

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

FORM 10-Q

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

**For the Quarterly Period
Ended May 4, 2013**

Commission File Number 01-34219

DESTINATION XL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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)

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

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

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

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

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

The number of shares of common stock outstanding as of May 10, 2013 was 48,613,561.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	May 4, 2013 (Fiscal 2013) (Unaudited)	February 2, 2013 (Fiscal 2012)
ASSETS		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 6,102	\$ 8,162
Accounts receivable	5,086	5,007
Inventories	112,381	104,211
Deferred income taxes	5,458	6,625
Prepaid expenses and other current assets	9,146	9,081
Total current assets	<u>138,173</u>	<u>133,086</u>
Property and equipment, net of accumulated depreciation and amortization	72,294	65,942
<i>Other assets:</i>		
Intangible assets	5,715	6,256
Deferred income taxes	39,112	38,688
Other assets	2,021	1,973
Total assets	<u>\$ 257,315</u>	<u>\$ 245,945</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Current liabilities:</i>		
Current portion of deferred gain on sale-leaseback	\$ 1,465	\$ 1,465
Accounts payable	26,728	25,464
Accrued expenses and other current liabilities	33,019	35,217
Borrowings under credit facility	11,588	—
Total current liabilities	<u>72,800</u>	<u>62,146</u>
<i>Long-term liabilities:</i>		
Deferred gain on sale-leaseback, net of current portion	17,219	17,585
Other long-term liabilities	4,888	5,002
Total long-term liabilities	<u>22,107</u>	<u>22,587</u>
Commitments and contingencies (Note E)		
<i>Stockholders' equity:</i>		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized, 59,488,927 and 59,477,008 shares issued at May 4, 2013 and February 2, 2013, respectively	595	595
Additional paid-in capital	294,136	293,977
Treasury stock at cost, 10,877,439 shares at May 4, 2013 and February 2, 2013	(87,977)	(87,977)
Accumulated deficit	(38,811)	(39,822)
Accumulated other comprehensive loss	(5,535)	(5,561)
Total stockholders' equity	<u>162,408</u>	<u>161,212</u>
Total liabilities and stockholders' equity	<u>\$ 257,315</u>	<u>\$ 245,945</u>

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

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)
(Unaudited)

	For the three months ended	
	May 4, 2013 (Fiscal 2013)	April 28, 2012 (Fiscal 2012)
Sales	\$ 93,594	\$ 95,539
Cost of goods sold including occupancy costs	49,111	49,936
Gross profit	44,483	45,603
Expenses:		
Selling, general and administrative	38,332	37,759
Depreciation and amortization	4,170	3,690
Total expenses	42,502	41,449
Operating income	1,981	4,154
Interest expense, net	(178)	(165)
Income from continuing operations before provision for income taxes	1,803	3,989
Provision for income taxes	792	1,539
Income from continuing operations	1,011	2,450
Loss from discontinued operations, net of taxes	—	(181)
Net income	\$ 1,011	\$ 2,269
Net income per share - basic:		
Income from continuing operations	\$ 0.02	\$ 0.05
Loss from discontinued operations	\$ 0.00	\$ 0.00
Net income per share - basic	\$ 0.02	\$ 0.05
Net income per share - diluted:		
Income from continuing operations	\$ 0.02	\$ 0.05
Loss from discontinued operations	\$ 0.00	\$ 0.00
Net income per share - diluted	\$ 0.02	\$ 0.05
Weighted-average number of common shares outstanding:		
Basic	48,291	47,664
Diluted	48,587	48,176

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

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)
(Unaudited)

	For the three months ended	
	May 4, 2013 <u>(Fiscal 2013)</u>	April 28, 2012 <u>(Fiscal 2012)</u>
Net income	\$ 1,011	\$ 2,269
Other comprehensive income (loss) before taxes:		
Foreign currency translation	(90)	143
Pension plan	<u>156</u>	<u>157</u>
Other comprehensive income before taxes	66	300
Tax benefit related to items of other comprehensive income	<u>(40)</u>	<u>(103)</u>
Other comprehensive income (loss), net of tax	26	197
Comprehensive income	<u>\$ 1,037</u>	<u>\$ 2,466</u>

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

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the three months ended May 4, 2013

(In thousands)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amounts		Shares	Amounts			
Balance at February 2, 2013	<u>59,477</u>	<u>\$ 595</u>	<u>\$293,977</u>	<u>(10,877)</u>	<u>\$(87,977)</u>	<u>\$ (39,822)</u>	<u>\$ (5,561)</u>	<u>\$161,212</u>
Exercises under option program	8	—	—					—
Stock compensation expense			141					141
Board of Directors compensation	4	—	18					18
Accumulated other comprehensive income (loss):								
Unrecognized loss associated with Pension Plan, net of taxes of \$62							94	94
Foreign currency, net of taxes of \$(22)							(68)	(68)
Net income						1,011		1,011
Balance at May 4, 2013	<u>59,489</u>	<u>\$ 595</u>	<u>\$294,136</u>	<u>(10,877)</u>	<u>\$(87,977)</u>	<u>\$ (38,811)</u>	<u>\$ (5,535)</u>	<u>\$162,408</u>

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

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Three Months Ended	
	May 4, 2013 (Fiscal 2013)	April 28, 2012 (Fiscal 2012)
Cash flows from operating activities:		
Net income	\$ 1,011	\$ 2,269
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Amortization of deferred gain on sale leaseback	(366)	(367)
Depreciation and amortization	4,170	3,690
Deferred taxes, net of valuation allowance	794	1,588
Stock compensation expense	141	393
Issuance of common stock to Board of Directors	18	10
Changes in operating assets and liabilities:		
Accounts receivable	(79)	433
Inventories	(8,170)	(7,985)
Prepaid expenses and other current assets	(113)	(1,002)
Intangibles and other assets	12	13
Accounts payable	1,264	2,962
Deferred lease incentives	786	(101)
Accrued expenses and other liabilities	(5,088)	(842)
Net cash (used for) provided by operating activities	<u>(5,620)</u>	<u>1,061</u>
Cash flows from investing activities:		
Additions to property and equipment, net	(8,028)	(5,571)
Proceeds from sale of businesses	—	71
Net cash used for investing activities	<u>(8,028)</u>	<u>(5,500)</u>
Cash flows from financing activities:		
Borrowings under credit facility	11,588	—
Net cash provided by financing activities	<u>11,588</u>	<u>—</u>
Net decrease in cash and cash equivalents	<u>(2,060)</u>	<u>(4,439)</u>
Cash and cash equivalents:		
Beginning of period	8,162	10,353
End of period	<u>\$ 6,102</u>	<u>\$ 5,914</u>

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

DESTINATION XL GROUP, INC.
Notes to Consolidated Financial Statements

1. Basis of Presentation

In the opinion of management of Destination XL Group, Inc., a Delaware corporation (formerly known as Casual Male Retail Group, Inc. and collectively referred to as the “Company”), the accompanying unaudited consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial statements. These financial statements do not include all disclosures associated with annual financial statements and, accordingly, should be read in conjunction with the notes to the Company’s audited consolidated financial statements for the fiscal year ended February 2, 2013 included in the Company’s Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 15, 2013.

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

The Company’s fiscal year is a 52- or 53- week period ending on the Saturday closest to January 31. Fiscal 2013 is a 52-week period ending on February 1, 2014. Fiscal 2012 was a 53-week period ending on February 2, 2013.

Reclassification

Results for the first quarter of fiscal 2012 have been restated to reflect the operating results of the Company’s European operations as discontinued operations. See Note 5, “Discontinued Operations.”

Segment Information

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

Other Intangibles

At May 4, 2013, the “Casual Male” trademark has a carrying value of \$3.6 million and is considered a definite-lived asset. The Company is amortizing the remaining carrying value of \$3.6 million on an accelerated basis consistent with projected cash flows through fiscal 2018, its estimated remaining useful life.

The Company’s “Rochester” trademark is considered an indefinite-lived intangible asset and has a carrying value of \$1.5 million. During the first three months of fiscal 2013, no event or circumstance occurred which would cause a reduction in the fair value of the Company’s reporting units, requiring interim testing of the Company’s “Rochester” trademark.

Fair Value of Financial Instruments

ASC Topic 825, *Financial Instruments*, requires disclosure of the fair value of certain financial instruments. The carrying amounts 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.

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

Other comprehensive income (loss) include amounts related to foreign currency and pension plans and are reported in the Consolidated Statements of Comprehensive Income. Other comprehensive income and reclassifications from AOCI for the three months ended May 4, 2013 and April 28, 2012 are as follows:

	May 4, 2013			April 28, 2012		
	Pension Plans	Foreign	Total	Pension Plans	Foreign	Total
<i>For the three months ended (in thousands):</i>						
Balance at beginning of fiscal year	\$(5,828)	\$ 267	\$(5,561)	\$(5,949)	\$ 233	\$(5,716)
Other comprehensive income (loss) before reclassifications, net of taxes	43	(68)	(25)	25	102	127
Amounts reclassified from accumulated other comprehensive income (loss), net of taxes (1)	51	—	51	70	—	70
Other comprehensive income (loss) for the period	94	(68)	26	95	102	197
Balance at end of quarter	\$(5,734)	\$ 199	\$(5,535)	\$(5,854)	\$ 335	\$(5,519)

(1) Represents the amortization of the unrecognized (gain)/loss. The amortization of the unrecognized loss, before tax, of \$84,000 and \$116,000 for the three months ended May 4, 2013 and April 28, 2012, respectively, was charged to Selling, General & Administrative expense on the Consolidated Statement of Operations.

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.

Stock-based Compensation

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

For the first three months of fiscal 2013 and fiscal 2012, the Company recognized total stock-based compensation expense of \$0.1 million and \$0.4 million, respectively.

The total compensation cost related to non-vested awards not yet recognized as of May 4, 2013 is approximately \$0.3 million which will be expensed over a weighted average remaining life of 16 months.

Valuation Assumptions for Stock Options and Restricted Stock

The Company granted stock options to purchase 1,077 and 1,286 shares of common stock to certain of its non-employee directors as compensation for the three months ended May 4, 2013 and April 28, 2012, respectively. There were no grants of restricted stock.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. The weighted-average grant date fair-value of stock options granted during the first quarter of fiscal 2013 was \$1.74 per share.

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

	<u>May 4, 2013</u>	<u>April 28, 2012</u>
Expected volatility	52.0%	55.0%
Risk-free interest rate	0.36-0.38%	0.31%
Expected life	3.0 yrs	3.0 yrs
Dividend rate	—	—

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

During the first three months of fiscal 2013, options to purchase 200,000 shares of common stock, with an intrinsic value of approximately \$42,000, were exercised through net share settlement. As a result, only 8,047 shares were issued.

The Company granted 3,872 shares of common stock, with a fair value of approximately \$18,000, to certain of its non-employee directors as compensation for the first three months of fiscal 2013.

Recently Issued Accounting Pronouncements

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

In February 2013, the FASB issued ASU No. 2013-02, *Comprehensive Income – Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* (“ASU 2013-02”). ASU 2013-02 requires the presentation of the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income, but only if the item reclassified is required under generally accepted accounting principles in the United States (“U.S. GAAP”) to be reclassified to net income in its entirety in the same reporting period. The guidance was effective for fiscal years beginning after December 15, 2012. The Company has adopted ASU 2013-2 and has included the related disclosure within the notes to the consolidated financial statements.

2. Debt

Credit Agreement with Bank of America Retail Group, Inc.

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 letters of credit 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. The Company is also subject to an unused line fee. At May 4, 2013, the Company’s prime-based interest rate was 4.25%. The Company had approximately \$5.0 million of its outstanding borrowings in a LIBOR-based contract with an interest rate of 2.18%. The LIBOR-based contract expired May 7, 2013. When a LIBOR-based contract expires, the borrowings revert back to prime-based borrowings unless the Company enters into a new LIBOR-based contract.

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 May 4, 2013, the Company had outstanding borrowings under the Credit Facility of \$11.6 million. Outstanding standby letters of credit were \$1.8 million and documentary letters of credit were \$0.4 million. Unused excess availability at May 4, 2013 was \$61.2 million. Average borrowings outstanding under this facility during the first quarter of fiscal 2013 were \$6.0 million, resulting in an average unused excess availability of approximately \$65.5 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 May 4, 2013 approximated the carrying value.

3. Equity

Earnings per Share

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

<i>(in thousands)</i>	For the three months ended	
	<u>May 4, 2013</u>	<u>April 28, 2012</u>
Common Stock Outstanding		
Basic weighted average common shares outstanding	48,291	47,664
Common Stock Equivalents - stock options and restricted stock	296	512
Diluted weighted average common shares Outstanding	<u>48,587</u>	<u>48,176</u>

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

<i>(in thousands, except exercise prices)</i>	For the three months ended	
	May 4, 2013	April 28, 2012
Options	1,167	2,737
Range of exercise prices of such options	\$4.91 - \$10.26	\$3.76 - \$10.26

The above options, which were outstanding at May 4, 2013, expire from June 30, 2013 to April 30, 2023.

4. Income Taxes

At May 4, 2013, the Company had total deferred tax assets of approximately \$48.2 million, with a corresponding valuation allowance of \$3.6 million. The deferred tax assets include approximately \$28.4 million of net operating loss carryforwards and approximately \$7.4 million of deferred gain on sale-leaseback and, to a lesser extent, other book/tax timing differences. As of May 4, 2013, the Company had gross net operating loss carryforwards of \$77.4 million for federal income tax purposes and \$43.0 million for state income tax purposes that are available to offset future taxable income through fiscal year 2033. Included in the net operating loss carryforwards for both federal and state income tax is approximately \$12.7 million relating to stock compensation deductions, the tax benefit from which, if realized, will be credited to additional paid-in capital.

On a continuing income basis, the Company's effective tax rate for the first quarter of fiscal 2013 was 43.9% as compared to 38.6% for the first quarter of fiscal 2012 and is consistent with the statutory tax rate applicable to the U.S. and the blended state rate for the states in which the Company conducts business. The effective state rate for fiscal 2013 is projected to be greater than fiscal 2012 as a result of certain states in which tax is derived using gross margin or a similar measure on lower pre-tax earnings.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The charge for taxation is based on the results for the year as adjusted for items that are non-assessable or disallowed. The charge is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Pursuant to Topic 740, *Income Taxes*, the Company will recognize the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. At May 4, 2013, the Company had no material unrecognized tax benefits.

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

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

5. Discontinued Operations

In the second quarter of fiscal 2012, the Company exited its European Direct business. As a result, the operating results of the European Direct business for the first quarter of fiscal 2012 have been reclassified to reflect the operating results as discontinued operations. The following table summarizes the results from discontinued operations from the Company's European Direct Business for the first quarter of fiscal 2012

<i>(in thousands)</i>	For the three months ended	
	April 28, 2012	
Sales	\$	374
Gross margin		134
Selling, general and administrative expenses		311
Depreciation and amortization		4
Benefit from income taxes		—
Loss from discontinued operations, net of taxes	\$	181

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Quarterly Report on Form 10-Q constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "may," "will," "estimate," "intend," "plan," "continue," "believe," "expect" or "anticipate" or the negatives thereof, variations thereon or similar terminology. The forward-looking statements contained in this Quarterly Report are generally located in the material set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," but may be found in other locations as well. These forward-looking statements generally relate to plans and objectives for future operations and are based upon management's reasonable estimates of future results or trends. The forward-looking statements in this Quarterly Report should not be regarded as a representation by us or any other person that our objectives or plans will be achieved. Numerous factors could cause our actual results to differ materially from such forward-looking statements. We encourage readers to refer to Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended February 2, 2013, filed with the Securities and Exchange Commission on March 15, 2013, and Part II, Item 1A of this Quarterly Report which identify certain risks and uncertainties that may have an impact on our future earnings and the direction of our Company.

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

BUSINESS SUMMARY

Destination XL Group, Inc. (formerly known as Casual Male Retail Group, Inc.) together with our subsidiaries is the largest specialty retailer of big & tall men's apparel with retail and direct operations in the United States, London, England and direct businesses throughout the United States and Canada. We operate under the trade names of Destination XL®, DXL®, Casual Male XL®, Casual Male XL Outlets, Rochester Clothing, B&T Factory Direct™, ShoesXL® and LivingXL®. At May 4, 2013, we operated 54 Destination XL stores, 280 Casual Male XL retail stores, 55 Casual Male XL outlet stores and 12 Rochester Clothing stores. Our direct business includes our DestinationXL.com e-commerce site and several catalogs which support our brands and product extensions.

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

Total comparable sales for all periods include our retail stores that have been open for at least one full fiscal year together with our e-commerce and catalog sales. Our direct businesses are included as part of our calculation of total comparable sales because we are a multi-channel retailer offering our customers convenient alternatives for their shopping needs. Retail comparable sales reflect same-store sales and exclude our direct business. Stores that have been remodeled, expanded or re-located during the period are also included in our determination of comparable sales. Most of our DXL stores are considered relocations and comparable to all the closed stores in each respective market area for the first twelve months. For the first quarter of fiscal 2013, 53 DXL stores were included in our comparable store base. The sales from 30 of those 53 DXL stores are comparable to prior year sales that included the sales from 40 closed Casual Male XL stores and 1 closed Rochester Clothing store. On a comparable sales basis, our selling square footage for those 30 DXL stores increased 80.7% compared to the square footage of the comparable Casual Male XL and Rochester Clothing stores that were closed. The method of calculating comparable sales varies across the retail industry and, as a result, our calculation of comparable sales is not necessarily comparable to similarly titled measures reported by other companies.

SEGMENT REPORTING

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

RESULTS OF OPERATIONS

Executive Summary

Our earnings for the first quarter of fiscal 2013 of \$1.0 million, or \$0.02 per diluted share, compared with \$2.3 million, or \$0.05 per diluted share, for the first quarter of fiscal 2012 was in line with our expectations and our earnings guidance. As we have mentioned, fiscal 2013 will be a transition year for us as we work towards transforming from Casual Male XL stores to DXL stores.

Sales for the first quarter of fiscal 2013 of \$93.6 million were sluggish during February and March, with a comparable store decrease of 3.9%. This was largely due to the delayed spring weather which had a negative impact on our seasonal merchandise categories, such as shorts. As the weather warmed up, however, we saw a significant improvement in April, with a comparable sales increase of 7.4% for the month. As a result, our comparable sales for the first quarter of fiscal 2013 decreased 0.5%. Merchandise margins for the first quarter of fiscal 2013 continue to improve with a 50 basis point improvement over the prior year due to continued improvements in initial markups and lower markdown costs. As expected, our occupancy costs, selling, general & administrative ("SG&A") and depreciation and amortization all increased slightly over the prior year's first quarter as a result of our accelerated DXL store opening initiative and our increased investment in our marketing program.

Corporate Name Change

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

Destination XL

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

Through the end of the first quarter of fiscal 2013, we have opened 54 DXL® stores. Of these 54 stores, 53 stores are considered "comparable stores" and had a combined comparable sales increase of 17.7% for the first quarter of fiscal 2013 when compared to the prior year's first quarter. For the 23 DXL stores opened longer than a year, the comparable sales increase in the first quarter was 4.7%. An important metric for the long-term growth of the DXL concept is dollars per transaction which rose 17.6% in the first quarter to \$154 from last year's \$131 as a result of both improved sales associate productivity and an enhancement in the sales mix towards higher priced name brands and increased sales penetration in tailored clothing. In comparison, the dollars per transaction for the Casual Male XL retail stores in the first quarter of fiscal 2013 was \$110. The comparable DXL stores accounted for approximately 22.1% of our total retail comparable store sales for the first quarter of fiscal 2013, compared to 8.3% in the first quarter of fiscal 2012. Our DXL stores continue to outperform our Casual Male XL stores and as the chain is converted, our top line sales growth should improve accordingly.

As we have previously disclosed, this transition will result in incremental costs of approximately \$8.0 to \$11.0 million over the next three years, primarily associated with lease terminations and asset impairments as a result of early store closures, as well as additional SG&A expenses of approximately \$6.0 million per year to support the rollout. The rollout is expected to be substantially completed by the end of fiscal 2015. Our projections, which are based on current economic conditions, suggest that this investment will significantly enhance revenues and produce double-digit operating margins for the longer term. Our financial modeling, based upon the performance of the DXL stores to date, indicates that at the end of the three-year accelerated investment period in the DXL concept, our sales in fiscal 2016 should exceed \$600 million with operating margins greater than 10%. The capital expenditures, incremental SG&A and other charges totaling

approximately \$150 million over the next three years associated with the accelerated rollout, are expected to be funded primarily from operating cash flows and limited borrowings under our credit facility of \$10.0 to \$15.0 million. We expect to have approximately \$10.0-\$15.0 million in borrowings at the end of fiscal 2013. By the end of fiscal 2015, we anticipate we will be cash positive with no borrowings. Longer-term, we expect revenues to grow to over \$600 million with operating margins greater than 10% and free cash flow in the range of \$60 to \$70 million by the end of fiscal 2016. Projection of free cash flow (non-GAAP) for fiscal 2016 is based on expected cash flow from operating activities of \$77.0-\$87.0 million, less expected capital expenditures of \$17.0 million.

For the first quarter of fiscal 2013, we incurred transition costs of \$2.4 million related to \$0.3 million of pre-opening occupancy costs, \$1.6 million of SG&A expenses related to pre-opening payroll, training, store operations and increased marketing and \$0.5 million related to trademark amortization.

National Marketing Campaign

In fiscal 2012, we developed and tested a new marketing program to help us build DXL brand awareness, introducing our customer base to the new DXL concept. We developed and tested a full marketing campaign in select markets, which consisted of a combination of television, radio and digital advertising. The results of that testing was refined during the first quarter of fiscal 2013 with marketing expanded to the Dallas and Providence markets. Based on the successful results, we launched the first flight of our National Marketing Campaign on May 5, 2013. The advertising will run for a six week period. Another advertising flight is currently scheduled for the late fall. In both advertising flights, we are using a mix of TV, radio and digital advertising and will leverage strategic relationships with our new public relations and social media agencies to further drive awareness and brand interest.

Our DXL stores have had strong success since we began opening them in fiscal 2010, with very minimal advertising. We believe that this marketing campaign will significantly raise DXL brand awareness for our DXL stores and the destinationxl.com shopping website which is expected to translate to an increase in our active customer base as well as increased customer traffic.

Fiscal 2013 Outlook

Our earnings guidance remains unchanged from the guidance previously disclosed. For fiscal 2013, we are planning on a sales range of \$415.0 to \$420.0 million. This sales increase is driven by the expansion of our DXL stores and by continued growth in our direct businesses. We expect our gross margin rate to be \pm 20 basis points from fiscal 2012, which is based on merchandise margins improving by approximately 40 to 60 basis points with an offsetting increase in occupancy costs of 40 to 60 basis points. SG&A costs are planned to increase by approximately \$15.0 to \$17.1 million, primarily related to preopening costs, payroll (both store and support) as well as increased marketing costs associated with two major flights of a national media campaign to raise DXL awareness with our target market. As a percentage of sales, SG&A expenses are expected to increase by 220 basis points.

Because of our added SG&A costs, we expect our operating margin as a percent of sales for fiscal 2013 will be breakeven to 0.5%. As a result, our earnings for fiscal 2013 will be between breakeven and \$0.03 per diluted share.

We expect to spend approximately \$54.0 million in capital expenditures in fiscal 2013, which will be partially offset by approximately \$9.0 million in tenant allowances, primarily related to opening our DXL stores. We expect to fund the remainder of our capital expenditures primarily from our operating cash flow but expect to have borrowings under our credit facility of \$10.0-\$15.0 million at the end of the fiscal year. From a liquidity perspective, we expect cash flow from operating activities of \$32.0 million (including the \$9.0 million of lease incentives), resulting in free cash flow (as defined below under "Presentation of Non-GAAP Measures") of approximately \$(22.0) million.

Presentation of Non-GAAP Measures

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

<i>(in millions)</i>	For the quarter ended May 4, 2013	For the quarter ended April 28, 2012	Projected Cash Flow Fiscal 2013
Cash flow provided by (used for) operating activities:			
Cash flow provided by operating activities other than deferred lease incentives	\$ (6.4)	\$ 1.2	\$ 23.0
Deferred lease incentives	0.8	(0.1)	9.0
Cash flow provided by (used for) operating activities	(5.6)	1.1	32.0
Less: capital expenditures	(8.0)	(5.6)	(54.0)
Free cash flow	(13.6)	(4.5)	(22.0)

The decrease in free cash flow of \$(9.1) million for the first quarter of fiscal 2013 as compared to the first quarter of the prior year is due to the timing of certain working capital accounts, specifically payroll and other payables, as well as an increase in capital expenditures related to the DXL store openings.

Financial Summary

Sales

For the first quarter of fiscal 2013, total sales were \$93.6 million as compared to \$95.5 million for the first quarter of fiscal 2012. The decrease of \$1.9 million in total sales was due to a decrease of \$1.5 million in closed stores and a comparable sales decrease of 0.5%, or \$0.4 million, as compared to the first quarter of fiscal 2012.

The comparable sales decrease of 0.5% consisted of an increase in our retail business of 0.8%, or \$0.6 million, offset by a decrease in our direct business of 6.0%, or \$1.0 million. In total, sales for the first quarter of fiscal 2013 started out slowly. Because of the unseasonably cool weather, specifically in the Northeast and Midwest, our comparable sales through the end of March were down approximately 3.9%; however, our comparable sales for April increased 7.4% once the warmer weather arrived.

The increase in our retail business was driven by our 53 DXL stores which had a comparable store sales increase of 17.7%, or \$2.6 million, over the prior year's first quarter while our remaining stores had a comparable store sales decrease of 3.2%, or \$2.0 million.

With respect to our direct business, our e-commerce business continues to grow, with an increase of 5.1% for the first quarter of fiscal 2013 as compared to the first quarter of fiscal 2012. This growth was offset by a significant decrease from our catalog business of 60%. We continue to decrease our catalog circulation and impressions on existing catalogs, which are down approximately 56% and 70%, respectively, over last year, to shift emphasis towards our digital marketing efforts and our more profitable e-commerce business. Catalog sales accounted for approximately 6.4% of our sales for the first quarter of fiscal 2013 as compared to 15.2% for the first quarter of fiscal 2012. While catalog sales decreased during the quarter, the operating margin from our direct business increased 7.8%, from 24.3% to 26.2%, for the first quarter of fiscal 2013. In the long-term, we expect this business to replace the current shortfall in sales from legacy brand catalogs.

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

<u>Comparable sales:</u>	<u>Number of stores</u>	<u>Comparable Sales %</u>
Total comparable sales for the first quarter of fiscal 2013	400	(0.5%)
Retail Business	400	0.8%
DXL comp stores	53	17.7%
Casual Male XL and Rochester Clothing stores	347	(3.2%)
Direct Business	—	(6.0%)
E-commerce	—	5.1%
Catalog	—	(60.0%)

- (1) Of the 53 comparable DXL stores, 23 stores have been open more than one year and had a comparable sales increase of 4.7% for the first quarter of fiscal 2013.

Gross Profit Margin

For the first quarter of fiscal 2013, our gross margin rate, inclusive of occupancy costs, was 47.5% as compared to a gross margin rate of 47.7% for the first quarter of fiscal 2012. The decrease of 20 basis points for the first quarter of fiscal 2013 was the result of an increase in occupancy costs of 70 basis points, partially offset by an improvement of 50 basis points in merchandise margins. On a dollar basis, occupancy costs for the first quarter of fiscal 2013 increased 2.6% over the prior year. The increase in occupancy costs for the first quarter of fiscal 2013 as compared to the prior year's first quarter was due to the DXL store openings and the associated pre-opening costs as well as the timing of our Casual Male XL store closings. The improvement in merchandise margins of 50 basis points was the result of continued improvement in our initial markups as well as a favorable markdown rate compared to the prior year.

For fiscal 2013, we are expecting that our occupancy costs, on a dollar-basis, will increase approximately \$5.0 million as a result of adding approximately 57 to 64 DXL stores in fiscal 2013 and certain lease termination costs associated with closing 110-119 Casual Male XL and Rochester Clothing stores. As a result, we expect occupancy costs will be between 40 to 60 basis points higher than fiscal 2012. From a merchandise margin perspective, we are planning a continued improvement of approximately 40 to 60 basis points. Accordingly, for fiscal 2013, we are expecting gross margin will be \pm 20 basis points.

Selling, General and Administrative Expenses

As a percentage of sales, SG&A expenses for the first quarter of fiscal 2013 increased to 41.0% as compared to 39.5% for the first quarter of fiscal 2012. On a dollar basis, SG&A expenses increased \$0.6 million, or 1.5%, for the first quarter of fiscal 2013 as compared to the prior year's first quarter. The increase of \$0.6 million consists of incremental costs of approximately \$0.3 million related to payroll costs such as pre-opening payroll, training and store operations to support the new DXL stores and a net increase of \$0.3 million in marketing costs associated with the preparation for the launch of our national marketing campaign on May 5, 2013.

Included in the SG&A expenses for the first quarter of fiscal 2013 are transition costs of approximately \$1.6 million related to pre-opening payroll, training, store operations and increased marketing to support the DXL roll-out.

As discussed above, fiscal 2013 is a building year for us and as such, our SG&A expenses are expected to be noticeably higher than they have been in past years. We expect that our SG&A expenses will increase by \$15.0 to \$17.1 million and as a percentage of sales will be 220 basis points higher than fiscal 2012. This increase in dollars is primarily related to incremental marketing costs associated with our effort to increase brand awareness, increased store payroll to support our planned opening of 57 to 64 new DXL stores, costs to close 110-119 Casual Male XL and Rochester Clothing stores and other infrastructure-related costs. Overall, we expect to limit our SG&A growth rates, except where necessary to support our growth activities or where there are unanticipated costs that are necessary to support our overall activities.

Depreciation and Amortization

Depreciation and amortization for the first quarter of fiscal 2013 was \$4.2 million as compared to \$3.7 million for the first quarter of fiscal 2012. The increase of \$0.5 million is due to the store growth associated with our DXL store concept.

Interest Expense, Net

Net interest expense of \$0.2 million for the first quarter of fiscal 2013 was flat with the first quarter of fiscal 2012. Interest expense for the past few years has remained relatively low due to minimal borrowings on our credit facility. However, with our planned store growth in fiscal 2013, we expect interest costs during fiscal 2013 will increase slightly as we fund a portion of our store growth with limited borrowings from our credit facility. See "Liquidity and Capital Resources" for more discussion regarding our current debt obligations and future liquidity needs.

Income Taxes

At May 4, 2013, our total deferred tax assets were approximately \$48.2 million, with a corresponding valuation allowance of \$3.6 million. The deferred tax assets include approximately \$28.4 million of net operating loss carryforwards and approximately \$7.4 million of deferred gain on our sale-leaseback and, to a lesser extent, other book/tax timing differences.

Discontinued Operations

In the second quarter of fiscal 2012, we closed our European direct business. The operating results for the European direct business for the first quarter of fiscal 2012 have been reclassified to discontinued operations.

Net Income

For the first quarter of fiscal 2013, we had net income of \$1.0 million, or \$0.02 per diluted share, compared to net income of \$2.3 million, or \$0.05 per diluted share, for the first quarter of fiscal 2012.

The decrease of \$0.03 per diluted share in earnings for the first quarter of fiscal 2013, as compared to the first quarter of fiscal 2012, is consistent with our expectations. For the first quarter of fiscal 2013, we incurred transition charges of \$2.4 million related to costs incurred in connection with our transition to DXL. As we discussed above, we are forecasting a decrease in operating income in fiscal 2013 as we accelerate the rollout of our DXL stores, close our existing Casual Male XL stores and launch our national marketing campaign.

Inventory

At May 4, 2013, total inventory was \$112.4 million compared to \$104.2 million at February 2, 2013 and \$112.2 million at April 28, 2012. While inventory levels on a dollar basis were flat at May 4, 2013 when compared to April 28, 2012, on a unit basis inventories decreased 4%. Although our store count has decreased from the first quarter of fiscal 2012, our square footage increased 1.7% and, as a result, our average inventory per square foot was lower than the prior year's first quarter. The increase in inventory from February 2, 2013 is consistent with the prior year as we increase our inventory levels for the upcoming Father's Day.

SEASONALITY

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

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash generated from operations and availability under our credit facility, as amended, with Bank of America, N.A. ("Credit Facility"). Our current cash needs are primarily for working capital (essentially inventory requirements), capital expenditures and growth initiatives. As discussed above, our capital expenditures for fiscal 2013 are expected to be \$54.0 million, primarily related to the planned opening of 57 to 64 new DXL stores and information technology projects. However, we expect to receive approximately \$9.0 million in lease incentives to offset a portion of

these capital expenditures. We expect to fund our store growth in fiscal 2013 primarily through earnings with limited borrowings from our Credit Facility. For fiscal 2013, while our borrowings are projected to reach approximately \$40.0 million during our key seasonal buying periods, we expect that our borrowings at the end of fiscal 2013 will be approximately \$10.0-\$15.0 million.

We currently believe that our existing cash generated by operations together with our availability under our credit facility will be sufficient within current forecasts for us to meet our foreseeable liquidity requirements. For the first three months of fiscal 2013, free cash flow, which we define as cash flow from operating activities, less capital expenditures and discretionary store asset acquisitions, if any, decreased by \$9.1 million to \$(13.6) million from \$(4.5) million for the first three months of fiscal 2012. This decrease in free cash flow was principally due to the timing of working capital accounts, specifically certain payroll and accrued expenses of \$4.2 million, as well as an increase in capital expenditures of \$2.4 million related to the new store openings. See "Presentation of Non-GAAP Measure" above regarding non-GAAP free cash flow.

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 letters of credit and a sublimit of up to \$15 million for Swingline Loans. The maturity date of the Credit Facility is November 10, 2014. Our Credit Facility is described in more detail in Note 2 to the Notes to the Consolidated Financial Statements. The Company is in discussions with its bank to extend the Credit Facility to 2018, raise the borrowing limit to \$100 million and lower the associated facility costs.

We had outstanding borrowings of \$11.6 million under the Credit Facility at May 4, 2013. Outstanding standby letters of credit were \$1.8 million and outstanding documentary letters of credit were \$0.4 million. The average monthly borrowing outstanding under this facility during the first three months of fiscal 2013 was approximately \$6.0 million, resulting in an average unused excess availability of approximately \$65.5 million. Unused excess availability at May 4, 2013 was \$61.2 million. Our obligations under the Credit Facility are secured by a lien on all of our assets. The facility contains no financial covenants.

Capital Expenditures

The following table sets forth the open stores and related square footage at May 4, 2013 and April 28, 2012, respectively:

<u>Store Concept</u> <i>(square footage in thousands)</i>	<u>At May 4, 2013</u>		<u>At April 28, 2012</u>	
	<u>Number of Stores</u>	<u>Square Footage</u>	<u>Number of Stores</u>	<u>Square Footage</u>
Casual Male XL	335	1,182	410	1,443
DXL	54	525	22	224
Rochester Clothing	12	108	13	118
Total Stores	401	1,815	445	1,785

Below is a summary of store openings and closings from February 2, 2013 to May 4, 2013:

<u>Number of Stores:</u>	<u>DXL</u>	<u>Casual Male XL Retail</u>	<u>Rochester Clothing</u>	<u>Casual Male XL Outlets</u>	<u>Total stores</u>
At February 2, 2013	48	297	12	55	412
New stores ⁽¹⁾	—	—	—	—	—
Replaced stores ⁽²⁾	6	(6)	—	—	—
Closed retail stores ⁽³⁾	—	(11)	—	—	(11)
At May 4, 2013	54	280	12	55	401
Estimated store count at February 1, 2014	105	190	10	55	360

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

Our capital expenditures for the first quarter of fiscal 2013 were \$8.0 million as compared to \$5.6 million for the first quarter of fiscal 2012. The \$2.4 million increase is primarily related to the opening of 6 new DXL stores during the first quarter of fiscal 2013 as well as a number of stores under construction.

For fiscal 2013, our capital expenditures are expected to be approximately \$54.0 million and we expect to receive approximately \$9.0 million in tenant allowances to offset these expenditures. The budget includes approximately \$44.7 million, excluding any allowance, related to the opening of 57-64 new Destination XL stores and approximately \$7.4 million for continued information technology projects, including further web-related enhancements, upgraded planning and allocation software and upgraded POS system, with the remainder for general overhead projects. In addition, we expect to close approximately 110-119 existing stores, most of which are in connection with the opening of our new DXL stores.

CRITICAL ACCOUNTING POLICIES

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Interest Rates

We utilize cash from operations and from our 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 May 4, 2013, the interest rate on our prime based borrowings was 4.25%. Approximately \$5.0 million of our outstanding borrowings were in LIBOR contracts with an interest rate of 2.18%. Based upon a sensitivity analysis as of May 4, 2013, assuming average outstanding borrowing during the first quarter of fiscal 2013 of \$6.0 million, a 50 basis point increase in interest rates would have resulted in a potential increase in interest expense of approximately \$30,000 on an annualized basis.

Foreign Currency

Our Sears Canada catalog operations conduct business in Canadian dollars and our Rochester Clothing store located in London, England conducts business in British pounds. If the value of the Canadian dollar or British pound against the U.S. dollar weakens, the revenues and earnings of these operations will be reduced when they are translated or remeasured to U.S. dollars. Also, the value of these assets to U.S. dollars may decline. As of May 4, 2013, sales from our Sears Canada operations and our London Rochester Clothing store were immaterial to consolidated sales. As such, we believe that movement in foreign currency exchange rates will not have a material adverse affect on our financial position or results of operations.

Item 4. Controls and Procedures.**Evaluation of Disclosure Controls and Procedures**

As required by Rule 13a-15 under the Exchange Act, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of May 4, 2013. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of May 4, 2013, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended May 4, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

There have been no material changes to the risk factors as previously disclosed in Part I, Item 1A (“Risk Factors”) of our Annual Report on Form 10-K for the year ended February 2, 2013 filed with the SEC on March 15, 2013.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

31.1 Certification of the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

31.2 Certification of the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following materials from the Company’s Quarterly Report on Form 10-Q for the quarter ended May 4, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Stockholders’ Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements. **

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DESTINATION XL GROUP, INC.

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

Peter H. Stratton, Jr.

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

Date: May 24, 2013

CERTIFICATION

I, David A. Levin, certify that:

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

Date: May 24, 2013

/s/ DAVID A. LEVIN

David A. Levin
Chief Executive Officer

CERTIFICATION

I, Dennis R. Hemreich, certify that:

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

Date: May 24, 2013

/s/ DENNIS R. HERNREICH

Dennis R. Hemreich
Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Casual Male Retail Group, Inc. (the "Company") for the period ended May 4, 2012, 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: May 24, 2013

/s/ DAVID A. LEVIN

David A. Levin
Chief Executive Officer

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

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

In connection with the Quarterly Report on Form 10-Q of Casual Male Retail Group, Inc. (the "Company") for the period ended May 4, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dennis R. Hemreich, 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: May 24, 2013

/s/ DENNIS R. HERNREICH

Dennis R. Hemreich
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.

