UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 2, 2019

OR

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

Commission File Number: 01-34219

DESTINATION XL GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

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

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

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	DXLG	NASDAQ Stock Market LLC

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of November 15, 2019, the registrant had 50,348,577 shares of common stock, $0.01 par value per share, outstanding.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements.

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

	November 2, 2019 (Fiscal 2019)	February 2, 2019 (Fiscal 2018)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,462	$ 4,868
Accounts receivable	3,876	4,420
Inventories	120,211	106,837
Prepaid expenses and other current assets	11,635	11,535
Total current assets	141,184	127,660
Non-current assets:		
Property and equipment, net of accumulated depreciation and amortization	83,371	92,525
Operating lease right-of-use assets	195,971	—
Intangible assets	1,150	1,150
Other assets	3,364	4,741
Total assets	$ 425,040	$ 226,076
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of deferred gain on sale-leaseback	—	1,465
Accounts payable	27,038	34,418
Accrued expenses and other current liabilities	21,236	30,140
Operating leases, current	41,063	—
Borrowings under credit facility	68,185	41,908
Total current liabilities	157,522	107,931
Long-term liabilities:		
Long-term debt, net of current portion	14,799	14,757
Operating leases, non-current	192,311	—
Deferred rent and lease incentives	—	31,839
Deferred gain on sale-leaseback, net of current portion	—	8,793
Other long-term liabilities	3,669	4,116
Total long-term liabilities	210,779	59,505
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized, 63,044,554 and 62,241,834 shares issued at November 2, 2019 and February 2, 2019, respectively	630	622
Additional paid-in capital	312,293	310,393
Treasury stock at cost, 12,755,873 shares at November 2, 2019 and February 2, 2019	(92,658)	(92,658)
Accumulated deficit	(158,491)	(153,534)
Accumulated other comprehensive loss	(5,035)	(6,183)
Total stockholders' equity	56,739	58,640
Total liabilities and stockholders' equity	$ 425,040	$ 226,076

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

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	November 2, 2019 (Fiscal 2019)	November 3, 2018 (Fiscal 2018)	November 2, 2019 (Fiscal 2019)	November 3, 2018 (Fiscal 2018)
Sales	$ 106,581	$ 107,069	$ 342,799	$ 342,606
Cost of goods sold including occupancy costs	62,776	60,009	195,012	188,333
Gross profit	43,805	47,060	147,787	154,273
Expenses:				
Selling, general and administrative	42,108	40,436	134,197	133,631
CEO transition costs	—	430	702	560
Corporate restructuring	—	262	—	1,892
Exit costs associated with London operations	1,737	—	1,737	—
Depreciation and amortization	6,329	7,161	18,877	21,867
Total expenses	50,174	48,289	155,513	157,950
Operating loss	(6,369)	(1,229)	(7,726)	(3,677)
Interest expense, net	(870)	(798)	(2,585)	(2,642)
Loss before benefit for income taxes	(7,239)	(2,027)	(10,311)	(6,319)
Benefit for income taxes	(49)	(22)	(78)	(19)
Net loss	$ (7,190)	$ (2,005)	$ (10,233)	$ (6,300)
Net loss per share - basic and diluted	$ (0.14)	$ (0.04)	$ (0.21)	$ (0.13)
Weighted-average number of common shares outstanding:				
Basic	50,089	49,352	49,853	49,068
Diluted	50,089	49,352	49,853	49,068

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

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

	For the Three Months Ended		For the Nine Months Ended	
	November 2, 2019 (Fiscal 2019)	November 3, 2018 (Fiscal 2018)	November 2, 2019 (Fiscal 2019)	November 3, 2018 (Fiscal 2018)
Net loss	$ (7,190)	$ (2,005)	$ (10,233)	$ (6,300)
Other comprehensive income before taxes:				
Recognition of accumulated foreign currency translation adjustment	792	—	792	—
Foreign currency translation	2	(7)	(81)	(246)
Pension plans	196	165	588	495
Other comprehensive income before taxes	990	158	1,299	249
Tax provision related to items of other comprehensive income	(70)	(45)	(151)	(92)
Other comprehensive income, net of tax	920	113	1,148	157
Comprehensive loss	$ (6,270)	$ (1,892)	$ (9,085)	$ (6,143)

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

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(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, 2019	62,242	$ 622	$310,393	(12,755)	$(92,658)	$ (153,534)	$ (6,183)	$ 58,640
Board of directors compensation	36		142					142
Stock compensation expense			414					414
RSUs granted for achievement of performance-based compensation, reclassified from liability to equity (Note 5)			304					304
Issuance of common stock, upon RSUs release	374	4	(4)					—
Shares withheld for taxes related to net share settlement of RSUs	(78)	—	(192)					(192)
Deferred stock vested	2	—	—					—
Change in accounting principle due to adoption of ASC 842						5,276		5,276
Accumulated other comprehensive income (loss):								
Pension plan, net of taxes							150	150
Foreign currency, net of taxes							(24)	(24)
Net loss						(3,081)		(3,081)
Balance at May 4, 2019	62,576	$ 626	$311,057	(12,755)	$(92,658)	$ (151,339)	$ (6,057)	$ 61,629
Board of directors compensation	45	—	142					142
Stock compensation expense			514					514
Issuance of common stock, upon RSUs release	67	1	(1)					—
Shares withheld for taxes related to net share settlement of RSUs	(3)	—	(6)					(6)
Cancellation of restricted stock	(20)	—	—					—
Deferred stock vested	3	—	—					—
Accumulated other comprehensive income (loss):								
Pension plan, net of taxes							142	142
Foreign currency, net of taxes							(40)	(40)
Net income						38		38
Balance at August 3, 2019	62,668	$ 627	$311,706	(12,755)	$(92,658)	$ (151,301)	$ (5,955)	$ 62,419
Board of directors compensation	55		142					142
Stock compensation expense			494					494
Issuance of common stock, upon RSUs release	348	3	(3)					—
Shares withheld for taxes related to net share settlement of RSUs	(30)	-	(46)					(46)
Deferred stock vested	3							—
Accumulated other comprehensive income (loss):								
Pension plan, net of taxes							145	145
Foreign currency, net of taxes							(17)	(17)
Recognition of accumulated foreign currency translation adjustment							792	792
Net loss						(7,190)		(7,190)
Balance at November 2, 2019	63,044	$ 630	$312,293	(12,755)	$(92,658)	$ (158,491)	$ (5,035)	$ 56,739

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

DESTINATION XL GROUP, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock		Additional Paid-in	Treasury Stock		Accumulated	Accumulated Other Comprehensive	
	Shares	Amounts	Capital	Shares	Amounts	Deficit	Income (Loss)	Total
Balance at February 3, 2018	61,486	$ 615	$307,557	(12,755)	$(92,658)	$ (139,285)	$ (6,243)	$ 69,986
Board of directors compensation	37	—	140					140
Stock compensation expense			407					407
Restricted stock units (RSUs) granted for achievement of performance-based compensation, reclassified from liability to equity			381					381
Issuance of common stock, upon RSUs release	165	2	(2)					—
Issuance of restricted stock	30	—	—					—
Deferred stock vested	3	—	—					—
Accumulated other comprehensive income (loss):								
Pension plan, net of taxes							129	129
Foreign currency, net of taxes							(126)	(126)
Net loss						(3,110)		(3,110)
Balance at May 5, 2018	61,721	$ 617	$308,483	(12,755)	$(92,658)	$ (142,395)	$ (6,240)	$ 67,807
Board of directors compensation	58	1	143					144
Stock compensation expense			382					382
Issuance of common stock, upon RSUs release	157	1	(1)					—
Cancellation of restricted stock	(33)	—	—					—
Deferred stock vested	2	—	—					—
Accumulated other comprehensive income (loss):								
Pension plan, net of taxes							116	116
Foreign currency, net of taxes							(75)	(75)
Net loss						(1,185)		(1,185)
Balance at August 4, 2018	61,905	$ 619	$309,007	(12,755)	$(92,658)	$ (143,580)	$ (6,199)	$ 67,189
Board of directors compensation	51	—	165					165
Stock compensation expense			305					305
Issuance of common stock, upon RSUs release	305	3	(3)					—
Shares withheld for taxes related to net share settlement of RSUs	(54)	—	(136)					(136)
Deferred stock vested	2	—	—					—
Accumulated other comprehensive income (loss):								
Pension plan, net of taxes							122	122
Foreign currency, net of taxes							(9)	(9)
Net loss						(2,005)		(2,005)
Balance at November 3, 2018	62,209	$ 622	$309,338	(12,755)	$(92,658)	$ (145,585)	$ (6,086)	$ 65,631

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

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

	For the Nine Months Ended	
	November 2, 2019 (Fiscal 2019)	November 3, 2018 (Fiscal 2018)
Cash flows from operating activities:		
Net loss	$ (10,233)	$ (6,300)
Adjustments to reconcile net loss to net cash used for operating activities:		
Recognition of accumulated foreign currency translation adjustment	792	—
Amortization of deferred gain on sale-leaseback	—	(1,099)
Amortization of deferred debt issuance costs	104	136
Write-off of deferred debt issuance costs	—	186
Depreciation and amortization	18,877	21,867
Stock compensation expense	1,422	1,094
Board of directors stock compensation	426	449
Changes in operating assets and liabilities:		
Accounts receivable	544	1,608
Inventories	(13,374)	(13,039)
Prepaid expenses and other current assets	(100)	(1,348)
Other assets	(352)	169
Accounts payable	(7,380)	(4,270)
Operating leases, net	(2,992)	—
Deferred rent and lease incentives	—	(2,780)
Accrued expenses and other liabilities	(2,138)	2,054
Net cash used for operating activities	(14,404)	(1,273)
Cash flows from investing activities:		
Additions to property and equipment, net	(10,973)	(9,842)
Net cash used for investing activities	(10,973)	(9,842)
Cash flows from financing activities:		
Costs associated with new credit facility	—	(553)
Proceeds from the issuance of long-term debt	—	15,000
Principal payments on long-term debt	—	(12,251)
Net borrowings under credit facility	26,215	10,069
Tax withholdings paid related to net share settlements of RSUs	(244)	(136)
Net cash provided by financing activities	25,971	12,129
Net increase in cash and cash equivalents	594	1,014
Cash and cash equivalents:		
Beginning of period	4,868	5,362
End of period	$ 5,462	$ 6,376

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

DESTINATION XL GROUP, INC.

Notes to Consolidated Financial Statements

(Unaudited)

1. Basis of Presentation

In the opinion of management of Destination XL Group, Inc., a Delaware corporation (formerly known as Casual Male Retail Group, Inc. and, collectively with its subsidiaries, referred to as the "Company"), the accompanying unaudited consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial statements. These financial statements do not include all disclosures associated with annual financial statements and, accordingly, should be read in conjunction with the notes to the Company's audited consolidated financial statements for the fiscal year ended February 2, 2019 included in the Company's Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 22, 2019.

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 2019 and fiscal 2018 are 52-week periods ending on February 1, 2020 and February 2, 2019, respectively.

Segment Information

The Company has historically had two principal operating segments: its stores and direct businesses. The Company considers these two operating segments to be similar in terms of economic characteristics, production processes and operations, and has therefore aggregated them into one reportable segment, retail segment, consistent with its omni-channel business approach. In fiscal 2018, the Company launched a wholesale segment, which the Company considers a third operating segment. However, due to the immateriality of the wholesale segment's revenues, profits and assets at November 2, 2019, its operating results are aggregated with the retail segment for all periods.

Intangibles

In the fourth quarter of fiscal 2018, the Company purchased the rights to the domain name "dxl.com." The domain name has a carrying value of $1.2 million and is considered an indefinite-lived asset. During the first nine months ended November 2, 2019, no event or circumstance occurred which would cause a reduction in the fair value of this intangible asset.

Fair Value of Financial Instruments

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

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

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

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

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

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

The fair value of long-term debt is dassified within Level 2 of the valuation hierarchy. AtNovember 2, 2019, the fair value approximated the carrying amount based upon terms available to the Company for borrowings with similar arrangements and remaining maturities.

The fair value of the "dxl.com" domain name, an indefinite-lived asset, is measured on a non-recurring basis in connection with the Company's annual impairment test. The fair value of the domain name was determined to approximate carrying value, due to its recent acquisition in the fourth quarter of fiscal 2018, and is classified within Level 3 of the valuation hierarchy. See Intangibles above.

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

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

Other comprehensive income (loss) includes amounts related to foreign currency and pension plans and is reported in the Consolidated Statements of Comprehensive Income (Loss). Other comprehensive income and reclassifications from AOCI for the three and nine months ended November 2, 2019 and November 3, 2018, respectively, were as follows:

For the three months ended:	November 2, 2019			November 3, 2018		
	(in thousands)					
	Pension Plans	Foreign Currency	Total	Pension Plans	Foreign Currency	Total
Balance at beginning of the quarter	$ (5,229)	$ (726)	$ (5,955)	$ (5,595)	$ (604)	$ (6,199)
Other comprehensive income (loss) before reclassifications, net of taxes	27	(17)	10	58	(9)	49
Recognition of accumulated foreign currency translation adjustment (1)	—	792	792	—	—	—
Amounts reclassified from accumulated other comprehensive income, net of taxes (2)	118	—	118	64	—	64
Other comprehensive income (loss) for the period	145	775	920	122	(9)	113
Balance at end of quarter	$ (5,084)	$ 49	$ (5,035)	$ (5,473)	$ (613)	$ (6,086)

For the nine months ended:	November 2, 2019			November 3, 2018		
	(in thousands)					
	Pension Plans	Foreign Currency	Total	Pension Plans	Foreign Currency	Total
Balance at beginning of fiscal year	$ (5,521)	$ (662)	$ (6,183)	$ (5,840)	$ (403)	$ (6,243)
Other comprehensive income (loss) before reclassifications, net of taxes	82	(81)	1	173	(210)	(37)
Recognition of accumulated foreign currency translation adjustment (1)	—	792	792	—	—	—
Amounts reclassified from accumulated other comprehensive income, net of taxes (2)	355	—	355	194	—	194
Other comprehensive income (loss) for the period	437	711	1,148	367	(210)	157
Balance at end of quarter	$ (5,084)	$ 49	$ (5,035)	$ (5,473)	$ (613)	$ (6,086)

(1) In connection with the Company's closing its Rochester Clothing store in London, England and exiting its London operations, the Company recognized the accumulated foreign currency translation adjustment as an expense and it has been

included in “Exit costs associated with London operations” onthe Consolidated Statement of Operations for the three and nine months ended November 2, 2019.

(2) Includes the amortization of the unrecognized loss on pension plans, which was charged to “Selling, General and Administrative” Expense on the Consolidated Statements of Operations for all periods presented. The amortization of the unrecognized loss, before tax, was $160,000 and $87,000 for the three months ended November 2, 2019 and November 3, 2018, respectively, and $481,000 and $264,000 for the nine months ended November 2, 2019 and November 3, 2018, respectively.

Stock-based Compensation

All share-based payments, including grants of employee stock options and restricted stock, are recognized as an expense in the Consolidated Statements of Operations based on their fair values and vesting periods. The fair value of stock options is determined using the Black-Scholes valuation model and requires the input of subjective assumptions. These assumptions include estimating the length of time employees will retain their vested stock options before exercising them (the “expected term”), the estimated volatility of the Company’s common stock price over the expected term and the number of options that will ultimately not complete their vesting requirements (“forfeitures”). The Company reviews its valuation assumptions at each grant date and, as a result, is likely to change its valuation assumptions used to value employee stock-based awards granted in future periods. The values derived from using the Black-Scholes model are recognized as an expense over the vesting period, net of estimated forfeitures. The estimation of stock-based awards that will ultimately vest requires significant judgment. Actual results and future changes in estimates may differ from the Company’s current estimates. In the first quarter of fiscal 2019, the Company granted performance stock units with a market condition. See Note 6 for disclosure concerning the assumptions and valuation method used to determine the fair value of the award and the associated derived service period over which the associated stock compensation will be recognized.

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 was no material impairment of long-lived assets in the first nine months of fiscal 2019 or fiscal 2018.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, “*Leases (Topic 842).*” This ASU is a comprehensive new standard that amends various aspects of existing guidance for leases and requires additional disclosures about leasing arrangements. It requires lessees to recognize lease assets and lease liabilities for most leases, including those leases previously classified as operating leases under GAAP. The ASU retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous lease guidance. ASU 2016-02 requires a modified retrospective transition for financing or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements. In July 2018, the FASB issued ASU 2018-11 “*Leases (Topic 842): Targeted Improvements*” that allows entities to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption without adjustment to the financial statements for periods prior to adoption.

The Company adopted ASU 2016-02 on February 3, 2019 on a modified retrospective basis and applied the new standard to all leases through a cumulative-effect adjustment to beginning accumulated deficit. As a result, comparative financial information has not been restated and continues to be reported under the accounting standards in effect for the respective periods.

On February 3, 2019, the Company recognized leases, primarily related to its stores and corporate headquarters, on its Consolidated Balance Sheet, as right-of use assets of $214.1 million with corresponding lease liabilities of $254.5 million and eliminated certain existing lease-related asset and liabilities as a net adjustment to the right-of-use assets. In connection with this adoption, the Company recorded a transition adjustment, which was a net credit of $5.3 million to opening accumulated deficit. This adjustment reflected the net of (i) the recognition of the Company’s deferred gain from a sale-leaseback of $10.3 million, (ii) the write-off of initial direct costs of $1.2 million and (iii) the recognition of impairments, upon adoption, on certain right-of-use assets totaling $3.8 million. The new standard had a material impact on the Consolidated Balance Sheet as a result of the recognition of the right-of-use assets, the corresponding lease obligations and the net credit to accumulated deficit of $5.3 million. Because the Company recognized the outstanding deferred gain from a sale-leaseback of $10.3 million, with the adoption of the new standard, results of operations will not have the future benefit of approximately $1.5 million, which was the annual amortization being recognized over the initial 20-year term of the sale-leaseback of the Company’s corporate office. The adoption of the new standard had no material impact on Consolidated Statement of Cash Flows.

The following is a discussion of the Company's lease policy under the new lease accounting standard:

The Company determines if an arrangement contains a lease at the inception of a contract. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments, initial direct costs and any lease incentives are included in the value of those right-of use assets. As the interest rate implicit in the Company's leases is not readily determinable, the Company utilizes its incremental borrowing rate, based on information available at the lease measurement date to determine the present value of future payments.

The Company's store leases typically contain options that permit renewals for additional periods of up to five years each. In general, for store leases with an initial term of 10 years or more, the options to extend are not considered reasonably certain at lease commencement. For stores leases with an initial term of 5 years, the Company evaluates each lease independently and, only when the Company considers it reasonably certain that it will exercise an option to extend, will the associated payment of that option be included in the measurement of the right-of-use asset and lease liability. Renewal options are not included in the lease term for automobile and equipment leases because they are not considered reasonably certain of being exercised at lease commencement. Renewal options were not considered for the Company's corporate headquarter and distribution center lease, which was entered into in 2006 and was for an initial 20-year term. At the end of the initial term, the Company will have the opportunity to extend this lease for six additional successive periods of five years. The Company elected the lessee non-lease component separation practical expedient, which permits the Company to not separate non-lease components from the lease components to which they relate. The Company also made an accounting policy election that the recognition requirement of ASU 842 will not be applied to certain, if any, non-store leases, with a term of 12 months or less, recognizing those lease payments on a straight-line basis over the lease term.

For store leases, the Company accounts for lease components and non-lease components as a single lease component. Certain store leases may require additional payments based on sales volume, as well as reimbursement for real estate taxes, common area maintenance and insurance, and are expensed as incurred as variable lease costs. Other store leases contain one fixed lease payment that includes real estate taxes, common area maintenance and insurance. These fixed payments are considered part of the lease payment and included in the right-of-use assets and lease liabilities.

See Note 4 ''*Leases*'' for additional information.

Recently Issued Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, "*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement."* This guidance modifies the disclosure requirements on fair value measurements in Topic 820 by removing disclosures regarding transfers between Level 1 and Level 2 of the fair value hierarchy, by modifying the measurement uncertainty disclosure, and by requiring additional disclosures for Level 3 fair value measurements, among others. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is currently evaluating the impact this pronouncement will have on its Consolidated Financial Statements.

No other new accounting pronouncements, issued or effective during the first nine months of fiscal 2019, have had or are expected to have a significant impact on the Company's Consolidated Financial Statements.

2. Revenue Recognition

The Company operates as a retailer of big and tall men's clothing, which includes stores, direct and wholesale. Revenue is recognized by the operating segment that initiates a customer's order. Store sales are defined as sales that originate and are fulfilled directly at the store level. Direct sales are defined as sales that originate online, including those initiated online at the store level, on its website or on third-party marketplaces. Wholesale sales are defined as sales made to wholesale customers pursuant to the terms of each customer's contract with the Company. Generally, all revenues are recognized when control of the promised goods is transferred to customers, in an amount that reflects the consideration in exchange for those goods. Sales tax collected from customers and remitted to taxing authorities is excluded from revenue and is included as part of accrued expenses on the Consolidated Balance Sheets.

Revenue from the Company's store operations is recorded upon purchase of merchandise by customers, net of an allowance for sales returns, which is estimated based upon historical experience.

Revenue from the Company's direct operations is recognized at the time a customer order is delivered, net of an allowance for sales returns, which is estimated based upon historical experience.

Revenue from the Company's wholesale operations is recognized at the time the wholesale customer takes physical receipt of the merchandise, net of any identified discounts in accordance with each individual order. An allowance for chargebacks will be established once the Company has sufficient historical experience. For the first nine months of fiscal 2019 and fiscal 2018, chargebacks were immaterial.

Unredeemed Gift Cards, Gift Certificates, and Credit Vouchers. Upon issuance of a gift card, gift certificate, or credit voucher, a liability is established for its cash value. The liability is relieved and net sales are recorded upon redemption by the customer. Based on historical redemption patterns, the Company can reasonably estimate the amount of gift cards, gift certificates, and credit vouchers for which redemption is remote, which is referred to as "breakage". Breakage is recognized over two years in proportion to historical redemption trends and is recorded as sales in the Consolidated Statements of Operations. The gift card liability, net of breakage, was $2.1 million and $2.4 million at November 2, 2019 and February 2, 2019, respectively.

Unredeemed Loyalty Coupons. The Company offers a free loyalty program to its customers for which points accumulate based on the purchase of merchandise. Over 90% of the Company's customers participate in the loyalty program. Under ASC 606, *Revenue from Contracts with Customers*, these loyalty points provide the customer with a material right and a distinct performance obligation with revenue deferred and recognized when the points are expected to redeem or expire. The cycle of earning and redeeming loyalty points is generally under one year in duration. The loyalty accrual, net of breakage, was $1.3 million and $1.0 million at November 2, 2019 and February 2, 2019, respectively.

Shipping. Shipping and handling costs are accounted for as fulfillment costs and are included in cost of sales for all periods presented. Amounts related to shipping and handling that are billed to customers are recorded in sales, and the related costs are recorded in cost of goods sold, including occupancy costs, in the Consolidated Statements of Operations.

Disaggregation of Revenue

As noted above under *Segment Information* in Note 1, the Company's business consists of one reportable segment, its retail segment. Substantially all of the Company's revenue is generated from its stores and direct businesses. The operating results from the wholesale segment, which were immaterial, have been aggregated with this reportable segment for the first nine months of fiscal 2019, but the revenues are separately reported below. Accordingly, the Company has determined that the following sales channels depict the nature, amount, timing, and uncertainty of how revenue and cash flows are affected by economic factors:

	For the three months ended				For the nine months ended			
(in thousands)	November 2, 2019		November 3, 2018		November 2, 2019		November 3, 2018	
Store sales	$ 81,054	*78.1%*	$ 85,106	*79.8%*	$ 262,888	*78.5%*	$ 272,413	*79.6%*
Direct sales	22,676	*21.9%*	21,591	*20.2%*	71,915	*21.5%*	69,772	*20.4%*
Retail segment	$ 103,730		$ 106,697		$ 334,803		$ 342,185	
Wholesale segment	2,851		372		7,996		421	
Total Sales	$ 106,581		$ 107,069		$ 342,799		$ 342,606	

3. Debt

Credit Agreement with Bank of America, N.A.

On May 24, 2018, the Company entered into the Seventh Amended and Restated Credit Agreement with Bank of America, N.A., as agent, providing for a secured $140.0 million credit facility. On May 31, 2019, the Credit Facility was amended to expand the definition of its borrowing base to include certain receivables, as defined in the First Amendment. On September 5, 2019, the Company entered into the Second Amendment to the Credit Facility (the "Second Amendment"). The Second Amendment was requested by the Company to improve its Excess Availability over the next two years and impacts only the $15.0 million "first-in, last out" (FILO) term facility (the "FILO loan"), which is discussed below under long-term debt. The Second Amendment also waived a technical occurrence of an Event of Default under the Credit Facility arising from the Company's disposition of certain immaterial trademark registrations (as amended, the "Credit Facility").

The Credit Facility provides maximum committed borrowings of $125.0 million in revolver loans, with the ability, pursuant to an accordion feature, to increase the Credit Facility by an additional $50.0 million upon the request of the Company and the agreement of the lender(s) participating in the increase (the "Revolving Facility"). The Revolving Facility provides for a sublimit of $20.0 million for commercial and standby letter of credits and up to $15.0 million for swingline loans. The Company's ability to borrow under the Revolving Facility (the "Loan Cap") is determined using an availability formula based on eligible assets. Pursuant to the Second Amendment, the Credit Facility requires the Company to maintain a minimum consolidated fixed charge coverage ratio of 1.0:1.0 if its excess availability under the Credit Facility fails to be equal to or greater than the greater of 12.5 % of the Loan Cap and $7.5 million. After May 24, 2021 and through the maturity date, the percentage of the Loan Cap of 12.5% will be reduced to 10%. The

maturity date of the Credit Facility is May 24, 2023. The Company's obligations under the Credit Facility are secured by a lien on substantially all of its assets.

At November 2, 2019, the Company had outstanding borrowings under the Revolving Facility of $68.5 million, before unamortized debt issuance costs of $0.3 million. Outstanding standby letters of credit were $2.7 million and outstanding documentary letters of credit were $0.3 million. Unused excess availability at November 2, 2019 was $40.6 million. Average monthly borrowings outstanding under the Revolving Facility during the first nine months of fiscal 2019 were $58.7 million, resulting in an average unused excess availability of approximately $38.5 million. The Company's ability to borrow under the Revolving Facility was determined using an availability formula based on eligible assets, with increased advance rates based on seasonality.

Borrowings made pursuant to the Revolving Facility bear interest, calculated under either the Federal Funds rate or the LIBOR rate, at a rate equal to the following: (a) the Federal Funds rate plus a varying percentage based on the Company's excess availability, of either 0.25% or 0.50%, or (b) the LIBOR rate (the Company being able to select interest periods of 1 week, 1 month, 2 months, 3 months or 6 months) plus a varying percentage based on the Company's excess availability, of either 1.25% or 1.50%. The Company was also subject to an unused line fee of 0.25%. At November 2, 2019, the Company's prime-based interest rate was 5.00%. At November 2, 2019, the Company had approximately $65.0 million of its outstanding borrowings in LIBOR-based contracts with an interest rate of 3.06%. The LIBOR-based contracts expired on November 4, 2019. When a LIBOR-based borrowing expires, the borrowings reverted back to prime-based borrowings unless the Company enters into a new LIBOR-based borrowing arrangement.

The fair value of the amount outstanding under the Revolving Facility at November 2, 2019 approximated the carrying value.

Long-Term Debt

Long-term debt is as follows:

(in thousands)	November 2, 2019	February 2, 2019
FILO Loan	$ 15,000	$ 15,000
Less: unamortized debt issuance costs	(201)	(243)
Total long-term debt	14,799	14,757
Less: current portion of long-term debt	—	—
Long-term debt, net of current portion	$ 14,799	$ 14,757

The total borrowing capacity under the FILO loan is based on a borrowing base, generally defined as a specified percentage of the value of eligible accounts, including certain trade names, that step down over time, plus a specified percentage of the value of eligible inventory that steps down over time. The Second Amendment to the Credit Facility extended these advance rates by approximately a year before they begin to step down. There can be no voluntary prepayments on the FILO loan during the first year. After its one-year anniversary, the FILO loan can be repaid, in whole or in part, subject to certain payment conditions. The term loan expires on May 24, 2023, if not repaid in full prior to that date.

As a result of extending the advance rates under the FILO loan, the applicable margin rates for borrowings are increased by approximately 50 basis points temporarily through May 24, 2021, at which time the margin rates will revert back to the original terms. Accordingly, borrowings made under the FILO loan will bear interest, calculated under either the Federal Funds rate or the LIBOR rate, at a rate equal to the following: (a) the Federal Funds rate plus a carrying percentage based on the Company's excess availability, of either 2.25% or 2.50% until May 24, 2021 or 1.75% or 2.00% after May 24, 2021 or (b) the LIBOR rate (the Company being able to select interest periods of 1 week, 1 month, 2 months, 3 months or 6 months) plus a varying percentage based on the Company's excess availability of either 3.25% or 3.50% until May 24, 2021, or 2.75% or 3.00% after May 24, 2021. At November 2, 2019, the outstanding balance of $15.0 million was in a 1-month LIBOR-based contract with an interest rate of 5.14%. The LIBOR-based contract expired on November 17, 2019. When a LIBOR-based contract expires, the Company can enter into a new LIBOR-based borrowing arrangement.

4. Leases

The Company leases all of its store locations and its corporate headquarters, which also includes its distribution center, under operating leases. The store leases typically have initial terms of 5 years to 10 years, with options that usually permit renewal for additional five-year periods. The initial term of the lease for the corporate headquarter was for 20 years, with the opportunity to extend for six additional successive periods of five years, beginning in fiscal 2026. The Company also leases certain equipment and other assets under operating leases, typically with initial terms of 3 to 5 years. The Company is generally obligated for the cost of property taxes, insurance and common area maintenance fees relating to its leases, which are considered variable lease costs and are expensed as incurred.

The following table is a summary of the Company's components of net lease cost for the three and nine months ended November 2, 2019:

(in thousands)	For the three months ended November 2, 2019	For the nine months ended November 2, 2019
Operating lease cost(1)	$ 13,500	$ 39,968
Short-term lease costs (2)	—	—
Variable lease costs(1)	4,201	12,200
Total lease costs	$ 17,701	$ 52,168

(1) Lease costs related to store locations are included in Cost of Goods Sold Including Occupancy Costs on the Consolidated Statement of Operations and expenses and lease costs related to the corporate headquarters, automobile and equipment leases are included in Selling, General and Administrative expenses on the Consolidated Statement of Operations.

(2) For the third quarter and first nine months of fiscal 2019, the Company had no short-term lease costs.

Supplemental cash flow information related to leases for the first nine months ended November 2, 2019 is as follows:

(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	$ 43,633
Non-cash operating activities:	
Right-of-use assets obtained in exchange for operating lease liabilities	$ 3,245

Supplemental balance sheet information related to leases as of November 2, 2019 is as follows:

Operating leases:	
Weighted average remaining lease term	5.5 yrs.
Weighted average discount rate	7.12%

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the operating lease liabilities recorded on the Consolidated Balance Sheet as of November 2, 2019:

(in thousands)	
2019 (remaining)	$ 14,395
2020	55,304
2021	54,233
2022	49,174
2023	41,257
Thereafter	68,831
Total minimum lease payments	$ 283,194
Less: amount of lease payments representing interest	49,820
Present value of future minimum lease payments	$ 233,374
Less: current obligations under leases	41,063
Long-term lease obligations	$ 192,311

As previously disclosed in the Company's Consolidated Financial Statements for the year ending February 2, 2019, future minimum lease payments for noncancelable operating leases, under the previous lease accounting standard, were as follows at February 2, 2019:

(in thousands)	
2019	$ 57,364
2020	52,699
2021	50,380
2022	45,061
2023	36,605
Thereafter	56,638
Total minimum lease payments	$ 298,747

5. Long-Term Incentive Plans

The following is a summary of the Company's Long-Term Incentive Plan ("LTIP"). All equity awards granted under long-term incentive plans are issued from the Company's stockholder-approved 2016 Incentive Compensation Plan. See Note 6, *Stock-Based Compensation*.

At November 2, 2019, the Company has two active LTIPs: 2018-2020 LTIP and 2019-2021 LTIP. Each participant in the plan participates based on that participant's "Target Cash Value" which is defined as the participant's annual base salary (on the participant's effective date) multiplied by his or her LTIP percentage. Under each LTIP, 50% of each participant's Target Cash Value is subject to time-based vesting and 50% is subject to performance-based vesting. All time-based awards under the 2018-2020 LTIP were restricted stock units (RSUs). For the 2019-2021 LTIP, 50% of the time-based awards granted were RSUs and 50% were cash.

2017-2018 LTIP

On March 19, 2019, the Compensation Committee of the Board of Directors (the "Compensation Committee") approved a 25% payout based on the achievement of performance targets under the 2017-2018 LTIP, which ended February 2, 2019. On March 19, 2019, the Company granted 150,299 RSUs with a fair value of $0.5 million. The RSUs vested, net of any forfeitures, on August 31, 2019. In conjunction with the grant of the RSUs, the Company reclassified $0.3 million of the liability accrual from "Accrued expenses and other current liabilities" to "Additional paid-in capital" in the first nine months of fiscal 2019. See the Consolidated Statement of Changes in Stockholders' Equity. In addition to the performance awards, the Company will have incurred stock-based compensation of approximately $2.0 million for its time-based awards, which is being expensed over thirty-six months, through April 1, 2020.

2018-2020 LTIP and 2019-2021 LTIP

In June 2018, the Company amended its LTIP to, among other things, extend the performance period for awards to three years, beginning with grants in fiscal 2018. Performance targets for the 2018-2020 LTIP and the 2019-2021 LTIP were established and approved by the Compensation Committee on October 24, 2018 and August 7, 2019, respectively. Awards for any achievement of performance targets will not be granted until the performance targets are achieved and then will be subject to additional vesting through August 31, 2021 and August 31, 2022, respectively. The time-based awards under the 2018-2020 LTIP and the 2019-2021 LTIP vest in four equal installments through April 1, 2022 and April 1, 2023, respectively.

Assuming that the Company achieves the performance targets at target levels and all time-based awards vest, the compensation expense associated with the 2018-2020 LTIP is estimated to be approximately $3.8 million. Approximately half of the compensation expense relates to the time-vested RSUs, which is being expensed straight-line over 41 months. Through the end of the third quarter of fiscal 2019, the Company has accrued $0.2 million for performance awards under the 2018-2020 LTIP.

For the 2019-2021 LTIP, assuming that the Company achieves the performance targets at target levels and all time-based awards vest, the compensation expense is estimated to be approximately $4.1 million. Approximately half of the compensation relates to time-based awards, 50% RSUs and 50% cash, which is being expensed straight-line over 44 months. There was no accrual at November 2, 2019 for performance awards under the 2019-2021 LTIP.

6. Stock-Based Compensation

The Company has one active stock-based compensation plan: the 2016 Incentive Compensation Plan (the "2016 Plan"). The initial share reserve under the 2016 Plan was 5,725,538 shares of common stock. A grant of a stock option award or stock appreciation right will reduce the outstanding reserve on a one-for-one basis, meaning one share for every share granted. A grant of a full-value award, including, but not limited to, restricted stock, restricted stock units and deferred stock, will reduce the outstanding reserve by a fixed ratio of 1.9 shares for every share granted. During the third quarter of fiscal 2019, on August 8, 2019, the Company's shareholders approved an amendment to increase the share reserve by an additional 2,800,000 shares. At November 2, 2019, the Company had 3,699,319 shares available under the 2016 Plan.

In accordance with the terms of the 2016 Plan, any shares outstanding under the previous 2006 Incentive Compensation Plan (the "2006 Plan") at August 4, 2016 that subsequently terminate, expire or are cancelled for any reason without having been exercised or paid are added back and become available for issuance under the 2016 Plan, with stock options being added back on a one-for-one basis and full-value awards being added back on a 1 to 1.9 basis. At November 2, 2019, 784,251 stock options remained outstanding under the 2006 Plan.

The 2016 Plan is administered by the Compensation Committee. The Compensation Committee is authorized to make all determinations with respect to amounts and conditions covering awards. Options are not granted at a price less than fair value on the date of the grant. Except with respect to 5% of the shares available for awards under the 2016 Plan, no award will become exercisable unless such award has been outstanding for a minimum period of one year from its date of grant.

The following tables summarize the share activity and stock option activity for the Company's 2006 Plan and 2016 Plan, on a combined basis, for the first nine months of fiscal 2019:

	Restricted shares	RSUs (1)	Deferred shares (2)	Fully-vested shares (3)	Performance Share Units (4)	Total number of shares	Weighted-average grant-date fair value
Shares							
Outstanding non-vested shares at beginning of year	30,000	1,372,628	204,040	—	—	1,606,668	$ 2.93
Shares granted	—	1,234,439	72,668	110,370	720,000	2,137,477	$ 1.77
Shares vested/issued	(10,000)	(788,763)	(8,857)	(110,370)	—	(917,990)	$ 2.94
Shares canceled	(20,000)	(126,052)	—	—	—	(146,052)	$ 2.38
Outstanding non-vested shares at end of quarter	—	1,692,252	267,851	—	720,000	2,680,103	$ 2.03

(1) During the first nine months of fiscal 2019, the Company granted 150,299 RSUs in connection with the partial achievement of performance targets under the 2017-2018 LTIP, see Note 5, *Long-Term Incentive Plans*. In addition, the Company granted 368,205 time-based RSUs as signing awards. The remainder of the RSUs granted for the first nine-months of fiscal 2019 related to time-based awards granted under the Company's LTIPs. As a result of net share settlement, of the 788,763 RSUs which vested during the first nine months of fiscal 2019, only 677,742 shares of common stock were issued.

(2) The 72,668 shares of deferred stock, with a grant date fair value of $148,133, represent compensation to certain directors in lieu of cash, in accordance with their irrevocable elections. The shares of deferred stock will vest three years from the date of grant or at separation of service, based on the irrevocable election of each director.

(3) During the first nine months of fiscal 2019, the Company granted 110,370 shares of stock, with a fair value of approximately $224,989, to certain directors as compensation in lieu of cash, in accordance with their irrevocable elections. Directors are required to elect 50% of their quarterly retainer in equity. Any shares in excess of the minimum required election are issued from the Company's Fourth Amended and Restated Non-Employee Director Compensation Plan ("Non-Employee Director Compensation Plan").

(4) On February 19, 2019, the Company granted 720,000 shares of performance stock units ("PSUs"), with a fair value of $1.0 million, to Mr. Kanter. The PSUs vest in installments when the following milestones are met: one-third of the PSUs vest when the trailing 90-day volume-weighted average closing stock price ("VWAP") is $4.00, one-third of the PSUs vest when the VWAP is $6.00 and one-third when the VWAP is $8.00. All PSUs will expire on April 1, 2023 if no performance metric is achieved. The $1.0 million is being expensed over the respective derived service periods of each tranche of 16 months, 25 months and 30 months, respectively. The respective fair value and derived service periods assigned to the PSUs were determined using a Monte Carlo model based on: the Company's historical volatility of 55.9%, a term of 4.1 years, stock price on the date of grant of $2.50 per share, a risk-free rate of 2.5% and a cost of equity of 9.5%.

	Number of shares	Weighted-average exercise price per option	Weighted-average remaining contractual term	Aggregate intrinsic value
Stock Options				
Outstanding options at beginning of year	957,400	$ 4.50	5.1 years	$ 16,878
Options granted	—	—		—
Options expired and canceled	(92,592)	$ 2.50		—
Options exercised	(46,296)	$ 2.50		—
Outstanding options at end of quarter	818,512	$ 4.84	3.4 years	$ —
Options exercisable at end of quarter	813,512	$ 4.85	3.3 years	$ —

Valuation Assumptions

For the first nine months of fiscal 2019, the Company granted 720,000 PSUs, 1,234,439 RSUs and 72,668 shares of deferred stock. For the first nine months of fiscal 2018, the Company granted 153,888 stock options, 30,000 shares of restricted stock, 1,050,650 RSUs and 82,289 shares of deferred stock.

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

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. There were no stock options granted in the first nine months of fiscal 2019. The following assumptions were used for grants for the first nine months of fiscal 2018:

	November 3, 2018
Expected volatility	48.9% - 57.1%
Risk-free interest rate	2.55% - 2.63%
Expected life	3.0 - 4.5 yrs
Dividend rate	—

Non-Employee Director Compensation Plan

The Company granted 25,751 shares of common stock, with a fair value of approximately $52,493, to certain of its non-employee directors as compensation in lieu of cash in the first nine months of fiscal 2019.

Stock Compensation Expense

The Company recognized total stock-based compensation expense of $1.4 million and $1.1 million for the first nine months of fiscal 2019 and fiscal 2018, respectively. The total compensation cost related to time-vested stock options, restricted stock, RSU and PSU awards not yet recognized as of November 2, 2019 was approximately $3.2 million, net of estimated forfeitures, which will be expensed over a weighted average remaining life of 30 months.

7. Earnings per Share

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

	For the three months ended		For the nine months ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
(in thousands)				
Common stock outstanding:				
Basic weighted average common shares outstanding	50,089	49,352	49,853	49,068
Common stock equivalents – stock options and restricted stock (1)	—	—	—	—
Diluted weighted average common shares outstanding	50,089	49,352	49,853	49,068

(1) Common stock equivalents of 324 shares and 581 shares for the three months ended November 2, 2019 and November 3, 2018, respectively, and 404 shares and 494 shares for the first nine months ended November 2, 2019 and November 3, 2018, respectively, were excluded due to the net loss in each period.

The following potential common stock equivalents were excluded from the computation of diluted earnings per share in each period, because the exercise price of such options was greater than the average market price per share of common stock for the respective periods or because of the unearned compensation associated with either stock options, restricted stock units, restricted or deferred stock had an anti-dilutive effect.

	For the three months ended		For the nine months ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
(in thousands, except exercise prices)				
Stock options	819	963	804	963
Restricted stock units	1,242	754	679	786
Restricted and deferred stock	114	24	114	57
Range of exercise prices of such options	$1.85 - $7.02	$2.25 - $7.02	$2.25- $7.02	$2.25 - $7.02

The above options, which were outstanding at November 2, 2019, expire from March 19, 2020 to June 29, 2028.

Shares of unvested restricted stock of 30,000 shares at November 3, 2018 were excluded from the computation of basic earnings per share. There were no unvested shares of restricted stock outstanding at November 2, 2019.

The 720,000 PSUs are excluded from basic and diluted earnings per share until the market condition is achieved.

8. Income Taxes

Since the end of fiscal 2014, the Company has maintained a full valuation allowance against its deferred tax assets. While the Company has projected it will return to profitability, generate taxable income and ultimately emerge from a three-year cumulative loss, based on the Company's forecast for fiscal 2019, the Company believes that a full valuation allowance remains appropriate at this time. Realization of the Company's deferred tax assets is dependent on generating sufficient taxable income in the near term. At November 2, 2019, the Company had total deferred tax assets of $58.6 million, total deferred tax liabilities of $9.9 million and a valuation allowance of $48.7 million.

As of November 2, 2019, for federal income tax purposes, the Company has net operating loss carryforwards of $141.5 million, which will expire from fiscal 2022 through fiscal 2036 and net operating loss carryforwards of $26.6 million that are not subject to expiration. For state income tax purposes, the Company has $94.8 million of net operating losses that are available to offset future taxable income, which will expire from fiscal 2019 through fiscal 2039. Additionally, the Company has $2.9 million of net operating loss carryforwards related to the Company's operations in Canada, which will expire from fiscal 2025 through fiscal 2039.

The Company's financial statements reflect the expected future tax consequences of uncertain tax positions that the Company has taken or expects to take on a tax return, based solely on the technical merits of the tax position. The liability for unrecognized tax benefits at November 2, 2019 was approximately $2.0 million and was associated with a prior tax position related to exiting the Company's direct business in Europe during fiscal 2013. The amount of unrecognized tax benefits has been presented as a reduction in the reported amounts of the Company's federal and state net operating losses carryforwards. No penalties or interest have been accrued on this liability because the carryforwards have not yet been utilized. The reversal of this liability would result in a tax benefit being recognized in the period in which the Company determines the liability is no longer necessary.

The discrete tax rate method was used for calculating tax expense for the third quarter and first nine months of fiscal 2019 and fiscal 2018. The Company's net tax benefit for the third quarter and first nine months of fiscal 2019 was the result of the deferred tax impact of $70,000 and $151,000, respectively, in other comprehensive income (loss), which resulted in a corresponding decrease in valuation allowance. This income tax benefit was partially offset by tax expense, primarily for certain states' margin tax. The net tax benefit for the third quarter and first nine months of fiscal 2018, primarily related to certain states' margin tax, which was partially offset by the tax benefit recognized as a result of the deferred tax impact of $45,000 and $92,000, respectively, in other comprehensive income (loss) which resulted in a corresponding decrease in valuation allowance.

9. CEO Transition Costs

In connection with Mr. Levin's retirement and the appointment of Mr. Kanter as the Company's President and Chief Executive Officer, the Company has incurred certain transition costs. For the first nine months of fiscal 2019 and 2018, the Company has incurred $0.7 million and $0.6 million, respectively, related to CEO search costs, Acting CEO consulting costs, housing allowance and legal fees. In addition, in accordance with the terms of the transition agreement between the Company and Mr. Levin, the Company is accruing for estimated future cash payments that Mr. Levin will be entitled to under his transition agreement and existing performance plans, if and when such targets are achieved.

10. Corporate Restructuring

Results for the third quarter and first nine months of fiscal 2018 included a charge of $0.3 million and $1.9 million, respectively, in connection with its corporate restructuring in May 2018, which reduced its corporate work force by approximately 15%. The charge represented employee severance, one-time termination benefits and other employee-related costs associated with the restructuring.

11. Exit Costs Associated with London Operations

During the third quarter of fiscal 2019, the Company closed its Rochester Clothing store located in London, England. In connection with this store closure, the Company incurred a charge of approximately $1.7 million, which included a non-cash charge of $0.8 million related to the recognition of the accumulated foreign currency translation adjustment. The remainder of the charge primarily related to lease termination and inventory liquidation costs.

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

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "may," "will," "estimate," "intend," "plan," "continue," "believe," "expect" or "anticipate" or the negatives thereof, variations thereon or similar terminology. The forward-looking statements contained in this Quarterly Report are generally located in the material set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," but may be found in other locations as well, and include statements regarding our expectations with respect to our strategic plans to grow our customer base and drive top-line sales; store counts and store closures, comparable sales growth and free cash flow for fiscal 2019, targeted marketing spend, capital investments, and the impact of the wholesale business on future growth. These forward-looking statements generally relate to plans and objectives for future operations and are based upon management's reasonable estimates of future results or trends. The forward-looking statements in this Quarterly Report should not be regarded as a representation by us or any other person that our objectives or plans will be achieved. The following discussion of our financial condition and results of operations should be read in conjunction with the unaudited consolidated financial statements and notes to those statements included elsewhere in this Quarterly Report and our audited consolidated financial statements for the year ended February 2, 2019, included in our Annual Report on Form 10-K for the year ended February 2, 2019, as filed with the Securities and Exchange Commission on March 22, 2019 (our "Fiscal 2018 Annual Report").

Numerous factors could cause our actual results to differ materially from such forward-looking statements. We encourage readers to refer to the "Risk Factors" section in Part I, Item 1A of our Fiscal 2018 Annual Report, that sets forth certain risks and uncertainties that may have an impact on future results and direction of our Company, including, without limitation, risks relating to the execution of our corporate strategy, and our ability to grow our wholesale segment, predict customer tastes and fashion trends, forecast sales growth trends, maintain and build our brand awareness and compete successfully in our market.

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

BUSINESS SUMMARY

Destination XL Group, Inc., together with our consolidated subsidiaries (the "Company"), is the largest specialty retailer of big and tall men's clothing with retail, wholesale and direct operations in the United States and Canada. We operate under the trade names of Destination XL®, DXL®, DXL Outlets, Casual Male XL®, Casual Male XL Outlets and Rochester Clothing. At November 2, 2019, we operated 229 Destination XL stores, 17 DXL outlet stores, 50 Casual Male XL retail stores, 28 Casual Male XL outlet stores and 2 Rochester Clothing stores. Our e-commerce site, dxl.com, supports our stores, brands and product extensions.

Unless the context indicates otherwise, all references to "we," "our," "us" and "the Company" refer to Destination XL Group, Inc. and our consolidated subsidiaries. We refer to our fiscal years, which end on February 1, 2020 and February 2, 2019 as "fiscal 2019" and "fiscal 2018," respectively. Both fiscal 2019 and fiscal 2018 are 52-week periods.

SEGMENT REPORTING

Historically, we have had two principal operating segments: our stores and direct businesses. We consider these two operating segments to be similar in terms of economic characteristics, production processes and operations, and have therefore aggregated them into one reportable segment, retail segment, consistent with our omni-channel business approach. In fiscal 2018, we launched a wholesale segment, which we consider a third operating segment. However, due to the immateriality of the wholesale segment's revenues, profits and assets for the nine months ended November 2, 2019 and November 3, 2018, its operating results have been aggregated with the retail segment for both periods.

COMPARABLE SALES

Total comparable sales include our retail stores that have been open for at least 13 months and our direct business. Stores that have been remodeled or re-located during the period are also included in our determination of comparable sales. Stores that have been expanded by more than 25% are considered non-comparable for the first 13 months. If a store becomes a clearance center, it is also removed from the calculation of comparable sales. After our announcement in the beginning of fiscal 2019 that we would be closing our Rochester Clothing stores, we removed these stores from the comparable sales base. The method of calculating comparable sales varies across the retail industry and, as a result, our calculation of comparable sales is not necessarily comparable to similarly titled measures reported by other retailers.

Our customer's shopping experience continues to evolve across multiple channels and we are continually adapting to meet his needs. The majority of our stores have the capability of fulfilling online orders if merchandise is not available in the warehouse. As a result, we continue to see more transactions that begin online but are ultimately completed at the store level. Similarly, if a customer visits a store and the item is out of stock, the associate can order the item through our website. A customer also has the ability to order online and pick-up in a store. Because this omni-channel approach to retailing is changing the boundaries of where a sale originates and where a sale is ultimately settled, we do not report comparable sales separately for our retail segment. However, as we continue to invest in building our e-commerce platform, bringing a heightened digital focus to our Company, additional disclosure on our e-commerce growth as it relates to our current initiatives is important. We define store sales as sales that originate and are fulfilled directly at the store level. E-commerce sales, which we also refer to as direct sales, are defined as sales that originate online, whether through our website, at the store level or through a third-party marketplace.

RESULTS OF OPERATIONS

The following is a summary of results for the third quarter and first nine months of fiscal 2019 as compared to the third quarter and first nine months of the prior year, including adjusted EBITDA, which is a non-GAAP measure. Please see "Non-GAAP Financial Measures" below for a reconciliation of net loss to adjusted EBITDA.

	For the three months ended		For the nine months ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
(in millions, except per share data)				
Net loss	$ (7.2)	$ (2.0)	$ (10.2)	$ (6.3)
Adjusted EBITDA (Non-GAAP basis)	$ 1.7	$ 6.6	$ 13.6	$ 20.7
Per diluted share:				
Net loss	$ (0.14)	$ (0.04)	$ (0.21)	$ (0.13)
Adjusted net loss (Non-GAAP basis)	$ (0.08)	$ (0.02)	$ (0.12)	$ (0.06)

Executive Summary

While we were disappointed with our results for the third quarter, we were pleased to see quarter-over-quarter improvement in sales, with an increase in our comparable sales for the third quarter of 0.2%. Comparable sales were low single-digit negative at the start of the third quarter, but improved over the 13 weeks, with positive comparable sales in October in the low single-digits. We were also pleased with the growth in our direct business during the third quarter, which increased mid-single digits over the prior year driven by double-digit DXL.com (DTC) traffic. Contributing to our total sales during the third quarter of fiscal 2019 was our wholesale business, which generated $2.9 million, or an increase of $2.5 million over the prior year quarter. We are pleased with the steady progress we are making with this new business, with total sales for the first nine months of fiscal 2019 of $8.0 million.

Gross margin for the third quarter decreased approximately 310 basis points from last year's third quarter. During the quarter, we tested a variety of new promotional events to further drive the omni-channel retail experience, aligning direct and store promotions. While the promotional events were unsuccessful in driving the sales results we had hoped for, we did gain some valuable insights that will benefit our future promotions. We had expected the tests we developed and implemented in-store could be capable of driving incremental traffic and while they did achieve that directionally, the promotions were not sufficiently offset by traffic. We also saw a higher sell through of clearance merchandise. Lastly, our gross margin also was impacted by a change to our internal inventory aging policy as part of our ongoing "diagnostic" of the inventory mix. In recent years, our tailored clothing assortments have struggled from a noticeable shift and continued shift in customer preference to casual sportswear. As a result, the inventory diagnostic in the third quarter resulted in an increase in our lower of cost or market reserves on certain aged inventory, particularly in tailored clothing. As a result of this exercise, we recorded a $0.9 million non-cash charge to gross margin to maintain a healthy inventory position. As we previously mentioned, as our wholesale business grows, it will continue to negatively impact our gross margin rate, due to the nature of those margins being significantly lower than our retail business.

Our results for the third quarter of fiscal 2019 also included a charge of $1.7 million related to the closure of our London Rochester Clothing store and the exit from our London operations. The largest component of this charge was the recognition of the accumulated foreign currency translation adjustment of approximately $0.8 million. The remainder of the charge related primarily to lease termination and inventory liquidation costs.

For the first nine months of fiscal 2019, our cash flow from operations decreased by $13.1 million as compared to the prior year's first nine months, primarily due to a decrease in Adjusted EBITDA and the timing of working capital, namely accrued expenses and accounts payable. Our inventory on November 2, 2019 increased approximately $3.8 million as compared to November 3, 2018. This increase was due to an increase in wholesale inventory as well as an increase in style-presentation levels in our better and best collections in our stores as we drive branded collections.

Financial Outlook

For fiscal 2019, we expect comparable sales in our omni-channel retail business to be flat and free cash flow to be breakeven. Since Harvey Kanter joined the Company on April 1, 2019, we have made progress in developing the mission, vision and strategic plan, which informs and defines our transformation as we have begun to execute the strategy to engage big and tall men across the omni-

channel landscape. We are making capital investments in both our customer relationship and our data infrastructure and analytics capabilities. We believe these investments are required as we move forward in the digitally-driven retail environment in which we operate today. A significant step toward this ongoing commitment to building out a digitally-centric marketing organization was the appointment in October 2019 of Erica Thompson as our Chief Marketing Officer and the appointment in November 2019 of Ujjwal Dhoot as Chief Digital Officer.

In the fourth quarter of fiscal 2019, we plan to close the two remaining Rochester Clothing stores and one DXL retail store.

Financial Summary

Sales

	Third Quarter	First Nine Months
	(in millions)	
Sales for fiscal 2018	**$ 107.1**	**$ 342.6**
Less 2018 sales for stores that have closed /converted	(2.0)	(5.3)
	$ 105.1	**$ 337.3**
Change in comparable sales	0.2	(1.1)
Change in wholesale revenue	2.5	7.6
Non-comparable sales	(0.1)	0.3
Other, net	(1.1)	(1.3)
Sales for fiscal 2019	**$ 106.6**	**$ 342.8**

Total sales for the third quarter of fiscal 2019 decreased 0.5% to $106.6 million from $107.1 million in the third quarter of fiscal 2018. The decrease of $0.5 million in total sales was principally due to a decrease in sales of $2.0 million from closed stores and a decrease in other revenue, which includes loyalty and alterations, of approximately $1.1 million. These decreases were partially offset by an increase in wholesale revenue of $2.5 million and comparable sales increase for the third quarter of 0.2%, or $0.2 million. Comparable sales during the third quarter of fiscal 2019 improved during the quarter with comparable sales in August down 2.3%, September up 0.2% and October up 2.5%. While traffic continues to be down, our conversion rate and number of transactions were up low single digits. We did see a decrease in our dollars per transaction, which was primarily driven by our promotional and clearance activity. With respect to our direct business, we saw a double-digit percentage increase in site traffic, which resulted in a mid-single digit increase in direct sales for the third quarter of fiscal 2019.

For the first nine months of fiscal 2019, our total sales increased 0.1% to $342.8 million as compared to $342.6 million for the first nine months of fiscal 2018. The increase of $0.2 million was principally due to an increase in wholesale revenue of $7.6 million partially offset by a decrease in sales from closed stores of $5.3 million and a decrease in comparable sales of (0.3)%, or $1.1 million for the first nine months of fiscal 2019.

On a trailing twelve-month basis, direct sales as a percentage of total retail sales were 22.4% at the end of the third quarter of fiscal 2019 as compared to 21.2% at the end of the third quarter of the prior year. For the first nine months of fiscal 2019, our direct sales were 21.5%, up from 20.4% for the first nine months of the prior year.

Gross Profit Margin

For the third quarter of fiscal 2019, our gross margin rate, inclusive of occupancy costs, was 41.1% as compared to a gross margin rate of 44.0% for the third quarter of fiscal 2018. The decrease of 290 basis points was due to a decrease in merchandise margins of 310 basis points partially offset by a 20 basis point improvement in occupancy costs as a percent of sales. The 310 basis point decrease in merchandise margin, as compared to the prior year's third quarter, was due, in part, to approximately 110 basis points related to higher clearance selling and promotional activity. The remainder of the merchandise margin decrease came from an inventory diagnostic that resulted in an 80 basis point decrease related to the write-off of aged inventory and 120 basis points due to the growth of our wholesale segment, which by its nature has lower merchandise margins than our retail business. The 80 basis point decrease for the write-off of aged inventory was due to a change to our inventory aging policy for which we incurred a charge of approximately $0.9 million, which represented approximately 0.8% of our total inventory cost. The improvement in occupancy costs, as a percentage of sales, was due to a decrease of $0.4 million in total occupancy costs, primarily related to closed stores, as compared to the prior year's third quarter.

For the first nine months of fiscal 2019, our gross margin rate, inclusive of occupancy costs, was 43.1% as compared to a gross margin rate of 45.0% for the first nine months of fiscal 2018. The decrease of 190 basis points was due to a decrease in merchandise margins of 240 basis points partially offset by a 50 basis point improvement in occupancy costs as a percent of sales. The 240 basis point decrease in merchandise margin was due to approximately 110 basis points related to higher clearance selling and promotional activity, 30 basis points related to the write-off of aged inventory and 100 basis points due to the growth of our wholesale segment.

The improvement in occupancy costs, as a percentage of sales,was due to a decrease of $1.8 million in total occupancy costs, primarily related to closed stores, as compared to the prior year's first nine months.

Selling, General and Administrative Expenses

As a percentage of sales, SG&A expenses for the third quarter of fiscal 2019 were 39.5% as compared to 37.8% for the third quarter of fiscal 2018. On a dollar basis, SG&A increased by $1.7 million for the third quarter of fiscal 2019. This increase was primarily attributable to increases in corporate severance of $0.5 million, $0.3 million in marketing costs, $0.4 million in information technology and an increase of $0.2 million in expenses related to our wholesale segment. In addition, as a result of adopting the new lease accounting standard (ASC 842) at the beginning of fiscal 2019, we are no longer receiving a $0.4 million quarterly benefit from amortizing a deferred gain related to the sale-leaseback of our corporate office.

For the first nine months of fiscal 2019, SG&A expenses were 39.1% as compared to 39.0% for the first nine months of fiscal 2018. On a dollar basis, SG&A expense increased $0.6 million, primarily due to the prior period's recognition of $1.1 million of deferred gain on the sale-leaseback, as discussed above, and an insurance gain of $0.6 million in the prior year, which did not repeat in fiscal 2019. In addition, wholesale business expenses increased $0.6 million, corporate severance increased $0.5 million and supporting costs for our direct business increased $0.5 million, which ties directly to our growth in the direct business. Partially offsetting these increases in SG&A expenses were savings of $2.3 million recognized in the first half of fiscal 2019 due to the corporate restructuring in May 2018, a decrease of approximately $0.2 million in marketing and a decrease of $0.3 million in incentive accruals.

SG&A expenses are managed through two primary cost centers: Customer Facing Costs and Corporate Supporting Costs. Customer Facing Costs, which include store payroll, marketing, and other store operating costs, represented 22.9% of sales for the first nine months of fiscal 2019 as compared to 23.0% of sales for the first nine months of last year. On an annual basis, management targets marketing expenses to be at approximately 5% of sales. Corporate Supporting Costs, which include the distribution center, support, and other corporate overhead costs, represented 16.2% of sales for the first nine months of fiscal 2019 compared to 16.0% of sales for the first nine months of last year. The Company continues to examine and rationalize its entire SG&A cost structure to improve its EBITDA margins and overall profitability.

Depreciation and Amortization

Depreciation and amortization for the third quarter and first nine months of fiscal 2019 of $6.3 million and $18.9 million, respectively, decreased from $7.2 million and $21.9 million, respectively, for the third quarter and first nine months of fiscal 2018. With the majority of our new store growth complete, our depreciation costs are decreasing. In addition, depreciation and amortization in the prior year included amortization on our Casual Male trademark, which is now fully amortized.

Interest Expense, Net

Net interest expense for the third quarter of fiscal 2019 increased to $0.9 million as compared to $0.8 million for the third quarter of fiscal 2018 due to an increase in both average borrowings and effective borrowing rates. Net interest expense for the first nine months of fiscal 2019 decreased by less than $0.1 million to $2.6 million as compared to the first nine months of fiscal 2018. This slight decrease in interest costs was due to the write-off of debt issuance costs in fiscal 2018 associated with the prepayment of our term loan, partially offset by a slight increase in average borrowings and an increase in effective borrowing rates for the first nine months of fiscal 2019 as compared to the prior year.

Income Taxes

We established a full valuation allowance against our deferred tax assets at the end of fiscal 2013. Based on our forecast for fiscal 2019, we believe that a full valuation allowance continues to remain appropriate at this time.

The discrete tax rate method was used for calculating tax expense. Due to current period losses, our current tax provision for the first nine months of fiscal 2019 and fiscal 2018 was primarily due to current state margin tax, based on gross receipts less certain deductions. The total income tax benefit for the third quarter and first nine months of fiscal 2019 included a deferred tax impact of $70,000 and $151,000, respectively, in other comprehensive income (loss), which resulted in a tax benefit on the Consolidated Statement of Operations related to the corresponding decrease in valuation allowance. Similarly, the total income tax benefit for the third quarter and first nine months of fiscal 2018 included a deferred tax impact of $45,000 and $92,000, respectively, in other comprehensive income (loss) which resulted in a tax benefit due to its corresponding decrease in valuation allowance.

Net Loss

For the third quarter of fiscal 2019, we had a net loss of $(7.2) million, or $(0.14) per diluted share, compared with a net loss of $(2.0) million, or $(0.04) per diluted share, for the third quarter of fiscal 2018. For the first nine months of fiscal 2019, we had a net loss of $(10.2) million, or $(0.21) per diluted share, as compared with a net loss of $(6.3) million, or $(0.13) per diluted share.

On a non-GAAP basis, before exit costs associated with our London operations,CEO transition costs, corporate restructuring charges and assuming a normalized tax rate of 26% for all periods, adjusted net loss per share for the third quarter and first nine months of fiscal 2019 was ($0.08) per diluted share and ($0.12) per diluted share, respectively, as compared to adjusted net loss of ($0.02) per diluted share and ($0.06) per diluted share, respectively, for the third quarter and first nine months of 2018.

Inventory

Our inventory on November 2, 2019, increased approximately $3.8 million to $120.2 million, as compared to $116.4 million at November 3, 2018. The increase was primarily due to an increase in wholesale inventory as well as an increase in style-presentation levels in our better and best collections in our retail stores as we drive branded collections. At November 2, 2019, our clearance inventory represented 10.0% of our total inventory, as compared to 11.3% at November 3, 2018.

SEASONALITY

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

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash generated from operations and availability under our credit facility with Bank of America, N.A., ("Credit Facility"), which was most recently amended in September 2019 ("Credit Facility"). Our current cash needs are primarily for working capital (essentially inventory requirements), capital expenditures and growth initiatives. We plan to manage our working capital and it is expected that excess cash from operations will be directed toward our growth initiatives and debt reductions. We currently believe that our existing cash generated by operations together with our Credit Facility will be sufficient within current forecasts for us to meet our foreseeable liquidity requirements.

For the first nine months of fiscal 2019, cash flow from operations decreased by approximately $13.1 million to $(14.4) million as compared to $(1.3) million for the first nine months of fiscal 2018. Free cash flow, a non-GAAP measure, decreased by $14.3 million to $(25.4) million for the first nine months of fiscal 2019 as compared to $(11.1) million for the first nine months of fiscal 2018. The primary reason for this decrease of $14.3 million in free cash flow was due to a decrease in Adjusted EBITDA and the timing of working capital, namely accounts payable, accrued expenses and incentive payments earned in fiscal 2018 but paid out in fiscal 2019. At November 2, 2019, accrued expenses were substantially lower than the prior year due to certain rent and lease related liabilities that were eliminated upon adoption of ASC 842. As mentioned above, our inventory levels increased as compared to prior year levels as a result of increasing in-store style presentation for certain brands in our better and best collections, as well as an increase related to our wholesale inventory. Capital expenditures for the first nine months of fiscal 2019 increased slightly to $11.0 million as compared to $9.8 million for the first nine months of fiscal 2018.

This decrease in free cash flow, as a result of the timing in working capital, resulted in an increase of $10.9 million in total debt outstanding at November 2, 2019 as compared to November 3, 2018. The following is a summary of our total debt outstanding at November 2, 2019 with the associated unamortized debt issuance costs:

(in thousands)	Gross Debt Outstanding	Less Debt Issuance Costs	Net Debt Outstanding
Credit facility	$ 68,483	$ (298)	$ 68,185
FILO Loan	15,000	(201)	14,799
Total debt	$ 83,483	$ (499)	$ 82,984

Our Credit Facility provides for a maximum committed borrowing of $125.0 million, which, pursuant to an accordion feature, may be increased to $175.0 million upon our request and the agreement of the lender(s) participating in the increase (the "Revolving Facility"). The Credit Facility includes a sublimit of $20.0 million for commercial and standby letters of credit and a sublimit of up to $15.0 million for swingline loans. Borrowings made pursuant to the Revolving Facility under the Credit Facility will bear interest, calculated under either the Federal Funds rate or the LIBOR rate, at a rate equal to the following: (a) the Federal Funds rate plus a varying percentage based on the Company's excess availability, of either 0.25% or 0.50%, or (b) the LIBOR rate (the Company being able to select interest periods of 1 week, 1 month, 2 months, 3 months or 6 months) plus a varying percentage based on the Company's excess availability, of either 1.25% or 1.50%. The current maturity date is May 24, 2023.

We had outstanding borrowings of $68.5 million under the Credit Facility at November 2, 2019. At November 2, 2019, outstanding standby letters of credit were $2.7 million and outstanding documentary letters of credit were $0.3 million. The average monthly borrowing outstanding under the Credit Facility during the first nine months ended November 2, 2019 was approximately $58.7

million, resulting in an average unused excess availability of approximately$38.5 million. Unused excess availability at November 2, 2019 was $40.6 million.

FILO Loan

The Credit Facility also includes a FILO loan for $15.0 million. The total borrowing capacity under the FILO loan is based on a borrowing base, generally defined as a specified percentage of the value of eligible accounts, including certain trade names, that steps down over time, plus a specified percentage of the value of eligible inventory that steps down over time. During the third quarter of fiscal 2019, we entered into an amendment that extended these advance rates for approximately one year before they begin to step down. There can be no voluntary prepayments on the FILO loan during the first year. After its one-year anniversary, the FILO loan can be repaid, in whole or in part, subject to certain payment conditions.

As a result of extending the advance rates under the FILO loan, the applicable margin rates for borrowings are increased by approximately 50 basis points temporarily through May 24, 2021, at which time the margin rates will revert back to the original terms. Accordingly, current borrowings made under the FILO loan will bear interest, calculated under either the Federal Funds rate or the LIBOR rate, at a rate equal to the following: (a) the Federal Funds rate plus a varying percentage based on the Company's excess availability, of either 2.25% or 2.50% or (b) the LIBOR rate (the Company being able to select interest periods of 1 week, 1 month, 2 months, 3 months or 6 months) plus a varying percentage based on the Company's excess availability, of either 3.25% or 3.50%. At November 2, 2019, the outstanding balance of $15.0 million was in a 1-month LIBOR-based contract with an interest rate of 5.14%.

Capital Expenditures

The following table sets forth the open stores and related square footage at November 2, 2019 and November 3, 2018, respectively:

	November 2, 2019		November 3, 2018	
Store Concept	Number of Stores	Square Footage	Number of Stores	Square Footage
(square footage in thousands)				
DXL Retail	229	1,736	216	1,683
DXL Outlets	17	82	15	78
Casual Male XL Retail	50	164	67	225
Casual Male Outlets	28	84	30	91
Rochester Clothing	2	21	5	51
Total Stores	326	2,087	333	2,128

Below is a summary of store openings and closings from February 2, 2019 to November 2, 2019:

Number of Stores:	DXL	DXL Outlets	Casual Male XL Retail	Casual Male XL Outlets	Rochester Clothing	Total Stores
At February 2, 2019	216	15	66	30	5	332
New stores(1)	—	—	—	—	—	—
Rebranded stores (2)	11	3	(12)	(2)	—	—
Replaced stores(3)	2	—	(2)	—	—	—
Closed retail stores(4)	—	(1)	(2)	—	(3)	(6)
At November 2, 2019	229	17	50	28	2	326

(1) Represents stores opened in new markets.
(2) Represents Casual Male XL stores that were remodeled and rebranded to DXL stores.
(3) Represents DXL stores opened in existing markets with the corresponding Casual Male XL stores closed in such markets in connection with those DXL store openings.
(4) Represents closed stores for which there were no corresponding openings in the same market.

Our capital expenditures for the first nine months of fiscal 2019 were $11.0 million as compared to $9.8 million for the first nine months of fiscal 2018.During the first nine months of fiscal 2019, we opened two DXL retail stores, rebranded 14 Casual Male XL retail and outlet stores to 11 DXL retail stores and three DXL outlet stores as compared to opening two DXL retail stores, one DXL outlet and three Casual Male XL stores rebranded to DXL stores during the first nine months of fiscal 2018.

In the fourth quarter of fiscal 2019, we plan to close our two remaining Rochester Clothing stores and one DXL retail store.

CRITICAL ACCOUNTING POLICIES

Effective February 3, 2019, the Company adopted ASU 2016-02, "Leases (Topic 842)." As a result of the adoption, we established our leases as right-of-use assets of $214.1 million and established corresponding lease liabilities of $254.5 million on our Consolidated Balance Sheet at February 3, 2019. The $40.3 million difference between the right-of-use assets and lease liabilities was primarily attributable to the elimination of certain existing lease-related assets and liabilities as a net adjustment to the right-of-use assets. In the first nine months of fiscal 2019, we recognized a net credit to opening accumulated deficit of $5.3 million to recognize: (i) the remaining deferred gain of $10.3 million from a sale-leaseback transaction (ii) the recognition of impairments, upon adoption, of certain right-to-use assets of $3.8 million and (iii) the write-off of initial direct costs of $1.2 million. See Note 1 to the Consolidated Financial Statements.

Non-GAAP Financial Measures

Adjusted net loss, adjusted net loss per diluted share, free cash flow and Adjusted EBITDA are non-GAAP measures. These non-GAAP measures are not presented in accordance with GAAP and should not be considered superior to or as a substitute for net loss or cash flows from operating activities or any other measure of performance derived in accordance with GAAP. In addition, all companies do not calculate non-GAAP financial measures in the same manner and, accordingly, the non-GAAP measures presented in this Quarterly Report may not be comparable to similar measures used by other companies. We believe that inclusion of these non-GAAP measures helps investors gain a better understanding of our performance, especially when comparing such results to previous periods and that they are useful as an additional means for investors to evaluate our operating results, when reviewed in conjunction with our GAAP financial statements. Reconciliations of these non-GAAP measures are presented in the following tables *(certain columns may not foot due to rounding)*:

Adjusted net loss and adjusted net loss per diluted share. Adjusted net loss and adjusted net loss per share reflect an adjustment assuming a normal tax rate of 26% and the add-back of exit costs associated with London operations, CEO transition and corporate restructuring costs. We have fully reserved against our deferred tax assets and, therefore, net loss is not reflective of earnings assuming a "normal" tax position. Adjusted net loss provides investors with a useful indication of the financial performance of the business, on a comparative basis, assuming a normalized tax rate of 26%.

	For the three months ended				For the nine months ended			
	November 2, 2019		November 3, 2018		November 2, 2019		November 3, 2018	
(in thousands, except per share data)	$	Per diluted share	$	Per diluted share	$	Per diluted share	$	Per diluted share
Net loss (GAAP basis)	$ (7,190)	$ (0.14)	$ (2,005)	$ (0.04)	$ (10,233)	$ (0.21)	$ (6,300)	$ (0.13)
Adjust:								
CEO transition costs	-		430		702		560	
Corporate restructuring	-		262		-		1,892	
Exit costs associated with London operations	1,737		-		1,737		-	
Add back actual income tax benefit	(49)		(22)		(78)		(19)	
Add income tax benefit, assuming a normal tax rate of 26%	1,431		347		2,047		1,005	
Adjusted net loss (non-GAAP basis)	$ (4,071)	$ (0.08)	$ (988)	$ (0.02)	$ (5,825)	$ (0.12)	$ (2,862)	$ (0.06)
Weighted average number of common shares outstanding on a diluted basis		50,089		49,352		49,853		49,068

Free Cash Flow. We define free cash flow as cash flow from operating activities less capital expenditures. Free cash flow excludes the mandatory and discretionary repayment of debt. Free cash flow is a metric that management uses to monitor liquidity. We expect to fund our ongoing capital expenditures with cash flow from operations.

The following table reconciles free cash flow:

	For the nine months ended	
(in millions)	November 2, 2019	November 3, 2018
Cash flow from operating activities (GAAP basis)	$ (14.4)	$ (1.3)
Capital expenditures, infrastructure projects	(7.2)	(8.0)
Capital expenditures for DXL stores	(3.8)	(1.8)
Free Cash Flow (non-GAAP basis)	$ (25.4)	$ (11.1)

Adjusted EBITDA. Adjusted EBITDA is calculated as earnings before interest, taxes, depreciation and amortization and is before exit costs associated with London operations, CEO transition costs, corporate restructuring charges and any impairment of assets. We believe that adjusted EBITDA is useful to investors in evaluating our performance. With the significant capital investment we have made over the past several years in connection with DXL store openings, we have had increased levels of depreciation and interest, and therefore, management uses adjusted EBITDA as a key metric to measure profitability and economic productivity.

	For the three months ended		For the nine months ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
(in millions)				
Net loss (GAAP basis)	$ (7.2)	$ (2.0)	$ (10.2)	$ (6.3)
Add back:				
CEO transition costs	-	0.4	0.7	0.6
Corporate restructuring	-	0.3	-	1.9
Exit costs associated with London operations	1.7	-	1.7	-
Benefit for income taxes	-	-	(0.1)	-
Interest expense	0.9	0.8	2.6	2.6
Depreciation and amortization	6.3	7.2	18.9	21.9
Adjusted EBITDA (non-GAAP basis)	$ 1.7	$ 6.6	$ 13.6	$ 20.7

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 Revolving Facility of our Credit Facility to fund our working capital needs. Our Credit Facility is not used for trading or speculative purposes. As part of our Credit Facility, we also have an outstanding $15.0 million FILO loan. In addition, we have available letters of credit as sources of financing for our working capital requirements. Borrowings under the Credit Facility, which expires May 24, 2023, bear interest at variable rates based on Bank of America's prime rate or LIBOR.

At November 2, 2019, we had outstanding borrowings of approximately $68.4 million, of which approximately $65.0 million were in LIBOR-based contracts with an interest rate of approximately 3.06%. The remainder was prime-based borrowings, with a rate of 5.00%. At November 2, 2019, the $15.0 million outstanding borrowings under the FILO loan were in a LIBOR-based contract with an interest rate of 5.14%.

Based upon a sensitivity analysis as of November 2, 2019, assuming average outstanding borrowing during the first nine months of fiscal 2019 of $58.7 million under our Credit Facility and $15.0 million outstanding under our FILO loan, a 50 basis point increase in interest rates would have resulted in a potential increase in interest expense of approximately $368,500 on an annualized basis.

Foreign Currency

Our two DXL stores located in Ontario, Canada conduct business in Canadian dollars. As of November 2, 2019, sales from these stores were immaterial to consolidated sales. As such, we believe that movement in foreign currency exchange rates will not have a material adverse effect on our financial position or results of operations. Our Rochester Clothing store, which was located in London, England and closed in August 2019, conducted business in British pounds. In connection with that store closing, we recognized an expense of approximately $0.8 million associated with the recognition of the accumulated foreign currency translation adjustment.

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 November 2, 2019. 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 ofNovember 2, 2019, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

During the nine-month period ended November 2, 2019, we adopted new guidance for lease accounting. We implemented internal controls to ensure we adequately evaluated leasing arrangements and properly assessed the impact of the new guidance to facilitate the adoption. Additionally, we implemented new business processes, internal controls, and modified information technology systems to assist in the ongoing application of the new guidance. There were no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended November 2, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

There have been no material changes to the risk factors as previously disclosed in Part I, Item 1A of our Fiscal 2018 Annual Report.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

10.1	Destination XL Group, Inc.'s 2016 Incentive Compensation Plan, as amended(included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 9, 2019, and incorporated herein by reference).
10.2	Waiver and Second Amendment to Seventh Amended and Restated Credit Agreement dated as of September 5, 2019, by and among Bank of America, N.A., as Administrative Agent and Collateral Agent, the Lenders identified therein, the Company, as Lead Borrower, the Company and CMRG Apparel, LLC, as Borrowers, and the Guarantors identified therein (included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 6, 2019, and incorporated herein by reference).
10.3	Employment Agreement dated October 29, 2019 between the Company and Erica Welling Moran
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 November 2, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.

SIGNATURES

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

DESTINATION XL GROUP, INC.

Date: November 22, 2019

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

Exhibit 10.3

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is made effective as of October 29, 2019 (the "Effective Date") between CMRG APPAREL, LLC, (the "Company"), a "Related Entity" as defined in the 2016 Incentive Compensation Plan (as amended), of Destination XL Group, Inc., a Delaware corporation with an office at 555 Turnpike Street, Canton, Massachusetts 02021 ("DXLG" which term includes any affiliates and subsidiaries), and Erica Welling Moran (the "Executive") having an address at 288 Railroad Avenue, Norwood, Massachusetts 02062.

WITNESSETH:

WHEREAS, the Company desires that Executive work for the Company and Executive desires to be so employed by the Company as its Chief Marketing Officer.

WHEREAS, Executive and the Company desire to set forth in writing the terms and conditions of the Executive's employment with the Company from the date hereof.

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

1. EMPLOYMENT

The Company hereby employs Executive and Executive hereby accepts such employment, subject to the terms and conditions herein set forth.

2. TERM

The term of employment under this Agreement (the "Term of Employment") shall begin on the Effective Date and shall continue until terminated by either party as hereinafter set forth.

3. COMPENSATION

a) During the Term of Employment, as compensation for the employment services to be rendered by Executive hereunder, the Company agrees to pay to Executive, and Executive agrees to accept, payable in equal bi-weekly installments in accordance with Company practice, an annual base salary of Four Hundred Thirty Thousand Dollars and 00/100 Cents ($430,000.00) (the "Base Salary") as of the Effective Date. The Base Salary shall be reviewed at least annually to ascertain whether, in the judgment of the Company, such Base Salary should be adjusted. If so, the adjusted Base Salary shall be adjusted for all purposes of this Agreement.

b) In addition to the Base Salary, during the Term of Employment, Executive is eligible to participate in the Company's Annual Incentive Plan. Such incentive shall be determined and payable in accordance with the Company's incentive program in effect at the time, subject to change from year to year in the Company's sole discretion. Executive will participate in the Company's incentive

program and Executive’s target bonus under such plan (if all individual and Company performance conditions are met) shall be 50% of Executive’s actual annual base earnings (which shall be the total Base Salary as may be paid during the fiscal year (“Base Earnings”)). The actual award under the incentive program, if any, may be more or less than the target and will be based on Executive’s performance and the performance of the Company and payment will be made in accordance with and subject to the terms and conditions of the incentive program then in effect.

c) In addition, during the Term of Employment, Executive is eligible to participate in the Company’s Long-Term Incentive Plan (“LTIP”). Such incentive shall be determined and distributable in accordance with and subject to the terms and conditions as described in the LTIP documents in effect at the time of the award, subject to change from year to year in the Compensation Committee’s sole discretion. Executive will participate in the Company’s LTIP at a target incentive rate of 70% of Executive’s Base Salary in effect on the Executive’s Effective Date of Participation, for the incentive period, based upon the Company’s targeted performance as defined in the LTIP documents in effect at the time of the award.

d) In consideration for the promises in paragraph 10 below, the Company shall pay Executive a signing award consisting of cash and restricted stock units of the Common Stock of Destination XL Group, Inc. (“RSUs”) (collectively, “Signing Award”). The cash amount of the Signing Award shall be $50,000, payable as of the Effective Date. In addition, Executive will receive the value of $200,000 of RSUs upon the Effective Date. The RSUs shall vest on October 29, 2020. Details will be provided in a formal Restricted Stock Unit Award Agreement. The Signing Award is subject to clawback as set forth in paragraph 7(j).

4. <u>EXPENSES</u>

The Company shall pay or reimburse Executive, in accordance with the Company's policies and procedures and upon presentment of suitable vouchers, for all reasonable business and travel expenses, which may be incurred or paid by Executive during the Term of Employment in connection with her employment hereunder. Executive shall comply with such restrictions and shall keep such records as the Company may reasonably deem necessary to meet the requirements of the Internal Revenue Code of 1986, as amended from time to time, and regulations promulgated thereunder.

5. <u>OTHER BENEFITS</u>

a) During the Term of Employment, Executive shall be entitled to such vacations and to participate in and receive any other benefits customarily provided by the Company to its management (including any profit sharing, pension, 401(k), short and long-term disability insurance, medical and dental insurance and group life insurance plans in accordance with and subject to the terms of such plans, including, without limitation, any eligibility requirements contained therein), all

as determined from time to time by the Compensation Committee of the Board of Directors in its discretion.

b) The Company will, during the Term of Employment, provide Executive with an automobile allowance in the total amount of Eight Thousand Four Hundred Dollars and 00/100 ($8,400.00) annually, in equal bi-weekly payments in accordance with the Company's normal payroll practices. Executive shall pay and be responsible for all insurance, repairs and maintenance costs associated with operating the automobile. Executive is responsible for her gasoline, unless the gasoline expense is reimbursable under the Company's policies and procedures.

c) Executive will be eligible to participate in the Company's annual performance appraisal process.

6. DUTIES

a) Executive shall perform such duties and functions consistent with the position of Chief Marketing Officer and/or as the Company shall from time to time determine and Executive shall comply in the performance of her duties with the policies of, and be subject to the direction of the Company.

b) During the Term of Employment, Executive shall devote substantially all of her time and attention, vacation time and absences for sickness excepted, to the business of the Company, as necessary to fulfill her duties. Executive shall perform the duties assigned to her with fidelity and to the best of her ability. Notwithstanding anything herein to the contrary, and subject to the foregoing and review by the Company's Board of Directors, Executive shall not be prevented from accepting positions in outside organizations so long as such activities do not interfere with Executive's performance of her duties hereunder and do not violate paragraph 10 hereof.

c) The principal location at which the Executive shall perform her duties hereunder shall be at the Company's offices in Canton, Massachusetts or at such other location as may be temporarily designated from time to time by the Company. Notwithstanding the foregoing, Executive shall perform such services at such other locations as may be required for the proper performance of her duties hereunder, and Executive recognizes that such duties may involve travel.

7. TERMINATION OF EMPLOYMENT; EFFECT OF TERMINATION

a) The Term of Employment may be terminated by the Company at any time:

i. upon the determination by the Company that Executive's performance of her duties has not been fully satisfactory for any reason which would not constitute justifiable cause (as hereinafter defined) or for other business reasons necessitating termination which do not constitute justifiable cause, in either case upon thirty (30) days' prior written notice to Executive; or

ii. upon the determination of the Company that there is justifiable cause (as hereinafter defined) for such termination.

b) The Term of Employment shall terminate upon:

  i. the death of Executive;
  ii. the date on which the Company elects to terminate the Term of Employment by reason of the "disability" of Executive (as hereinafter defined in subsection (c) herein) pursuant to subsection (g) hereof; or

  iii. Executive's resignation of employment.

c) For the purposes of this Agreement, the term "disability" shall mean Executive is physically or mentally incapacitated so as to render Executive incapable of performing the essentials of Executive's job, even with reasonable accommodation, as reasonably determined by the Company, which determination shall be final and binding.

d) For the purposes hereof, the term "justifiable cause" shall mean: any failure or refusal to perform any of the duties pursuant to this Agreement or any breach of this Agreement by the Executive; Executive's breach of any material written policies, rules or regulations which have been adopted by the Company; Executive's repeated failure to perform her duties in a satisfactory manner; Executive's performance of any act or her failure to act, as to which if Executive were prosecuted and convicted, a crime or offense involving money or property of the Company or its subsidiaries or affiliates, or a crime or offense constituting a felony in the jurisdiction involved, would have occurred; any unauthorized disclosure by Executive to any person, firm or corporation of any confidential information or trade secret of the Company or any of its subsidiaries or affiliates; any attempt by Executive to secure any personal profit in connection with the business of the Company or any of its subsidiaries and affiliates; or the engaging by Executive in any business other than the business of the Company and its subsidiaries and affiliates which interferes with the performance of her duties hereunder. Upon termination of Executive's employment for justifiable cause, Executive shall not be entitled to any amounts or benefits hereunder other than such portion of Executive's Base Salary and reimbursement of expenses pursuant to paragraph 5 hereof as have been accrued through the date of her termination of employment.

e) If the Company terminates this Agreement without "justifiable cause" as provided in subsection 7(a)(i), the Company shall pay Executive her then current base salary for six months (that is, the one month notice period referenced in paragraph 7(a)(i) and five months after the effectiveness of such termination), payable in equal payments in accordance with the Company's customary payroll practices commencing with the first payroll period that begins at least 30 days after the termination of the Executive's Term of Employment conditioned upon the Executive having provided the Company with an executed general release substantially in the form attached hereto as Exhibit A or such other form that is acceptable to the Company, in its sole discretion (the "General Release") and the time for Executive's revocation of the General Release having expired. Such payments shall be made in accordance with the Company's customary payroll

practices until paid in full. Any payment pursuant to this paragraph 7(e) is contingent upon Executive's execution of the General Release within 21 days (or such longer period as may be authorized by the Company or otherwise required by applicable law) after termination of the Term of Employment (and the Executive's not revoking that General Release) and will be in lieu of payments to which Executive might have been entitled under any other severance plan of the Company.

f) If Executive shall die during the term of her employment hereunder, this Agreement shall terminate immediately. In such event, the estate of Executive shall thereupon be entitled to receive such portion of Executive's base annual salary and reimbursement of expenses pursuant to paragraph 4 as have been accrued through the date of her death.

g) Upon Executive's "disability", the Company shall have the right to terminate Executive's employment. Any termination pursuant to this subsection (g) shall be effective on the earlier of (i) the date 30 days after which Executive shall have received written notice of the Company's election to terminate or (ii) the date she begins to receive long-term disability insurance benefits under the policy provided by the Company pursuant to paragraph 5 hereof.

h) Upon the resignation of Executive in any capacity, that resignation will be deemed to be a resignation from all offices and positions that Executive holds with respect to the Company and any of its subsidiaries and affiliates. In the event of Executive's resignation, she shall be entitled only to receive such portion of her annual Base Salary and reimbursement of expenses pursuant to paragraph 4 as have been accrued through the date of her resignation. In addition, the Signing Award is subject to clawback pursuant to paragraph 7(j) if Executive voluntarily resigns (without Good Reason) prior to January 30, 2022.

i) Change of Control. In the event the Term of Employment is terminated by the Company without justifiable cause (as defined herein) or Executive resigns with Good Reason (as defined herein) within one (1) year following a Change of Control of the Company has occurred, then, in such event, the Company shall pay Executive an amount equal to twelve (12) months of Base Salary in effect at the time of the termination. For the purposes of the foregoing, Change of Control shall have the meaning set forth in the Company's 2016 Incentive Compensation Plan (without regard to any subsequent amendments thereto). For purposes of the foregoing, **"***Good Reason"* means the occurrence of any of the following: (i) a material diminution in the Executive's base compensation; (ii) a material diminution in the Executive's authority, duties, or responsibilities; (iii) a material change in the geographic location at which the Employee must perform the services under this Agreement; or (iv) any other action or inaction that constitutes a material breach by the Company of this Agreement. For purposes of this provision, Good Reason shall not be deemed to exist unless the Employee's termination of employment for Good Reason occurs within 2 years following the initial existence of one of the conditions specified in clauses (i) through (iv) above, the Employee provides the Company with written notice of the existence of such condition within 90 days after the initial

existence of the condition, and the Company fails to remedy the condition within 30 days after its receipt of such notice. The Company shall pay the amount required under this paragraph 7(i) in a single payment thirty (30) days after termination of the Term of Employment, subject to and conditioned upon the Executive's execution of the General Release required pursuant to paragraph 7(k) hereof and such release becoming irrevocable. Any payments made pursuant to this paragraph 7(j) will be in lieu of payments to which Executive might have been entitled under paragraph 7(e) of this Agreement or under any other severance plan of the Company. The payments under this Agreement shall be reduced if and to the extent necessary to avoid any payments or benefits to Executive being treated as "excess parachute payments" within the meaning of Internal Revenue Code Section 280G(b)(i).

j) Clawback of Certain Compensation and Benefits

i. In the event the Term of Employment is terminated by Executive (other than for Good Reason) prior to January 30, 2022, Executive shall reimburse the Company the dollar amount of the Signing Award, including any Gains (as defined below) on the RSUs which were granted, within thirty (30) days following Executive's termination of employment.

ii. If, after the termination of the Term of Employment for any reason other than by the Company for "justifiable cause":

A. it is determined in good faith by the Company within twelve (12) months after the termination of the Term of Employment (the "Termination Date") that the Executive's employment could have been terminated by the Company for justifiable cause under paragraph 7(d) hereof (unless the Company knew or should have known that as of the Termination Date, the Executive's employment could have been terminated for justifiable cause in accordance with paragraph 7(d) hereof); or

B. the Executive breaches any of the provisions of paragraph 10, then, in addition to any other remedy that may be available to the Company in law or equity and/or pursuant to any other provisions of this Agreement, the Executive's employment shall be deemed to have been terminated for justifiable cause retroactively to the Termination Date and the Executive also shall be subject to the following provisions:

1) the Executive shall be required to pay to the Company, immediately upon written demand by the Company, all amounts paid to Executive by the Company, whether or not pursuant to this Agreement (other than such portion of Executive's Base Salary and reimbursement of expenses pursuant to paragraph 4 hereof as have been accrued through the date of the termination of the Term of Employment), on or after the Termination Date (including the pre-tax cost to the Company of any benefits that are in excess of the total amount that the Company would have been required to pay to the Executive if the Executive's

employment with the Company had been terminated by the Company for justifiable cause in accordance with paragraph 7(d) above);

2) all vested and unvested Awards (as that term is defined in the 2016 Incentive Compensation Plan) then held by the Executive shall immediately expire; and

3) the Executive shall be required to pay to the Company, immediately upon written demand by the Company, an amount equal to any Gains resulting from the exercise or payment of any Awards (as that term is defined in the 2016 Incentive Compensation Plan) at any time on or after, or during the one year period prior to, the Termination Date. For these purposes, the term "Gain" shall mean (i) in the case of each stock option or stock appreciation right ("SAR"), the difference between the fair market value per share of the Company's common stock underlying such option or SAR as of the date on which the Executive exercised the option or SAR, less the exercise price or grant price of the option or SAR; and (ii) in the case of any Award other than a stock option or SAR that is satisfied by the issuance of Common Stock of the Company, the value of such stock on the Termination Date, and (iii) in the case of any Award other than a stock option or SAR, that is satisfied in cash or any property other than Common Stock of the Company, the amount of cash and the value of the property on the payment date paid to satisfy the Award.

k) Any payment pursuant to paragraph 7(e) or 7(j) shall be contingent upon Executive's execution of the General Release within 21 days after termination of the Term of Employment (or such longer period as may be authorized by the Company or otherwise required by applicable law), and the Executive's not revoking that release.

8. COMPLIANCE WITH SECTION 409A

a) General. It is the intention of both the Company and the Executive that the benefits and rights to which the Executive could be entitled pursuant to this Agreement comply with Section 409A of the Code and the Treasury Regulations and other guidance promulgated or issued thereunder ("Section 409A"), to the extent that the requirements of Section 409A are applicable thereto, and the provisions of this Agreement shall be construed in a manner consistent with that intention. If the Executive or the Company believes, at any time, that any such benefit or right that is subject to Section 409A does not so comply, it shall promptly advise the other and shall negotiate reasonably and in good faith to amend the timing of such benefits and rights such that they comply with Section 409A (with the most limited possible economic effect on the Executive).

b) Distributions on Account of Separation from Service. If and to the extent required to comply with Section 409A, no payment or benefit required to be paid under this Agreement on account of termination of the Executive's employment shall be made

unless and until the Executive incurs a "separation from service" within the meaning of Section 409A.

c) 6 Month Delay for "Specified Employees".

i. If the Executive is a "specified employee", then no payment or benefit that is payable on account of the Executive's "separation from service", as that term is defined for purposes of Section 409A, shall be made before the date that is six months after the Executive's "separation from service" (or, if earlier, the date of the Executive's death) if and to the extent that such payment or benefit constitutes deferred compensation (or may be nonqualified deferred compensation) under Section 409A and such deferral is required to comply with the requirements of Section 409A. Any payment or benefit delayed by reason of the prior sentence shall be paid out or provided in a single lump sum at the end of such required delay period in order to catch up to the original payment schedule. There shall be added to any cash payments that are delayed pursuant to this provision interest at the prime rate as reported in the Wall Street Journal for the date of the Executive's separation from service. Such interest shall be calculated from the date on which the payment otherwise would have been made until the date on which the payment is made.

ii. For purposes of this provision, the Executive shall be considered to be a "specified employee" if, at the time of her separation from service, the Executive is a "key employee", within the meaning of Section 416(i) of the Code, of the Company (or any person or entity with whom the Company would be considered a single employer under Section 414(b) or Section 414(c) of the Code) any stock in which is publicly traded on an established securities market or otherwise.

d) No Acceleration of Payments. Neither the Company nor the Executive, individually or in combination, may accelerate any payment or benefit that is subject to Section 409A, except in compliance with Section 409A and the provisions of this Agreement, and no amount that is subject to Section 409A shall be paid prior to the earliest date on which it may be paid without violating Section 409A.

e) Treatment of Each Installment as a Separate Payment. For purposes of applying the provisions of Section 409A to this Agreement, each separately identified amount to which the Executive is entitled under this Agreement shall be treated as a separate payment. In addition, to the extent permissible under Section 409A, any series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

f) Taxable Reimbursements.

i. Any reimbursements by the Company to the Executive of any eligible expenses under this Agreement that are not excludable from the Executive's

income for Federal income tax purposes (the “Taxable Reimbursements”) shall be made by no later than the earlier of the date on which they would be paid under the Company’s normal policies and the last day of the taxable year of the Executive following the year in which the expense was incurred.

ii. The amount of any Taxable Reimbursements to be provided to the Executive during any taxable year of the Executive shall not affect the expenses eligible for reimbursement to be provided in any other taxable year of the Executive.

iii. The right to Taxable Reimbursements shall not be subject to liquidation or exchange for another benefit.

9. REPRESENTATION AND AGREEMENTS OF EXECUTIVE

a) Executive represents and warrants that she is free to enter into this Agreement and to perform the duties required hereunder, and that there are no employment contracts or understandings, restrictive covenants or other restrictions, whether written or oral, preventing the performance of her duties hereunder.

b) Executive agrees to submit to a medical examination and to cooperate and supply such other information and documents as may be required by any insurance company in connection with the Company's obtaining life insurance on the life of Executive, and any other type of insurance or fringe benefit as the Company shall determine from time to time to obtain.

c) Executive represents and warrants that she has never been convicted of a felony and she has not been convicted or incarcerated for a misdemeanor within the past five years, other than a first conviction for drunkenness, simple assault, speeding, minor traffic violations, affray, or disturbance of the peace.

d) Executive represents and warrants that she has never been a party to any judicial or administrative proceeding that resulted in a judgment, decree, or final order (i) enjoining her from future violations of, or prohibiting any violations of any federal or state securities law, or (ii) finding any violations of any federal or state securities law.

e) Executive represents and warrants that she has never been accused of any impropriety in connection with any employment;

Any breach of any of the above representations and warranties is "justifiable cause" for termination under paragraph 7(d) of this Agreement.

10. NON-COMPETITION

a) In consideration for the Signing Award referenced in paragraph 3(d) above and the potential to receive additional compensation pursuant to paragraph 7(a)(i) and 7(e) above, Executive further covenants and agrees that during the Term of

Employment and during the one (1) year period immediately following the Termination Date (the "Non-Competitive Period"), Executive shall not, directly or indirectly, as owner, partner, joint venturer, stockholder, employee, broker, agent, principal, trustee, corporate officer, director, licensor, or in any capacity whatsoever, engage in, become financially interested in, be employed by, render any consultation or business advice with respect to, accept any competitive business on behalf of, or have any connection with any business which is competitive with products or services of the Company or any subsidiaries and affiliates, in any geographic area in which the Company or any of its subsidiaries or affiliates are then conducting or proposing to conduct business, including, without limitation, the United States of America and its possessions, Canada and Europe; provided, however, that Executive may own any securities of any corporation which is engaged in such business and is publicly owned and traded but in an amount not to exceed at any one time one percent (1%) of any class of stock or securities of such corporation. In addition, Executive shall not, during the Non-Competitive Period, directly or indirectly, request or cause any suppliers or customers with whom the Company or any of its subsidiaries or affiliates has a business relationship to cancel or terminate any such business relationship with the Company or any of its subsidiaries or affiliates or otherwise compromise the Company's good will or solicit, hire, interfere with or entice from the Company or any of its subsidiaries or affiliates any employee (or former employee who has been separated from service for less than 12 months) of the Company or any of its subsidiaries or affiliates.

b) If any portion of the restrictions set forth in this paragraph 10 should, for any reason whatsoever, be declared invalid by a court of competent jurisdiction, the validity or enforceability of the remainder of such restrictions shall not thereby be adversely affected. For the purposes of this paragraph 10, a business competitive with the products and services of the Company (or such subsidiaries and affiliates) is limited to a specialty retailer which primarily distributes, sells or markets so-called "big and tall" apparel of any kind for men or which utilizes the "big and tall" retail or wholesale marketing concept as part of its business.

c) Executive acknowledges that the Company conducts business throughout the world, that Executive's duties and responsibilities on behalf of the Company are of a worldwide nature, that its sales and marketing prospects are for continued expansion throughout the world and therefore, the territorial and time limitations set forth in this paragraph 10 are reasonable and properly required for the adequate protection of the business of the Company and its subsidiaries and affiliates. In the event any such territorial or time limitation is deemed to be unreasonable by a court of competent jurisdiction, Executive agrees to the reduction of the territorial or time limitation to the area or period which such court shall deem reasonable.

d) The existence of any claim or cause of action (a claim or cause of action is defined as a claim or cause of action which results from a breach of the terms and provisions of this Agreement by the Company, regardless of whether the breach is

material) by Executive against the Company or any subsidiary or affiliate shall not constitute a defense to the enforcement by the Company or any subsidiary or affiliate of the foregoing restrictive covenants, but such claim or cause of action shall be litigated separately.

11. INVENTIONS AND DISCOVERIES

a) Upon execution of this Agreement and thereafter, Executive shall promptly and fully disclose to the Company, and with all necessary detail for a complete understanding of the same, all existing and future developments, know-how, discoveries, inventions, improvements, concepts, ideas, writings, formulae, processes and methods (whether copyrightable, patentable or otherwise) made, received, conceived, acquired or written during working hours, or otherwise, by Executive (whether or not at the request or upon the suggestion of the Company) during the period of her employment with, or rendering of advisory or consulting services to, the Company or any of its subsidiaries and affiliates, solely or jointly with others, in or relating to any activities of the Company or its subsidiaries and affiliates known to her as a consequence of her employment or the rendering of advisory and consulting services hereunder (collectively the "Subject Matter").

b) Executive hereby assigns and transfers, and agrees to assign and transfer, to the Company, all her rights, title and interest in and to the Subject Matter, and Executive further agrees to deliver to the Company any and all drawings, notes, specifications and data relating to the Subject Matter, and to execute, acknowledge and deliver all such further papers, including applications for copyrights or patents, as may be necessary to obtain copyrights and patents for any thereof in any and all countries and to vest title thereto to the Company. Executive shall assist the Company in obtaining such copyrights or patents during the term of this Agreement, and at any time thereafter on reasonable notice and at mutually convenient times, and Executive agrees to testify in any prosecution or litigation involving any of the Subject Matter; provided, however, after the Term of Employment that Executive shall be compensated in a timely manner at the rate of $250 per day (or portion thereof), plus out-of-pocket expenses incurred in rendering such assistance or giving or preparing to give such testimony if it is required after the termination of this Agreement.

12. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION

a) Executive acknowledges that the Company possesses certain confidential and propriety information that has been or may be revealed to her or learned by Executive during the course of Executive’s employment with the Company and that it would be unfair to use that information or knowledge to compete with or to otherwise disadvantage the Company. Executive shall not, during the Term of Employment or at any time following the Term of Employment, directly or indirectly, disclose or permit to be known (other than as is required in the regular course of her duties (including without limitation disclosures to the Company's advisors and consultants), as required by law (in which case Executive shall give

the Company prior written notice of such required disclosure) or with the prior written consent of the Board of Directors, to any person, firm, corporation, or other entity, any confidential information acquired by her during the course of, or as an incident to, her employment or the rendering of her advisory or consulting services hereunder, relating to the Company or any of its subsidiaries or affiliates, the directors of the Company or its subsidiaries or affiliates, any supplier or customer of the Company or any of their subsidiaries or affiliates, or any corporation, partnership or other entity owned or controlled, directly or indirectly, by any of the foregoing, or in which any of the foregoing has a beneficial interest, including, but not limited to, the business affairs of each of the foregoing. Such confidential information shall include, but shall not be limited to, proprietary technology, trade secrets, patented processes, research and development data, know-how, market studies and forecasts, financial data, competitive analyses, pricing policies, employee lists, personnel policies, the substance of agreements with customers, suppliers and others, marketing or dealership arrangements, servicing and training programs and arrangements, supplier lists, customer lists and any other documents embodying such confidential information. This confidentiality obligation shall not apply to any confidential information, which is or becomes publicly available other than pursuant to a breach of this paragraph 12(a) by Executive.

b) All information and documents relating to the Company and its subsidiaries or affiliates as herein above described (or other business affairs) shall be the exclusive property of the Company, and Executive shall use commercially reasonable best efforts to prevent any publication or disclosure thereof. Upon termination of Executive's employment with the Company, all documents, records, reports, writings and other similar documents containing confidential information, including copies thereof then in Executive's possession or control shall be returned and left with the Company.

13. <u>SPECIFIC PERFORMANCE</u>

Executive agrees that if she breaches, or threatens to commit a breach of, any enforceable provision of paragraphs 10, 11 or 12 (the "Restrictive Covenants"), the Company shall have, in addition to, and not in lieu of, any other rights and remedies available to the Company under law and in equity, the right to have the Restrictive Covenants specifically enforced by a court of competent jurisdiction, it being agreed that any such breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. Notwithstanding the foregoing, nothing herein shall constitute a waiver by Executive of her right to contest whether such a breach or threatened breach of any Restrictive Covenant has occurred. In the event of litigation between the parties to this Agreement regarding their respective rights and obligations under paragraphs 10, 11, or 12 hereof, the prevailing party shall be entitled to recover from the other all attorneys' fees and expenses reasonably incurred in obtaining a ruling in the prevailing party's favor. Any such damages, attorneys' fees and costs shall be in addition to and not in lieu of any injunctive relief that may be available to the Company.

14. AMENDMENT OR ALTERATION

No amendment or alteration of the terms of this Agreement shall be valid unless made in writing and signed by both of the parties hereto.

15. GOVERNING LAW

This Agreement shall be governed by, and construed and enforced in accordance with the substantive laws of the Commonwealth of Massachusetts, without regard to its principles of conflicts of laws.

16. SEVERABILITY

The holding of any provision of this Agreement to be invalid or unenforceable by a court of competent jurisdiction shall not affect any other provision of this Agreement, which shall remain in full force and effect.

17. NOTICES

Any notices required or permitted to be given hereunder shall be sufficient if in writing, and if delivered by hand or courier, or sent by certified mail, return receipt requested, to the addresses set forth above or such other address as either party may from time to time designate in writing to the other, and shall be deemed given as of the date of the delivery or of the placement of the notice in the mail.

18. WAIVER OF BREACH

It is agreed that a waiver by either party of a breach of any provision of this Agreement shall not operate, or be construed as a waiver of any subsequent breach by that same party.

19. ENTIRE AGREEMENT AND BINDING EFFECT

This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, heirs, distributors, successors and assigns and supersedes any and all prior agreements between the parties whether oral or written. This Agreement may not be modified except upon further written agreement executed by both parties. Executive agrees that the Company may in its sole discretion, during the term of Executive's employment with the Company and thereafter, provide copies of this Agreement (or excerpts of the Agreement) to others, including businesses or entities that may employ, do business with, or consider employing Executive in the future. Executive further agrees that any subsequent change or changes in her duties, compensation or areas of responsibility shall in no way affect the validity of this Agreement or otherwise render inapplicable any of the provisions of paragraphs 10 through 13 of this Agreement, which shall remain in full force and effect except as may be modified by a subsequent written agreement.

20. SURVIVAL

Except as otherwise expressly provided herein, the termination of Executive's employment hereunder or the expiration of this Agreement shall not affect the enforceability of paragraphs 7 through 26 hereof, which shall survive the termination or expiration.

21. RESOLUTION OF DISPUTES

Any and all disputes arising under or in connection with this Agreement shall be resolved in accordance with this paragraph 21 and paragraph 15.

The parties shall attempt to resolve any dispute, controversy or difference that may arise between them through good faith negotiations. In the event the parties fail to reach resolution of any such dispute within thirty (30) days after entering into negotiations, either party may proceed to institute action in any state or federal court located within the Commonwealth of Massachusetts, which courts shall have exclusive jurisdiction, and each party consents to the personal jurisdiction of any such state or federal court. Both parties waive their right to a trial by jury.

22. NON-DISPARAGEMENT

Executive agrees not to make disparaging, critical or otherwise detrimental comments to any person or entity concerning the Company, its officers, directors, trustees, and employees or the services or programs provided or to be provided by the Company and the Company agrees not to make any disparaging, critical or otherwise detrimental comments to any person or entity concerning Executive.

23. FURTHER ASSURANCES

The parties agree to execute and deliver all such further documents, agreements and instruments and take such other and further action as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

24. SUBSIDIARIES AND AFFILIATES

For purposes of this Agreement:

(a) "affiliate" means any entity that controls, is controlled by, or is under common control with, the Company, and "control" means the power to exercise a controlling influence over the management or policies of an entity, unless such power is solely the result of an official position with such entity; and

(b) "subsidiary" means any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity entitled to vote generally in the election of directors (or similar governing body of a non-corporate entity) or in which the Company has the right to receive 50% or more of the distribution of profits or 50% or more of the assets on liquidation or dissolution.

25. HEADINGS

The paragraph headings appearing in this Agreement are for the purposes of easy reference and shall not be considered a part of this Agreement or in any way modify, amend or affect its provisions.

26. COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, under seal, as of the date and year first above written.

CMRG APPAREL, LLC

By: /s/ Harvey S. Kanter Date: October 24, 2019
Name: Harvey S. Kanter
Its: President, Chief Executive Officer

/s/ Erica Welling Moran Date: October 24, 2019
Erica Welling Moran

EXHIBIT A
FORM OF RELEASE OF CLAIMS

GENERAL RELEASE OF CLAIMS

1. Erica Welling Moran, ("Executive"), for herself and her family, heirs, executors, administrators, legal representatives and their respective successors and assigns, in exchange for good and valuable consideration to be paid after the date of Executive's termination as set forth in the Employment Agreement to which a form of this release is attached as Exhibit A (the "Employment Agreement"), does hereby release and forever discharge, to the maximum extent permitted by law, CMRG Apparel, LLC (the "Company"), its parent and its parent's subsidiaries, affiliated companies, successors and assigns, and their respective current or former directors, officers, employees, shareholders or agents in such capacities (collectively with the Company, the "Released Parties") from any and all actions, causes of action, suits, controversies, claims and demands whatsoever, for or by reason of any matter, cause or thing whatsoever, whether known or unknown including, but not limited to, the Employee Retirement Income Security Act of 1974, 29 U.S.C. §1001 et seq., the Civil Rights Act of 1964, 42 U.S.C. §2000e et seq., COBRA; the Equal Pay Act of 1963, 29 U.S.C. §206(d), the Civil Rights Act of 1991; the Age Discrimination in Employment Act (ADEA); the Americans with Disabilities Act, 42 U.S.C. §12101 et seq., the Family and Medical Leave Act (FMLA); the Civil Rights Act of 1866, 42 U.S.C. §1981 et seq., as amended, the Fair Credit Reporting Act, the Worker Adjustment and Retraining Notification Act, the Genetic Information Nondiscrimination Act of 2008, the Massachusetts Law Against Discrimination, G.L. c. 151B; the Massachusetts Privacy Statute, G.L. c. 214, § 1B, the Massachusetts Wage Payment Statute, G.L. c. 149, §§ 148, 148A, 148B, 149, 150,150A-150C, 151, 152, 152A, et seq.; the Massachusetts Wage and hour laws, G.L. c. 151§1A et seq; the Massachusetts Sexual Harassment Statute, G.L. c. 214 §1C, the Massachusetts Consumer Protection Act, G.L. c. 93A, the Massachusetts Civil Rights Act, G.L. c. 12, § 11, the Massachusetts Equal Rights Act, G.L. c. 93, the Massachusetts Civil Rights Act, G.L. c. 12, § 11; the Massachusetts Equal Rights Act, G.L. c. 93; the Massachusetts AIDS Testing statute, G.L. c. 111, §70F; the Massachusetts Employment Leave for Victims and Family Members of Abuse, G.L. c. 149, §52E, as amended; the Massachusetts Earned Sick Time Law, M.G.L. c. 149, § 148C; the Massachusetts Small Necessities Leave Act; and all claims under any applicable laws arising under or in connection with Executive's employment or termination thereof, whether for tort, breach of express or implied employment contract, wrongful discharge, intentional infliction of emotional distress, or defamation or injuries incurred on the job or incurred as a result of loss of employment.

Executive acknowledges that Executive is specifically advised to consult with an attorney of Executive's choosing before signing this General Release of Claims, and through this General Release of Claims advises Executive to consult with her attorney with respect to possible claims, including but not limited to claims under the ADEA, and that Executive understands that the ADEA is a Federal statute that, among other things, prohibits discrimination on the basis of age in employment and employee benefits and benefit plans. Without limiting the generality of the release provided above, Executive expressly waives any and all claims under ADEA that she may have as of the date hereof. Executive further understands that by signing this General Release of Claims she is in fact waiving, releasing and forever giving up any claim under the ADEA as well as all other laws within the scope of this paragraph 1 that may have existed on or

prior to the date hereof. Notwithstanding anything in this paragraph 1 to the contrary, this General Release of Claims shall not apply to (i) any rights to receive any payments pursuant to the Employment Agreement, or any accrued but unpaid benefits under any employee benefit plan maintained by the Company (ii) any rights or claims that may arise as a result of events occurring after this General Release of Claims is executed, (iii) any indemnification rights Executive may have as a former officer or director of the Company or its subsidiaries or affiliated companies, (iv) any claims for benefits under any directors' and officers' liability policy maintained by the Company or its subsidiaries or affiliated companies in accordance with the terms of such policy, (v) any rights as a holder of equity securities of the Company, and (vi) any rights or claims that, by law, may not be waived, including claims for unemployment compensation and workers' compensation. Nothing contained in this Agreement prevents Executive from filing a charge, cooperating with or participating in any investigation or proceeding before any federal or state Fair Employment Practices Agency, including, without limitation, the Equal Employment Opportunity Commission, except that Executive acknowledges that she will not be able to recover any monetary benefits in connection with any such claim, charge or proceeding.

2. Executive represents that she has not filed against the Released Parties any complaints, charges, or lawsuits arising out of her employment, or any other matter arising on or prior to the date of this General Release of Claims, and covenants and agrees that she will never individually or with any person file, or commence the filing of, any charges, lawsuits, complaints or proceedings with any governmental agency, or against the Released Parties with respect to any of the matters released by Executive pursuant to paragraph 1 hereof (a "Proceeding"); provided, however, Executive shall not have relinquished her right to commence a Proceeding to challenge whether Executive knowingly and voluntarily waived her rights under ADEA.

3. **Non-Competition**. Executive further covenants and agrees that during the Term of Employment and during the one (1) year period immediately following the date Executive's employment terminated (the "Non-Competitive Period"), Executive shall not, directly or indirectly, as owner, partner, joint venturer, stockholder, employee, broker, agent, principal, trustee, corporate officer, director, licensor, or in any capacity whatsoever, engage in, become financially interested in, be employed by, render any consultation or business advice with respect to, accept any competitive business on behalf of, or have any connection with any business which is competitive with products or services of the Company or any subsidiaries and affiliates, in any geographic area in which the Company or any of its subsidiaries or affiliates are then conducting or proposing to conduct business, including, without limitation, the United States of America and its possessions, Canada and Europe; provided, however, that Executive may own any securities of any corporation which is engaged in such business and is publicly owned and traded but in an amount not to exceed at any one time one percent (1%) of any class of stock or securities of such corporation. In addition, Executive shall not, during the Non-Competitive Period, directly or indirectly, request or cause any suppliers or customers with whom the Company or any of its subsidiaries or affiliates has a business relationship to cancel or terminate any such business relationship with the Company or any of its subsidiaries or affiliates or otherwise compromise the Company's good will or solicit, hire, interfere with or entice from the Company or any of its subsidiaries or affiliates any employee (or former employee who has been separated from service for less than 12 months) of the Company or any of its subsidiaries or affiliates.

(b) If any portion of the restrictions set forth in this paragraph 3 should, for any reason whatsoever, be declared invalid by a court of competent jurisdiction, the validity or enforceability of the remainder of such restrictions shall not thereby be adversely affected. For the purposes of this paragraph 3, a business competitive with the products and services of the Company (or such subsidiaries and affiliates) is limited to a specialty retailer which primarily distributes, sells or markets so-called "big and tall" apparel of any kind for men or which utilizes the "big and tall" retail or wholesale marketing concept as part of its business.

(c) Executive acknowledges that the Company conducts business throughout the world, that Executive's duties and responsibilities on behalf of the Company are of a worldwide nature, that its sales and marketing prospects are for continued expansion throughout the world and therefore, the territorial and time limitations set forth in this paragraph 3 are reasonable and properly required for the adequate protection of the business of the Company and its subsidiaries and affiliates. In the event any such territorial or time limitation is deemed to be unreasonable by a court of competent jurisdiction, Executive agrees to the reduction of the territorial or time limitation to the area or period which such court shall deem reasonable.

(d) The existence of any claim or cause of action (a claim or cause of action is defined as a claim or cause of action which results from a breach of the terms and provisions of this Agreement by the Company, regardless of whether the breach is material) by Executive against the Company or any subsidiary or affiliate shall not constitute a defense to the enforcement by the Company or any subsidiary or affiliate of the foregoing restrictive covenants, but such claim or cause of action shall be litigated separately.

4. **Inventions and Discoveries.**

(a) Upon execution of this General Release of Claims and thereafter, Executive shall promptly and fully disclose to the Company, and with all necessary detail for a complete understanding of the same, all existing and future developments, know-how, discoveries, inventions, improvements, concepts, ideas, writings, formulae, processes and methods (whether copyrightable, patentable or otherwise) made, received, conceived, acquired or written during working hours, or otherwise, by Executive (whether or not at the request or upon the suggestion of the Company) during the period of her employment with, or rendering of advisory or consulting services to, the Company or any of its subsidiaries and affiliates, solely or jointly with others, in or relating to any activities of the Company or its subsidiaries and affiliates known to her as a consequence of her employment or the rendering of advisory and consulting services hereunder (collectively the "Subject Matter").

(b) Executive hereby assigns and transfers, and agrees to assign and transfer, to the Company, all her rights, title and interest in and to the Subject Matter, and Executive further agrees to deliver to the Company any and all drawings, notes, specifications and data relating to the Subject Matter, and to execute, acknowledge and deliver all such further papers, including applications for copyrights or patents, as may be necessary to obtain copyrights and patents for any thereof in any and all countries and to vest title thereto to the Company. Executive shall assist the Company in obtaining such copyrights or patents during the term of this General Release Of Claims, and at any time thereafter on reasonable notice and at mutually convenient times, and Executive agrees to testify in any prosecution or litigation involving any of the

Subject Matter; provided, however, that Executive shall be compensated in a timely manner at the rate of $250 per day (or portion thereof), plus out-of-pocket expenses incurred in rendering such assistance or giving or preparing to give such testimony.

5. **Non-Disclosure of Confidential Information.**

(a) Executive acknowledges that the Company possesses certain confidential and propriety information that has been revealed to her or learned by Executive during the course of Executive's employment with the Company and that it would be unfair to use that information or knowledge to compete with or to otherwise disadvantage the Company. Executive shall not, at any time following the end of Executive's employment with the Company, directly or indirectly, disclose or permit to be known (other than as is required in the regular course of her duties (including without limitation disclosures to the Company's advisors and consultants), as required by law (in which case Executive shall give the Company prior written notice of such required disclosure) or with the prior written consent of the Board of Directors, to any person, firm, corporation, or other entity, any confidential information acquired by her during the course of, or as an incident to, her employment or the rendering of her advisory or consulting services hereunder, relating to the Company or any of its subsidiaries or affiliates, the directors of the Company or its subsidiaries or affiliates, any supplier or customer of the Company or any of their subsidiaries or affiliates, or any corporation, partnership or other entity owned or controlled, directly or indirectly, by any of the foregoing, or in which any of the foregoing has a beneficial interest, including, but not limited to, the business affairs of each of the foregoing. Such confidential information shall include, but shall not be limited to, proprietary technology, trade secrets, patented processes, research and development data, know-how, market studies and forecasts, financial data, competitive analyses, pricing policies, employee lists, personnel policies, the substance of agreements with customers, suppliers and others, marketing or dealership arrangements, servicing and training programs and arrangements, supplier lists, customer lists and any other documents embodying such confidential information. This confidentiality obligation shall not apply to any confidential information, which is or becomes publicly available other than pursuant to a breach of this paragraph 5(a) by Executive.

(b) All information and documents relating to the Company and its subsidiaries or affiliates as herein above described (or other business affairs) shall be the exclusive property of the Company, and Executive shall use commercially reasonable best efforts to prevent any publication or disclosure thereof. Upon termination of Executive's employment with the Company, all documents, records, reports, writings and other similar documents containing confidential information, including copies thereof then in Executive's possession or control shall be returned and left with the Company.

6. **Specific Performance**. Executive agrees that if she breaches, or threatens to commit a breach of, any enforceable provision of paragraphs 3, 4 or 5 (the "Restrictive Covenants"), the Company shall have, in addition to, and not in lieu of, any other rights and remedies available to the Company under law and in equity, the right to have the Restrictive Covenants specifically enforced by a court of competent jurisdiction, it being agreed that any such breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. Notwithstanding the foregoing, nothing herein shall constitute a waiver by Executive of her

right to contest whether such a breach or threatened breach of any Restrictive Covenant has occurred. Any such damages, attorneys' fees and costs shall be in addition to and not in lieu of any injunctive relief that may be available to the Company.

7. Executive is advised that Executive has up to twenty-one (21) calendar days to consider this General Release before signing it. Executive may knowingly and voluntarily waive that up to twenty-one (21) day period by signing this General Release of Claims earlier. However, in the event Executive's employment terminated as part of a group termination within the meaning of the Older Workers Benefits Protection Act, the up to twenty-one (21) day consideration period shall be enlarged to up to forty-five (45) calendar days, and Executive shall be provided with additional disclosures required by the Older Workers Benefit Protection Act prior to the start of the up to forty-five (45) calendar day consideration period. In either case, Executive also shall have seven (7) business days following the date on which Executive signs this General Release of Claims within which to revoke it by providing a written notice of her revocation to the Company. Any such revocation shall be directed to the VP, Managing Director-Human Resources and must be delivered to the VP, Managing Director-Human Resources within that seven (7) day revocation period, or mailed to Destination XL Group, Inc., Attn: VP, Managing Director-Human Resources, 555 Turnpike Street, Canton, MA 02021 and postmarked within the seven (7) day revocation period.

8. Executive acknowledges that this General Release of Claims will be governed by and construed and enforced in accordance with the internal laws of the Commonwealth of Massachusetts applicable to contracts made and to be performed entirely within the Commonwealth.

9. Executive acknowledges that she has read this General Release of Claims, has been advised that she should consult with an attorney before executing this general release of claims, and that she understands all of its terms and executes it voluntarily and with full knowledge of its significance and the consequences thereof.

10. This General Release of Claims shall take effect on the eighth business day following Executive's execution of this General Release of Claims unless Executive's written revocation is delivered to the Company within seven (7) business days after such execution.

Erica Welling Moran

Exhibit 31.1

CERTIFICATION

I, Harvey S. Kanter, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date:November 22, 2019

By: /s/ Harvey S. Kanter

Harvey S. Kanter
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

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

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

Date:November 22, 2019

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

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Destination XL Group, Inc. (the "Company") for the period ended November 2, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Harvey S. Kanter, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

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

Date:November 22, 2019

By: /s/ Harvey S. Kanter
Harvey S. Kanter
Chief Executive Officer

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

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Destination XL Group, Inc. (the “Company”) for the period ended November 2, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Peter H. Stratton, Jr., Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

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

Date:November 22, 2019

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

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