels of important merchandise on a consistent basis, which would negatively impact our sales and potentially erode the confidence of our customer base, leading to further loss of sales and an adverse impact on our results of operations.

In extreme circumstances, it may be necessary to close less productive stores so as to consolidate important merchandise categories into our most productive stores, which would severely impact our results of operations and cash flow.

Fluctuations in the price, availability and quality of raw materials and finished goods could increase costs.

Fluctuations in the price, availability and quality of fabrics or other raw materials used in the manufacturing of our merchandise could have a material adverse effect on our gross margin or on our ability to meet our customers' demands. The prices for fabrics depend on demand and market prices for the raw materials used to produce them, with the price of cotton currently having a significant impact. To the extent that we cannot offset these cost increases with other cost reductions or efficiencies, such higher costs will need to be passed on to our customers. Such increased costs could lead to reduced customer demand, which could have a material adverse effect on our results of operations and cash flow.

Recently, the rising cost of cotton has had a direct impact on the cost of raw materials resulting in higher costs. To the extent that the cost of our branded apparel increases, we expect that the majority of this cost will be passed onto the customer. With respect to our private label merchandise, we continue to work with our factories to help mitigate the cost, but to the extent that these costs cannot be absorbed, our retail prices may increase.

Our success significantly depends on our key personnel and our ability to attract and retain additional personnel.

Our future success is dependent on the personal efforts, performance and abilities of our key management which includes our executive officers as well as several significant members of our senior management. For example, the loss of the services of David Levin, our President and Chief Executive Officer, or Dennis Hemreich, our Chief Operating Officer and Chief Financial Officer, each of whom is an integral part of our daily operations and are primary decision makers in all our important operating matters, could significantly impact our business until adequate replacements can be identified and put in place. The loss of any of our senior management may result in a loss of organizational focus, poor operating execution, an inability to identify and execute potential strategic initiatives, an impairment in our ability to identify new store locations, and an inability to consummate possible acquisitions.

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These adverse results could, among other things, reduce potential revenues, prevent us from diversifying our product lines and geographic concentrations, and expose us to downturns in our markets. The competition is intense for the type of highly skilled individuals with relevant industry experience that we require and we may not be able to attract and retain new employees of the caliber needed to achieve our objectives.

The loss of, or disruption in, our centralized distribution center could negatively impact our business and operations.

All merchandise for our stores and ecommerce operations is received into our centralized distribution center in Canton, Massachusetts, where the inventory is then processed, sorted and shipped to our stores. We depend in large part on the orderly operation of this receiving and distribution process, which depends, in turn, on adherence to shipping schedules and effective management of the distribution center. Although we believe that our receiving and distribution process is efficient and well-positioned to support our strategic plans, events beyond our control, such as disruptions in operations due to fire or other catastrophic events, employee matters or shipping problems, could result in delays in the delivery of merchandise to our stores.

With all of our management information systems centralized in our corporate headquarters, any disruption or destruction of our system infrastructure would materially affect our business. This type of disaster is mitigated by our offsite storage and disaster recovery plans, but we would still incur business interruption which could impact our business for several weeks.

Although we maintain business interruption and property insurance, we cannot be sure that our insurance will be sufficient, or that insurance proceeds will be timely paid to us, in the event our distribution center is shut down for any reason or if we incur higher costs and longer lead times in connection with a disruption from our distribution center.

Our business may be negatively impacted and we may be liable if third parties misappropriate proprietary information of our customers and breach our security systems.

Any security breach could expose us to risks of loss, litigation and liability and could adversely affect our operations. If third parties are able to penetrate our network security or otherwise misappropriate the personal information or credit card information of our customers or if third parties gain unauthorized and improper access to such information, we could be subject to liability. This liability could include claims for unauthorized purchases with credit card information, impersonation or other similar fraud claims. They could also include claims for other misuses of personal information, including unauthorized marketing purposes. These claims could result in litigation. Liability for misappropriation of this information could be significant. Further, if a third party were to use this proprietary customer information in order to compete with us, it could have a material adverse impact on our business and could result in litigation.

We have been Payment Card Industry (“PCI”) compliant since 2007, which we believe is important in ensuring that our security systems are protected.

We face greater challenges in managing several brands in multiple channels of distribution.

Several retailers have had problems executing a corporate strategy aimed at operating multiple brands in multiple channels. We have expertise in the outlet channel of distribution, but our acquisition of Casual Male in 2002 caused us to conduct operations in the specialty store and internet channels of distribution. We are now also responsible for all aspects of brand management with respect to the Casual Male brand and the Rochester brand, including advertising and promotion, and the servicing and merchandising of private label merchandise. With respect to our branded merchandise, this function is mostly the responsibility of the specific manufacturer of the brand. If the managing of multiple brands within multiple channels is poorly executed, we will not achieve our expected level of profitability, and could ultimately be compelled to eliminate the multiple brand strategy so that the organization may focus on a single brand strategy.

We may not be successful in growing our market share.

A large part of our growth has resulted from our acquisition of the Casual Male business in May 2002 and our acquisition of Rochester Clothing in October 2004 and the increased sales volume and profitability provided by these acquisitions. We believe that our current level of stores is sufficient to sustain our business and we are not dependent on adding new stores to increase our sales volume and profitability. However, for us to be successful in the future and maintain growth, we must be able to continue increasing our market share within the big & tall industry. Our growth is dependent on us being successful in attracting new target customers into our stores, catalogs and e-commerce sites. We cannot assure you that our strategic plans, including those relating to our DXL concept, will be successful in attracting customers and growing our market share.

Our business is highly competitive, and competitive factors may reduce our revenues and profit margins.

The United States men's big & tall apparel market is highly competitive with many national and regional department stores, mass merchandisers, specialty apparel retailers and discount stores offering a broad range of apparel products similar to the products that we sell. Besides retail competitors, we consider any manufacturer of big & tall merchandise operating in outlet malls throughout the United States to be a competitor. It is also possible that another competitor, either a mass merchant or a men's specialty store or specialty apparel catalog, could gain market share in men's big & tall apparel due to more favorable pricing, locations, brand and fashion assortment and size availability. Many of our competitors and potential competitors may have substantially greater financial, manufacturing and marketing resources than we do. The presence in the marketplace of various fashion trends and the limited availability of shelf space also can affect competition. We may not be able to compete successfully with our competitors in the future and could lose brand recognition and market share. A significant loss of market share would adversely affect our revenues and results of operations.

We may be unable to predict fashion trends and customer preferences successfully.

Customer tastes and fashion trends are volatile and tend to change rapidly. Our success depends in large part upon our ability to predict effectively and respond to changing fashion tastes and consumer demands and to translate market trends to appropriate saleable product offerings. If we are unable to predict or respond to changing styles or trends successfully and misjudge the market for products or any new product lines, our sales will be lower and we may be faced with a substantial amount of unsold inventory or missed opportunities. In response, we may be forced to rely on additional markdowns or promotional sales to dispose of excess, slow-moving inventory, which would decrease our revenues and margins. In addition, the failure to satisfy consumer demand could have serious longer-term consequences, such as an adverse impact on our brand value and the loss of market share to our competitors.

Our marketing programs and success in maintaining and building our brand awareness are critical to achieving successful market share growth within the big & tall industry.

Our success in increasing our market share in the big & tall apparel business is largely dependent on maintaining our favorable brand recognition and effectively marketing our merchandise to all of our target customers in several diverse market segments. In order to grow our brand recognition and our market share, we depend on the successful development of our brands through several means including advertising events, direct mail marketing, e-commerce and catalog marketing and customer prospecting. Our business is directly impacted by the success of these efforts and those of our vendors. Future advertising efforts by us, our vendors or our other licensors may be costly and may not result in increased market share or revenues.

The loss of any of our key trademarks or licenses could adversely affect demand for our products.

We own and use a number of trademarks and operate under several trademark license agreements. We believe that these trademarks have significant value and are instrumental in our ability to create and sustain demand for and to market our products. We cannot assure you that these trademarks and licensing agreements

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will remain in effect and enforceable or that any license agreements, upon expiration, can be renewed on acceptable terms or at all. In addition, any future disputes concerning these trademarks and licenses may cause us to incur significant litigation costs or force us to suspend use of the disputed trademarks.

Acts of terrorism or a catastrophic event could negatively impact our operating results and financial condition.

Unforeseen events, including war, terrorism and other international conflicts, public health issues, and natural disasters such as earthquakes, hurricanes or other adverse weather and climate conditions, whether occurring in the U.S. or abroad, could disrupt our operations, or the operations of our vendors and other suppliers, or result in political or economic instability.

The continued threat of terrorism and heightened security measures in response to an act of terrorism may disrupt commerce and undermine consumer confidence which could negatively impact our sales by causing consumer spending to decline. Furthermore, an act of terrorism or war, or the threat thereof, could negatively impact our business by interfering with our ability to obtain merchandise from vendors or substitute suppliers at similar costs in a timely manner.

Risks Related to Our Corporate Structure and Stock

Our stock price has been and may continue to be extremely volatile due to many factors.

The market price of our common stock has fluctuated in the past and may increase or decrease rapidly in the future depending on news announcements and changes in general market conditions. Since January 1, 2003, the closing price of our common stock has ranged from a low of \$0.26 per share (March 3, 2009) to a high of \$14.95 per share (October 26, 2006). The following factors, among others, may cause significant fluctuations in our stock price:

- overall changes in the economy and general market volatility;
- news announcements regarding quarterly or annual results of operations;
- quarterly comparable sales;
- acquisitions;
- competitive developments;
- litigation affecting us; or
- market views as to the prospects of the retail industry generally.

Rights of our stockholders may be negatively affected if we issue any of the shares of preferred stock which our Board of Directors has authorized for issuance.

We have available for issuance 1,000,000 shares of preferred stock, par value \$0.01 per share. Our Board of Directors is authorized to issue any or all of this preferred stock, in one or more series, without any further action on the part of stockholders. The rights of our stockholders may be negatively affected if we issue a series of preferred stock in the future that has preference over our common stock with respect to the payment of dividends or distribution upon our liquidation, dissolution or winding up.

In addition, the issuance of preferred stock by our Board of Directors pursuant to our certificate of incorporation could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a majority of the outstanding voting stock of our Company.

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State laws and our certificate of incorporation, as amended, may inhibit potential acquisition bids that could be beneficial to our stockholders.

We are subject to certain provisions of Delaware law, which could also delay or make more difficult a merger, tender offer or proxy contest involving us. In particular, Section 203 of the Delaware General Corporation Law prohibits a Delaware corporation from engaging in certain business combinations with any interested stockholder for a period of three years unless specific conditions are met. In addition, certain provisions of Delaware law could have the effect of delaying, deferring or preventing a change in control of us, including, without limitation, discouraging a proxy contest or making more difficult the acquisition of a substantial block of our common stock. The provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock.

In addition, our certificate of incorporation, as amended, contains provisions that restrict any person or entity from attempting to transfer our stock, without prior permission from the Board of Directors, to the extent that such transfer would (i) create or result in an individual or entity becoming a five-percent shareholder of our stock, or (ii) increase the stock ownership percentage of any existing five-percent shareholder. These provisions provide that any transfer that violates such provisions shall be null and void and would require the purported transferee to, upon demand by us, transfer the shares that exceed the five percent limit to an agent designated by us for the purpose of conducting a sale of such excess shares. These provisions would make the acquisition of our Company more expensive to the acquirer and could significantly delay, discourage, or prevent third parties from acquiring our Company without the approval of our Board of Directors.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate offices and retail distribution center are located at 555 Turnpike Street in Canton, Massachusetts. The property consists of a 755,992 gross square foot building located on approximately 27.3 acres. We owned the property until January 30, 2006, at which time we entered into a sale-leaseback transaction with Spirit Finance Corporation, a third-party real estate investment trust (“Spirit”), whereby we entered into a twenty-year lease agreement with a wholly-owned subsidiary of Spirit for an annual rent of \$4.6 million. In fiscal 2006, we realized a gain of approximately \$29.3 million on the sale of this property, which has been deferred and is being amortized over the initial 20 years of the related lease agreement. Accordingly, our annual rent of \$4.6 million is offset by \$1.5 million related to the amortization of this deferred gain.

As of January 29, 2011, we operated 380 Casual Male XL retail stores, 60 Casual Male XL outlet stores, 4 Destination XL stores and 16 Rochester Clothing stores. All of these stores are leased by us directly from owners of several different types of centers, including life-style centers, shopping centers, free standing buildings, outlet centers and downtown locations. The store leases are generally five years in length and contain renewal options extending their terms to between 5 and 10 years. Following this discussion is a listing by state of all store locations open at January 29, 2011.

Sites for store expansion are selected on the basis of several factors intended to maximize the exposure of each store to our target customers. These factors include the demographic profile of the area in which the site is located, the types of stores and other retailers in the area, the location of the store within the center and the attractiveness of the store layout. We also utilize financial models to project the profitability of each location using assumptions such as the center’s sales per square foot averages, estimated occupancy costs and return on investment requirements. We believe that our selection of locations enables our stores to attract customers from the general shopping traffic and to generate our own customers from surrounding areas.

See also “Management’s Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources—Capital Expenditures.”

Store count by State at January 29, 2011

| | |
|-----------------------------|----|
| <u>United States</u> | |
| Alabama | 4 |
| Arizona | 10 |
| Arkansas | 2 |
| California | 57 |
| Colorado | 5 |
| Connecticut | 10 |
| Delaware | 3 |
| District of Columbia | 1 |
| Florida | 26 |
| Georgia | 10 |
| Idaho | 1 |
| Illinois | 22 |
| Indiana | 12 |
| Iowa | 4 |
| Kansas | 3 |
| Kentucky | 5 |
| Louisiana | 5 |
| Maine | 2 |
| Maryland | 13 |
| Massachusetts | 12 |
| Michigan | 17 |
| Minnesota | 7 |
| Mississippi | 2 |
| Missouri | 10 |
| Montana | 1 |
| Nebraska | 3 |
| Nevada | 7 |
| New Hampshire | 3 |
| New Jersey | 19 |
| New Mexico | 2 |
| New York | 32 |
| North Carolina | 11 |
| North Dakota | 1 |
| Ohio | 17 |
| Oklahoma | 3 |
| Oregon | 5 |
| Pennsylvania | 27 |
| Rhode Island | 1 |
| South Carolina | 5 |
| South Dakota | 1 |
| Tennessee | 6 |
| Texas | 38 |
| Utah | 3 |
| Vermont | 1 |
| Virginia | 13 |
| Washington | 8 |
| West Virginia | 1 |
| Wisconsin | 8 |
| <u>International</u> | |
| London, England | 1 |

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Item 3. *Legal Proceedings*

We are subject to various legal proceedings and claims that arise in the ordinary course of business. We believe that the resolution of these matters will not have an adverse impact on our operations or financial position.

Item 4. *Reserved*

PART II.**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock is listed for trading on the NASDAQ Global Select Market under the symbol "CMRG."

The following table sets forth, for the periods indicated, the high and low per share sales prices for the common stock, as reported on Nasdaq.

| <u>Fiscal Year Ended January 29, 2011</u> | <u>High</u> | <u>Low</u> |
|---|-------------|------------|
| First Quarter | \$4.49 | \$2.85 |
| Second Quarter | 4.29 | 2.88 |
| Third Quarter | 5.10 | 2.67 |
| Fourth Quarter | 5.52 | 4.13 |
| | | |
| <u>Fiscal Year Ended January 30, 2010</u> | <u>High</u> | <u>Low</u> |
| First Quarter | \$1.47 | \$0.26 |
| Second Quarter | 2.60 | 1.15 |
| Third Quarter | 3.78 | 2.00 |
| Fourth Quarter | 3.26 | 2.08 |

As of March 10, 2011, based upon data provided by independent shareholder communication services and the transfer agent for our common stock, there were approximately 206 holders of record of our common stock. The number of holders does not include individuals or entities who beneficially own shares but whose shares are held of record by a broker or clearing agent, but does include each such broker or clearing agency as one record holder.

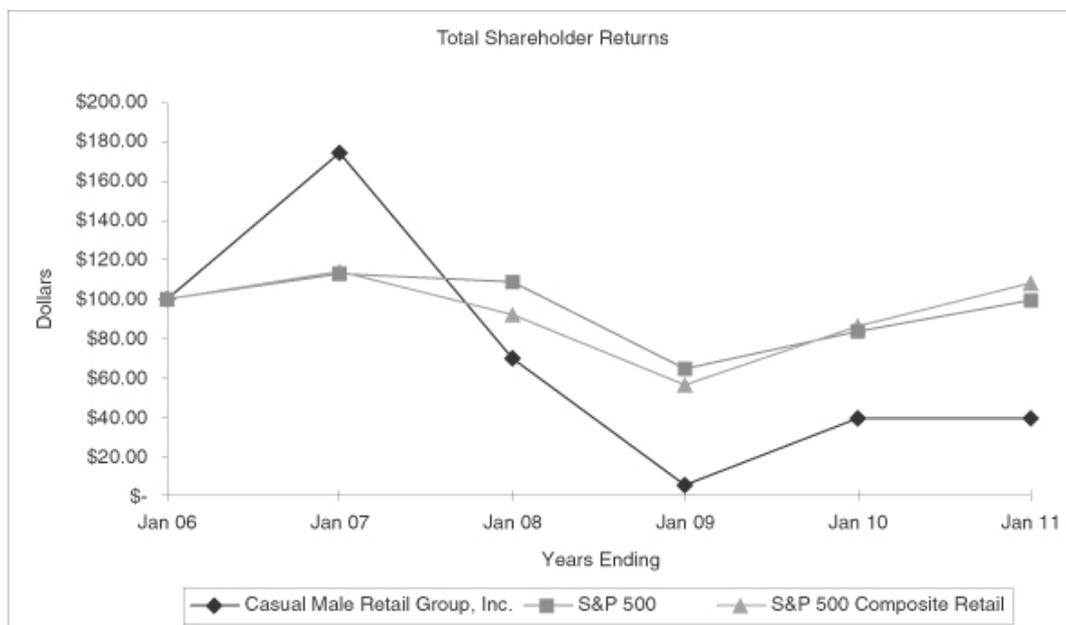
We have not paid and do not anticipate paying cash dividends on our common stock. In addition, financial covenants in our loan agreement may restrict dividend payments. For a description of these financial covenants see Note C to the Notes to the Consolidated Financial Statements.

Issuer Purchases of Equity Securities

None.

Stock Performance Graph

The following Performance Graph compares our cumulative stockholder return with that of a broad market index (Standard & Poor’s 500) and one published industry index (Standard & Poor’s 500—Composite Retail Index) for each of the most recent five years ended January 31. The cumulative stockholder return for shares of our common stock (“CMRG”) and each of the indices is calculated assuming that \$100 was invested on January 31, 2006. We paid no cash dividends during the periods shown. The performance of the indices is shown on a total return (dividends reinvested) basis. The graph lines merely connect January 31 of each year and do not reflect fluctuations between those dates. In addition there is a chart of the annual percentage return of our common stock, the S&P 500 and the S&P 500 Composite Retail.



In prior years, we used the S&P Industrials Index as our broad market index; however, that index is no longer available. Accordingly, this year we used the S&P 500 to replace the S&P Industrials as our broad market index. Because the S&P Industrials is no longer available, we cannot provide a concurrent comparison to that index.

Annual Return Percentage

| Company/Index | Years Ending | | | | |
|------------------------|--------------|---------|---------|--------|--------|
| | Jan 07 | Jan 08 | Jan 09 | Jan 10 | Jan 11 |
| CMRG | 74.55 | (60.10) | (92.37) | 636.84 | 47.86 |
| S&P 500 | 12.83 | (3.66) | (40.81) | 30.03 | 18.85 |
| COMPOSITE RETAIL - 500 | 13.97 | (19.24) | (39.03) | 53.65 | 25.46 |

Indexed Returns

| Company/Index | Base Period | | | | | |
|------------------------|-------------|--------|--------|--------|--------|--------|
| | Jan 06 | Jan 07 | Jan 08 | Jan 09 | Jan 10 | Jan 11 |
| CMRG | 100 | 174.55 | 69.65 | 5.31 | 39.16 | 39.16 |
| S&P 500 | 100 | 112.83 | 108.70 | 64.33 | 83.65 | 99.43 |
| COMPOSITE RETAIL - 500 | 100 | 113.97 | 92.05 | 56.12 | 86.22 | 108.18 |

The performance graph above shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section. This graph will not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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Item 6. Selected Financial Data

The following tables set forth selected consolidated financial data of our Company as of and for each of the years in the five-year period ended January 29, 2011 and should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our accompanying Consolidated Financial Statements and Notes thereto.

Our selected consolidated financial data for the years ended January 29, 2011, January 30, 2010 and January 31, 2009 and as of January 29, 2011 and January 30, 2010 have been derived from our accompanying Consolidated Financial Statements which were audited by Ernst & Young LLP, an independent registered public accounting firm. Our selected consolidated financial data for the years ended February 2, 2008 and February 3, 2007, and as of January 31, 2009, February 2, 2008 and February 3, 2007, have been derived from our Consolidated Financial Statements not included herein, which were audited by Ernst & Young LLP.

For a discussion of certain factors that materially affect the comparability of the selected consolidated financial data or cause the data reflected herein not to be indicative of our future results of operations or financial condition, see Item 1A “Risk Factors” and Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

| | Fiscal Years Ended ⁽¹⁾ | | | | |
|---|---|---|---|--------------------------------------|--------------------------------------|
| | January 29, 2011 (Fiscal 2010) | January 30, 2010 (Fiscal 2009) | January 31, 2009 (Fiscal 2008) | February 2, 2008 (Fiscal 2007) | February 3, 2007 (Fiscal 2006) |
| (In millions, except per share and operating data) | | | | | |
| INCOME STATEMENT DATA: | | | | | |
| Sales | \$ 393.6 | \$ 395.2 | \$ 444.2 | \$ 464.1 | \$ 465.4 |
| Gross profit, net of occupancy costs | \$ 180.4 | \$ 174.6 | \$ 189.6 | \$ 206.0 ⁽⁵⁾ | \$ 211.6 |
| Selling, general and administrative expenses | 150.9 | 151.0 | 178.1 | 178.1 | 168.8 |
| Depreciation and amortization | 13.2 | 15.5 | 17.1 | 17.4 | 15.0 |
| Provision for impairment of assets, including goodwill | — | — | \$ 71.4 ⁽²⁾ | — | — |
| Operating income (loss) | \$ 16.3 | \$ 8.1 | \$ (77.0) | \$ 10.5 | \$ 26.6 |
| Provision (benefit) for income taxes | \$ 0.7 ⁽³⁾ | \$ 1.5 | \$ 28.9 ⁽⁴⁾ | \$ 2.8 | \$ (21.1) ⁽⁶⁾ |
| Income (loss) from continuing operations | \$ 15.4 | \$ 6.1 | \$ (108.4) | \$ 3.9 | \$ 43.3 |
| Net income (loss) | \$ 15.4 | \$ 6.1 | \$ (109.3) | \$ 0.4 | \$ 42.6 |
| Income (loss) from continuing operations per share—diluted | \$ 0.32 | \$ 0.14 | \$ (2.62) | \$ 0.09 | \$ 0.99 |
| Net income (loss) per share—diluted | \$ 0.32 | \$ 0.14 | \$ (2.64) | \$ 0.01 | \$ 0.98 |
| BALANCE SHEET DATA: | | | | | |
| Working capital | \$ 63.3 | \$ 45.6 | \$ 20.0 | \$ 41.0 | \$ 66.8 |
| Inventories | 92.9 | 90.0 | 98.6 | 117.8 | 114.5 |
| Property and equipment, net | 39.1 | 41.9 | 52.2 | 62.2 | 59.1 |
| Total assets | 182.6 | 181.0 | 201.2 | 325.4 | 320.4 |
| Long term debt | — | 2.7 | 7.6 | 12.5 | — |
| Stockholders’ equity | 111.3 | 93.2 | 71.8 | 181.9 | 218.0 |
| Cash flow provided by operating activities | \$ 19.0 | \$ 30.8 | \$ 23.2 | \$ 11.7 | \$ 12.1 |
| Comprised of: | | | | | |
| Cash provided by operations before change in operating assets and liabilities | \$ 30.1 | \$ 21.5 | \$ 11.3 | \$ 24.0 | \$ 34.8 |
| Change in operating assets and liabilities | (11.1) | 9.3 | 11.9 | (12.3) | (22.7) |
| Cash flow provided by operating activities | 19.0 | 30.8 | 23.2 | 11.7 | 12.1 |
| Less: capital expenditures | (9.0) | (4.6) | (12.6) | (21.4) | (22.7) |
| Less: acquisitions ⁽⁷⁾ | — | — | (3.0) | — | (3.0) |
| Free cash flow ⁽⁷⁾ | \$ 10.0 | \$ 26.2 | \$ 7.6 | \$ (9.7) | \$ (13.6) |
| OPERATING DATA: | | | | | |
| Comparable sales percentage | 1.5% | (10.8)% | (4.3)% | 2.0% | 9.0% |
| Gross profit margins | 45.8% | 44.2% | 42.7% | 44.4% | 45.5% |
| Operating margins | 4.1% | 2.0% | (17.3)% | 2.3% | 5.7% |
| Net sales per square foot | \$ 176 | \$ 174 | \$ 193 | \$ 208 | \$ 211 |
| Number of stores open at fiscal year end | 460 | 479 | 494 | 488 | 508 |

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- (1) Our fiscal year is a 52 or 53 week period ending on the Saturday closest to January 31. The fiscal year ending February 3, 2007 included 53 weeks.
- (2) During the fourth quarter of fiscal 2008, we recorded a full non-cash impairment charge related to our goodwill for \$63.1 million and a partial impairment of our Rochester trademark of \$2.5 million. These impairments were due to the downturn in the economy and the deterioration in the capital markets which had a direct impact on our business during fiscal 2008 and resulted in a significant decrease in the fair value of our Company at the end of the fourth quarter of fiscal 2008. In addition, we also recorded a non-cash charge of \$5.8 million for the impairment of fixed assets.
- (3) During the third quarter of fiscal 2010, we recognized a tax benefit of \$0.8 million, or \$0.02 per diluted share, as a result of the reduction in our liability for uncertain tax positions, due to the expiration of certain statutes of limitation.
- (4) During the fourth quarter of fiscal 2008, we recorded a non-cash charge of \$28.6 million to establish a full valuation allowance against our deferred tax assets. As a result of the operating losses incurred in fiscal 2008 and the overall condition of the economy, the realizability of our deferred tax assets could not be assured. For a discussion of the valuation allowance, see Note D to the Notes to the Consolidated Financial Statements.
- (5) During the fourth quarter of fiscal 2007, we recorded a charge to gross margin of approximately \$6.1 million, or \$0.08 per diluted share, for the write-down of inventory for both our Casual Male and Rochester businesses.
- (6) In the fourth quarter of fiscal 2006, we reversed \$31.0 million of our deferred tax valuation allowance of which \$30.5 million was recognized as an income tax benefit and \$0.5 million was recorded as an adjustment to additional paid-in capital. The income tax benefit of \$30.5 million was partially offset by \$8.9 million in tax provisions.
- (7) Free cash flow is considered a non-GAAP financial measure under SEC regulations. We present this measure as supplemental information to help investors better understand trends in our business results over time. We use free cash flow to evaluate the performance of our business. Free cash flow is not equivalent to any measure of performance required to be reported under GAAP, nor should this data be considered an indicator of our overall financial performance or liquidity. Moreover, the free cash flow definition we use may not be comparable to similarly titled measures used by other companies. We calculate free cash flows as cash flow from operating activities, less capital expenditures and discretionary store asset acquisitions. In the second quarter of fiscal 2009, we changed our method of calculating free cash flow to include, as a deduction, the use of cash for the acquisition of Dahle Big & Tall stores in fiscal 2008 and the acquisition of Jared M. in fiscal 2006. Accordingly, free cash flow for fiscal 2008 and fiscal 2006, which were previously defined as cash flow from operating activities less capital expenditures, were restated to include the cash used for the Dahle acquisition of \$3.0 million and the Jared M. acquisition of \$3.0 million, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD LOOKING STATEMENTS

As noted above, this Annual Report on Form 10-K, including, without limitation, this Item 7, contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. Actual results or developments could differ materially from those projected in such statements as a result of numerous factors, including, without limitation those risks and uncertainties set forth in Item 1A, *Risk Factors* which you are encouraged to read. The following discussion and analysis of our financial condition and results of operations should be read in light of those risks and uncertainties and in conjunction with our accompanying Consolidated Financial Statements and Notes thereto.

EXECUTIVE OVERVIEW

2010 Financial Summary

We exceeded our original expectations for earnings in fiscal 2010, despite the slow economic recovery. With an essentially flat sales base in fiscal 2010, we were able to double our operating income from \$8.0 million in fiscal 2009 to \$16.2 million for fiscal 2010, resulting in diluted earnings per share of \$0.32 per share as compared to \$0.14 per share in fiscal 2009.

While traffic and consumer spending are slow to recover, we have seen our business strengthen each quarter across all of our brands. For fiscal 2010, we generated a positive comparable sales increase of 1.5% compared to comparable sales decreases of -10.8% and -4.3% for fiscal 2009 and fiscal 2008, respectively. Moreover, we continue to produce strong gross margins with a rate increase of 316 basis points over the past two years, in spite of a decrease in total sales of 11.4% from fiscal 2008 to fiscal 2010. Our selling, general and administrative (SG&A) expenses for fiscal 2010 remained flat to the prior year, as we continued to manage our cost structure effectively.

Of equal significance is the strength of our financial position at the end of fiscal 2010. For the first time in more than ten years, we are debt-free and have cash on-hand. In addition, as discussed below under "Liquidity and Capital Resources", during the fourth quarter of fiscal 2010, we entered into an amended and restated credit facility which will not expire until November 2014. With no outstanding borrowings at January 29, 2011, we had full availability under this credit facility of \$63.0 million. In addition, we continue to aggressively manage our inventory, which has been a key component to optimizing our merchandise margins, enabling us to avoid excessive promotional and clearance activity.

Our cash flow from operating activities was \$19.0 million for fiscal 2010 as compared to \$30.8 million in fiscal 2009. Our resulting free cash flow (as defined below under "Presentation of Non-GAAP Measures") for fiscal 2010 was \$10.0 million as compared to \$26.2 million for fiscal 2009. The primary reason for the decrease in free cash flow of \$16.2 million was due to the timing of cash flow from operating assets and liabilities, resulting in a swing of \$20.4 million, and an increase in capital expenditure of \$4.4 million. These decreases were partially offset by an increase in cash flow from operations before changes in operating assets and liabilities of \$8.6 million. These changes primarily relate to changes in working capital; specifically, an increase in inventory and, with excess cash available, a reduction in accounts payable. Our working capital has more than tripled since fiscal 2008 to \$63.3 million at the end of fiscal 2010 primarily as a result of reduction in current liabilities.

Destination XL

During fiscal 2010, we opened our first four Destination XL™ (also called DXL™) stores located in the following markets: Schaumburg, IL; Memphis, TN; Houston, TX; and Las Vegas, NV.

For fiscal 2010, the four DXL stores collectively have met our expectations with sales increases of over 20%, when compared to the prior year's predecessor stores from each of the respective DXL store market areas. Once a DXL store has fully matured, which we estimate to be 36 months, EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) margins are expected to be approximately 30%. Based on the strong

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performance of these four stores thus far, we anticipate opening an additional 10-14 new DXL stores in fiscal 2011. Depending on the real estate and market demographics for each of these store locations, we expect the size of each store to vary between 6,000 to 12,000 square feet, to accommodate each market.

During the second quarter of fiscal 2011, we will be launching the DXL website, which will combine all of our existing e-commerce sites into one enhanced website, with state-of-the-art features and best practices. This will enable our customers to shop across all of our brands and product extensions with ease and will bring all of our customers under one concept. Their classification as a "Rochester" customer or a "Casual Male" customer will no longer limit their ability to access our full product assortment.

Fiscal 2011 Outlook

We expect to continue to improve upon our performance during fiscal 2011, with earnings for fiscal 2011 to be between \$0.40 to \$0.45 per diluted share. On a quarterly basis, we expect to see slight earnings improvements in each of the first three quarters, with the majority of the earnings growth occurring in the second half of fiscal 2011. This is based on an increase in sales of approximately 3%-4% resulting in total sales of \$405.0-\$410.0 million. Our gross margin rate is expected to improve an additional 75 to 125 basis points. This increase is expected to be driven primarily by our expectation that occupancy costs, on a dollar basis, will remain relatively flat to fiscal 2010. We are reinstating our employer match for our 401K Plans and are also planning on modest salary increases for our employees, resulting in an expected increase in SG&A of approximately 3% to \$156.0 million. The modest salary increases are the first increases since the economic difficulties began in fiscal 2008.

From a liquidity perspective, we expect to cash flow from operating activities of \$34.0 million, resulting in free cash flow (as defined below under "Presentation of Non-GAAP Measures") of approximately \$16.0 million. We expect our cash balances to increase to \$20.0-\$25.0 million by the end of fiscal 2011. Our capital expenditures for fiscal 2011 will be approximately \$18.0 million. These expenditures will primarily be spent on investing in the infrastructure of our direct channel, in connection with the launch of our new DXL website in the first half of fiscal 2011, and capital incurred with our planned opening of 10 to 14 new DXL stores. As we open new DXL stores, we will be closing existing stores in the area. For fiscal 2011, we currently expect to close 15 to 20 existing stores.

Presentation of Non-GAAP Measures

The presentation of non-GAAP free cash flow is not a measure determined by generally accepted accounting principles ("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 believe that inclusion of this non-GAAP measure helps investors gain a better understanding of our performance, especially when comparing such results to previous periods.

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

| | <u>Fiscal 2010</u> | <u>Fiscal 2009</u> (in millions) | <u>Projected Cash Flow</u> <u>Fiscal 2011</u> |
|---|--------------------|-------------------------------------|--|
| Cash flow provided by operating activities | \$ 19.0 | \$ 30.8 | \$ 34.0 |
| Comprised of: | | | |
| Cash flow provided by operations before changes in operating assets and liabilities | \$ 30.1 | 21.5 | — |
| Change in operating assets and liabilities | (11.1) | 9.3 | — |
| Cash flow provided by operating activities | \$ 19.0 | \$ 30.8 | \$ 34.0 |
| Less: Capital expenditures | (9.0) | (4.6) | (18.0) |
| Free Cash Flow | \$ 10.0 | \$ 26.2 | \$ 16.0 |

SEGMENT REPORTING

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

RESULTS OF OPERATIONS

Our fiscal year is a 52- or 53-week period ending on the Saturday closest to January 31. Fiscal 2010, 2009 and 2008 were 52- week periods.

Comparable sales for all periods include our retail stores that have been open for at least one full fiscal year together with our e-commerce and catalog sales. Stores that have been remodeled, expanded or re-located during the period are also included in our determination of comparable sales. We include our direct businesses as part of our calculation of comparable sales since we are a multi-channel retailer, offering our customers convenient alternatives for their shopping. 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.

SALES

Sales for fiscal 2010 decreased \$1.5 million, or 0.4%, to \$393.6 million as compared to \$395.2 million in fiscal 2009. Comparable sales for fiscal 2010 increased 1.5% when compared to the same period of the prior year. This comparable sales increase consisted of a 0.5% increase in sales from our Casual Male XL business and a 2.7% increase in our Rochester business. Our Rochester business was most affected by the economic recession; as a result, we are seeing improvements in our Rochester business as our high-end customers start returning. Our B&T Factory Direct business, which caters to our value-oriented customer, increased 13.4% over fiscal 2009, representing two years of double-digit increases for this direct business.

Our comparable sales increase for fiscal 2010 of 1.5% is primarily attributable to improvements in sales productivity. While store traffic was still down 4.2% for fiscal 2010, it was a substantial improvement from -9.7% and -9.2% experienced in fiscal 2009 and fiscal 2008, respectively. In addition, we also continued to see improvements each quarter in our conversion rate (the percentage of store customers who make a purchase) as well as improvements in dollars spent per transaction. These improvements are largely attributable to ongoing efforts within store operations to develop a stronger sales force that is sales-driven and focused on serving the customer. On a comparable basis, sales from our direct businesses increased by 3.2% and sales from our retail business increased 1.1%.

Sales for fiscal 2009 decreased \$49.0 million, or 11.0%, to \$395.2 million as compared to \$444.2 million for fiscal 2008. This decrease reflected the difficult economic and retail environment that we experienced in fiscal 2009. Reduced consumer spending and therefore lack of traffic to our stores resulted in a very challenging year for us from a sales perspective. The sales shortfall of \$49.0 million was primarily attributable to a decrease in our comparable sales of 10.8%. Sales in our retail channel declined by 10.6%, while sales decreased 14.2% in our direct channel.

With a total decrease of 20.6% in fiscal 2009, our higher-end Rochester business was affected the most by the downturn in the economy. Conversely, our value-oriented Casual Male XL outlet stores performed significantly better, with a comparable sales decrease of only 2.6% over the prior year. In addition, our B&T Factory Direct business performed very well during fiscal 2009, with a 16.7% increase over fiscal 2008.

Sales across our direct marketing catalog and e-commerce businesses decreased 14.2% in fiscal 2009 as compared to fiscal 2008. The decrease was partially driven by a planned 35% reduction in catalog circulation to improve productivity. This resulted in a nearly 30% increase in our sales productivity per catalog.

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As expected, consumer spending and traffic has started to improve, albeit slowly. Each quarter, we experienced gradual improvements in our store metrics as traffic and conversion rates started to increase. Although we do not expect traffic levels to return to pre-recession levels this year, we are planning for a modest increase in our dollars per transaction as a result of price increases on some of our merchandise product. As such, we are expecting fiscal 2011 sales volumes to increase by approximately 3.0-4.0%, with total sales to be between \$405.0-410.0 million. We expect comparable sales growth to approximate between 4.0-4.5%.

GROSS MARGIN

Gross margin rate for fiscal 2010 was 45.8% as compared to 44.2% for fiscal 2009 and 42.7% for fiscal 2008. The increase of 166 basis points for fiscal 2010 was comprised of a 96 basis point increase in merchandise margin and an increase of 70 basis points in occupancy costs. Our merchandise margin improvement of 96 basis points was slightly below where we expected merchandise margins to be for fiscal 2010 as a result of higher than planned markdown activity and increased freight costs, but overall our merchandise margin continues to improve as a result of our aggressive inventory control. As we have increased the flow of fashion merchandise to the stores, we have also increased the frequency of adding clearance inventory. However, we expect that our clearance inventory levels will remain at approximately 10-14% of total inventory and, therefore, we do not expect increases in clearance markdown activity. In addition, we continue to benefit from our growing global sourcing activities which have also contributed to maintaining our merchandise cost structure. Our occupancy costs improvement of 70 basis points was the result of the annualization of our rent-reduction efforts with landlords that occurred primarily in fiscal 2009.

The increase of 150 basis points for fiscal 2009, as compared to fiscal 2008, was comprised of a 340 basis point increase in merchandise margin partially offset by an increase of 190 basis points in occupancy costs, due to the lower sales base. Our aggressive management of inventory and our reduced emphasis on promotional activities were the primary factors in the significant improvement of our merchandise margin in fiscal 2009. We very successfully aligned our inventory receipts with our revised sales forecast such that inventory levels were maintained at desired levels helping to minimize clearance markdowns. Although our occupancy costs, as a percentage of sales, were unfavorable, our occupancy costs on a dollar basis for fiscal 2009 remained flat to fiscal 2008 as a result of our active re-negotiations of lease terms with many of our landlords.

For fiscal 2011, we are expecting that our occupancy costs, on a dollar-basis, will remain flat to fiscal 2010. As a result, we expect to leverage occupancy costs by approximately 30 to 50 basis points in fiscal 2011. In addition, we are planning on continued improvement of 45 to 75 basis points in merchandise margins. Accordingly, for fiscal 2011, we are expecting gross margin will improve by approximately 75 to 125 basis points.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses as a percentage of sales for fiscal 2010, 2009 and 2008 were 38.3%, 38.2% and 40.1%, respectively.

SG&A expenses for fiscal 2010 of \$150.9 million were essentially flat to fiscal 2009 SG&A expenses of \$151.0 million. As planned, we maintained a similar cost structure to fiscal 2009 and limited our SG&A expense to those programs supporting our growth activities. For fiscal 2010, we continued to realize cost savings from several of our 2009 cost reduction initiatives, such as reductions in store payroll and lower distribution costs. These cost savings absorbed increases in expenses principally related to our DXL stores.

On a dollar basis, SG&A expenses of \$151.0 million for fiscal 2009, represents a \$27.0 million, or 15.2%, decrease as compared to \$178.1 million for fiscal 2008. Approximately half of the savings for fiscal 2009 were the result of our revised marketing strategy, which has been refined to focus on our most productive customer base. The remainder of the savings resulted from our cost reduction efforts throughout our organization, including corporate overhead, distribution and field productivity improvements and staff reductions. These significant savings were partially offset by an increase of approximately \$6.2 million related to a bonus accrual for both our annual incentive plan as well as our senior management long-term incentive plan.

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While SG&A expense management is a significant priority for us, we are expecting our SG&A expenses to increase by approximately 3% for fiscal 2011. This increase is primarily related to our incremental marketing costs associated with targeting our new DXL stores as well as the reinstatement of our 401K employer match and modest salary increases to our associates. 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.

PROVISION FOR IMPAIRMENT OF ASSETS, INCLUDING GOODWILL

We did not have any significant impairment with respect to our long-lived assets and intangible assets in fiscal 2010 and fiscal 2009.

In fiscal 2008, we recorded impairment charges totaling \$71.4 million. This total included: (i) a charge of \$63.1 million for the full impairment of our goodwill for both of our reporting units, (ii) a partial impairment of \$2.5 million against our Rochester trademark and (iii) an impairment of long-lived assets of \$5.8 million. For more information regarding these impairments, see “Critical Accounting Policies—Goodwill and Intangibles” and “Critical Accounting Policies—Impairment of Long-Lived Assets.”

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense was \$13.2 million for fiscal 2010, \$15.5 million for fiscal 2009 and \$17.1 million for fiscal 2008. Depreciation and amortization expense for fiscal 2010 has decreased as compared to fiscal 2009 and 2008, primarily as a result of the reduced capital spending in fiscal 2009 and the impairment charge incurred in fiscal 2008.

OTHER INCOME (EXPENSE)

In fiscal 2006, we sold our loss prevention subsidiary, LP Innovations, Inc. (“LPI”), for a purchase price of \$5.2 million. In connection with the LPI sale, we received a note for \$2.2 million, representing a portion of the sale price. Due to the initial uncertainty regarding the collection of the note, we had reserved for the note on the Consolidated Balance Sheets and have been recognizing income on the note when realizability was assured. For each of the fiscal years 2010, 2009 and 2008, we recognized \$0.5 million, \$0.6 million and \$0.5 million, respectively, as “other income.” At January 29, 2011, the balance of the note is \$0.5 million and there is no remaining income on the sale of LPI to be realized.

INTEREST EXPENSE, NET

Net interest expense was \$0.7 million in fiscal 2010 as compared to \$1.1 million in fiscal 2009 and \$3.0 million in fiscal 2008. The continued reduction in interest costs over the past two years was due to a total repayment of both our long-term debt as well as our credit facility. At the end of fiscal 2008, we had total debt of approximately \$51.2 million. At the end of fiscal 2010, we are debt-free and throughout fiscal 2010 our average outstanding borrowings under our credit facility were only \$5.2 million compared with average borrowings of \$32.1 million in fiscal 2009 and \$50.0 million in fiscal 2008.

See “Liquidity and Capital Resources” for more discussion regarding our current debt obligations and future liquidity needs.

DISCONTINUED OPERATIONS

During the first quarter of fiscal 2008, we sold our Jared M. business to a third party for a cash purchase price of \$250,000 and no gain or loss was realized on the sale. During the fourth quarter of fiscal 2008, we recorded a charge of \$895,000 for the outstanding lease obligation for the Jared M. showroom. No income tax benefit was realized on this charge during fiscal 2008 due to the establishment of our full valuation allowance against all of our deferred tax assets.

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INCOME TAXES

Pursuant to accounting rules, realization of our deferred tax assets, which relate principally to federal net operating loss carryforwards, which expire from 2018 through 2029, is dependent on generating sufficient taxable income in the near term.

In fiscal 2008, the weakened economy had a negative impact on our revenue and profitability. Further, the conditions of the economy also negatively impacted our market value as a result of the deterioration of the capital markets which resulted in substantial impairments, contributing to our operating loss. Accordingly, due to our cumulative operating losses as well as our uncertainty regarding the economy and our ability to generate future taxable income to realize all of our deferred tax assets, in fiscal 2008, we recorded a charge of \$28.6 million to establish a valuation allowance against our deferred tax assets.

As of January 29, 2011, we have net operating loss carryforwards of \$55.5 million for federal income tax purposes and \$37.2 million for state income tax purposes that are available to offset future taxable income, subject to certain annual usage limitations, through fiscal year 2029. As a result of the Casual Male acquisition and the issuance of additional equity in fiscal 2002, at January 29, 2011, the utilization of approximately \$5.5 million in federal net operating losses is subject to an annual limitation of approximately \$4.8 million per year. Additionally, we have alternative minimum tax credit carryforwards of \$2.4 million, which are available to further reduce income taxes over an indefinite period.

During the third quarter of fiscal 2010, we recognized a tax benefit of \$0.8 million, or \$0.02 per diluted share, as a result of the reduction in our liability for uncertain tax positions, due to the expiration of certain statutes of limitation.

NET INCOME (LOSS)

Net income for fiscal 2010 was \$15.4 million, or \$0.32 per diluted share, compared to net income of \$6.1 million, or \$0.14 per diluted share, in fiscal 2009 and a net loss of \$(109.3) million, or \$(2.64) per diluted share, in fiscal 2008.

| | <u>Fiscal 2010</u> | <u>Fiscal 2009</u> <u>(in millions)</u> | <u>Fiscal 2008</u> |
|---|--------------------|--|--------------------------|
| Operating income (loss) before non-cash and severance charges | \$ 16.3 | \$ 8.1 | \$ (3.6) ⁽¹⁾ |
| Severance costs and non-cash acceleration of stock compensation expense | — | — | (2.0) |
| Provision for impairment of assets, including goodwill | — | — | (71.4) |
| Operating income (loss) | \$ 16.3 | \$ 8.1 | \$ (77.0) ⁽²⁾ |
| Other income (expense), net | 0.5 | 0.6 | 0.5 |
| Interest expense | (0.7) | (1.1) | (3.0) |
| Provision for income taxes | (0.7) | (1.5) | (28.9) |
| Loss from discontinued operations | — | — | (0.9) ⁽²⁾ |
| Net income (loss) | <u>\$ 15.4</u> | <u>\$ 6.1</u> | <u>\$ (109.3)</u> |

- (1) For fiscal 2008, operating income (loss) before non-cash and severance charges of \$(3.6) million is a non-GAAP measure and is not meant to be considered superior to or as a substitute for operating income (loss), on a GAAP basis, of \$(77.0) million. Considering the materiality of the impairment-related charges incurred during fiscal 2008, we believe that the above table is a meaningful presentation to measure our operating performance, especially when comparing such results to fiscal 2009 and fiscal 2010.
- (2) Results for fiscal 2008 include total impairment charges of \$71.4 million (\$63.1 million for goodwill impairment, \$2.5 million for impairment of the Rochester trademark and \$5.8 million for the impairment of fixed assets). We also recorded an additional non-cash charge of \$1.5 million for stock compensation expense related to the acceleration of vesting for certain stock options which were repurchased during fiscal 2008 and approximately \$0.5 million for severance costs. We also established a reserve against our deferred tax assets at January 31, 2009, and accordingly, recorded a charge of \$28.6 million.

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SEASONALITY

A comparison of sales in each quarter of the past three fiscal years is presented below. The amounts shown are not necessarily indicative of actual trends, because such amounts also reflect the addition of new stores and the remodeling and closing of others during these periods. Consistent with the retail apparel industry, our business is seasonal. The majority of our operating income is generated in the fourth quarter as a result of the impact of the Christmas selling season. A comparison of quarterly sales, gross profit, and net income per share for the past two fiscal years is presented in Note L of the Notes to the Consolidated Financial Statements.

| | <u>FISCAL 2010</u> | | <u>FISCAL 2009</u> | | <u>FISCAL 2008</u> | |
|----------------|--|---------------|--------------------|---------------|--------------------|---------------|
| | <i>(in millions, except percentages)</i> | | | | | |
| First quarter | \$ 95.0 | 24.1% | \$ 97.6 | 24.7% | \$ 107.6 | 24.2% |
| Second quarter | 97.3 | 24.7% | 98.2 | 24.9% | 113.5 | 25.6% |
| Third quarter | 89.8 | 22.9% | 88.7 | 22.4% | 100.0 | 22.5% |
| Fourth quarter | 111.5 | 28.3% | 110.7 | 28.0% | 123.1 | 27.7% |
| | <u>\$393.6</u> | <u>100.0%</u> | <u>\$395.2</u> | <u>100.0%</u> | <u>\$444.2</u> | <u>100.0%</u> |

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash generated from operations and availability under our credit facility, as amended (“Credit Facility”), with Bank of America, N.A. Our current cash needs are primarily for working capital (essentially inventory requirements), capital expenditures and growth initiatives.

Despite the economic recession and weakened retail environment, which is slowly starting to recover, we have been able to reduce our total debt by \$51.2 million over the past twenty-four months as a result of our committed efforts to manage inventory effectively and reduce our cost structure. At January 29, 2011, we have no outstanding debt and full availability under our credit facility. We believe that our existing cash generated by operations, together with our availability under our credit facility, will be more than sufficient for us to meet our foreseeable liquidity requirements.

The following table sets forth financial data regarding our liquidity position at the end of the past three fiscal years:

| | <u>FISCAL YEARS</u> | | |
|-----------------------------|-------------------------------------|-------------|-------------|
| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
| | <i>(in millions, except ratios)</i> | | |
| Cash provided by operations | \$ 19.0 | \$ 30.8 | \$ 23.2 |
| Working capital | \$ 63.3 | \$ 45.6 | \$ 20.0 |
| Current ratio | 2.4:1 | 1.8:1 | 1.2:1 |

The decrease in cash provided by operations was due to the timing of working capital accounts partially offset by our improved results of operations. See “Presentation of Non-GAAP Measures” above regarding non-GAAP adjusted cash flow from operating activities.

Sale of Common Stock

In fiscal 2009, we raised gross proceeds of \$13.6 million from the sale of 4.95 million shares of our common stock through a registered direct offering. Offering costs associated with the sale were approximately \$1.1 million. The net proceeds of approximately \$12.5 million from this offering were used for general corporate purposes, primarily the repayment of indebtedness.

Credit Facility

During the fourth quarter of fiscal 2010, we entered into an amended and restated credit facility with Bank of America, N.A. (the "Credit Facility"). The Credit Facility provides for a maximum committed borrowing of \$75 million, which, pursuant to an accordion feature, may be increased to \$125 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 letter of credits and a sublimit of up to \$15 million for Swingline Loans. The maturity date of the Credit Facility is November 10, 2014.

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% and (c) the one month LIBOR rate) plus a varying percentage, based on our borrowing base, of 1.00-1.25% for prime-based borrowings and 2.00-2.25% for LIBOR-based borrowings.

We had no outstanding borrowings under the Credit Facility at January 29, 2011. Outstanding standby letters of credit were \$2.3 million and outstanding documentary letters of credit were \$7.7 million. Average borrowings outstanding under this facility during fiscal 2010 were approximately \$5.2 million, resulting in an average unused excess availability of approximately \$62.1 million. Unused excess availability at January 29, 2011 was \$63.0 million. Our ability to borrow under the Credit Facility is determined using an availability formula based on eligible assets, with increased advance rates based on seasonality. This facility contains no financial covenants.

Master Loan and Security Agreement

In July 2007, we entered into a Master Loan and Security Agreement (the "Master Agreement") with Banc of America Leasing & Capital, LLC ("BALC") for equipment financing. In conjunction with the Master Agreement, we entered into an Equipment Security Note (the "First Secured Note"), whereby we borrowed an aggregate of \$17.4 million from BALC. The First Secured Note was due on July 20, 2011. In January 2008, we entered into a second Equipment Security Note (the "Second Secured Note"), pursuant to the same terms and provisions of the Master Agreement, whereby we borrowed an additional \$2.1 million. The Second Secured Note was due January 16, 2012. Both notes accrued interest at a per annum rate of 1.75% plus the rate of interest equal to the 30-day published LIBOR rate.

At January 30, 2010, the total outstanding balance for these two notes was \$7.6 million. During fiscal 2010, we made scheduled payments of \$4.9 million and in the fourth quarter of fiscal 2010, we prepaid, with no penalty, the remaining outstanding balance of \$2.7 million.

INVENTORY

At January 29, 2011, total inventories were \$92.9 million as compared to \$90.0 million at January 30, 2010. The slight increase in inventory of \$2.9 million, or 3.2%, is primarily due to a shift in our merchandise receipts to receive selected merchandise earlier, especially imports, to avoid out of stock positions and delays to our stores.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements as defined by 303(a)(4) of Regulation S-K.

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CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations at January 29, 2011, and the effect such obligations are expected to have on our liquidity and cash flows in future periods:

| <u>Contractual Obligations</u> | <u>Payments due by period</u> | | | | |
|---|-------------------------------|-----------------------------|----------------------|----------------------|------------------------------|
| | <u>Total</u> | <u>Less than 1 year</u> | <u>1-3 years</u> | <u>3-5 years</u> | <u>More than 5 years</u> |
| Operating Leases(1) | \$243.7 | \$ 47.0 | \$71.5 | \$41.3 | \$ 83.9 |
| Long-Term Debt Obligations(2) | — | — | — | — | — |
| Non-merchandise Purchase Obligations(3) | 0.1 | 0.1 | — | — | — |
| Total Commitments(4) | <u>\$243.8</u> | <u>\$ 47.1</u> | <u>\$71.5</u> | <u>\$41.3</u> | <u>\$ 83.9</u> |

- (1) Includes amounts due on our 20-year lease agreement for our corporate headquarters and distribution center and operating leases for all of our current store locations and certain equipment and auto leases.
- (2) There is no outstanding long-term debt at January 29, 2011.
- (3) Non-merchandise Purchase Obligations include an on-going consulting agreement with Jewelcor Management, Inc., pursuant to which we are obligated to pay \$0.6 million annually through April 29, 2011. See Note H —“Related Parties” to the Notes to the Consolidated Financial Statements for a full description of this agreement.
- (4) This table excludes Merchandise Purchase Obligations, which represent our outstanding obligations pursuant to open purchase orders. At January 29, 2011, we had approximately \$88.0 million in open purchase orders. We estimate that approximately 70% of these purchase orders may be considered non-cancelable. At January 29, 2011, we had an unfunded Pension Obligation of \$2.5 million, which is not included in the table because of uncertainty over whether or when further contributions will be required.

CAPITAL EXPENDITURES

Below is a summary of store openings, closings and remodels from January 30, 2010 to January 29, 2011 and related square footage:

| <u>Number of Stores:</u> | <u>Casual Male</u> | <u>DXL</u> | <u>Rochester</u> | <u>Total stores</u> |
|--------------------------------------|------------------------|------------|------------------|-------------------------|
| At January 30, 2010 | 460 | — | 19 | 479 |
| New retail stores | — | 4 | — | 4 |
| Closed outlet stores | 5 | — | — | 5 |
| Closed retail stores | 15 | — | 3 | 18 |
| At January 29, 2011 | 440 | 4 | 16 | 460 |
| <u>Square footage (in thousands)</u> | | | | |
| at January 29, 2011 | 1,582 | 46 | 138 | 1,766 |
| at January 30, 2010 | 1,652 | — | 155 | 1,807 |

Our capital expenditures for fiscal 2010 were \$9.0 million, as compared to \$4.6 million in fiscal 2009 and \$12.6 million in fiscal 2008. Our capital projects for fiscal 2010 consisted primarily of approximately \$4.9 million for store capital, primarily for our 4 DXL stores, and \$3.0 million for management information projects, with the remainder used for general capital projects in our distribution center and corporate offices.

For fiscal 2011, our capital expenditures are expected to be approximately \$18.0 million. The budget includes approximately \$10.0 million related to the opening of 10 to 14 additional Destination XL stores and approximately \$5.0 million for continued information technology projects, including the launch of our enhanced multi-branded e-commerce site, with the remainder for general overhead projects. In addition, we expect to close between 15-20 existing stores.

CRITICAL ACCOUNTING POLICIES

Our financial statements are based on the application of significant accounting policies, many of which require our management to make significant estimates and assumptions (see Note A to the Notes to the Consolidated Financial Statements). We believe that the following items involve some of the more critical judgments in the application of accounting policies that currently affect our financial condition and results of operations.

Stock-Based Compensation

We measure compensation cost for all stock awards at fair value on date of grant and recognize compensation over the service period for awards expected to vest. The fair value of our stock options is determined using the Black-Scholes valuation model, which requires the input of highly 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 our common stock price over the expected term and the number of options that will ultimately not complete their vesting requirements (“forfeitures”). Changes in these subjective assumptions can materially affect the estimate of fair value of stock-based compensation and, consequently, the related amount recognized as an expense on the consolidated statements of operations. As required under the accounting rules, we review our valuation assumptions at each grant date and, as a result, we are likely to change our 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 expense over the service period, net of estimated forfeitures. Actual results, and future changes in estimates, may differ substantially from these current estimates. For fiscal 2010, 2009 and 2008, we recognized total compensation expense of \$2.1 million, \$0.6 million and \$3.7 million, respectively. Compensation expense of \$2.1 million for fiscal 2010 includes an accrual of approximately \$0.7 million which reflects the estimated accrual for equity awards that we anticipate granting pursuant to our Long –Term Incentive Plan for fiscal 2010. See Note F to the Notes to the Consolidated Financial Statements. Compensation expense for fiscal 2008 includes \$1.5 million related to the acceleration of certain options which were repurchased and cancelled by us.

Inventory

We value inventory at the lower of cost or market, using a weighted-average cost method. We review our inventory to identify slow-moving and broken assortments. We use markdowns to clear merchandise and will record inventory reserves if the estimated future selling price is less than cost. In addition, an inventory shrink estimate is made each period that reduces the value of inventory for lost or stolen merchandise. We perform physical inventories through the year and adjust the shrink reserves accordingly.

Impairment of Long-Lived Assets.

We review our long-lived assets for impairment when indicators of impairment are present and the undiscounted cash flow estimated to be generated by those assets is less than the assets’ carrying amount. We evaluate our long-lived assets for impairment at a store level for all our retail locations. If actual market conditions are less favorable than management’s projections, future write-offs may be necessary.

In fiscal 2008, we recorded an impairment charge for fixed assets of \$5.8 million. See “Provision for Impairment of Assets, Including Goodwill” above for more information. There were no material impairment charges for fixed assets in fiscal 2010 or fiscal 2009.

Goodwill and Intangibles.

In accordance with ASC Topic 350, *Intangibles Goodwill and Other*, we evaluate goodwill and intangible assets with indefinite-lives at least annually for impairment by analyzing the estimated fair value. As discussed above under “Provision for Impairment of Assets, Including Goodwill,” in the fourth quarter of fiscal 2008, we recorded a full impairment charge of \$63.1 million against our goodwill and a partial impairment of \$2.5 million against our Rochester trademark.

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At January 29, 2011, we performed our annual testing of both our Casual Male trademark and our Rochester trademark for potential impairment. Utilizing an income approach with appropriate royalty rates applied, we concluded that the Casual Male trademark, with a carrying value of \$29.2 million, and our Rochester trademark, with a carrying value of \$1.5 million, were not impaired.

Deferred Taxes.

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. In fiscal 2008, we recorded a charge of \$28.6 million to establish a valuation allowance against our deferred tax assets. See “Income Taxes” above for more discussion regarding this charge.

RECENT ACCOUNTING PRONOUNCEMENTS

In January 2010, the FASB issued ASU No. 2010-06—Fair Value Measurements and Disclosures (Topic 820)—Improving Disclosures about Fair Value Measurements which provides revised guidance requiring additional disclosures about items transferring into and out of Levels 1 and 2 measurements in the fair value hierarchy. The revised guidance also requires additional separate disclosures about purchases, sales, issuances, and settlements relative to Level 3 measurements, and clarifies, among other things, the existing fair value disclosures about the level of disaggregation. This update was effective for interim and annual financial periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements relative to Level 3 measurements, which are effective for interim and annual financial periods beginning after December 15, 2010. We partially adopted this revised guidance on January 30, 2010, as required, and the adoption did not have a material impact on our Consolidated Financial Statements. We also do not expect the adoption of the delayed portion of the revised guidance to have a material impact on our Financial Statements.

In February 2010, the FASB issued ASU No. 2010-09—Subsequent Events (Topic 855)—Amendments to Certain Recognition and Disclosure Requirements. This update addresses both the interaction of the requirements of this Topic with the SEC’s reporting requirements and the intended breadth of the reissuance disclosure provision related to subsequent events (paragraph 855-10-50-4). The adoption of ASU No. 2010-09 did not have a material impact on our financial statements.

EFFECTS OF INFLATION

Although our operations are influenced by general economic trends, we do not believe that inflation has had a material effect on the results of our operations in the last three fiscal years.

Item 7A. 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 November 10, 2014, bear interest at variable rates based on Bank of America’s prime rate or LIBOR. At January 29, 2011, we had no outstanding borrowings. Based upon a sensitivity analysis as of January 29, 2011, assuming average outstanding borrowing during fiscal 2010 of \$5.2 million, a 50 basis point increase in interest rates would have resulted in a potential increase in interest expense of approximately \$26,000.

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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. Our international e-commerce sites conduct business in Euros and British pounds. If the value of the Canadian dollar, British pound or Euro 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 January 29, 2011, sales from our Sears Canada operations, our London Rochester Clothing store and our international e-commerce sites were immaterial to consolidated sales. As such, we believe that movement in foreign currency exchange rates will not have a material adverse affect on our financial position or results of operations.

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Item 8. Financial Statements and Supplementary Data

**CASUAL MALE RETAIL GROUP, INC.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
of Casual Male Retail Group, Inc.

We have audited the accompanying consolidated balance sheets of Casual Male Retail Group, Inc. as of January 29, 2011 and January 30, 2010, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three fiscal years in the period ended January 29, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Casual Male Retail Group, Inc. at January 29, 2011 and January 30, 2010, and the consolidated results of its operations and its cash flows for each of the three fiscal years in the period ended January 29, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Casual Male Retail Group, Inc.'s internal control over financial reporting as of January 29, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 18, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 18, 2011

CASUAL MALE RETAIL GROUP, INC.
CONSOLIDATED BALANCE SHEETS
January 29, 2011 and January 30, 2010

| | January 29, 2011 (Fiscal 2010) | January 30, 2010 (Fiscal 2009) |
|---|--------------------------------------|--------------------------------------|
| | (In thousands, except share data) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 4,114 | \$ 4,302 |
| Accounts receivable | 3,618 | 2,494 |
| Inventories | 92,889 | 89,977 |
| Prepaid expenses and other current assets | 8,885 | 8,380 |
| Total current assets | <u>109,506</u> | <u>105,153</u> |
| Property and equipment, net of accumulated depreciation and amortization | 39,051 | 41,888 |
| Other assets: | | |
| Intangible assets | 32,262 | 32,809 |
| Other assets | 1,794 | 1,189 |
| Total assets | <u>\$ 182,613</u> | <u>\$ 181,039</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ — | \$ 4,874 |
| Current portion of deferred gain on sale-leaseback | 1,465 | 1,465 |
| Accounts payable | 17,552 | 19,753 |
| Income taxes payable | 242 | 1,485 |
| Accrued expenses and other current liabilities | 26,936 | 28,531 |
| Notes payable | — | 3,475 |
| Total current liabilities | <u>46,195</u> | <u>59,583</u> |
| Long-term liabilities: | | |
| Long-term debt, net of current portion | — | 2,702 |
| Deferred gain on sale-leaseback, net of current portion | 20,516 | 21,981 |
| Deferred income taxes | 1,538 | 769 |
| Other long-term liabilities | 3,032 | 2,781 |
| Total long-term liabilities | <u>25,086</u> | <u>28,233</u> |
| Commitments and contingencies (Note E) | | |
| 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, 58,661,641 and 58,046,235 shares issued at January 29, 2011 and January 30, 2010, respectively | 587 | 580 |
| Additional paid-in capital | 291,369 | 288,367 |
| Treasury stock at cost, 10,877,439 shares at January 29, 2011 and January 30, 2010 | (87,977) | (87,977) |
| Accumulated deficit | (88,611) | (103,982) |
| Accumulated other comprehensive loss | (4,036) | (3,765) |
| Total stockholders' equity | <u>111,332</u> | <u>93,223</u> |
| Total liabilities and stockholders' equity | <u>\$ 182,613</u> | <u>\$ 181,039</u> |

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

CASUAL MALE RETAIL GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the fiscal years ended January 29, 2011, January 30, 2010 and January 31, 2009

| | January 29, 2011 (Fiscal 2010) | January 30, 2010 (Fiscal 2009) | January 31, 2009 (Fiscal 2008) |
|--|---------------------------------------|--------------------------------------|--------------------------------------|
| | (In thousands, except per share data) | | |
| Sales | \$ 393,642 | \$ 395,168 | \$ 444,184 |
| Cost of goods sold including occupancy costs | 213,215 | 220,611 | 254,592 |
| Gross profit | 180,427 | 174,557 | 189,592 |
| Expenses: | | | |
| Selling, general and administrative | 150,933 | 151,045 | 178,072 |
| Provision for impairment of assets, including goodwill | — | — | 71,407 |
| Depreciation and amortization | 13,245 | 15,501 | 17,100 |
| Total expenses | 164,178 | 166,546 | 266,579 |
| Operating income (loss) | 16,249 | 8,011 | (76,987) |
| Other income (expense), net | 531 | 635 | 532 |
| Interest expense, net | (689) | (1,066) | (2,961) |
| Income (loss) from continuing operations before income taxes | 16,091 | 7,580 | (79,416) |
| Provision for income taxes | 720 | 1,470 | 28,946 |
| Income (loss) from continuing operations | 15,371 | 6,110 | (108,362) |
| Loss from discontinued operations | — | — | (895) |
| Net income (loss) | \$ 15,371 | \$ 6,110 | \$ (109,257) |
| Net income (loss) per share—basic | | | |
| Income (loss) from continuing operations | \$ 0.33 | \$ 0.14 | (\$ 2.62) |
| Loss from discontinued operations | \$ 0.00 | \$ 0.00 | (\$ 0.02) |
| Net income (loss) | \$ 0.33 | \$ 0.14 | (\$ 2.64) |
| Net income (loss) per share— diluted | | | |
| Income (loss) from continuing operations | \$ 0.32 | \$ 0.14 | (\$ 2.62) |
| Loss from discontinued operations | \$ 0.00 | \$ 0.00 | (\$ 0.02) |
| Net income (loss) | \$ 0.32 | \$ 0.14 | (\$ 2.64) |
| Weighted-average number of common shares outstanding: | | | |
| Basic | 46,946 | 43,552 | 41,412 |
| Diluted | 47,565 | 43,982 | 41,412 |

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

CASUAL MALE RETAIL GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the fiscal years ended January 29, 2011, January 30, 2010 and January 31, 2009
(In thousands)

| | Common Stock | | Additional Paid-in Capital | Treasury Stock | | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---------------|---------------|----------------------------------|-----------------|--------------------|------------------------|--|-------------------|
| | Shares | Amounts | | Shares | Amounts | | | |
| Balance at February 2, 2008 | <u>52,267</u> | <u>\$ 523</u> | <u>\$ 271,354</u> | <u>(10,877)</u> | <u>\$ (87,977)</u> | <u>\$ (835)</u> | <u>\$ (1,124)</u> | <u>\$ 181,941</u> |
| Stock option repurchase | | | (7) | | | | | (7) |
| Stock option compensation expense | | | 3,691 | | | | | 3,691 |
| Board of Directors compensation | 61 | — | 142 | | | | | 142 |
| Accumulated other comprehensive income (loss): | | | | | | | | |
| Unrecognized loss associated with Pension Plan | | | | | | | (3,386) | (3,386) |
| Foreign currency | | | | | | | (1,293) | (1,293) |
| Net loss | | | | | | (109,257) | | (109,257) |
| Total comprehensive loss | | | | | | | | (113,936) |
| Balance at January 31, 2009 | <u>52,328</u> | <u>\$ 523</u> | <u>\$ 275,180</u> | <u>(10,877)</u> | <u>\$ (87,977)</u> | <u>\$ (110,092)</u> | <u>\$ (5,803)</u> | <u>\$ 71,831</u> |
| Issuance of common stock through a registered direct offering | 4,950 | 50 | 13,563 | | | | | 13,613 |
| Costs of raising capital | | | (1,115) | | | | | (1,115) |
| Exercises under option program | 154 | 1 | 192 | | | | | 193 |
| Issuance of restricted stock | 614 | 6 | | | | | | 6 |
| Stock option compensation expense | | | 547 | | | | | 547 |
| Accumulated other comprehensive income (loss): | | | | | | | | |
| Unrecognized loss associated with Pension Plan | | | | | | | 1,360 | 1,360 |
| Foreign currency | | | | | | | 678 | 678 |
| Net income | | | | | | 6,110 | | 6,110 |
| Total comprehensive income | | | | | | | | 8,148 |
| Balance at January 30, 2010 | <u>58,046</u> | <u>\$ 580</u> | <u>\$ 288,367</u> | <u>(10,877)</u> | <u>\$ (87,977)</u> | <u>\$ (103,982)</u> | <u>\$ (3,765)</u> | <u>\$ 93,223</u> |
| Exercises under option program | 308 | 3 | 472 | | | | | 475 |
| Issuance of restricted stock | 272 | 3 | | | | | | 3 |
| Stock option compensation expense | | | 2,124 | | | | | 2,124 |
| Excess tax benefits from stock-based awards | | | 286 | | | | | 286 |
| Board of Directors compensation | 36 | 1 | 120 | | | | | 121 |
| Accumulated other comprehensive income (loss): | | | | | | | | |
| Unrecognized loss associated with Pension Plan | | | | | | | (419) | (419) |
| Foreign currency | | | | | | | 148 | 148 |
| Net income | | | | | | 15,371 | | 15,371 |
| Total comprehensive income | | | | | | | | 15,100 |
| Balance at January 29, 2011 | <u>58,662</u> | <u>\$ 587</u> | <u>\$ 291,369</u> | <u>(10,877)</u> | <u>\$ (87,977)</u> | <u>\$ (88,611)</u> | <u>\$ (4,036)</u> | <u>\$ 111,332</u> |

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

CASUAL MALE RETAIL GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the fiscal years ended January 29, 2011, January 30, 2010 and January 31, 2009

| | Fiscal 2010 | Fiscal 2009 (In thousands) | Fiscal 2008 |
|--|-----------------|----------------------------------|-----------------|
| Cash flows from operating activities: | | | |
| Net income (loss) | \$ 15,371 | \$ 6,110 | \$(109,257) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Loss from discontinued operations, net of tax | — | — | 895 |
| Amortization of deferred gain on sale leaseback | (1,465) | (1,466) | (1,465) |
| Provision for impairment of assets, including goodwill | — | — | 71,407 |
| Depreciation and amortization | 13,245 | 15,501 | 17,100 |
| Deferred taxes, net of valuation allowance | 769 | 769 | 28,617 |
| Loss from disposal of property and equipment | — | — | 127 |
| Stock option compensation | 2,124 | 547 | 3,691 |
| Issuance of common stock to Board of Directors | 121 | — | 142 |
| Changes in operating assets and liabilities, net of effect of businesses acquired: | | | |
| Accounts receivable | (1,521) | (1,103) | 254 |
| Inventories | (2,912) | 8,656 | 19,154 |
| Prepaid expenses and other current assets | (505) | 717 | 997 |
| Intangibles and other assets | (619) | (231) | 283 |
| Accounts payable | (2,201) | (4,203) | (10,231) |
| Accrued liabilities for severance, store closings and impairment charges | — | — | (175) |
| Income taxes | (957) | 918 | 1,986 |
| Accrued expenses and other liabilities | (2,428) | 4,559 | (328) |
| Net cash provided by operating activities | <u>19,022</u> | <u>30,774</u> | <u>23,197</u> |
| Cash flows from investing activities: | | | |
| Additions to property and equipment, net | (9,031) | (4,634) | (12,595) |
| Proceeds from sale of businesses | 397 | 635 | 532 |
| Payment of earn-out provision for Rochester acquisition | — | — | (1,333) |
| Acquisitions, net of cash acquired | — | — | (3,000) |
| Net cash used for investing activities | <u>(8,634)</u> | <u>(3,999)</u> | <u>(16,396)</u> |
| Cash flows from financing activities: | | | |
| Net borrowings (repayments) under credit facility | (3,475) | (35,243) | (2,260) |
| Net proceeds from the issuance of common stock through a direct offering | — | 12,498 | — |
| Principal payments on long-term debt | (7,576) | (4,874) | (4,874) |
| Repurchase of certain stock options | — | — | (7) |
| Proceeds from the exercise of stock options under option program | 475 | 193 | — |
| Net cash used for financing activities | <u>(10,576)</u> | <u>(27,426)</u> | <u>(7,141)</u> |
| Net decrease in cash and cash equivalents | <u>(188)</u> | <u>(651)</u> | <u>(340)</u> |
| Cash and cash equivalents: | | | |
| Beginning of the year | 4,302 | 4,953 | 5,293 |
| End of the year | <u>\$ 4,114</u> | <u>\$ 4,302</u> | <u>\$ 4,953</u> |

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

CASUAL MALE RETAIL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 29, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Casual Male Retail Group, Inc. (“Company”) is the largest specialty retailer of big & tall men’s apparel. The Company operates under the trade names of Casual Male XL, Casual Male XL Outlets, Destination XL (“DXL”), Rochester Clothing, B&T Factory Direct, Shoes XL and Living XL. At January 29, 2011, the Company operated 440 Casual Male XL retail and outlet stores located throughout the United States, 4 DXL stores and 16 Rochester Clothing stores located in major U.S. cities, including one store in London, England. The Company also operates a direct business throughout the United States, Canada and Europe which includes several catalogs and e-commerce sites to support its brands and product extensions.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts, transactions and profits are eliminated.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from estimates.

Subsequent Events

All appropriate subsequent event disclosures, if any, have been made in these Notes to the Consolidated Financial Statements.

Segment Reporting

The Company reports its operations as one reportable segment, Big & Tall Men’s Apparel, which consists of its three operating segments – B&T Factory Direct, Casual Male XL and Rochester Clothing. The Company considers its operating segments to be similar in terms of economic characteristic, production processes and operations, and have therefore aggregated them into a single reporting segment. The Company’s DXL store format carries merchandise from all three of the Company’s operating segments. The operating results and assets of the Company’s direct businesses, Living XL, Shoes XL and the Company’s International Web Stores, are immaterial.

Fiscal Year

The Company’s fiscal year is a 52-week or 53-week period ending on the Saturday closest to January 31. Fiscal years 2010, 2009 and 2008 ended on January 29, 2011, January 30, 2010 and January 31, 2009, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in banks and short-term investments, which have a maturity of ninety days or less when acquired. Included in cash equivalents are credit card and debit card receivables from banks, which generally settle within two to four business days.

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Fair Value of Financial Instruments

ASC Topic 825, *Financial Instruments*, requires disclosure of the fair value of certain financial instruments. The carrying amounts for the Company's long-term debt approximate fair value as the interest rates and terms are substantially similar to those that could be obtained currently for similar instruments. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and short-term borrowings approximate fair value because of the short maturity of these instruments.

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements.

Inventories

All inventories are valued at the lower of cost or market, using a weighted-average cost method.

Property and Equipment

Property and equipment are stated at cost. Major additions and improvements are capitalized while repairs and maintenance are charged to expense as incurred. Upon retirement or other disposition, the cost and related depreciation of the assets are removed from the accounts and the resulting gain or loss, if any, is reflected in income. Depreciation is computed on the straight-line method over the assets' estimated useful lives as follows:

| | |
|------------------------|--|
| Furniture and fixtures | Five to ten years |
| Equipment | Five to ten years |
| Leasehold improvements | Lesser of useful lives or related lease term |
| Hardware and software | Three to seven years |

Goodwill and Intangibles

ASC Topic 805, *Business Combinations*, requires that all business combinations be accounted for under the purchase method. The statement further requires separate recognition of intangible assets that meet one of two criteria set forth in the statement. Under ASC Topic 350, *Intangibles Goodwill and Other*, goodwill and intangible assets with indefinite lives are tested at least annually for impairment. Separable intangible assets with defined lives will continue to be amortized over their useful lives.

At least annually, as of the Company's December month-end, the Company evaluates its trademarks, based on two separate operating segments, its Casual Male business and its Rochester business. The Company performs an impairment analysis and records an impairment charge for any intangible assets with a carrying value in excess of its fair value. At January 1, 2011, both the Casual Male trademark and the Rochester trademark were tested for potential impairment. Utilizing an income approach with applicable royalty rates applied, the Company concluded that the Casual Male trademark, with a carrying value of \$29.2 million, and the Rochester trademark, with a carrying value of \$1.5 million, were not impaired.

Although there were no impairments in fiscal 2010 and fiscal 2009, the Company did incur charges during fiscal 2008 related to its goodwill and intangibles:

Goodwill

At the end of the fourth quarter of fiscal 2008, the Company determined that a full impairment had occurred with respect to the goodwill of both reporting units and, accordingly, recognized an impairment charge of \$63.1 million for the fourth quarter and fiscal year 2008. The implied fair value of the reporting units were determined using a combination of the income approach, which estimates the fair value of the reporting unit based on future discounted cash flows, and the market approach, which estimates the fair value of the reporting unit on comparable market prices. The income approach was based upon a set of assumptions regarding discounted future cash flows, which represented management's best estimate of future performance at the time.

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Further, the aggregate estimated fair value of the reporting units was qualitatively reconciled to the market capitalization of the consolidated Company. In addition to traditional control premiums, certain reconciling items were identified that have led to a difference between the market capitalization and the fair value of the Company, primarily related to the market's uncertainty regarding the Company's future operating results and expected liquidity because no earnings guidance had been provided since the second quarter of fiscal 2008.

Trademark

In fiscal 2008, both the Casual Male trademark and the Rochester trademark were tested for potential impairment. Utilizing an income approach with applicable royalty rates applied, the Company concluded that the Casual Male trademark, with a carrying value of \$29.2 million was not impaired. However, the Company concluded that a partial impairment of its Rochester trademark had occurred and, accordingly, a charge was recorded in the fourth quarter of fiscal 2008 for \$2.5 million to reduce the value of the Rochester trademark to \$1.5 million.

Below is a table showing the changes in the carrying value of the Company's intangible assets from January 30, 2010 to January 29, 2011:

| | <u>January 30, 2010</u> | <u>Additions</u> | <u>Amortization(1)</u> | <u>January 29, 2011</u> |
|-------------------|-------------------------|------------------|------------------------|-------------------------|
| | | | (in thousands) | |
| Trademarks | \$ 30,700 | \$ — | \$ — | \$ 30,700 |
| Other intangibles | 2,109 | — | (547) | 1,562 |

- (1) Approximately \$0.1 million of the \$0.5 million of amortization, which relates to the amortization of favorable lease commitments, was included in costs of good sold (as part of occupancy costs) on the Consolidated Statement of Operations for fiscal 2010.

Other intangibles, which include customer lists, non-compete agreements and favorable lease commitments, are the only intangible assets with defined lives, which range from 3 to 16 years based on each asset's estimated economic useful life. The weighted average amortization period remaining for other intangibles is 4.6 years.

The gross carrying amount and accumulated amortization of our intangibles, subject to amortization, were \$4.4 million and \$2.8 million, respectively, at January 29, 2011 and \$4.4 million and \$2.3 million, respectively, at January 30, 2010. Amortization expense for fiscal 2010, 2009 and 2008 was \$0.5 million, \$0.6 million and \$0.4 million, respectively. Amortization expense for other intangible assets for the next five fiscal years is as follows:

| <u>FISCAL YEAR</u> | <u>(in thousands)</u> |
|--------------------|-----------------------|
| 2011 | \$ 498 |
| 2012 | \$ 417 |
| 2013 | \$ 217 |
| 2014 | \$ 100 |
| 2015 | \$ 100 |

Pre-opening Costs

The Company expenses all pre-opening costs for its stores as incurred.

Advertising Costs

The Company expenses in-store advertising costs as incurred. Direct response advertising costs, which consist of catalog production and postage costs, are deferred and amortized over the period of expected direct marketing revenues, which is less than one year. Direct response costs which were deferred at January 29, 2011 and January 30, 2010 were \$1.2 million and \$0.7 million, respectively. Advertising expense, which is included in selling, general and administrative expenses, was \$19.0 million, \$19.1 million and \$34.1 million for fiscal 2010, 2009 and 2008, respectively.

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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 and allowances. Revenue from the Company's catalog and e-commerce operations is recognized at the time a customer order is shipped, net of an allowance for sales returns and allowances.

Accumulated Other Comprehensive Income (Loss)

Other comprehensive income (loss) include amounts related to foreign currency, pension and its supplemental executive retirement plan ("SERP") and are reported in the Consolidated Statements of Stockholders' Equity. The components of the accumulated other comprehensive income (loss) at January 29, 2011 and January 30, 2010 are as follows:

| | <u>January 29, 2011</u> | (in thousands) | <u>January 30, 2010</u> |
|--|-------------------------|----------------|-------------------------|
| Foreign currency | \$ 261 | | \$ 113 |
| Pension and SERP | (4,297) | | (3,878) |
| Total accumulated other comprehensive loss | <u>\$ (4,036)</u> | | <u>\$ (3,765)</u> |

Foreign Currency Translation

At January 29, 2011, the Company operates a direct business in Canada and has one Rochester Clothing store located in London, England. Assets and liabilities of these operations are translated into U.S. dollars at the exchange rates in effect at each balance sheet date. Stockholders' equity is translated at applicable historical exchange rates. Income, expense and cash flow items are translated at average exchange rates during the period. Resulting translation adjustments are reported as a separate component of stockholders' equity.

Shipping and Handling Costs

Shipping and handling costs are included in cost of sales for all periods presented.

Income Taxes

Deferred income taxes are provided to recognize the effect of temporary differences between tax and financial statement reporting. Such taxes are provided for using enacted tax rates expected to be in place when such temporary differences are realized. A valuation allowance is recorded to reduce deferred tax assets if it is determined that it is more likely than not that the full deferred tax asset would not be realized. If it is subsequently determined that a deferred tax asset will more likely than not be realized, a credit to earnings is recorded to reduce the allowance.

In July 2006 the guidance within ASC Topic 740, *Income Taxes*, related to accounting for income taxes was issued which clarified a company's accounting for uncertain income tax positions that are recognized in its financial statements. ASC Topic 740 also provides guidance on a company's de-recognition of uncertain positions, financial statement classification, accounting for interest and penalties, accounting for interim periods, and disclosure requirements. The Company adopted the accounting pronouncements for uncertain income tax positions as of February 4, 2007 and, accordingly, will recognize the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. At January 29, 2011 and January 30, 2010, the Company had no material unrecognized tax benefits based on the provisions of ASC Topic 740.

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 1997, with remaining fiscal years subject to income tax examination by federal tax authorities.

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The Company's policy is to recognize accrued interest and penalties related to unrecognized tax benefits in its income tax provision. The Company has not accrued or paid interest or penalties which were material to its results of operations for fiscal 2010, fiscal 2009 or fiscal 2008.

Net Income Per Share

Basic earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the respective period. Diluted earnings per share is determined by giving effect to un-vested shares of restricted stock and the exercise of stock options and warrants using the treasury stock method. The following table provides a reconciliation of the number of shares outstanding for basic and diluted earnings per share:

| | FISCAL YEARS ENDED | | |
|---|--------------------|------------------------------------|------------------|
| | January 29, 2011 | January 30, 2010 (in thousands) | January 31, 2009 |
| Net Income: | | | |
| Net income (loss)—Basic and Diluted | \$ 15,371 | \$ 6,110 | \$ (109,257) |
| Weighted Average Shares Outstanding: | | | |
| Basic weighted-average common shares outstanding | 46,946 | 43,552 | 41,412 |
| Stock options and warrants, excluding anti-dilutive options and warrants of 183 shares for January 31, 2009 | 619 | 430 | — |
| Diluted weighted-average shares outstanding | <u>47,565</u> | <u>43,982</u> | <u>41,412</u> |

The following potential common stock equivalents were excluded from the computation of diluted earnings per share in each year because the exercise price of such options and warrants was greater than the average market price per share of common stock for the respective periods or the impact of ASC Topic 718, *Compensation – Stock Compensation*, primarily related to unearned compensation.

| | FISCAL YEARS ENDED | | |
|--|--------------------|--|-------------------|
| | January 29, 2011 | January 30, 2010 (in thousands, except exercise prices) | January 31, 2009 |
| Options | 2,808 | 3,383 | 3,388 |
| Warrants | — | 1,058 | 1,058 |
| Ranges of exercise prices of such options and warrants | \$ 3.98 – \$10.26 | \$ 2.38 – \$10.26 | \$ 3.15 – \$10.26 |

Stock-based Compensation

ASC Topic 718, *Compensation – Stock Compensation*, requires measurement of compensation cost for all stock awards at fair value on date of grant and recognition of compensation over the service period for awards expected to vest. 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"). As required under the accounting rules, 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 expense over the vesting period, net of estimated forfeitures. The estimation of stock awards that will ultimately vest requires significant judgment. Actual results, and future changes in estimates, may differ from the Company's current estimates.

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For fiscal 2010 and fiscal 2009, the Company recognized total compensation expense of \$2.1 million and \$0.6 million, respectively, with no corresponding tax benefit. Compensation expense for fiscal 2010 includes \$0.7 million related to the accrual for potential stock awards that are expected to be granted pursuant to the Company's Long-Term Incentive Plan for fiscal 2010. For fiscal 2008, the Company recognized compensation expense of \$3.7 million, of which \$1.5 million related to the acceleration of certain options which were repurchased and cancelled by the Company. See Note F for additional information.

The total compensation cost related to non-vested awards not yet recognized is approximately \$0.9 million which will be expensed, on a straight-line basis, over a weighted average remaining life of 21 months. The total fair value of options vested was \$0.1 million for fiscal 2010 and \$0.2 million in fiscal 2009.

Valuation Assumptions for Stock Options

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in fiscal 2010 and 2008. There were no option grants during fiscal 2009.

| | FISCAL YEARS ENDED | | |
|--|--------------------|------------------|------------------|
| | January 29, 2011 | January 30, 2010 | January 31, 2009 |
| Expected volatility | 55.0% | n/a | 45.0% |
| Risk-free interest rate | 1.14%-1.55% | n/a | 2.39%-3.15% |
| Expected life | 2.1-3.0 | n/a | 3.0-4.5 |
| Dividend rate | — | — | — |
| Weighted average fair value of options granted | \$1.07 | n/a | \$1.61 |

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.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for events or changes in circumstances that might indicate the carrying amount of the assets may not be recoverable. The Company assesses the recoverability of the assets by determining whether the carrying value of such assets over their respective remaining lives can be recovered through projected undiscounted future cash flows. The amount of impairment, if any, is measured based on projected discounted future cash flows using a discount rate reflecting the Company's average cost of funds.

There were no material impairment charges in fiscal 2010 or fiscal 2009.

For fiscal 2008, the Company recorded an impairment charge of \$5.8 million related to the impairment of its long-lived assets. Approximately \$5.0 million of the \$5.8 million was for the write-down of assets for the Company's Rochester Clothing stores and the remaining \$0.8 million was for certain underperforming Casual Male XL stores.

Recent 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.

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In January 2010, the FASB issued ASU No. 2010-06—Fair Value Measurements and Disclosures (Topic 820)—Improving Disclosures about Fair Value Measurements which provides revised guidance requiring additional disclosures about items transferring into and out of Levels 1 and 2 measurements in the fair value hierarchy. The revised guidance also requires additional separate disclosures about purchases, sales, issuances, and settlements relative to Level 3 measurements, and clarifies, among other things, the existing fair value disclosures about the level of disaggregation. This update was effective for interim and annual financial periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements relative to Level 3 measurements, which are effective for interim and annual financial periods beginning after December 15, 2010. The Company partially adopted this revised guidance on January 30, 2010, as required, and the adoption did not have a material impact on the Company's Consolidated Financial Statements. The Company also does not expect the adoption of the delayed portion of the revised guidance to have a material impact on the Company's Financial Statements.

In February 2010, the FASB issued ASU No. 2010-09—Subsequent Events (Topic 855)—Amendments to Certain Recognition and Disclosure Requirements. This update addresses both the interaction of the requirements of this Topic with the SEC's reporting requirements and the intended breadth of the reissuance disclosure provision related to subsequent events (paragraph 855-10-50-4). The adoption of ASU No. 2010-09 did not have a material impact on the Company's financial statements.

B. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at the dates indicated:

| | <u>January 29, 2011</u> | <u>January 30, 2010</u> |
|-------------------------------|-----------------------------|-----------------------------|
| | (in thousands) | |
| Furniture and fixtures | \$ 37,921 | \$ 37,456 |
| Equipment | 12,578 | 12,121 |
| Leasehold improvements | 25,116 | 24,295 |
| Hardware and software | 38,411 | 37,068 |
| Construction in progress | 4,566 | 2,535 |
| | <u>118,592</u> | <u>113,475</u> |
| Less accumulated depreciation | 79,541 | 71,587 |
| Total property and equipment | <u>\$ 39,051</u> | <u>\$ 41,888</u> |

Depreciation expense related to continuing operations for fiscal 2010, 2009 and 2008 was \$12.7 million, \$14.9 million and \$16.6 million, respectively.

C. DEBT OBLIGATIONS

Credit Agreement with Bank of America, N.A.

The Company has a credit facility with Bank of America, N.A., most recently amended on November 10, 2010 (the "Credit Facility").

The Credit Facility provides for a maximum committed borrowing of \$75 million, which, pursuant to an accordion feature, may be increased to \$125 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 and a sublimit of up to \$15 million for Swingline Loans. The maturity date of the Credit Facility is November 10, 2014.

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% and (c) the one month LIBOR rate) plus a varying percentage, based on the Company's borrowing base, of 1.00-1.25% for prime-based borrowings and 2.00-2.25% for LIBOR-based borrowings.

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The Company's obligations under the Credit Facility are secured by a lien on all of its assets. The Company is not subject to any financial covenants pursuant to the Credit Facility.

At January 29, 2011, the Company had no borrowings outstanding under the Credit Facility. Outstanding standby letters of credit were \$2.3 million and documentary letters of credit were \$7.7 million. Unused excess availability at January 29, 2011 was \$63.0 million. Average borrowings outstanding under this facility during fiscal 2010 were approximately \$5.2 million, resulting in an average unused excess availability of approximately \$62.1 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 January 29, 2011 approximated the carrying value.

Long-Term Debt

Components of long-term debt are as follows (in thousands):

| | <u>January 29, 2011</u> | <u>January 30, 2010</u> |
|---|-------------------------|-------------------------|
| Total long-term debt | \$ — | \$ 7,576 |
| Less: current portion of long-term debt | — | (4,874) |
| Long-term debt, less current portion | <u>\$ —</u> | <u>\$ 2,702</u> |

Master Loan and Security Agreement with Banc of America Leasing & Capital, LLC

On July 20, 2007, the Company entered into a Master Loan and Security Agreement (the "Master Agreement") with Banc of America Leasing & Capital, LLC ("BALC") for equipment financing. In conjunction with the Master Agreement, the Company entered into an Equipment Security Note (the "First Secured Note"), whereby it borrowed an aggregate of \$17.4 million from BALC. The First Secured Note was due July 20, 2011.

On January 16, 2008, the Company entered into a second Equipment Security Note (the "Second Secured Note") pursuant to the same terms and provisions of the Master Agreement, whereby it borrowed an additional \$2.1 million. The Second Secured Note was due January 16, 2012.

Both secured notes accrued interest at a per annum rate of 1.75% plus the rate of interest equal to the 30-day published LIBOR rate. Principal and interest, in arrears, were payable monthly, commencing one month after issuance of such note.

During the fourth quarter of fiscal 2010, the Company prepaid, without penalty, the remaining \$2.7 million outstanding under the secured notes.

The Company paid interest and fees on all the above described debt obligations totaling \$0.8 million, \$1.4 million and \$3.1 million for fiscal 2010, fiscal 2009 and fiscal 2008, respectively.

D. INCOME TAXES

The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes*. Under ASC Topic 740, deferred tax assets and liabilities are recognized based on temporary differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. The accounting regulation requires current recognition of net deferred tax assets to the extent it is more likely than not such net assets will be realized. To the extent that the Company believes its net deferred tax assets will not be realized, a valuation allowance must be recorded against those assets.

Realization of the Company's deferred tax assets, relating principally to federal net operating loss carryforwards, which expire from 2018 through 2029, is dependent on generating sufficient taxable income in the

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near term. The effect of the weakening economy on the Company's retail business in fiscal 2008 had a significant impact on the Company's revenue and profitability. Further, the conditions of the economy also negatively impacted its market value as a result of the deterioration of the capital markets and resulted in substantial impairments which contributed to the operating loss. Accordingly, in the fourth quarter of fiscal 2008, the Company recorded a valuation allowance of \$28.6 million against its deferred tax assets.

In the event the Company's future performance continues to result in overall profitability, the Company will be able to reduce its valuation allowance.

As of January 29, 2011, the Company had net operating loss carryforwards of \$55.5 million for federal income tax purposes and \$37.2 million for state income tax purposes that are available to offset future taxable income, subject to certain annual usage limitations, through fiscal year 2029. As a result of the Casual Male acquisition and the issuance of additional equity in fiscal 2002, at January 29, 2011, the utilization of approximately \$5.5 million in federal net operating losses is subject to an annual limitation of approximately \$4.8 million per year. Additionally, the Company has alternative minimum tax credit carryforwards of \$2.4 million, which are available to further reduce income taxes over an indefinite period.

Included in the net operating loss carryforwards for both federal and state income tax is approximately \$8.0 million relating to stock compensation deductions, the tax benefit from which, if realized, will be credited to additional paid in capital.

The components of the net deferred tax assets as of January 29, 2011 and January 30, 2010 are as follows (in thousands):

| | January 29, 2011 | January 30, 2010 |
|---|---------------------|---------------------|
| Deferred taxes: | | |
| Inventory reserves | \$ 2,662 | \$ 1,815 |
| Accrued expenses and other | 3,117 | 2,933 |
| Gain on sale-leaseback | 8,683 | 9,262 |
| Gain on sale of LPI | (100) | 187 |
| Lease accruals | 3,207 | 2,778 |
| Net operating loss carryforward | 19,978 | 25,808 |
| Foreign tax credit carryforward | 599 | 550 |
| State tax credits | 27 | — |
| Unrecognized loss on foreign exchange | 102 | 84 |
| Unrecognized loss on pension and pension expense | 2,100 | 2,227 |
| Alternative minimum tax credit carryforward | 2,366 | 2,311 |
| Excess of book over tax depreciation/amortization | 2,410 | 1,596 |
| Goodwill and intangibles | 3,867 | 6,127 |
| Subtotal | 49,018 | 55,678 |
| Valuation allowance | (50,556) | (56,447) |
| Net deferred tax assets (liabilities) | <u>\$ (1,538)</u> | <u>\$ (769)</u> |

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The provision for income taxes from continuing operations consists of the following:

| | FISCAL YEARS ENDED | | |
|-------------------|---------------------|---------------------------------------|---------------------|
| | January 29, 2011 | January 30, 2010 (in thousands) | January 31, 2009 |
| Current: | | | |
| Federal and state | \$ (119) | \$ 628 | \$ 246 |
| Foreign | 70 | 73 | 83 |
| | <u>(49)</u> | <u>701</u> | <u>329</u> |
| Deferred: | | | |
| Federal and state | 769 | 769 | 28,395 |
| Foreign | — | — | 222 |
| | <u>769</u> | <u>769</u> | <u>28,617</u> |
| Total provision | <u>\$ 720</u> | <u>\$ 1,470</u> | <u>\$ 28,946</u> |

The following is a reconciliation between the statutory and effective income tax rates in dollars:

| | FISCAL YEARS ENDED | | |
|--|---------------------|---------------------------------------|---------------------|
| | January 29, 2011 | January 30, 2010 (in thousands) | January 31, 2009 |
| Federal income tax at the statutory rate | \$ 5,632 | \$ 2,653 | \$ (28,109) |
| State income and other taxes, net of federal tax benefit | 751 | 334 | (2,357) |
| Permanent items | 405 | 616 | 96 |
| Change in uncertain tax positions ⁽¹⁾ | (799) | — | — |
| Repurchase and cancellation of stock options | — | — | 1,975 |
| Charge/(income) for valuation allowance ⁽²⁾ | (5,206) | (2,320) | 56,838 |
| Other, net | (63) | 187 | 503 |
| Provision for income tax from continuing operations | <u>\$ 720</u> | <u>\$ 1,470</u> | <u>\$ 28,946</u> |

- (1) In the third quarter of fiscal 2010, the Company recognized a tax benefit of \$0.8 million as a result of the reduction in its liability for uncertain tax positions, due to the expiration of certain statutes of limitation.
- (2) For fiscal 2008, approximately \$1.4 million of the \$58.2 million increase in valuation allowance was charged to Accumulated Other Comprehensive Loss for increase in unrecognized pension losses and therefore did not affect the income tax provision.

The Company made tax payments of \$0.9 million, \$0.2 million and \$0.2 million for fiscal years 2010, 2009 and 2008, respectively.

E. COMMITMENTS AND CONTINGENCIES

At January 29, 2011, the Company was obligated under operating leases covering store and office space, automobiles and certain equipment for future minimum rentals as follows:

| FISCAL YEAR | TOTAL (in thousands) |
|-------------|-------------------------|
| 2011 | \$ 47,043 |
| 2012 | 40,333 |
| 2013 | 31,169 |
| 2014 | 23,642 |
| 2015 | 17,665 |
| Thereafter | 83,871 |
| | <u>\$ 243,723</u> |

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In addition to future minimum rental payments, many of the store leases include provisions for common area maintenance, mall charges, escalation clauses and additional rents based on a percentage of store sales above designated levels. The store leases are generally five years in length and contain renewal options extending their terms to between 5 and 10 years.

Amounts charged to operations for all occupancy costs, automobile and leased equipment expense were \$52.8 million, \$55.6 million and \$55.0 million for fiscal 2010, fiscal 2009 and fiscal 2008, respectively.

During the first quarter of fiscal 2006, as part of a sale-leaseback transaction with a subsidiary of Spirit Finance Corp. (“Spirit”), the Company entered into a twenty-year lease agreement for its corporate headquarters and distribution center whereby the Company agreed to lease the property it sold to Spirit back for an annual rent of \$4.6 million. The Company realized a gain of approximately \$29.3 million on the sale of this property, which has been deferred and is being amortized over the initial 20 years of the related lease agreement. At the end of the initial term, the Company will have the opportunity to extend the Lease Agreement for six additional successive periods of five years. In addition, on February 1, 2011, the fifth anniversary of the Lease Agreement, and for every fifth anniversary thereafter, the base rent will be subject to a rent increase not to exceed the lesser of 7% or a percentage based on changes in the Consumer Price Index. The Company’s annual rent of \$4.6 million will be offset each lease year by \$1.5 million related to the amortization of this deferred gain. This lease commitment, excluding the impact of the gain, is included in the above table of expected future minimum rentals obligations.

F. EQUITY

Sale of Common Stock

In fiscal 2009, the Company raised gross proceeds of \$13.6 million from the sale of 4.95 million shares of its common stock through a registered direct offering. Offering costs associated with the sale were approximately \$1.1 million. The net proceeds of approximately \$12.5 million from this offering were used for general corporate purposes, primarily the repayment of indebtedness.

Long-Term Performance Share Bonus Plan

The Company has a Long-Term Incentive Plan, which was most recently amended in June 2010 (as amended the “Long-Term Incentive Plan”), for which certain key members of senior management are eligible to participate. Pursuant to the plan, annually the Compensation Committee of the Board of Directors can establish targeted performance goals, as provided for under the Company’s 2006 Incentive Compensation Plan. If the Company achieves the targeted performance goals, each participant in the plan will be entitled to receive an award (depending on the target level achieved) of the participant’s “target cash value” which is defined as the participant’s actual annual base salary in effect at the commencement of a fiscal year multiplied by the long-term incentive program percentage in such participant’s employment agreement or otherwise on file with the Company. For fiscal 2009 and fiscal 2010, for a minimum threshold payout, the Company needed to achieve 85% of the financial targets in order for participants to receive an award of 80% of target bonus and, for the participants to receive a maximum award of 150% of target bonus, the Company needed to achieve 125% of the financial targets. Awards are payable, based on the irrevocable election of each participant, in either cash, stock options and/or restricted shares or any combination thereof, provided that that Compensation Committee, in its discretion, may require that all or any portion of a participant’s award be paid in shares of restricted stock and/or stock options, as opposed to cash.

For fiscal 2009, the Company achieved its targets, meeting 123.8% of its EBITDA target and 125.6% of its operating margin percent target, resulting in a weighted 124.7% of target. Accordingly, in March 2010 the Company granted cash awards totaling \$3.2 million and equity awards totaling \$0.9 million, excluding potential forfeitures that may occur. Each award will vest, based on each participant’s election, in three separate tranches. The first tranche vests on March 19, 2011, the second tranche vests March 19, 2012 and the third tranche vests on March 19, 2013.

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As permitted by the Long-Term Incentive Plan, for fiscal 2010, the Compensation Committee required that all participants, through their irrevocable elections, elect to receive at least 50% of any award in equity, through either shares of restricted stock and/or stock options.

Based on the operating results for fiscal 2010, the Company will grant awards, based on achieving 107% of its EBITDA target and 105% of its operating margin percent target, resulting in a weighted 106% of target. The estimated total payout will approximate \$4.3 million, excluding potential forfeitures that may occur. Similar to fiscal 2009, each award will vest, based on each participant's election, in three separate tranches, through fiscal 2014. Since the awards contain a performance feature that is forfeited if not achieved and the targets for fiscal 2010 were authorized and approved by the Compensation Committee in April 2010, the service inception date precedes the grant date, and therefore, the Company recognized compensation expense of \$1.1 million of the \$4.3 million in fiscal 2010. Additionally, because the participants will be receiving a portion of the award in equity, \$0.7 million of the compensation expense has been included in Additional Paid In Capital as stock-based compensation.

Accordingly, subsequent to year-end, on March 15, 2011, the Compensation Committee of the Board of Directors approved the granting of approximately 539,000 shares of restricted stock and stock options to purchase approximately 73,000 shares of common stock.

G. STOCK OPTIONS AND RESTRICTED STOCK

The Company has one stock-based compensation plan, the 2006 Incentive Compensation Plan (as most recently amended on August 5, 2010, the "2006 Plan"). Grants still remain outstanding under the Company's previous 1992 Stock Incentive Plan (the "1992 Plan"); however, as a result of the adoption of the 2006 Plan, no further grants can be made under the 1992 Plan.

Under the terms of the 2006 Plan, up to 5,750,000 shares of common stock were available for the granting of awards; provided, however, that the maximum number of shares available for the granting of awards other than stock options and stock appreciation rights, or SARs, cannot exceed 3,750,000 shares. The terms of the 2006 Plan provide for grants of stock options, SARs, restricted stock, deferred stock, other stock-related awards and performance awards that may be settled in cash, stock or other property.

The 2006 Plan is administered by the Compensation Committee, all of the members of which are non-employee directors who qualify as independent under the listing standards of the Nasdaq Global Select Market. The Compensation Committee makes all determinations with respect to amounts and conditions covering awards. Options are not granted at a price less than fair value on the date of the grant. Options granted to employees and executives typically vest over three years and options granted to non-employee directors vest over two years. Generally, options expire ten years from the date of grant; however, the Company has granted certain option awards to Messrs. Levin and Herreich with a maturity date limited to four years.

Repurchase and Cancellation of Options

In the fourth quarter of fiscal 2008, the Board of Directors approved the repurchase of certain stock options with exercise prices significantly in excess of market price from certain directors and executive officers. The Company repurchased and cancelled the eligible options in exchange for cash payments equal to the fair value of the applicable options on the date of repurchase, as determined using Black-Scholes. The Black-Scholes value of each option repurchased was calculated based upon the closing stock price of the Company's common stock on January 29, 2009.

The Company repurchased options with underlying shares totaling 2,291,512 for an aggregate purchase price of \$7,192. These options had exercise prices ranging from \$4.54 to \$12.35 per share. Of the 2,291,512 shares underlying the repurchased and cancelled options, options covering 1,246,004 shares were issued under the 2006 Plan and, in accordance with the terms of the 2006 Plan, became available for future issuance under the

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2006 Plan. In connection with the one-time repurchase and cancellation of these options, the Company recognized additional stock compensation expense of approximately \$1.5 million in the fourth quarter of fiscal 2008 related to the acceleration of vesting. The Company has no intention of repurchasing any options in the future, nor has any options been repurchased prior to this event. Pursuant to the most recent amendment to the 2006 Plan, the Company is no longer permitted to repurchase underwater options under the 2006 Plan.

2006 Plan—Stock Option and Restricted Share Award Activity

Stock Option Activity

The following table summarizes stock option activity under the 2006 Plan for fiscal 2010:

| <u>Stock Options</u> | <u>Number of Shares</u> | <u>Weighted-average Exercise price per Option</u> | <u>Weighted-average Remaining Contractual Term</u> | <u>Aggregate Intrinsic Value</u> |
|--|-------------------------|---|--|----------------------------------|
| Outstanding options at beginning of year | 670,000 | \$ 4.72 | | |
| Options granted | 383,172 | 4.46 | | |
| Options canceled | (10,000) | 7.52 | | |
| Options exercised | (25,000) | 4.06 | | |
| Outstanding options at end of year | 1,018,172 | \$ 4.61 | 2.9 years | \$ 32,176 |
| Vested and expected to vest at end of year | 1,013,772 | \$ 4.60 | 2.9 years | \$ 32,072 |
| Options exercisable at end of year | 223,335 | \$ 5.00 | 7.3 years | \$ 11,733 |

The total intrinsic value of options exercised under the 2006 Plan was \$22,000 for fiscal 2010. There were no option exercises in fiscal 2009 and fiscal 2008.

Restricted Share Activity

The following table summarizes activity for non-vested shares (“restricted shares”) under the 2006 Plan for fiscal 2010:

| <u>Restricted Shares</u> | <u>Number of Shares</u> | <u>Weighted-average Grant-Date Fair Value ⁽¹⁾</u> |
|--|-------------------------|--|
| Restricted shares outstanding at beginning of year | 615,000 | \$ 1.35 |
| Restricted shares granted | 308,550 | 3.22 |
| Restricted shares vested | (205,030) | 1.35 |
| Restricted shares canceled | (36,664) | 1.32 |
| Restricted shares outstanding at end of year | 681,856 | \$ 2.20 |

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

Approximately \$0.8 million of the total unrecognized stock compensation cost of \$0.9 million is related to restricted shares unvested at January 29, 2011. The cost of the \$0.8 million is expected to be recognized over a weighted-average period of 24.5 months.

Share Availability Under the 2006 Plan

At January 29, 2011, the Company has 3,736,329 shares available for future grant under the 2006 Plan. Of this amount, 2,779,501 shares remain available for awards other than options and stock appreciation rights. See Note F, Equity, above for a further discussion of potential grants subsequent to January 29, 2011 as it relates to the Company’s Long-Term Incentive Plan.

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1992 Plan—Stock Option Activity-

The following table summarizes stock option activity under the 1992 Plan for fiscal 2010:

| <u>Stock Options</u> | <u>Number of Shares</u> | <u>Weighted-average Exercise price per Option</u> | <u>Weighted-average Remaining Contractual Term</u> | <u>Aggregate Intrinsic Value</u> |
|--|-------------------------|---|--|----------------------------------|
| Outstanding at beginning of year | 1,999,425 | \$ 5.78 | | |
| Options granted | — | — | | |
| Options canceled | (51,000) | 5.61 | | |
| Options exercised | (27,500) | 1.28 | | |
| Outstanding at end of year | 1,920,925 | \$ 5.85 | 2.7 years | \$92,722 |
| Vested and expected to vest at end of year | 1,920,925 | \$ 5.85 | 2.7 years | \$92,722 |
| Options exercisable at end of year | 1,920,925 | \$ 5.85 | 2.7 years | \$92,722 |

The total intrinsic value of options exercised was \$64,470 for fiscal 2010 and \$0.3 million for fiscal 2009. There were no option exercises during fiscal 2008.

Options granted outside of the Company's 1992 Plan and 2006 Plan

Below is a summary of options granted outside of the Company's 1992 Plan and 2006 Plan. These outstanding options represent options which were granted to consultants of the Company prior to August 2003 and options granted to its executives, prior to fiscal 2004, in excess of the 1992 Plan's annual maximum grant of 500,000.

| <u>Stock Options</u> | <u>Number of Shares</u> | <u>Weighted-average Exercise price per Option</u> | <u>Weighted-average Remaining Contractual Term</u> | <u>Aggregate Intrinsic Value</u> |
|--|-------------------------|---|--|----------------------------------|
| Outstanding at beginning of year | 985,000 | \$ 3.03 | | |
| Options granted | — | — | | |
| Options canceled | — | — | | |
| Options exercised | (255,000) | 1.33 | | |
| Outstanding at end of year | 730,000 | \$ 3.63 | 0.9 years | \$417,700 |
| Vested and expected to vest at end of year | 730,000 | \$ 3.63 | 0.9 years | \$417,700 |
| Options exercisable at end of year | 730,000 | \$ 3.63 | 0.9 years | \$417,700 |

The total intrinsic value of options exercised outside of the Company's 1992 Plan and 2006 Plan was \$0.5 million for fiscal 2010 and \$33,811 for fiscal 2009. There were no option exercises during fiscal 2008.

Non-Employee Director Stock Purchase Plan

In January 2010, the Company established a Non-Employee Director Stock Purchase Plan to provide a convenient method for its non-employee directors to acquire shares of the Company's common stock at fair market value by voluntarily electing to receive shares of common stock in lieu of cash for service as a director. The substance of this plan is now encompassed within the Company's Amended and Restated Non-Employee Director Compensation Plan.

For fiscal 2010, 36,020 shares of common stock, with a fair value of \$120,232 were issued to its non-employee directors as compensation.

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Issuance of Warrants

The following table summarizes the activity of the Company's outstanding warrants for fiscal 2010:

| <u>Warrants</u> | <u>Number of Shares</u> | <u>Weighted-average Exercise price per Option</u> |
|---|-----------------------------|---|
| Warrants outstanding at beginning of year | 1,058,000 | \$ 6.36 |
| Warrants issued | — | — |
| Warrants canceled | (1,058,000) | \$ 6.36 |
| Warrants exercised | — | — |
| Warrants outstanding at end of year | — | — |

There were no exercises of warrants in fiscal 2009 or fiscal 2008.

The above warrants were issued in connection with two separate private placements of subordinated notes in fiscal 2002 and fiscal 2003. In total, the Company issued warrants to purchase 4,073,871 shares of common stock with a total fair value of \$15.2 million at the respective dates of grant. The fair value was reflected as a component of stockholders' equity as a discount on the debt and was initially amortized over the term of the corresponding debt until the Company prepaid both series of subordinated notes in fiscal 2003 and fiscal 2004, at which time the unamortized value of the warrants was written off. The remaining outstanding warrants of 1,058,000 expired, unexercised, during fiscal 2010.

H. RELATED PARTIES

Seymour Holtzman and Jewelcor Management, Inc.

Seymour Holtzman, the Chairman of the Board of Directors of the Company, is compensated by the Company both directly (as an employee of the Company) and indirectly (as the president and chief executive officer and, together with his wife, indirectly, the indirect majority shareholders of Jewelcor Management Inc. ("JMI")).

Since October 1999, the Company has had an ongoing consulting agreement with JMI to provide the Company with services as may be agreed upon between JMI and the Company. Mr. Holtzman, who has been the Company's Chairman of the Board since April 11, 2000, is the beneficial holder of approximately 11.4% of the outstanding common stock of the Company at January 29, 2011.

Pursuant to the consulting agreement, which was most recently amended in May 2009, Mr. Holtzman, both directly and indirectly through JMI, receives in aggregate annual consulting and employment compensation of \$575,000, payable in cash. The consulting agreement, as amended, is scheduled to expire on April 29, 2011.

I. EMPLOYEE BENEFIT PLANS

The Company accounts for its employee benefit plans in accordance with ASC Topic 715 *Compensation – Retirement Benefits*. ASC Topic 715 requires an employer to: (a) recognize in its statement of financial position an asset for a plan's over-funded status or a liability for a plan's under-funded status; (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year (with limited exceptions); and (c) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur.

Noncontributory Pension Plan

In connection with the Casual Male acquisition, the Company assumed the assets and liabilities of the Casual Male Noncontributory Pension Plan "Casual Male Corp. Retirement Plan", which was previously known as the J. Baker, Inc. Qualified Plan (the "Pension Plan"). Casual Male Corp. froze all future benefits under this plan on May 1, 1997.

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The following table sets forth the Pension Plan's funded status at January 29, 2011 and January 30, 2010:

| | <u>January 29, 2011</u> | <u>January 30, 2010</u> |
|--|-------------------------|-------------------------|
| | (in thousands) | |
| Change in benefit obligation: | | |
| Balance at beginning of period | \$ 11,763 | \$ 12,267 |
| Benefits and expenses paid | (506) | (561) |
| Service and interest costs | 720 | 751 |
| Settlements | (626) | (1,050) |
| Actuarial (gain) loss | 1,067 | 356 |
| Balance at end of year | <u>\$ 12,418</u> | <u>\$ 11,763</u> |
| Change in fair value of plan assets | | |
| Balance at beginning of period | \$ 9,469 | \$ 9,039 |
| Actual return on plan assets | 1,092 | 2,041 |
| Employer contributions | 498 | — |
| Settlements | (626) | (1,050) |
| Benefits and expenses paid | (506) | (561) |
| Balance at end of period | <u>\$ 9,927</u> | <u>\$ 9,469</u> |
| Reconciliation of Funded Status | | |
| Projected benefit obligation | \$ 12,418 | \$ 11,763 |
| Fair value of plan assets | 9,927 | 9,469 |
| Unfunded Status | \$ (2,491) | \$ (2,294) |
| Balance Sheet Classification | | |
| Other long-term liabilities | \$ 2,491 | \$ 2,294 |

Total plan expense and other amounts recognized in accumulated other comprehensive loss for the year ended January 29, 2011, January 30, 2010 and January 31, 2009 include the following components:

| | <u>January 29, 2011</u> | <u>January 30, 2010</u> | <u>January 31, 2009</u> |
|---|-------------------------|-------------------------|-------------------------|
| | (in thousands) | | |
| Interest cost on projected benefit obligation | \$ 720 | \$ 751 | \$ 778 |
| Expected return on plan assets | (756) | (723) | (1,089) |
| Amortization of unrecognized loss | 365 | 397 | 311 |
| Net pension cost | <u>\$ 329</u> | <u>\$ 425</u> | <u>\$ —</u> |
| Other changes recognized in other comprehensive loss, before taxes (in thousands): | | | |
| Unrecognized losses at the beginning of the year | \$ 5,087 | \$ 6,447 | \$ 3,061 |
| Net periodic pension cost | (329) | (425) | — |
| Employer contribution | 498 | — | — |
| Change in plan assets and benefit obligations | 197 | (935) | 3,386 |
| Unrecognized losses at the end of year | <u>\$ 5,453</u> | <u>\$ 5,087</u> | <u>\$ 6,447</u> |

For fiscal 2011, the Company is expecting to make a contribution of \$0.7 million to the plan.

Assumptions used to determine the benefit obligations as of January 29, 2011 and January 30, 2010 include a discount rate of 5.75% for fiscal 2010 and 6.00% for fiscal 2009. Assumptions used to determine the net periodic benefit cost for the years ended January 29, 2011, January 30, 2010 and January 31, 2009 included a discount rate of 5.75% for fiscal 2010, 6.00% for fiscal 2009 and 6.25% for fiscal 2008.

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The expected long term rate of return for both the benefit obligation and the net periodic benefit cost was assumed to be 8.00% for both fiscal 2010 and fiscal 2009. The expected long-term rate of return assumption was developed considering historical and future expectations for returns for each asset class.

Estimated Future Benefit Payments

The estimated future benefits for the next ten fiscal years are as follows:

| <u>FISCAL YEAR</u> | <u>(in thousands)</u> |
|--------------------|-----------------------|
| 2011 | 532 |
| 2012 | 572 |
| 2013 | 626 |
| 2014 | 674 |
| 2015 | 700 |
| 2016—2020 | 4,204 |

Plan Assets

The fair values of the Company's noncontributory defined benefit retirement plan assets at the end of fiscal 2010, by asset category, are as follows:

| | <u>Fair Value Measurement</u> | | | <u>Total</u> |
|----------------------|---|---|--|-----------------|
| | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Observable Inputs (Level 2) (in thousands)</u> | <u>Significant Unobservable Inputs (Level 3)</u> | |
| Asset category: | | | | |
| Common Stock | \$ 4,968 | — | — | \$ 4,968 |
| Mutual Funds: | | | | |
| U.S. Equity | 449 | — | — | 449 |
| International Equity | 1,515 | — | — | 1,515 |
| Bond | 2,486 | — | — | 2,486 |
| Insurance Contracts | — | \$ 490 | — | 490 |
| Cash | 19 | — | — | 19 |
| Total | \$ 9,437 | \$ 490 | — | \$ 9,927 |

Level 1 – Quoted, active market prices for identical assets. Share prices of the funds, referred to as a fund's Net Asset Value ("NAV"), are calculated daily based on the closing market prices and accruals of securities in the fund's total portfolio (total value of the fund) divided by the number of fund shares currently issued and outstanding. Redemptions of the mutual funds occur by contract at the respective fund's redemption date NAV.

Level 2 – Observable inputs other than Level 1 prices, based on model-derived valuations in which all significant inputs are observable in active markets. The NAVs of the funds are calculated monthly based on the closing market prices and accruals of securities in the fund's total portfolio (total value of the fund) divided by the number of fund shares currently issued and outstanding. Redemptions of the mutual funds occur by contract at the respective fund's redemption date NAV.

Level 3 – Unobservable inputs based on the Company's own assumptions.

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The Company's target asset allocation for fiscal 2011 and its asset allocation at January 29, 2011 and January 30, 2010 were as follows, by asset category:

| Asset category: | Target allocation | Percentage of plan assets at | |
|---------------------|-------------------|------------------------------|------------------|
| | Fiscal 2011 | January 29, 2011 | January 30, 2010 |
| Equity securities | 75.0% | 69.8% | 52.0% |
| Debt securities | 20.0% | 25.0% | 30.7% |
| Insurance contracts | 5.0% | 4.9% | 16.9% |
| Cash | — | 0.3% | 0.4% |
| Total | 100.0% | 100.0% | 100.0% |

The target policy is set to maximize returns with consideration to the long-term nature of the obligations and maintaining a lower level of overall volatility through the allocation of fixed income. The asset allocation is reviewed throughout the year for adherence to the target policy and is rebalanced periodically towards the target weights.

Supplemental Retirement Plan

In connection with the Casual Male acquisition, the Company also assumed the liability of the Casual Male Supplemental Retirement Plan (the "Supplemental Plan").

The following table sets forth the Supplemental Plan's funded status at January 29, 2011 and January 30, 2010:

| | January 29, 2011 | January 30, 2010 |
|--|------------------|------------------|
| | (in thousands) | |
| Change in benefit obligation: | | |
| Balance at beginning of period | \$ 532 | \$ 519 |
| Benefits and expenses paid | (30) | (30) |
| Actuarial loss (gain) | 8 | 12 |
| Service and interest costs | 31 | 31 |
| Balance at end of year | <u>\$ 541</u> | <u>\$ 532</u> |
| Change in fair value of plan assets | | |
| Balance at beginning of period | \$ — | \$ — |
| Employer contributions | 30 | 30 |
| Benefits and expenses paid | (30) | (30) |
| Balance at end of year | <u>—</u> | <u>—</u> |
| Projected benefit obligation | <u>\$ 541</u> | <u>\$ 532</u> |
| Reconciliation of Funded Status | | |
| Projected benefit obligation | \$ 541 | \$ 532 |
| Fair value of plan assets | <u>—</u> | <u>—</u> |
| Underfunded Status | <u>\$ (541)</u> | <u>\$ (532)</u> |

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Other changes recognized in other comprehensive loss, before taxes (*in thousands*):

| | January 29, 2011 | January 30, 2010 | January 31, 2009 |
|--|------------------|------------------|------------------|
| Unrecognized losses at the beginning of the year | \$ 49 | \$ 38 | \$ 78 |
| Net periodic pension cost | (31) | (31) | (31) |
| Employer contribution | 30 | 30 | 27 |
| Change in plan assets and benefit obligations | 8 | 12 | (36) |
| Unrecognized losses at the end of year | <u>\$ 56</u> | <u>\$ 49</u> | <u>\$ 38</u> |

Assumptions used to determine the benefit obligations as of January 29, 2011 and January 30, 2010 included a discount rate of 5.75% for fiscal 2010 and 6.00% for fiscal 2009. Assumptions used to determine the net periodic benefit cost for the years ended January 29, 2011, January 30, 2010 and January 31, 2009 included a discount rate of 5.75% for fiscal 2010, 6.00% for fiscal 2009 and 6.25% for fiscal 2008.

Defined Contribution Plan

The Company has two defined contribution plans, the Casual Male 401(k) Salaried Plan and the Casual Male 401(k) Hourly plan (the "401(k) Plans"). The 401(k) Plans cover all eligible employees who are at least 21 years of age and have completed the required months of service, which is six months or twelve months depending on the plan. Effective January 1, 2008, the Company adopted the Safe Harbor matching and vesting provisions permitted under the Pension Protection Act of 2006 for its 401(k) Plans. Accordingly, beginning in fiscal 2008, the Company matched 100% of the first 1% of deferred compensation and 50% of the next 5% (with a maximum contribution of 3.5% of eligible compensation).

In May 2009, in connection with its cost reduction initiatives, the Board of Directors voted to cease any further employer contributions to the 401(k) Plan, effective May 31, 2009. In November 2010, the Administrative Committee voted to reinstate the Safe Harbor matching and vesting provision effective January 1, 2011.

The Company recognized \$0.4 million and \$1.3 million of expense under these plans in fiscal 2009 and 2008, respectively. No expense was recognized in fiscal 2010 as a result of the Board of Directors' vote to cease employer contributions to the 401(k) Plan in May 2009.

J. DISCONTINUED OPERATIONS

During the first quarter of fiscal 2008, the Company sold its Jared M. business to a third party for a cash purchase price of \$0.3 million. The Company did not recognize any material gain or loss on the sale. When the Company recorded its initial charges in fiscal 2007, its Jared M. showroom was being sub-leased and the Company believed no excess lease obligation existed. However, during fiscal 2008, the Company was not able to secure a long-term sub-lease agreement to completely satisfy its obligations under the lease agreement. Accordingly, during the fourth quarter of fiscal 2008, the Company recorded an additional charge of \$0.9 million for the estimated lease obligation. No tax benefit was realized on the \$0.9 million charge in fiscal 2008 due to the consolidated tax position of the Company. In fiscal 2010, the Company assigned the lease and no additional charge or income was recognized.

K. SALE OF LP INNOVATIONS, INC.

In fiscal 2006, the Company sold its loss prevention subsidiary, LP Innovations, Inc. ("LPI"), to a private equity group for a purchase price of \$5.2 million. The Company received \$3.0 million of the purchase price in cash at the closing and entered into a note for the remaining purchase price of \$2.2 million. The note requires LPI to make quarterly payments to the Company commencing on the first anniversary of the note. The Company

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recognized an initial gain on the sale of LPI in the amount of \$1.5 million which was recognized as “other income” for fiscal 2006. Due to the initial uncertainty regarding the collection of the note, the Company had partially reserved the balance of the note on the Consolidated Balance Sheets and has been recognizing income on the note when realizability was assured. For each of the fiscal years 2010, 2009 and 2008, the Company recognized \$0.5 million, \$0.6 million and \$0.5 million, respectively, as “other income.” At January 29, 2011, there is no remaining income on the sale of LPI to be realized. The remaining balance of the note is \$0.5 million at January 29, 2011.

L. SELECTED QUARTERLY DATA (UNAUDITED)

| | <u>FIRST QUARTER</u> | <u>SECOND QUARTER</u> | <u>THIRD QUARTER</u> | <u>FOURTH QUARTER</u> | <u>FULL YEAR</u> |
|--|---------------------------------------|---------------------------|--------------------------|---------------------------|----------------------|
| | (In Thousands, Except Per Share Data) | | | | |
| FISCAL YEAR 2010 | | | | | |
| Sales | \$ 94,984 | \$ 97,251 | \$ 89,936 | \$ 111,471 | \$393,642 |
| Gross profit | 43,568 | 45,109 | 41,134 | 50,616 | 180,427 |
| Operating income (loss) | 4,613 | 6,314 | (827) | 6,149 | 16,249 |
| Income (loss) from continuing operations | 4,561 | 6,266 | (681) | 5,945 | 16,091 |
| Income tax provision (benefit) | 407 | 670 | (970) | 613 | 720 |
| Net income | 4,154 | 5,596 | 289 | 5,332 | 15,371 |
| Earnings per share—basic | \$ 0.09 | \$ 0.12 | \$ 0.01 | \$ 0.11 | \$ 0.33 |
| Earnings per share—diluted | \$ 0.09 | \$ 0.12 | \$ 0.01 | \$ 0.11 | \$ 0.32 |
| FISCAL YEAR 2009 | | | | | |
| Sales | \$ 97,561 | \$ 98,252 | \$ 88,689 | \$ 110,666 | \$395,168 |
| Gross profit | 41,558 | 43,825 | 37,863 | 51,311 | 174,557 |
| Operating income (loss) | 610 | 4,332 | (1,309) | 4,378 | 8,011 |
| Income (loss) from continuing operations | 373 | 4,130 | (1,471) | 4,548 | 7,580 |
| Income tax provision (benefit) | 37 | 504 | (61) | 990 | 1,470 |
| Net income (loss) | 336 | 3,626 | (1,410) | 3,558 | 6,110 |
| Earnings (loss) per share—basic | \$ 0.01 | \$ 0.09 | \$ (0.03) | \$ 0.08 | \$ 0.14 |
| Earnings (loss) per share—diluted | \$ 0.01 | \$ 0.09 | \$ (0.03) | \$ 0.08 | \$ 0.14 |

Historically, and consistent with the retail industry, the Company has experienced seasonal fluctuations as it relates to its operating income and net income. Traditionally, a significant portion of the Company’s operating income and net income is generated in the fourth quarter, as a result of the “Holiday” season.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Management's Conclusions Regarding the Effectiveness of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (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 January 29, 2011. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of January 29, 2011, our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer 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. Our internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the design and effectiveness of our internal control over financial reporting as of January 29, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control- Integrated Framework.

Based on management's assessment and the above mentioned criteria, management determined that we maintained effective internal control over financial reporting as of January 29, 2011.

Ernst & Young LLP, our independent registered public accounting firm, has issued an audit report on our internal control over financial reporting as of January 29, 2011, which appears below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
of Casual Male Retail Group, Inc.

We have audited Casual Male Retail Group, Inc.'s internal control over financial reporting as of January 29, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Casual Male Retail Group, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Casual Male Retail Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of January 29, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Casual Male Retail Group, Inc. as of January 29, 2011 and January 30, 2010, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three fiscal years in the period ended January 29, 2011 of Casual Male Retail Group, Inc. and our report dated March 18, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 18, 2011

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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 fiscal quarter ended January 29, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III.

Pursuant to Paragraph G(3) of the General Instructions to Form 10-K, the information required by Part III (Items 10, 11, 12, 13 and 14) is being incorporated by reference herein from our definitive proxy statement (or an amendment to this Annual Report on Form 10-K) to be filed with the Securities and Exchange Commission within 120 days of the end of the fiscal year ended January 29, 2011 in connection with our 2011 Annual Meeting of Stockholders.

Item 10. *Directors, Executive Officers and Corporate Governance*

Information with respect to this item is incorporated by reference from our definitive proxy statement (or amendment to this Annual Report on Form 10-K) to be filed with the SEC within 120 days of the end of the fiscal year ended January 29, 2011.

Item 11. *Executive Compensation*

Information with respect to this item is incorporated by reference from our definitive proxy statement (or amendment to this Annual Report on Form 10-K) to be filed with the SEC within 120 days of the end of the fiscal year ended January 29, 2011.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Information with respect to this item is incorporated by reference from our definitive proxy statement (or amendment to this Annual Report on Form 10-K) to be filed with the SEC within 120 days of the end of the fiscal year ended January 29, 2011.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

Information with respect to this item is incorporated by reference from our definitive proxy statement (or amendment to this Annual Report on Form 10-K) to be filed with the SEC within 120 days of the end of the fiscal year ended January 29, 2011.

Item 14. *Principal Accounting Fees and Services*

Information with respect to this item is incorporated by reference from our definitive proxy statement (or amendment to this Annual Report on Form 10-K) to be filed with the SEC within 120 days of the end of the fiscal year ended January 29, 2011.

PART IV.

Item 15. Exhibits, Financial Statement Schedules

15(a)(1) Financial Statements

The list of consolidated financial statements and notes required by this Item 15(a)(1) is set forth in the “Index to Consolidated Financial Statements” on page 42 of this Annual Report.

15(a)(2) Financial Statement Schedules

All schedules have been omitted because the required information is not applicable or is not present in amounts sufficient to require submission of the schedules, or because the information required is included in the financial statements or notes thereto.

15(a)(3) Exhibits

The list of exhibits required by this Item 15(a)(3) is set forth in the “Index to Exhibits” beginning on page 73 of this Annual Report.

Index to Exhibits

Exhibits

- 3.1 Restated Certificate of Incorporation of the Company, as amended (included as Exhibit 3.1 to Amendment No. 3 of the Company's Registration Statement on Form S-1 (No. 33-13402), and incorporated herein by reference). *
- 3.2 Certificate of Amendment to Restated Certificate of Incorporation, as amended, dated June 22, 1993 (included as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed on June 18, 1996, and incorporated herein by reference). *
- 3.3 Certificate of Amendment to Restated Certificate of Incorporation, as amended, dated August 8, 2002 (included as Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q filed on September 17, 2002, and incorporated herein by reference). *
- 3.4 Certificate of Amendment to Restated Certificate of Incorporation, as amended, dated August 27, 2009 (included as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 28, 2009, and incorporated herein by reference). *
- 3.5 Certificate of Amendment to Restated Certificate of Incorporation, as amended, dated August 27, 2009 (included as Exhibit 3.2 to the Company's Current Report on Form 8-K filed on August 28, 2009, and incorporated herein by reference). *
- 3.6 Certificate of Designations, Preferences and Rights of a Series of Preferred Stock of the Company establishing Series A Junior Participating Cumulative Preferred Stock dated May 1, 1995 (included as Exhibit 3.2 to the Company's Annual Report on Form 10-K filed on May 3, 1996, and incorporated herein by reference). *
- 3.7 Certificate of Designations, Preferences and Relative, Participating, Optional and Other Special Rights and Qualifications, Limitations and Restrictions of Series B Convertible Preferred Stock dated May 14, 2002 (included as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 23, 2002, and incorporated herein by reference). *
- 3.8 Form of Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock, as filed with the Secretary of the State of Delaware on December 9, 2008 (included as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 9, 2008, and incorporated herein by reference). *
- 3.9 By-Laws of the Company, as amended (included as Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q filed on December 12, 2000, and incorporated herein by reference). *
- 10.1 1992 Stock Incentive Plan, as amended (included as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on December 9, 2003, and incorporated herein by reference). *
- 10.2 Casual Male Retail Group, Inc. 2006 Incentive Compensation Plan, as amended (included as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 20, 2010, and incorporated herein by reference). *
- 10.3 Form of Non-Qualified Option Agreement for the Chairman and Executive Officers (included as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 18, 2006, and incorporated herein by reference). *
- 10.4 Form of Incentive Stock Option Agreement for the Chairman and Executive Officers (included as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on August 18, 2006, and incorporated herein by reference). *
- 10.5 Form of Non-Qualified Option Agreement for Non-Employee Directors (included as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on August 18, 2006, and incorporated herein by reference). *

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Exhibits

- 10.6 Form of Option Repurchase Agreement dated January 29, 2009 (included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 3, 2009 and incorporated herein by reference). *
- 10.7 Casual Male Retail Group, Inc. Amended and Restated Non-Employee Director Compensation Plan (included as Exhibit 4.1 to the Company's Registration Statement on Form S-8 (No. 333-170764), and incorporated herein by reference). *
- 10.8 Sixth Amended and Restated Loan and Security Agreement dated November 10, 2010, by and among Bank of America, N.A., as Administrative Agent and Collateral Agent, the Revolving Credit Lenders identified therein, the Company, as Borrowers' Representative, and the Company and CMRG Apparel, LLC, as Borrowers (included as Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed on January 7, 2011, and incorporated herein by reference). * †
- 10.9 Master Loan and Security Agreement dated July 20, 2007 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 July 23, 2007, and incorporated herein by reference). *
- 10.10 Equipment Security Note Number 17608-70001 to the Master Loan and Security Agreement dated July 20, 2007 between the Company and Banc of America Leasing & Capital, LLC (included as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on August 20, 2010, and incorporated herein by reference). *
- 10.11 Equipment Security Note Number 17608-70002 to the Master Loan and Security Agreement dated January 16, 2008 between the Company and Banc of America Leasing & Capital, LLC (included as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on August 20, 2010, and incorporated herein by reference). *
- 10.12 Consulting Agreement, dated April 29, 2000 between the Company and Jewelcor Management, Inc. (included as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 31, 2007, and incorporated herein by reference). *
- 10.13 Extension to Consulting Agreement, dated as of April 28, 2001, between the Company and Jewelcor Management, Inc. (included as Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q filed on September 18, 2001, and incorporated herein by reference). *
- 10.14 Extension to Consulting Agreement, dated as of April 28, 2002, between the Company and Jewelcor Management, Inc. (included as Exhibit 10.30 to the Company's Quarterly Report on Form 10-Q filed on June 18, 2002, and incorporated herein by reference). *
- 10.15 Extension to Consulting Agreement, dated as of April 29, 2003, between the Company and Jewelcor Management, Inc. (included as Exhibit 10.7 to the Company's Annual Report on Form 10-K filed on May 5, 2003, and incorporated herein by reference). *
- 10.16 Amendment to Consulting Agreement, effective as of May 1, 2003, between the Company and Jewelcor Management, Inc. (included as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on September 16, 2003, and incorporated herein by reference). *
- 10.17 Amendment to Consulting Agreement, dated as of August 26, 2004, between the Company and Jewelcor Management, Inc. (included as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on December 9, 2004, and incorporated herein by reference). *
- 10.18 Amendment to Consulting Agreement, effective May 9, 2005, between the Company and Jewelcor Management, Inc. (included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 20, 2005, and incorporated herein by reference). *

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Exhibits

- 10.19 Letter Agreement dated May 26, 2006 between the Company and Jewelcor Management, Inc. (included as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 30, 2006, and incorporated herein by reference). *
- 10.20 Amendment to Consulting Agreement dated as of May 30, 2007, effective April 29, 2007, between the Company and Jewelcor Management, Inc. (included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 31, 2007, and incorporated herein by reference). *
- 10.21 Amendment to Consulting Agreement dated September 8, 2008 between the Company and Jewelcor Management, Inc. (included as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 21, 2008, and incorporated herein by reference). *
- 10.22 Extension to Consulting Agreement, effective as of May 17, 2009 between the Company and Jewelcor Management, Inc. (included as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on November 20, 2009, and incorporated herein by reference). *
- 10.23 Revised and Restated Employment Agreement dated as of November 5, 2009 between the Company and David A. Levin (included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 19, 2009, and incorporated herein by reference). *
- 10.24 Revised and Restated Employment Agreement dated as of November 5, 2009 between the Company and Dennis R. Hernreich (included as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on November 19, 2009, and incorporated herein by reference). *
- 10.25 Employment Agreement between the Company and Henry J. Metscher dated as of January 7, 2010 (included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 11, 2010, and incorporated herein by reference). *
- 10.26 Employment Agreement between the Company and Robert S. Molloy dated as of January 7, 2010 (included as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 11, 2010, and incorporated herein by reference). *
- 10.27 Employment Agreement between the Company and Ric Della Bernarda dated as of January 8, 2010 (included as Exhibit 10.32 to the Company's Annual Report on Form 10-K filed on March 19, 2010, and incorporated herein by reference). *
- 10.28 Employment Agreement between the Company and Francis Chane dated as of January 8, 2010 (included as Exhibit 10.34 to the Company's Annual Report on Form 10-K filed on March 19, 2010, and incorporated herein by reference). *
- 10.29 Employment Agreement between the Company and Kenneth Ederle dated as of January 8, 2010 (included as Exhibit 10.35 to the Company's Annual Report on Form 10-K filed on March 19, 2010, and incorporated herein by reference). *
- 10.30 Employment Agreement between the Company and Douglas Hearn dated as of January 8, 2010 (included as Exhibit 10.36 to the Company's Annual Report on Form 10-K filed on March 19, 2010, and incorporated herein by reference). *
- 10.31 Employment Agreement between the Company and Jack R. McKinney dated as of January 8, 2010 (included as Exhibit 10.37 to the Company's Annual Report on Form 10-K filed on March 19, 2010, and incorporated herein by reference). *
- 10.32 Employment Agreement between the Company and Peter E. Schmitz dated as of January 8, 2010 (included as Exhibit 10.38 to the Company's Annual Report on Form 10-K filed on March 19, 2010, and incorporated herein by reference). *

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Exhibits

- 10.33 Employment Agreement between the Company and Vickie Smith dated as of January 8, 2010 (included as Exhibit 10.39 to the Company's Annual Report on Form 10-K filed on March 19, 2010, and incorporated herein by reference). *
- 10.34 Employment Agreement between the Company and Walter E. Sprague dated as of January 8, 2010 (included as Exhibit 10.40 to the Company's Annual Report on Form 10-K filed on March 19, 2010, and incorporated herein by reference). *
- 10.35 Employment Agreement between the Company and Peter H. Stratton, Jr. dated as of January 7, 2010 (included as Exhibit 10.41 to the Company's Annual Report on Form 10-K filed on March 19, 2010, and incorporated herein by reference). *
- 10.36 Employment Agreement between the Company and Brian Reaves (included as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 21, 2010, and incorporated herein by reference). *
- 10.37 Casual Male Retail Group, Inc. Amended and Restated Long-Term Incentive Plan (included as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed August 20, 2010, and incorporated herein by reference). *
- 10.38 Second Amended and Restated Casual Male Retail Group, Inc. Amended and Restated Annual Incentive Plan (included as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed November 19, 2010 and incorporated herein by reference). *
- 10.39 Registration Rights Agreement entered into as of April 26, 2002, by and between the Company and the persons identified therein (included as Exhibit 10.8 to the Company's Current Report on Form 8-K filed on May 23, 2002, and incorporated herein by reference). *
- 10.40 Registration Rights Agreement dated November 18, 2003 by and between the Company and Thomas Weisel Partners LLC (included as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on December 9, 2003, and incorporated herein by reference). *
- 10.41 Contribution Agreement dated January 30, 2006 by and among the Company, Spirit SPE Canton, LLC and Spirit Finance Acquisitions, LLC (included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 3, 2006, and incorporated herein by reference). *
- 10.42 Membership Interest Purchase Agreement dated January 30, 2006 by and between the Company and Spirit Finance Acquisitions, LLC (included as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on February 3, 2006, and incorporated herein by reference). *
- 10.43 Lease Agreement dated February 1, 2006 by and between the Company and Spirit SPE Canton, LLC (included as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on February 3, 2006, and incorporated herein by reference). *
- 10.44 Buying Agency Agreement effective November 16, 2005 by and between Designs Apparel, Inc. and Li & Fung (included as Exhibit 10.47 to the Company's Annual Report on Form 10-K filed March 31, 2006, and incorporated herein by reference). *
- 21.1 Subsidiaries of the Registrant.
- 23.1 Consent of Independent Registered Public Accounting Firm.
- 31.1 Certification of Chief Executive Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 31.2 Certification of Chief Financial Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

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Exhibits

| | |
|------|--|
| 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. |

* Previously filed with the Securities and Exchange Commission.

† Portions of this Exhibit have been omitted pursuant to a grant of confidential treatment.

SUBSIDIARIES OF CASUAL MALE RETAIL GROUP, INC.
Wholly-owned unless otherwise indicated

| <u>Subsidiary:</u> | <u>State of Incorporation:</u> |
|--|--------------------------------|
| Casual Male Retail Store, LLC (f/k/a Designs CMAL Retail Store Inc.) | Delaware |
| Casual Male Direct, LLC (f/k/a Designs CMAL TBD Inc.) | Delaware |
| CMRG Apparel Management, Inc. | Delaware |
| CMRG Holdco, LLC | Delaware |
| CMXL Apparel, LP (a) | Delaware |
| CMRG Apparel, LLC (f/k/a Designs Apparel, Inc.) (b) | Delaware |
| Casual Male Store, LLC (f/k/a Designs CMAL Store Inc.) | Delaware |
| Capture, LLC (c) | Virginia |
| Casual Male RBT, LLC | Delaware |
| Casual Male RBT (U.K.) LLC (d) | Delaware |
| Casual Male Canada Inc. | Ontario, Canada |
| Casual Male (EUROPE) LLC | Delaware |
| Think Big Products LLC | Delaware |
| Canton PL Liquidating Corp. (f/k/a LP Innovations, Inc.) | Nevada |
| CMRG Global Holdings, Ltd. | Cayman Islands |
| CMRG Europe B.V. (e) | Netherlands |

- (a) A limited partnership in which CMRG Apparel Management, Inc. is a General Partner owning 1% and CMRG Holdco, LLC is a Limited Partner owning 99%. (Both partners are wholly-owned subsidiaries of Casual Male Retail Group, Inc.)
- (b) 100% owned by CMXL Apparel, LP (a wholly-owned subsidiary of Casual Male Retail Group, Inc.)
- (c) 100% owned by Casual Male Store, LLC (a wholly-owned subsidiary of Casual Male Retail Group, Inc.)
- (d) 100% owned by Casual Male RBT, LLC (a wholly-owned subsidiary of Casual Male Retail Group, Inc.)
- (e) 100% owned by CMRG Global Holding, Ltd.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-3 Nos. 333-118966, 333-112598, 333-90742, 333-160379, and 33-53358 and Form S-8 Nos. 333-112561, 333-112218, 333-136890, 33-52892, 333-164618, 333-163245, 333-170708, and 333-170764) of Casual Male Retail Group, Inc. and in the related Prospectus of our reports dated March 18, 2011, with respect to the consolidated financial statements of Casual Male Retail Group, Inc. and the effectiveness of internal control over financial reporting of Casual Male Retail Group, Inc., included in this Annual Report (Form 10-K) for the year ended January 29, 2011.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 18, 2011

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION

I, David A. Levin, certify that:

1. I have reviewed this Annual Report on Form 10-K of Casual Male Retail 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 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 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: March 18, 2011

/s/ DAVID A. LEVIN

David A. Levin
President and Chief Executive Officer

PRINCIPAL FINANCIAL OFFICER CERTIFICATION

I, Dennis R. Hernreich, certify that:

1. I have reviewed this Annual Report on Form 10-K of Casual Male Retail 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 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 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: March 18, 2011

/s/ DENNIS R. HERNREICH

Dennis R. Hernreich
Chief Financial Officer

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

In connection with the Annual Report on Form 10-K of Casual Male Retail Group, Inc. (the "Company") for the period ended January 29, 2011, 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: March 18, 2011

/s/ DAVID A. LEVIN

David A. Levin
Chief Executive Officer

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

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

In connection with the Annual Report on Form 10-K of Casual Male Retail Group, Inc. (the "Company") for the period ended January 29, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dennis R. Hernreich, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: March 18, 2011

/s/ DENNIS R. HERNREICH

Dennis R. Hernreich
Chief Financial Officer

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