

# LANDS' END, INC.

## FORM 10-Q (Quarterly Report)

Filed 06/06/17 for the Period Ending 04/28/17

Address	ONE LANDS END LN DODGEVILLE, WI 53595
Telephone	6089359341
CIK	0000799288
Symbol	LE
SIC Code	5651 - Family Clothing Stores
Industry	Apparel & Accessories Retailers
Sector	Consumer Cyclical
Fiscal Year	01/31

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 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 April 28, 2017

-OR-

**Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 001-09769

**Lands' End, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of  
Incorporation of Organization)

36-2512786

(I.R.S. Employer  
Identification No.)

1 Lands' End Lane  
Dodgeville, Wisconsin

(Address of Principal Executive Offices)

53595

(Zip Code)

**Issuer's Telephone Number, Including Area Code: (608) 935-9341**

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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. YES  NO

As of June 6, 2017, the registrant had 32,029,359 shares of common stock, \$0.01 par value, outstanding.

**LANDS' END, INC.**  
**INDEX TO QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE PERIOD ENDED APRIL 28, 2017**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>PART I FINANCIAL INFORMATION</b>	
Item 1.	Financial Statements (Unaudited) <a href="#">1</a>
	Condensed Consolidated Statements of Operations <a href="#">1</a>
	Condensed Consolidated Statements of Comprehensive Operations <a href="#">2</a>
	Condensed Consolidated Balance Sheets <a href="#">3</a>
	Condensed Consolidated Statements of Cash Flows <a href="#">4</a>
	Notes to Condensed Consolidated Financial Statements <a href="#">5</a>
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations <a href="#">17</a>
Item 3.	Quantitative and Qualitative Disclosures about Market Risk <a href="#">26</a>
Item 4.	Controls and Procedures <a href="#">26</a>
<b>PART II OTHER INFORMATION</b>	
Item 1.	Legal Proceedings <a href="#">26</a>
Item 1A.	Risk Factors <a href="#">27</a>
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds <a href="#">27</a>
Item 6.	Exhibits <a href="#">27</a>
	Signatures <a href="#">28</a>

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**LANDS' END, INC.**  
**Condensed Consolidated Statements of Operations**  
(Unaudited)

<i>(in thousands except per share data)</i>	<b>13 Weeks Ended</b>	
	<b>April 28, 2017</b>	<b>April 29, 2016</b>
Net revenue	\$ 268,365	\$ 273,433
Cost of sales (excluding depreciation and amortization)	145,722	143,763
<b>Gross profit</b>	122,643	129,670
Selling and administrative	121,346	129,034
Depreciation and amortization	6,509	4,136
Other operating expense (income), net	1,508	(14)
Operating loss	(6,720)	(3,486)
Interest expense	6,125	6,170
Other income, net	(742)	(453)
Loss before income taxes	(12,103)	(9,203)
Income tax benefit	(4,264)	(3,444)
<b>NET LOSS</b>	\$ (7,839)	\$ (5,759)
<b>NET LOSS PER COMMON SHARE (Note 2)</b>		
Basic:	\$ (0.24)	\$ (0.18)
Diluted:	\$ (0.24)	\$ (0.18)
Basic weighted average common shares outstanding	32,029	32,002
Diluted weighted average common shares outstanding	32,029	32,002

See accompanying Notes to Condensed Consolidated Financial Statements.

**LANDS' END, INC.**  
**Condensed Consolidated Statements of Comprehensive Operations**  
**(Unaudited)**

<i>(in thousands)</i>	<b>13 Weeks Ended</b>	
	<b>April 28, 2017</b>	<b>April 29, 2016</b>
<b>NET LOSS</b>	\$ (7,839)	\$ (5,759)
Other comprehensive income, net of tax		
Foreign currency translation adjustments	517	2,315
<b>COMPREHENSIVE LOSS</b>	\$ (7,322)	\$ (3,444)

See accompanying Notes to Condensed Consolidated Financial Statements.

**LANDS' END, INC.**  
**Condensed Consolidated Balance Sheets**

(in thousands, except share data)

	April 28, 2017	April 29, 2016	January 27, 2017
	(unaudited)	(unaudited)	
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 139,810	\$ 169,073	\$ 213,108
Restricted cash	3,300	3,300	3,300
Accounts receivable, net	32,731	31,127	39,284
Inventories, net	309,914	309,855	325,314
Prepaid expenses and other current assets	38,009	32,118	26,394
<b>Total current assets</b>	<b>523,764</b>	<b>545,473</b>	<b>607,400</b>
Property and equipment, net	124,021	111,208	122,836
Goodwill	110,000	110,000	110,000
Intangible asset, net	257,000	430,000	257,000
Other assets	16,975	15,386	17,155
<b>TOTAL ASSETS</b>	<b>\$ 1,031,760</b>	<b>\$ 1,212,067</b>	<b>\$ 1,114,391</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current liabilities			
Accounts payable	\$ 88,331	\$ 76,038	\$ 162,408
Other current liabilities	85,798	86,807	86,446
<b>Total current liabilities</b>	<b>174,129</b>	<b>162,845</b>	<b>248,854</b>
Long-term debt, net	489,095	492,890	490,043
Long-term deferred tax liabilities	89,994	158,499	90,467
Other liabilities	13,872	16,216	13,615
<b>TOTAL LIABILITIES</b>	<b>767,090</b>	<b>830,450</b>	<b>842,979</b>
Commitments and contingencies			
<b>STOCKHOLDERS' EQUITY</b>			
Common stock, par value \$0.01- authorized: 480,000,000 shares; issued and outstanding: 32,029,359, 31,969,645 and 32,029,359, respectively	320	320	320
Additional paid-in capital	344,551	344,796	343,971
Retained earnings	(68,292)	43,570	(60,453)
Accumulated other comprehensive loss	(11,909)	(7,069)	(12,426)
<b>Total stockholders' equity</b>	<b>264,670</b>	<b>381,617</b>	<b>271,412</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,031,760</b>	<b>\$ 1,212,067</b>	<b>\$ 1,114,391</b>

See accompanying Notes to Condensed Consolidated Financial Statements.

**LANDS' END, INC.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

<i>(in thousands)</i>	<b>13 Weeks Ended</b>	
	<b>April 28, 2017</b>	<b>April 29, 2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (7,839)	\$ (5,759)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	6,509	4,136
Amortization of debt issuance costs	428	428
Loss (gain) on disposal of property and equipment	62	(14)
Stock-based compensation	579	713
Deferred income taxes	(974)	—
Change in operating assets and liabilities:		
Inventories	16,601	21,441
Accounts payable	(70,378)	(65,390)
Other operating assets	(4,555)	(5,637)
Other operating liabilities	(757)	31
Net cash used in operating activities	(60,324)	(50,051)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(11,382)	(10,485)
Net cash used in investing activities	(11,382)	(10,485)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on term loan facility	(1,288)	(1,288)
Payments of employee withholding taxes on share-based compensation	—	(161)
Net cash used in financing activities	(1,288)	(1,449)
Effects of exchange rate changes on cash	(304)	2,690
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(73,298)	(59,295)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	213,108	228,368
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$ 139,810	\$ 169,073
<b>SUPPLEMENTAL CASH FLOW DATA</b>		
Unpaid liability to acquire property and equipment	\$ 4,476	\$ 2,822
Income taxes paid, net of refund	\$ 49	\$ 3,057
Interest paid	\$ 5,583	\$ 5,657

See accompanying Notes to Condensed Consolidated Financial Statements.

**LANDS' END, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. BACKGROUND AND BASIS OF PRESENTATION**

**Description of Business and Separation**

Lands' End, Inc. ("Lands' End" or the "Company") is a leading multi-channel retailer of casual clothing, accessories and footwear, as well as home products. Lands' End offers products through catalogs, online at [www.landsend.com](http://www.landsend.com) and affiliated specialty and international websites, and through retail locations, primarily at Lands' End Shops at Sears and Lands' End stores.

Terms that are commonly used in the Company's notes to condensed consolidated financial statements are defined as follows:

- ABL Facility - Asset-based senior secured credit agreements, dated as of April 4, 2014, with Bank of America, N.A. and certain other lenders
- ASC - Financial Accounting Standards Board Accounting Standards Codification, which serves as the source for authoritative GAAP, except that rules and interpretive releases by the SEC are also sources of authoritative GAAP for Securities and Exchange Commission registrants
- ASU - FASB Accounting Standards Update
- CAM - Common area maintenance for leased properties
- Debt Facilities - Collectively, the ABL Facility and the Term Loan Facility
- EPS - (Loss) earnings per share
- ESL - ESL Investments, Inc. and its investment affiliates, including Edward S. Lampert
- FASB - Financial Accounting Standards Board
- First Quarter 2017 - The thirteen weeks ended April 28, 2017
- First Quarter 2016 - The thirteen weeks ended April 29, 2016
- Fiscal 2017 - The fifty-three weeks ending February 2, 2018
- Fiscal 2016 - The fifty-two weeks ended January 27, 2017
- Fiscal 2015 - The fifty-two weeks ended January 29, 2016
- Fiscal 2014 - The fifty-two weeks ended January 30, 2015
- Fiscal 2009 - The fifty-two weeks ended January 29, 2010
- Fiscal November 2017 - the four week fiscal month ending November 24, 2017
- GAAP - Accounting principles generally accepted in the United States
- LIBOR - London inter-bank offered rate
- Sears Holdings or Sears Holdings Corporation - Sears Holdings Corporation, a Delaware Corporation, and its consolidated subsidiaries (other than, for all periods following the Separation, Lands' End)
- SEC - United States Securities and Exchange Commission
- Second Quarter 2016 - The thirteen weeks ended July 29, 2016
- Separation - On April 4, 2014 Sears Holdings distributed 100% of the outstanding common stock of Lands' End to its shareholders



- SYW or Shop Your Way - Shop Your Way member loyalty program
- Tax Sharing Agreement - A tax sharing agreement entered into by Sears Holdings Corporation and Lands' End in connection with the Separation
- Term Loan Facility - Term loan credit agreements, dated as of April 4, 2014, with Bank of America, N.A. and certain other lenders
- UTBs - Gross unrecognized tax benefits related to uncertain tax positions

### Basis of Presentation

The Condensed Consolidated Financial Statements include the accounts of Lands' End, Inc. and its subsidiaries. All intercompany transactions and balances have been eliminated.

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all material adjustments which are of a normal and recurring nature necessary for a fair presentation of the results for the periods presented have been reflected. Dollar amounts are reported in thousands, except per share data, unless otherwise noted. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with information included in the Lands' End Annual Report on Form 10-K filed with the SEC on March 31, 2017.

### Reclassifications

In First Quarter 2017, the Company adopted ASU 2016-09, *Compensation - Stock Compensation*, which changed the required presentation of payments of employee withholding taxes on share-based compensation on the Condensed consolidated statement of cash flows from an operating activity to a financing activity. As a result of the adoption, the Company reclassified payments of employee withholding taxes on share-based compensation from Other operating liabilities for the 13 weeks ended April 29, 2016 to Payments of employee withholding taxes on share-based compensation. Other requirements of this guidance did not have a material impact on the Company's Condensed Consolidated Financial Statements.

### NOTE 2. LOSS PER SHARE

The numerator for both basic and diluted EPS is net loss. The denominator for basic EPS is based upon the number of weighted average shares of Lands' End common stock outstanding during the reporting periods. The denominator for diluted EPS is based upon the number of weighted average shares of Lands' End common stock and common stock equivalents outstanding during the reporting periods using the treasury stock method in accordance with the ASC. Potentially dilutive securities for the diluted loss per share calculations consist of nonvested equity shares of common stock and in-the-money outstanding stock options to purchase the Company's common stock.

The following table summarizes the components of basic and diluted EPS:

<i>(in thousands, except per share amounts)</i>	13 Weeks Ended	
	April 28, 2017	April 29, 2016
Net loss	\$ (7,839)	\$ (5,759)
Basic weighted average shares outstanding	32,029	32,002
Dilutive effect of stock awards	—	—
Diluted weighted average shares outstanding	32,029	32,002
Basic loss per share	\$ (0.24)	\$ (0.18)
Diluted loss per share	\$ (0.24)	\$ (0.18)

Stock awards are considered anti-dilutive based on the application of the treasury stock method or in the event of a net loss. There were 98,905 and 65,143 shares excluded from the diluted weighted average shares outstanding for First Quarter 2017 and First Quarter 2016, respectively.

### NOTE 3. OTHER COMPREHENSIVE (LOSS)

Other comprehensive (loss) income encompasses all changes in equity other than those arising from transactions with stockholders, and is comprised solely of foreign currency translation adjustments.

<i>(in thousands)</i>	13 Weeks Ended	
	April 28, 2017	April 29, 2016
Beginning balance: Accumulated other comprehensive loss (net of tax of \$6,691 and \$5,053, respectively)	\$ (12,426)	\$ (9,384)
Other comprehensive (loss) income:		
Foreign currency translation adjustments (net of tax expense of \$502 and \$1,247, respectively)	517	2,315
Ending balance: Accumulated other comprehensive loss (net of tax of \$6,189 and \$3,806, respectively)	\$ (11,909)	\$ (7,069)

No amounts were reclassified out of Accumulated other comprehensive loss during any of the periods presented.

### NOTE 4 . DEBT

The Company's debt consisted of the following:

	April 28, 2017		April 29, 2016		January 27, 2017	
	Amount	Rate	Amount	Rate	Amount	Rate
Term Loan Facility, maturing April 4, 2021	\$ 499,550	4.25%	\$ 504,700	4.25%	\$ 500,838	4.25%
ABL Facility, maturing April 4, 2019	—	—%	—	—%	—	—%
	499,550		504,700		500,838	
Less: Current maturities in Other current liabilities, net	5,150		5,150		5,150	
Less: Unamortized debt issuance costs	5,305		6,660		5,645	
Long-term debt, net	\$ 489,095		\$ 492,890		\$ 490,043	

The following table summarizes the Company's borrowing availability under the ABL Facility:

	April 28, 2017	April 29, 2016	January 27, 2017
ABL maximum borrowing	\$ 175,000	\$ 175,000	\$ 175,000
Outstanding Letters of Credit	19,967	13,164	19,705
Borrowing availability under ABL	\$ 155,033	\$ 161,836	\$ 155,295

#### **Interest; Fees**

The interest rates per annum applicable to the loans under the Debt Facilities are based on a fluctuating rate of interest measured by reference to, at the borrowers' election, either (i) an adjusted LIBOR rate plus a borrowing margin, or (ii) an alternative base rate plus a borrowing margin. The borrowing margin is fixed for the Term Loan Facility at 3.25% in the case of LIBOR loans and 2.25% in the case of base rate loans. For the Term Loan Facility, LIBOR is subject to a 1% interest rate floor. The borrowing margin for the ABL Facility is subject to adjustment based on the average excess availability under the ABL Facility for the preceding fiscal quarter, and will range from 1.50% to 2.00% in the case of LIBOR borrowings and will range from 0.50% to 1.00% in the case of base rate borrowings.

Customary agency fees are payable in respect of both Debt Facilities. The ABL Facility fees also include (i) commitment fees, based on a percentage ranging from approximately 0.25% to 0.375% of the daily unused portions of the ABL Facility, and (ii) customary letter of credit fees.

**Representations and Warranties; Covenants**

Subject to specified exceptions, the Debt Facilities contain various representations and warranties and restrictive covenants that, among other things, restrict the ability of Lands' End and its subsidiaries to incur indebtedness (including guarantees), grant liens, make investments, make dividends or distributions with respect to capital stock, make prepayments on other indebtedness, engage in mergers or change the nature of their business. In addition, if excess availability under the ABL Facility falls below the greater of 10% of the loan cap amount or \$15.0 million, Lands' End will be required to comply with a minimum fixed charge coverage ratio of 1.0 to 1.0. The Debt Facilities do not otherwise contain financial maintenance covenants. The Company was in compliance with all financial covenants related to the Debt Facilities as of April 28, 2017.

The Debt Facilities contain certain affirmative covenants, including reporting requirements such as delivery of financial statements, certificates and notices of certain events, maintaining insurance, and providing additional guarantees and collateral in certain circumstances.

**NOTE 5. STOCK-BASED COMPENSATION**

The Company expenses the fair value of all stock awards over their respective vesting periods, ensuring that, the amount of cumulative compensation cost recognized at any date is at least equal to the portion of the grant-date value of the award that is vested at that date. The Company has elected to adjust compensation expense for an estimated forfeiture rate for those shares not expected to vest and to recognize compensation cost on a straight-line basis for awards that only have a service requirement with multiple vest dates.

The Company has granted the following types of stock awards to employees at management levels and above:

- i. Time vesting stock awards ("Deferred Awards") which are in the form of restricted stock units which only require each recipient to complete a service period; Deferred awards generally vest over three years or in full after a three year period. The fair value of Deferred Awards is based on the closing price of the Company's common stock on the grant date and is reduced for estimated forfeitures of those awards not expected to vest due to employee turnover.
- ii. Stock option awards ("Option Awards") which provide the recipient with the option to purchase a set number of shares at a stated exercise price over the term of the contract, which is 10 years for all Option Awards granted.
- iii. Performance-based stock awards ("Performance Awards") which are in the form of restricted stock units which have, in addition to a service requirement, performance criteria that must be achieved for the awards to be earned. Performance Awards have annual vesting, but due to the performance criteria, are not eligible for straight-line expensing. Therefore, Performance Awards are amortized using a graded expense process. Similar to the Deferred Awards, Performance Awards fair value is based on the closing price of the Company's common stock on the grant date and the compensation expense is reduced for estimated forfeitures of those awards not expected to vest due to employee turnover.

The following table provides a summary of the Company's stock-based compensation expense, which is included in Selling and administrative expense in the Condensed Consolidated Statements of Operations:

<i>(in thousands)</i>	<b>13 Weeks Ended</b>	
	<b>April 28, 2017</b>	<b>April 29, 2016</b>
Deferred Awards	\$ 421	\$ 479
Option Awards	91	—
Performance Awards	67	234
Total stock-based compensation expense	<u>\$ 579</u>	<u>\$ 713</u>

The following table provides a summary of the activities for stock awards for First Quarter 2017 :

<i>(in thousands, except per share amounts)</i>	Option Awards		Deferred Awards		Performance Awards	
	Number of Shares	Weighted Average Exercise price per Share	Number of Shares	Weighted Average Grant Date Fair Value per Share	Number of Shares	Weighted Average Grant Date Fair Value per Share
Outstanding as of January 27, 2017	—	\$ —	252	\$ 24.42	69	\$ 26.38
Granted	294	18.10	124	17.75	—	—
Vested	—	—	—	—	—	—
Exercised	—	—	—	—	—	—
Forfeited or expired	—	—	(33)	25.12	(28)	23.47
Outstanding as of April 28, 2017	294	18.10	343	22.01	41	28.33

Total unrecognized stock-based compensation expense related to unvested Option Awards, Deferred Awards and Performance Awards was approximately \$2.4 million, \$5.5 million and \$0.1 million, respectively, as of April 28, 2017, which is expected to be recognized ratably over a weighted average period of 3.8 years, 2.4 years and 0.1 years, respectively.

During First Quarter 2017, the Company granted long-term incentive awards to employees consisting of 294,118 Option Awards and 124,226 Deferred Awards with respective weighted average grant date fair values per share of \$8.49 and \$17.75. The Option Awards vest ratably over 4.0 years and the contract to buy Option Awards extends for another 6.0 years. Based on the closing price of Lands' End common stock on the grant date, the weighted average option exercise price is \$18.10. The fair value of each Option Award was estimated on the grant date using the Black-Scholes option pricing model. No Option Awards were exercisable as of April 28, 2017. Deferred Awards granted to various employees during First Quarter 2017 generally vest ratably for a period between fifteen months to four years.

The fair value of stock options is determined on the grant date utilizing a Black-Scholes option pricing model. The following weighted average assumptions were utilized in deriving the fair value for Option Awards for First Quarter 2017:

Risk-free interest rate	1.90%
Expected dividend yield	—%
Volatility	46.12%
Expected life (in years)	6.25
Weighted average grant date fair value per share	\$8.49

The simplified method was used to calculate the Expected life (in years) to be utilized in the Black-Scholes option pricing model applied to the First Quarter 2017 Option Awards granted. The simplified method was used as the company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term of the Option Awards due to the limited period of time its equity shares have been publicly held.

#### NOTE 6. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Company determines fair value of financial assets and liabilities based on the following fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs—unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occurs with sufficient frequency and volume to provide ongoing pricing information.

Level 2 inputs—inputs other than quoted market prices included in Level 1 that are observable, either directly or indirectly, for the asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates.

Level 3 inputs—unobservable inputs for the asset or liability.

Restricted cash is reflected on the Condensed Consolidated Balance Sheets at fair value. The fair value of restricted cash as of April 28, 2017, April 29, 2016 and January 27, 2017 was \$3.3 million based on Level 1 inputs. Restricted cash amounts are valued based upon statements received from financial institutions.

Cash and cash equivalents, accounts receivable, accounts payable and other current liabilities are reflected on the Condensed Consolidated Balance Sheets at cost, which approximates fair value due to the short-term nature of these instruments.

Carrying values and fair values of long-term debt, including the short-term portion, in the Condensed Consolidated Balance Sheets are as follows:

<i>(in thousands)</i>	April 28, 2017		April 29, 2016		January 27, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including short-term portion	\$ 499,550	\$ 413,378	\$ 504,700	\$ 411,961	\$ 500,838	\$ 379,385

Long-term debt was valued utilizing level 2 valuation techniques based on the closing inactive market bid price on April 28, 2017, April 29, 2016, and January 27, 2017. There were no nonfinancial assets or nonfinancial liabilities recognized at fair value on a nonrecurring basis as of April 28, 2017, April 29, 2016, and January 27, 2017.

#### NOTE 7. GOODWILL AND INTANGIBLE ASSET

The Company's intangible asset, consisting of a trade name, and goodwill were valued as a result of business combinations accounted for under the purchase accounting method. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired. The net carrying amounts of goodwill and trade name are included within the Company's Direct segment.

ASC 350, *Intangibles - Goodwill and Other*, requires companies to test goodwill and indefinite-lived intangible assets for impairment annually, or more often if an event or circumstance indicates that the carrying amount may not be recoverable. There was no impairment charge recorded for the indefinite-lived trade name intangible asset in Year to Date 2017. As a result of the 2016 annual impairment testing the Company recorded a non-cash pretax trade name impairment charge of \$173.0 million during Fiscal 2016. There were no impairments of goodwill during any periods presented or since goodwill was first recognized. If actual results are not consistent with our estimates and assumptions used in estimating revenue growth, future cash flows and asset fair values, we could incur further impairment charges for the intangible asset or goodwill, which could have an adverse effect on our results of operations. The annual test for impairment will be conducted as of the end of Fiscal November 2017.

The following summarizes goodwill and the intangible asset:

<i>(in thousands)</i>	April 28, 2017	April 29, 2016	January 27, 2017
Trade name intangible asset, net	\$ 257,000	\$ 430,000	\$ 257,000
Goodwill	\$ 110,000	\$ 110,000	\$ 110,000

#### NOTE 8. INCOME TAXES

As of April 28, 2017, the Company had UTBs of \$6.9 million. Of this amount, \$4.5 million would, if recognized, impact its effective tax rate, with the remaining amount being comprised of UTBs related to gross temporary differences or other indirect benefits. Pursuant to the Tax Sharing Agreement, Sears Holdings Corporation is generally responsible for all United States federal, state and local UTBs through the date of the Separation and, as such, an indemnification asset from Sears Holdings Corporation for the pre-Separation UTBs is recorded in Other assets in the Condensed Consolidated Balance Sheets. The indemnification asset was \$11.6 million, \$13.9 million and \$11.4 million as of April 28, 2017, April 29, 2016, and January 27, 2017, respectively.

The Company classifies interest expense and penalties related to UTBs and interest income on tax overpayments as components of income tax expense. As of April 28, 2017, the total amount of accrued interest expense and penalties recognized on our balance sheet was \$5.1 million (\$3.3 million net of federal benefit). The total amount of net interest expense recognized in the Condensed Consolidated Statements of Operations was insignificant for all periods presented. The Company files income tax returns in the United States and various foreign jurisdictions. The Company is currently

under audit by the Internal Revenue Service for the year 2014. The Company is under examination by various state income tax jurisdictions for the years 2011 to 2014.

Lands' End and Sears Holdings Corporation entered into a Tax Sharing Agreement in connection with the Separation which governs Sears Holdings Corporation's and Lands' End's respective rights, responsibilities and obligations after the Separation with respect to liabilities for United States federal, state, local and foreign taxes attributable to the Lands' End business. In addition to the allocation of tax liabilities, the Tax Sharing Agreement addresses the preparation and filing of tax returns for such taxes and dispute resolution with taxing authorities regarding such taxes. Generally, Sears Holdings Corporation is liable for all pre-Separation United States federal, state and local income taxes. Lands' End generally is liable for all other income taxes attributable to its business, including all foreign taxes.

Prior to the Separation, all tax obligations were settled through Sears Holdings through Net parent company investment. At the date of Separation, certain tax attributes that were recorded in Net parent company investment were reclassified.

## **NOTE 9. COMMITMENTS AND CONTINGENCIES**

### **Legal Proceedings**

The Company is party to various claims, legal proceedings and investigations arising in the ordinary course of business. Some of these actions involve complex factual and legal issues and are subject to uncertainties. At this time, the Company is not able to either predict the outcome of these legal proceedings or reasonably estimate a potential range of loss with respect to the proceedings. While it is not feasible to predict the outcome of such pending claims, proceedings and investigations with certainty, management is of the opinion that their ultimate resolution should not have a material adverse effect on results of operations, cash flows or financial position taken as a whole.

Beginning in 2005, the Company initiated claims in Iowa County Circuit Court against the City of Dodgeville (the "City") to recover overpaid taxes resulting from the City's excessive property tax assessment of the Company's headquarters campus for each tax year from 2005 through 2016. As of June 6, 2017 the City has refunded, as the result of various court decisions and a settlement agreement, over \$7.5 million in excessive taxes and interest to the Company in the following amounts: (1) approximately \$1.6 million arising from the 2005 and 2006 tax years that was recognized in Fiscal 2009; (2) approximately \$1.6 million arising from the 2007, 2009 and 2010 tax years, recognized in Fiscal 2014; (3) approximately \$0.9 million arising from the 2008 tax year, recognized in Fiscal 2015; (4) approximately \$2.4 million arising from the 2007, 2009, 2010, 2011 and 2012 tax years, recognized in Fiscal 2016; and (5) approximately \$1.0 million arising from the 2013, 2014, 2015 and 2016 tax years, recognized in First Quarter 2017. All of the foregoing refunds were recorded primarily within Selling and administrative costs in the Condensed Consolidated Statements of Operations.

All excessive property tax assessment claims arising with respect to the tax years 2005 through 2016 are now closed.

## **NOTE 10. RELATED PARTY TRANSACTIONS**

According to statements on Schedule 13D filed with the SEC by ESL on January 6, 2017, ESL beneficially owned significant portions of both the Company's and Sears Holdings Corporation's outstanding shares of common stock. Therefore, Sears Holdings Corporation, the Company's former parent company, is considered a related party. Additionally, in First Quarter 2017, ESL purchased approximately \$4.0 million of the Company's outstanding debt at a discount of approximately \$1.0 million. Due to the related party relationship, this discount was considered a cancellation of debt under Section 108 of the Internal Revenue Code, triggering additional income tax payments for the Company. As of April 28, 2017 ESL owned a total of \$14.7 million of the Company's outstanding debt.

In connection with and subsequent to the Separation, the Company entered into various agreements with Sears Holdings which, among other things, (i) govern specified aspects of the Company's relationship following the Separation, especially with regards to the Lands' End Shops at Sears, and (ii) establish terms pursuant to which subsidiaries of Sears Holdings Corporation are providing services to us. See further descriptions of the transactions in the Company's 2016 Annual Report on Form 10-K and proxy statement filed with the SEC on March 31, 2017.

In its annual report on Form 10-K for its fiscal year ended January 28, 2017, Sears Holdings disclosed that its historical operating results indicate substantial doubt exists related to its ability to continue as a going concern. Sears

Holdings also disclosed it believes that actions it has taken in the last 12 months and expected benefits from actions to be taken in 2017 are probable to mitigate the substantial doubt raised by its historical operating results and therefore will satisfy its liquidity needs for the 12 months following the issuance of its financial statements.

The components of the transactions between the Company and Sears Holdings, which exclude pass-through payments to third parties, are as follows:

#### Lands' End Shops at Sears

Related party costs charged by Sears Holdings to the Company related to Lands' End Shops at Sears are as follows:

<i>(in thousands, except for number of stores)</i>	13 Weeks Ended	
	April 28, 2017	April 29, 2016
Rent, CAM and occupancy costs	\$ 5,909	\$ 6,306
Retail services, store labor	5,548	5,946
Financial services and payment processing	472	719
Supply chain costs	191	315
Total expenses	\$ 12,120	\$ 13,286
Number of Lands' End Shops at Sears at period end	205	225

#### General Corporate Services

Related party costs charged by Sears Holdings to the Company for general corporate services are as follows:

<i>(in thousands)</i>	13 Weeks Ended	
	April 28, 2017	April 29, 2016
Sourcing	\$ 2,398	\$ 1,372
Shop Your Way	377	462
Shared services	48	48
Total expenses	\$ 2,823	\$ 1,882

#### Sourcing

The Company contracts with a subsidiary of Sears Holdings to provide agreed upon buying agency services, on a non-exclusive basis, in foreign territories from where the Company purchases merchandise. These services, primarily based upon quantities purchased, include quality-control functions, regulatory compliance, product claims management and new vendor selection and setup assistance. During Second Quarter 2016, the Company entered into a new buying agency services agreement with a subsidiary of Sears Holdings and terminated the agreement that was entered into at the time of the Separation. The new agreement provides for a higher commission rate and a higher annual commission minimum, as well as enhanced sourcing services, including for product development, costing analyses, vendor communications, vendor strategy and quality assurance. Certain of these amounts are capitalized into inventory and are expensed through cost of goods sold over the course of inventory turns and included in Cost of sales in the Condensed Consolidated Statements of Comprehensive Operations.

## Use of Intellectual Property or Services

Related party revenue and costs charged by the Company to and from Sears Holdings for the use of intellectual property or services is as follows:

<i>(in thousands)</i>	13 Weeks Ended	
	April 28, 2017	April 29, 2016
Lands' End business outfitters revenue	\$ 271	\$ 548
Credit card revenue	212	245
Royalty income	28	32
Gift card (expense)	(6)	(7)
Total income	\$ 505	\$ 818

## Call Center Services

The Company has entered into a contract with Sears Holdings Management Corporation, a subsidiary of Sears Holdings Corporation, to provide call center services in support of Sears Holdings' SYW. This income is net of agreed upon costs directly attributable to the Company providing these services. The income is included in Net revenue and costs are included in Selling and administrative expenses in the Condensed Consolidated Statements of Operations. Total call center service income included in Net revenue was \$1.2 million and \$1.9 million for First Quarter 2017 and First Quarter 2016, respectively. The contract for call center services expired on April 30, 2017.

## Additional Balance Sheet Information

At April 28, 2017, April 29, 2016 and January 27, 2017, the Company included \$3.5 million, \$4.0 million and \$3.7 million in Accounts receivable, net, respectively, and \$2.4 million, \$2.6 million and \$3.1 million in Accounts payable, respectively, in the Condensed Consolidated Balance Sheets to reflect amounts due from and owed to Sears Holdings.

At April 28, 2017, April 29, 2016 and January 27, 2017 an \$11.6 million, \$13.9 million and \$11.4 million receivable, respectively, was recorded by the Company in Other assets in the Condensed Consolidated Balance Sheets to reflect the indemnification by Sears Holdings Corporation of the pre-Separation UTBs (including penalties and interest) for which Sears Holdings Corporation is responsible under the Tax Sharing Agreement.

## NOTE 11. SEGMENT REPORTING

The Company is a leading multi-channel retailer of clothing, accessories and footwear, as well as home products, and has three operating segments: Direct, Retail and Corporate. The Company has determined that the Direct and Retail segments meet the qualifications to be aggregated. Product revenues are divided by product categories: Apparel and Non-apparel. The Non-apparel revenues include accessories, footwear, and home goods. Services and other revenue includes embroidery, monogramming, gift wrapping, shipping and other services. Net revenue is aggregated by product category in the following table:

<i>(in thousands)</i>	13 Weeks Ended	
	April 28, 2017	April 29, 2016
Net revenue:		
Apparel	\$ 231,028	\$ 231,158
Non-apparel	23,980	26,650
Service and other	13,357	15,625
Total net revenue	\$ 268,365	\$ 273,433

The Company identifies reportable segments according to how business activities are managed and evaluated. Each of the Company's operating segments are reportable segments and are strategic business units that offer similar products and services but are sold either directly from its warehouses (Direct) or through its retail stores (Retail). Adjusted EBITDA is the primary measure used to make decisions on allocating resources and assessing performance



of each operating segment. Adjusted EBITDA is computed as Income before taxes appearing on the Condensed Consolidated Statements of Operations net of interest expense, depreciation and amortization and other significant items that while periodically affecting the Company's results, may vary significantly from period to period and may have a disproportionate effect in a given period, which may affect comparability of results. Reportable segment assets are those directly used in or clearly allocable to an operating segment's operations. Depreciation, amortization, and property and equipment expenditures are recognized in each respective segment. There were no material transactions between reporting segments for any periods presented.

- The Direct segment sells products through the Company's e-commerce websites and direct mail catalogs. Operating costs consist primarily of direct marketing costs (catalog and e-commerce marketing costs); order processing and shipping costs; direct labor and benefits costs and facility costs. Assets primarily include goodwill and trade name intangible assets, inventory, accounts receivable, prepaid expenses (deferred catalog costs), technology infrastructure, and property and equipment.
- The Retail segment sells products and services through dedicated Lands' End Shops at Sears across the United States and the Company's stand-alone Lands' End stores. Operating costs consist primarily of labor and benefits costs; rent, CAM and occupancy costs; distribution costs; and in-store marketing costs. Assets primarily include retail inventory, fixtures and leasehold improvements.
- Corporate overhead and other expenses include unallocated shared-service costs, which primarily consist of employee services and financial services, legal and corporate expenses. These expenses include labor and benefits costs, corporate headquarters occupancy costs and other administrative expenses. Assets include corporate headquarters and facilities, corporate cash and cash equivalents and deferred income taxes.

Financial information by segment is presented in the following tables.

#### SUMMARY OF SEGMENT DATA

<i>(in thousands)</i>	13 Weeks Ended	
	April 28, 2017	April 29, 2016
Net revenue:		
Direct	\$ 228,290	\$ 232,185
Retail	40,047	41,216
Corporate / other	28	32
Total net revenue	\$ 268,365	\$ 273,433

<i>(in thousands)</i>	13 Weeks Ended	
	April 28, 2017	April 29, 2016
Adjusted EBITDA:		
Direct	\$ 11,839	\$ 12,832
Retail	(3,175)	(3,930)
Corporate / other	(7,367)	(8,266)
Total adjusted EBITDA	\$ 1,297	\$ 636
Loss (gain) on disposal of property and equipment	62	\$ (14)
Transfer of corporate functions	1,446	\$ —
Depreciation and amortization	6,509	\$ 4,136
Operating loss	\$ (6,720)	\$ (3,486)
Interest expense	6,125	6,170
Other income, net	(742)	(453)
Income tax benefit	(4,264)	(3,444)
<b>NET LOSS</b>	\$ (7,839)	\$ (5,759)

<i>(in thousands)</i>	13 Weeks Ended	
	April 28, 2017	April 29, 2016
Depreciation and amortization:		
Direct	\$ 5,779	\$ 3,350
Retail	353	419
Corporate / other	377	367
Total depreciation and amortization	\$ 6,509	\$ 4,136

<i>(in thousands)</i>	April 28, 2017	April 29, 2016	January 27, 2017
Total Assets:			
Direct	\$ 803,222	\$ 952,138	\$ 805,201
Retail	62,995	60,756	69,792
Corporate / other	165,543	199,173	239,398
Total assets	\$ 1,031,760	\$ 1,212,067	\$ 1,114,391

<i>(in thousands)</i>	13 Weeks Ended	
	April 28, 2017	April 29, 2016
Capital expenditures:		
Direct	\$ 11,381	\$ 10,302
Retail	1	183
Corporate / other	—	—
Total capital expenditures	\$ 11,382	\$ 10,485

#### NOTE 12. PROPERTY, PLANT AND EQUIPMENT

During First Quarter 2017, the Company implemented the first phase of a multi-year plan to implement a global enterprise resource planning ("ERP") system. In connection to the financial suite assets \$19.3 million was placed in service during First Quarter 2017, the Company began depreciating the assets over useful lives of 3 to 10 years.

#### NOTE 13 . RECENT ACCOUNTING PRONOUNCEMENTS

##### *Revenue from Contracts with Customers*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides guidance for revenue recognition. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under today's guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. This guidance was deferred by ASU 2015-14, *Revenue from Contracts with Customers*, issued by the FASB in August 2015, and will be effective for Lands' End in the first quarter of its fiscal year ending February 1, 2019. Subsequently, the FASB has also issued accounting standards updates which clarify the guidance.

The Company is currently assessing the impact of adopting ASU 2014-09 on our revenue recognition practices. The Company has organized a team and management's preliminary assessment indicates it could impact the timing of recognition of revenues from gift cards and revenues from our Direct segment. The Company expects to finalize its evaluation in Fiscal 2017 and will provide updates on its progress in future filings.

### ***Recognition of Breakage for Certain Prepaid Stored-Value Products***

In March 2016, the FASB issued ASU 2016-04, *Recognition of Breakage for Certain Prepaid Stored-Value Products*. This update clarifies when it is acceptable to recognize the unredeemed portion of prepaid gift cards into income. This guidance will be effective for Lands' End in the first quarter of its fiscal year ending February 1, 2019. The Company is currently in the process of evaluating the impact of adoption of this ASU on the Company's Condensed Consolidated Financial Statements.

### ***Classification of Certain Cash Receipts and Cash Payments***

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. This update clarifies issues to reduce the current and potential future diversity in practice of the classification of certain cash receipts and cash payments within the statement of cash flows. This guidance will be effective for Lands' End in the first quarter of its fiscal year ending February 1, 2019. The Company is currently in the process of evaluating the impact of adoption of this ASU on the Company's Condensed Consolidated Financial Statements.

### ***Leases***

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will replace the existing guidance in ASC 840, *Leases*. This ASU requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the right-of-use asset, and for operating leases, the lessee would recognize a straight-line total lease expense. This guidance will be effective for Lands' End in the first quarter of its fiscal year ending January 31, 2020. While it is expected that the standard will have a material increase in the assets and liabilities recorded on the Company's Consolidated Balance Sheet, the Company is still evaluating the overall impact on the Company's Condensed Consolidated Financial Statements.

### ***Intangibles - Goodwill and Other***

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other*, which simplifies the test for goodwill impairment. This update removes the second step of the goodwill impairment test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. This guidance will be effective for Lands' End for its fiscal year ending January 29, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently in the process of evaluating the adoption of this ASU on the Company's Condensed Consolidated Financial Statements.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the Condensed Consolidated Financial Statements and accompanying notes included elsewhere in this Quarterly Report on Form 10-Q. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. The matters discussed in these forward-looking statements are subject to risk, uncertainties, and other factors that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. See "Cautionary Statements Concerning Forward-Looking Statements" below and "Item 1A. Risk Factors" in our Annual Report filed on Form 10-K for the year ended January 27, 2017, for a discussion of the uncertainties, risks and assumptions associated with these statements.

As used in this Quarterly Report on Form 10-Q, references to the "Company", "Lands' End", "we", "us", "our" and similar terms refer to Lands' End, Inc. and its subsidiaries. Our fiscal year ends on the Friday preceding the Saturday closest to January 31. Other terms that are commonly used in this Quarterly Report on Form 10-Q are defined as follows:

- *ABL Facility* - Asset-based senior secured credit agreements, dated as of April 4, 2014, with Bank of America, N.A. and certain other lenders
- *Debt Facilities* - Collectively, the ABL Facility and the Term Loan Facility
- *ERP* - Enterprise resource planning software solutions
- *ESL* - ESL Investments, Inc. and its investment affiliates, including Edward S. Lampert
- *Fiscal 2017* - the fifty-three weeks ending February 2, 2018
- *Fiscal 2016* - the fifty-two weeks ended January 27, 2017
- *Fiscal November 2017* - the four week fiscal month ending November 24, 2017
- *GAAP* - Accounting principles generally accepted in the United States
- *Same Store Sales* - Net sales, from stores that have been open for at least 12 full months where selling square footage has not changed by 15% or more within the past fiscal year
- *Sears Holdings or Sears Holdings Corporation* - Sears Holdings Corporation, a Delaware Corporation, and its consolidated subsidiaries (other than, for all periods following the Separation, Lands' End)
- *Sears Roebuck* - Sears, Roebuck and Co., a subsidiary of Sears Holdings Corporation
- *SEC* - United States Securities and Exchange Commission
- *Separation* - On April 4, 2014 Sears Holdings distributed 100% of the outstanding common stock of Lands' End to its shareholders
- *Term Loan Facility* - Term loan credit agreements, dated as of April 4, 2014, with Bank of America, N.A. and certain other lenders
- *First Quarter 2017* - the thirteen weeks ended April 28, 2017
- *First Quarter 2016* - the thirteen weeks ended April 29, 2016
- *UK Borrower* - A United Kingdom subsidiary borrower of Lands' End under the ABL Facility

## Introduction

Management's discussion and analysis of financial condition and results of operations accompanies our Condensed Consolidated Financial Statements and provides additional information about our business, financial condition, liquidity and capital resources, cash flows and results of operations. We have organized the information as follows:

- *Executive overview.* This section provides a brief description of our business, accounting basis of presentation and a brief summary of our results of operations.
- *Discussion and analysis.* This section highlights items affecting the comparability of our financial results and provides an analysis of our segment results of operations for the 2017 and 2016 first fiscal quarter.
- *Liquidity and capital resources.* This section provides an overview of our historical and anticipated cash and financing activities. We also review our historical sources and uses of cash in our operating, investing and financing activities.
- *Contractual Obligations and Off-Balance-Sheet Arrangements.* This section provides details of the Company's off-balance-sheet arrangements and contractual obligations for the next five years and thereafter.
- *Financial Instruments with Off-Balance-Sheet Risk.* This section discusses financial instruments of the Company that could have off-balance-sheet risk.
- *Application of critical accounting policies and estimates.* This section summarizes the accounting policies that we consider important to our financial condition and results of operations and which require significant judgment or estimates to be made in their application.
- *Recent accounting pronouncements.* This section summarizes recently issued accounting pronouncements and the impact or expected impact on the Company's financial statements.

## Executive Overview

### *Description of the Company*

Lands' End, Inc. is a leading multi-channel retailer of casual clothing, accessories and footwear, as well as home products. We offer products through catalogs, online at [www.landsend.com](http://www.landsend.com) and affiliated specialty and international websites, and through retail locations, primarily at Lands' End Shops at Sears and Lands' End stores. We are a classic American lifestyle brand with a passion for quality, legendary service and real value, and we seek to deliver timeless style for men, women, kids and the home. Lands' End was founded in 1963 in Chicago by Gary Comer and his partners to sell sailboat hardware and equipment by catalog. While our product focus has shifted significantly over the years, we have continued to adhere to our founder's motto as one of our guiding principles: "Take care of the customer, take care of the employee and the rest will take care of itself."

The Company identifies reportable segments according to how business activities are managed and evaluated. Each of the Company's operating segments are reportable segments and are strategic business units that offer similar products and services but are sold either directly from our warehouses (Direct) or through our retail stores (Retail).

### *Basis of Presentation*

The Condensed Consolidated Financial Statements include the accounts of Lands' End, Inc. and its subsidiaries. All intercompany transactions and balances have been eliminated.

Following the Separation, we began operating as a separate, publicly traded company, independent from Sears Holdings. According to statements on Schedule 13D filed with the SEC by ESL on January 6, 2017, ESL beneficially owned significant portions of both the Company's and Sears Holdings Corporation's outstanding shares of common stock. Therefore Sears Holdings Corporation, the Company's former parent company, is considered a related party both prior to and subsequent to the Separation.

The success of our Retail segment depends on the performance of the Lands' End Shops at Sears. Under the terms of the master lease agreement and master sublease agreement pursuant to which Sears Roebuck leases or subleases to us the premises for the Lands' End Shops at Sears, Sears Roebuck has certain rights to (1) relocate our leased premises within the building in which such premises are located, subject to certain limitations, including our right to terminate the applicable lease if we are not satisfied with the new premises, and (2) terminate without liability the lease with respect to a particular Lands' End Shop if the overall Sears store in which such Lands' End Shop is located is closed or sold. Sears Holdings announced that it intends to continue to right-size, redeploy and highlight the value of its assets, including its real estate

portfolio, in its transition from an asset-intensive, store-focused retailer and that it has entered into lease agreements with third party retailers for stand-alone stores. On July 7, 2015, Sears Holdings completed a rights offering and sale-leaseback transaction (the “Seritage transaction”) with Seritage Growth Properties (“Seritage”), an independent publicly traded real estate investment trust. Sears Holdings disclosed that as part of the Seritage transaction, it sold 235 properties to Seritage (the “REIT properties”) along with Sears Holdings’ 50% interest in each of three real estate joint ventures (collectively, the “JVs”). Sears Holdings also disclosed that it contributed 31 properties to the JVs (the “JV properties”). As of April 28, 2017, 51 of the REIT properties contained a Lands’ End Shop and 14 of the JV properties contained a Lands’ End Shop, the leases with respect to which Sears Roebuck retained for its own account. Sears Holdings disclosed that Seritage and the JVs have a recapture right with respect to approximately 50% of the space within the stores at the REIT properties and JV properties (subject to certain exceptions), and with respect to eight of the stores that contain a Lands’ End Shop, Seritage has the additional right to recapture 100% of the space within the Sears Roebuck store. If Sears Roebuck continues to dispose of retail stores that contain Lands’ End Shops, and/or offer us relocation alternatives for Lands’ End Shops that are less attractive than the current premises, our business and results of operations could be adversely affected. On April 28, 2017 the Company operated 205 Lands’ End Shops at Sears, compared with 225 Lands’ End Shops at Sears on April 29, 2016.

### Seasonality

We experience seasonal fluctuations in our Net revenue and operating results and historically have realized a significant portion of our net sales and earnings for the year during our fourth fiscal quarter. We generated approximately 33% of our Net revenue in the fourth fiscal quarter of the past three years. Thus, lower than expected fourth quarter net revenue could have an adverse impact on our annual operating results.

Working capital requirements typically increase during the third quarter of the fiscal year as inventory builds to support peak shipping/selling period and, accordingly, typically decrease during the fourth quarter of the fiscal year as inventory is shipped/sold. Cash provided by operating activities is typically higher in the fourth quarter of the fiscal year due to reduced working capital requirements during that period.

### Results of Operations

The following table sets forth, for the periods indicated, selected income statement data:

<i>(in thousands)</i>	<b>13 Weeks Ended</b>			
	<b>April 28, 2017</b>		<b>April 29, 2016</b>	
	<b>\$’s</b>	<b>% of Net revenue</b>	<b>\$’s</b>	<b>% of Net revenue</b>
Net revenue	\$ 268,365	100.0 %	\$ 273,433	100.0 %
Cost of sales (excluding depreciation and amortization)	145,722	54.3 %	143,763	52.6 %
Gross profit	122,643	45.7 %	129,670	47.4 %
Selling and administrative	121,346	45.2 %	129,034	47.2 %
Depreciation and amortization	6,509	2.4 %	4,136	1.5 %
Other operating expense (income), net	1,508	0.6 %	(14)	— %
Operating loss	(6,720)	(2.5)%	(3,486)	(1.3)%
Interest expense	6,125	2.3 %	6,170	2.3 %
Other income, net	(742)	(0.3)%	(453)	(0.2)%
Loss before income taxes	(12,103)	(4.5)%	(9,203)	(3.4)%
Income tax benefit	(4,264)	(1.6)%	(3,444)	(1.3)%
<b>NET LOSS</b>	<b>\$ (7,839)</b>	<b>(2.9)%</b>	<b>\$ (5,759)</b>	<b>(2.1)%</b>

Depreciation and amortization is not included in our cost of sales because we are a reseller of inventory and do not believe that including depreciation and amortization is meaningful. As a result, our gross margins may not be comparable to other entities that include depreciation and amortization related to the sale of their product in their gross margin measure.

### Net Loss and Adjusted EBITDA

We recorded a Net loss of \$7.8 million in First Quarter 2017 compared to a Net loss of \$5.8 million in First Quarter 2016. In addition to our Net loss determined in accordance with GAAP, for purposes of evaluating operating performance, we use an Adjusted EBITDA measurement. Adjusted EBITDA is computed as Net loss appearing on the Condensed

Consolidated Statements of Operations net of Income tax benefit, Other income, net, Interest expense, Depreciation and amortization, and certain significant items set forth below. Our management uses Adjusted EBITDA to evaluate the operating performance of our businesses, as well as executive compensation metrics, for comparable periods. Adjusted EBITDA should not be used by investors or other third parties as the sole basis for formulating investment decisions as it excludes a number of important cash and non-cash recurring items.

While Adjusted EBITDA is a non-GAAP measurement, management believes that it is an important indicator of operating performance, and useful to investors, because:

- EBITDA excludes the effects of financings, investing activities and tax structure by eliminating the effects of interest, depreciation and income tax costs or benefits.
- Other significant items, while periodically affecting our results, may vary significantly from period to period and have a disproportionate effect in a given period, which affects comparability of results. We have adjusted our results for these items to make our statements more comparable and therefore more useful to investors as the items are not representative of our ongoing operations.
  - Transfer of corporate functions - severance associated with a transition of certain corporate activities from our New York office to our Dodgeville headquarters.
  - Gain or loss on the sale of property and equipment - management considers the gains or losses on disposal of assets to result from investing decisions rather than ongoing operations.

<i>(in thousands)</i>	<b>13 Weeks Ended</b>			
	<b>April 28, 2017</b>		<b>April 29, 2016</b>	
	<b>\$'s</b>	<b>% of Net revenue</b>	<b>\$'s</b>	<b>% of Net revenue</b>
Net loss	\$ (7,839)	(2.9)%	\$ (5,759)	(2.1)%
Income tax benefit	(4,264)	(1.6)%	(3,444)	(1.3)%
Other income, net	(742)	(0.3)%	(453)	(0.2)%
Interest expense	6,125	2.3 %	6,170	2.3 %
Operating loss	(6,720)	(2.5)%	(3,486)	(1.3)%
Depreciation and amortization	6,509	2.4 %	4,136	1.5 %
Transfer of corporate functions	1,446	0.5 %	—	— %
Loss (gain) on disposal of property and equipment	62	— %	(14)	— %
Adjusted EBITDA	<u>\$ 1,297</u>	<u>0.5 %</u>	<u>\$ 636</u>	<u>0.2 %</u>

In assessing the operational performance of our business, we consider a variety of financial measures. We operate in two reportable segments, Direct (sold through e-commerce websites and direct mail catalogs) and Retail (sold through stores). A key measure in the evaluation of our business is revenue performance by segment. We also consider gross margin and Selling and administrative expenses in evaluating the performance of our business.

To evaluate revenue performance for the Direct segment we use Net revenue. For our Retail segment, we use Same Store Sales as a key measure in evaluating performance. A store is included in Same Store Sales calculations on the first day it has comparable prior year sales. Stores in which the selling square footage has changed by 15% or more as a result of a remodel, expansion, reduction or relocation are excluded from Same Store Sales calculations until the first day they have comparable prior year sales. Online sales and sales generated through our in-store computer kiosks are considered revenue in our Direct segment and are excluded from Same Store Sales.

## Discussion and Analysis

### First Quarter 2017 compared with First Quarter 2016

#### *Net Revenue*

Net revenue for First Quarter 2017 was \$268.4 million, compared with \$273.4 million in the comparable period of the prior year, a decrease of \$5.1 million or 1.9%. The decrease was comprised of a decrease in our Direct segment of \$3.9 million and a decrease in our Retail segment of \$1.2 million.

Net revenue in our Direct segment was \$228.3 million for First Quarter 2017, a decrease of \$3.9 million, or 1.7% from the comparable period of the prior year. The decrease in the Direct segment was largely attributable to decreases in our business and school uniform businesses, as well as our international business. This was partially offset by an increase in our U.S. consumer business. In our U.S. consumer business, we increased circulation and customer contacts resulting in an increase in revenue.

Net revenue in our Retail segment was \$40.0 million for First Quarter 2017, a decrease of \$1.2 million, or 2.8% from the comparable period of the prior year. The decrease was driven by a decrease in the number of Lands' End Shops at Sears, partially offset by an increase in Same Store Sales of 2.1%. On April 28, 2017, the Company operated 205 Lands' End Shops at Sears, 14 global Lands' End stores and no international shop-in-shops compared with 225 Lands' End Shops at Sears, 14 global Lands' End stores and five international shop-in-shops on April 29, 2016.

#### *Gross Profit*

Total gross profit decreased \$7.0 million to \$122.6 million and gross margin decreased approximately 170 basis points to 45.7% of total Net revenue in First Quarter 2017, compared with \$129.7 million, or 47.4% of total Net revenue, in First Quarter 2016. The gross profit decrease was comprised of a decrease in our Direct segment of \$5.7 million and a decrease in our Retail segment of \$1.3 million.

Gross profit in the Direct segment was \$107.6 million compared with \$113.3 million for First Quarter 2017 and First Quarter 2016, respectively. Gross margin in the Direct segment decreased approximately 170 basis points to 47.1% in First Quarter 2017 versus 48.8% in the comparable prior year period. The decrease in Gross margin during first quarter was primarily attributable to increased promotional activity in the highly competitive retail environment.

Retail segment gross profit decreased \$1.3 million to \$15.0 million in First Quarter 2017 from \$16.3 million in First Quarter 2016. Retail segment gross margin decreased to 37.4% for First Quarter 2017 compared to 39.5% for First Quarter 2016 driven by increased promotional activity to remain competitive in the highly competitive retail environment.

#### *Selling and Administrative Expenses*

Selling and administrative expenses were \$121.3 million, or 45.2% of total Net revenue compared with \$129.0 million or 47.2% of total Net revenue in First Quarter 2017 and First Quarter 2016, respectively. The decrease in Selling and administrative expenses was primarily due to a decrease of \$4.8 million in the Direct segment, a decrease of \$2.0 million in the Retail segment and an decrease of \$0.9 million in the Corporate segment.

The Direct segment Selling and administrative expenses were \$95.7 million compared with \$100.5 million for First Quarter 2017 and First Quarter 2016, respectively. The \$4.8 million or 4.8% decrease, was primarily attributable to a reduction in personnel costs and marketing expenses.

The Retail segment Selling and administrative expenses were \$18.2 million compared with \$20.2 million for First Quarter 2017 and First Quarter 2016, respectively. The \$2.0 million or 9.9% decrease was primarily attributable to a decrease in marketing expenses and personnel costs.

Corporate / other Selling and administrative expenses decreased to \$7.4 million in First Quarter 2017 compared to \$8.3 million in First Quarter 2016 due to personnel costs.

#### *Depreciation and Amortization*

Depreciation and amortization expense was \$6.5 million in First Quarter 2017, an increase of \$2.4 million or 57.4%, compared with \$4.1 million in First Quarter 2016, primarily attributable to an increase in depreciation associated with the



implementation of the first phase of our multi-year ERP system. During First Quarter 2017, the Company placed \$19.3 million of financial suite assets in service and began depreciating the assets over useful lives of 3 to 10 years.

***Other Operating Expense (Income), Net***

Other operating expense (income), net was \$1.5 million in First Quarter 2017 as the result of a \$1.4 million severance charge associated with the transition of certain corporate activities from the New York office to the Company's Dodgeville headquarters.

***Operating Loss***

Operating loss increased to a \$6.7 million loss in First Quarter 2017 from \$3.5 million in First Quarter 2016 primarily due to lower revenues and lower gross margin discussed above.

***Interest Expense***

Interest expense was essentially unchanged at \$6.1 million in First Quarter 2017 compared to \$6.2 million in First Quarter 2016 .

***Income Tax Benefit***

Income tax benefit was \$4.3 million for First Quarter 2017 compared to \$3.4 million in First Quarter 2016 . The effective tax rate was 35.2% in First Quarter 2017 compared with 37.4% in First Quarter 2016 .

***Net Loss***

As a result of the above factors, Net loss was \$7.8 million and diluted loss per share was \$0.24 in First Quarter 2017 compared with Net loss of \$5.8 million and diluted loss per share of \$0.18 in First Quarter 2016 .

***Adjusted EBITDA***

As a result of the above factors, Adjusted EBITDA increased to \$1.3 million in First Quarter 2017 from \$0.6 million in First Quarter 2016 .

**Liquidity and Capital Resources**

Our primary need for liquidity is to fund working capital requirements of our business, capital expenditures, debt service and for general corporate purposes. Our cash and cash equivalents and the ABL Facility serve as sources of liquidity for short-term working capital needs and general corporate purposes. We expect that our cash on hand and cash flows from operations, along with our ABL Facility, will be adequate to meet our capital requirements and operational needs for at least the next 12 months. Cash generated from our net sales and profitability, and somewhat to a lesser extent our changes in working capital, are driven by the seasonality of our business, with a disproportionate amount of net revenue and operating cash flows generally occurring in the fourth fiscal quarter of each year.

***Description of Material Indebtedness***

***Debt Arrangements***

Lands' End entered into the ABL Facility, which provides for maximum borrowings of \$175.0 million for Lands' End, subject to a borrowing base, with a \$30.0 million sub facility for the UK Borrower. The ABL Facility has a sub-limit of \$70.0 million for domestic letters of credit and a sub-limit of \$15.0 million for letters of credit for the UK Borrower. The ABL Facility is available for working capital and other general corporate purposes, and was undrawn at April 28, 2017 and April 29, 2016 , other than for letters of credit. The Company had borrowing availability under the ABL Facility of \$155.0 million as of April 28, 2017 , net of outstanding letters of credit of \$ 20.0 million .

Also on April 4, 2014, Lands' End entered into the \$515.0 million Term Loan Facility of which proceeds were used to pay a dividend of \$500.0 million to a subsidiary of Sears Holdings Corporation immediately prior to the Separation and to pay fees and expenses associated with the Debt Facilities of approximately \$11.4 million, with the remaining proceeds used for general corporate purposes.

#### *Maturity; Amortization and Prepayments*

The ABL Facility will mature on April 4, 2019. The Term Loan Facility will mature on April 4, 2021 and will amortize at a rate equal to 1% per annum, and is subject to mandatory prepayment in an amount equal to a percentage of the borrower's excess cash flows in each fiscal year, ranging from 0% to 50% depending on Lands' End's secured leverage ratio, and the proceeds from certain asset sales and casualty events.

#### *Guarantees; Security*

All domestic obligations under the Debt Facilities are unconditionally guaranteed by Lands' End and, subject to certain exceptions, each of its existing and future direct and indirect domestic subsidiaries. In addition, the obligations of the UK Borrower under the ABL Facility are guaranteed by its existing and future direct and indirect subsidiaries organized in the United Kingdom. The ABL Facility is secured by a first priority security interest in certain working capital of the borrowers and guarantors consisting primarily of accounts receivable and inventory. The Term Loan Facility is secured by a second priority security interest in the same collateral, with certain exceptions.

The Term Loan Facility also is secured by a first priority security interest in certain property and assets of the borrowers and guarantors, including certain fixed assets and stock of subsidiaries. The ABL Facility is secured by a second priority security interest in the same collateral.

#### *Interest; Fees*

The interest rates per annum applicable to the loans under the Debt Facilities are based on a fluctuating rate of interest measured by reference to, at the borrowers' election, either (i) LIBOR plus a borrowing margin, or (ii) an alternative base rate plus a borrowing margin. The borrowing margin is fixed for the Term Loan Facility at 3.25% in the case of LIBOR loans and 2.25% in the case of base rate loans. For the Term Loan Facility, LIBOR is subject to a 1% interest rate floor. The borrowing margin for the ABL Facility is subject to adjustment based on the average excess availability under the ABL Facility for the preceding fiscal quarter, and will range from 1.50% to 2.00% in the case of LIBOR borrowings and will range from 0.50% to 1.00% in the case of base rate borrowings.

Customary agency fees are payable pursuant to the terms of the Debt Facilities. The ABL Facility fees also include (i) commitment fees, based on a percentage ranging from approximately 0.25% to 0.375% of the daily unused portions of the facility, and (ii) customary letter of credit fees.

#### *Representations and Warranties; Covenants*

Subject to specified exceptions, the Debt Facilities contain various representations and warranties and restrictive covenants that, among other things, restrict the ability of Lands' End and its subsidiaries to incur indebtedness (including guarantees), grant liens, make investments, make dividends or distributions with respect to capital stock, make prepayments on other indebtedness, engage in mergers or change the nature of their business. In addition, if excess availability under the ABL Facility falls below the greater of 10% of the loan cap amount or \$15 million, Lands' End will be required to comply with a minimum fixed charge coverage ratio of 1.0 to 1.0. The Debt Facilities do not otherwise contain financial maintenance covenants. The Company was in compliance with all financial covenants related to the Debt Facilities as of April 28, 2017.

The Debt Facilities contain certain affirmative covenants, including reporting requirements such as delivery of financial statements, certificates and notices of certain events, maintaining insurance, and providing additional guarantees and collateral in certain circumstances.

#### *Events of Default*

The Debt Facilities include customary events of default including non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations or warranties, cross defaults related to certain other material indebtedness, bankruptcy and insolvency events, invalidity or impairment of guarantees or security interests, and material judgments and change of control.

### ***Cash Flows from Operating Activities***

Operating activities used net cash of \$60.3 million and \$50.1 million for the Year to Date 2017 and Year to Date 2016 , respectively, primarily due to the combination of:

- Increased use of cash to pay down accounts payable due to higher payables at the end of the prior year, and
- Lower improvements in working capital due to a better inventory position at the beginning of the year.

### ***Cash Flows from Investing Activities***

Net cash used in investing activities was \$11.4 million and \$10.5 million for the Year to Date 2017 and Year to Date 2016 , respectively. Cash used in investing activities for both periods was primarily used for investments to update our information technology infrastructure and property and equipment.

For Fiscal 2017, we plan to invest a total of approximately \$40.0 million to \$50.0 million in capital expenditures for strategic investments and infrastructure, primarily associated with our ERP investment, other technology investments and general corporate needs.

### ***Cash Flows from Financing Activities***

Net cash used by financing activities was \$1.3 million and \$1.4 million for Year to Date 2017 and Year to Date 2016 , respectively, consisting primarily of our quarterly payments for the Term Loan.

### **Contractual Obligations and Off-Balance-Sheet Arrangements**

There have been no material changes to our contractual obligations and off-balance-sheet arrangements as discussed in our Annual Report on Form 10-K for the fiscal year ended January 27, 2017 .

### **Financial Instruments with Off-Balance-Sheet Risk**

Lands' End entered into the ABL Facility, which provides for maximum borrowings of \$175.0 million for Lands' End, subject to a borrowing base, with a \$30.0 million sub facility for the UK Borrower. The ABL Facility has a sub-limit of \$70.0 million for domestic letters of credit and a sub-limit of \$15.0 million for letters of credit for the UK Borrower. The ABL Facility is available for working capital and other general corporate purposes, and was undrawn at April 28, 2017 and April 29, 2016 , other than for letters of credit. The Company had borrowing availability under the ABL Facility of \$155.0 million as of April 28, 2017 , net of outstanding letters of credit of \$20.0 million .

### **Application of Critical Accounting Policies and Estimates**

We believe that the assumptions and estimates associated with inventory valuation, goodwill and intangible asset impairment assessments and income taxes have the greatest potential impact on our financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

There have been no material changes to the critical accounting policies and estimates described in our Annual Report on Form 10-K for the fiscal year ended January 27, 2017 .

As previously discussed, Lands' End reviews the Company's indefinite-lived intangible asset, the Lands' End trade name, for impairment by comparing the carrying amount of the asset to the fair value on an annual basis, or more frequently if events occur or changes in circumstances indicate that the carrying value is not recoverable. At the date of its most recent annual impairment assessment, Lands' End determined that the income approach, specifically the relief from royalty method, was most appropriate for analyzing the Company's indefinite-lived asset. This method is based on the assumption that, in lieu of ownership, a firm would be willing to pay a royalty in order to exploit the related benefits of this asset class. The relief from royalty method involves two steps: (1) estimation of reasonable royalty rates for the assets and (2) the application of these royalty rates to a revenue stream and discounting the resulting cash flows to determine a value. The Company multiplied the selected royalty rate by the forecasted net sales stream to calculate the cost savings (relief from royalty payment) associated with the asset. The cash flows were then discounted to present value by the selected discount rate and compared to the carrying value of the asset.

As a result of the Fiscal 2016 annual impairment assessment, the Company recorded a non-cash pretax intangible asset impairment charge of \$173.0 million during Fiscal 2016 to reduce the carrying value of the trade name to the fair

value. During First Quarter 2017, there were no events or changes in circumstances that indicated that the carrying value of Lands' End trade name is not recoverable. As such, an impairment assessment was not performed and there was no impairment charge related to the trade name in First Quarter 2017. If actual results are not consistent with our estimates and assumptions used in estimating revenue growth, future cash flows and asset fair values, we could incur further impairment charges for the intangible asset or goodwill, which could have an adverse effect on our results of operations. The annual test for impairment will be conducted as of the end of Fiscal November 2017.

### **Recent Accounting Pronouncements**

See Part I, Item 1, Note 13 – Recent Accounting Pronouncements, of the Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for information regarding recent accounting pronouncements

### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

Certain statements made in this Quarterly Report on Form 10-Q contain forward-looking statements, including statements about our strategies and our opportunities for growth. Forward-looking statements are subject to risks and uncertainties that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include without limitation information concerning our future financial performance, business strategy, plans, goals and objectives.

Statements preceded or followed by, or that otherwise include, the words “believes,” “expects,” “anticipates,” “intends,” “project,” “estimates,” “plans,” “forecast,” “is likely to” and similar expressions or future or conditional verbs such as “will,” “may,” “would,” “should” and “could” are generally forward-looking in nature and not historical facts. Such statements are based upon the current beliefs and expectations of our management and are subject to significant risks and uncertainties. Actual results may differ materially from those set forth in the forward-looking statements.

The following important factors and uncertainties, among others, could cause actual results to differ materially from those described in these forward-looking statements: our ability to offer merchandise and services that customers want to purchase; changes in customer preference from our branded merchandise; customers' use of our digital platform, including customer acceptance of our efforts to enhance our e-commerce websites; customer response to our marketing efforts across all types of media; our maintenance of a robust customer list; our dependence on information technology and a failure of information technology systems, including with respect to our e-commerce operations, or an inability to upgrade or adapt our systems; the success of our ERP implementation; fluctuations and increases in costs of raw materials; impairment of our relationships with our vendors; our failure to maintain the security of customer, employee or company information; our failure to compete effectively in the apparel industry; the performance of our “store within a store” business; if Sears Holdings Corporation sells or disposes of its retail stores, including pursuant to the recapture rights granted to Seritage Growth Properties, and other parties or if its retail business does not attract customers or does not adequately provide services to the Lands' End Shops at Sears; legal, regulatory, economic and political risks associated with international trade and those markets in which we conduct business and source our merchandise; our failure to protect or preserve the image of our brands and our intellectual property rights; increases in postage, paper and printing costs; failure by third parties who provide us with services in connection with certain aspects of our business to perform their obligations; our failure to timely and effectively obtain shipments of products from our vendors and deliver merchandise to our customers; reliance on promotions and markdowns to encourage customer purchases; our failure to efficiently manage inventory levels; unseasonal or severe weather conditions; the seasonal nature of our business; the adverse effect on our reputation if our independent vendors do not use ethical business practices or comply with applicable laws and regulations; assessments for additional state taxes; incurrence of charges due to impairment of goodwill, other intangible assets and long-lived assets; the impact on our business of adverse worldwide economic and market conditions, including economic factors that negatively impact consumer spending on discretionary items; the impact of increased costs due to a decrease in our purchasing power following our separation from Sears Holdings (“Separation”) and other losses of benefits associated with being a subsidiary of Sears Holdings; the failure of Sears Holdings or its subsidiaries to perform under various transaction agreements or our failure to have necessary systems and services in place when certain of the transaction agreements expire; our agreements related to the Separation and certain agreements related to our continuing relationship with Sears Holdings were negotiated while we were a subsidiary of Sears Holdings and we may have received better terms from an unaffiliated third party; potential indemnification

liabilities to Sears Holdings pursuant to the separation and distribution agreement; the ability of our principal shareholders to exert substantial influence over us; adverse effects of the Separation on our business; potential liabilities under fraudulent conveyance and transfer laws and legal capital requirements; and other risks, uncertainties and factors discussed in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended January 27, 2017. We intend the forward-looking statements to speak only as of the time made and do not undertake to update or revise them as more information becomes available, except as required by law.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The market risk inherent in our financial instruments represents the potential loss arising from adverse changes in currency rates. A significant portion of our business is transacted in U.S. dollars, and is expected to continue to be transacted in U.S. dollars or U.S. dollar-based currencies. As of April 28, 2017, we had \$25.3 million of cash denominated in foreign currencies, principally in British Pound Sterling, Euros and Yen. We do not enter into financial instruments for trading purposes or hedging and have not used any derivative financial instruments. We do not consider our foreign earnings to be permanently reinvested.

We are subject to interest rate risk with our Term Loan Facility and our ABL Facility, as both require us to pay interest on outstanding borrowings at variable rates. Each one percentage point change in interest rates associated with the Term Loan Facility would result in a \$4.3 million change in our annual cash interest expenses. Assuming our ABL Facility was fully drawn to a principal amount equal to \$175.0 million, each one percentage point change in interest rates would result in a \$1.8 million change in our annual cash interest expense.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### ***Disclosure Controls and Procedures***

Based on their evaluation for the period covered by this Quarterly Report on Form 10-Q, Lands' End's President and Chief Executive Officer and Executive Vice President, Chief Financial Officer, Chief Operating Officer and Treasurer have concluded that, as of April 28, 2017, the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) are effective.

#### ***Changes in Internal Control over Financial Reporting***

During First Quarter 2017, the Company implemented the first phase of a multi-year implementation of a global enterprise resource planning ("ERP") system. The new ERP system was designed to better support our business needs in response to the changing operating environment. The implementation of a worldwide ERP system will likely affect the processes that constitute our internal control over financial reporting and will require testing for effectiveness as the implementation progresses. The Company expects that the new ERP system will enhance the overall system of internal controls over financial reporting through further automation and integration of business processes, although it is not being implemented in response to any identified deficiency in the Company's internal controls over financial reporting.

Other than the ERP implementation, there have been no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15 under the Exchange Act during the first fiscal quarter ended April 28, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

We are involved in various claims, legal proceedings and investigations arising in the ordinary course of business. Some of these actions involve complex factual and legal issues and are subject to uncertainties. At this time, the Company is not able to either predict the outcome of these legal proceedings or reasonably estimate a potential range of loss with respect to the proceedings. While it is not feasible to predict the outcome of pending claims, proceedings and investigations with certainty, management is of the opinion that their ultimate resolution should not have a material adverse effect on our results of operations, cash flows or financial position.

See Part I, Item 1 "Financial Statements - Notes to Condensed Consolidated Financial Statements," Note 9 Commitments and Contingencies - Legal Proceedings for additional information regarding legal proceedings (incorporated herein by reference).

## **ITEM 1A. RISK FACTORS**

There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended January 27, 2017, which was filed with the SEC on March 31, 2017.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During First Quarter 2017 and First Quarter 2016, we did not issue or sell any shares of our common stock or other equity securities pursuant to unregistered transactions in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended.

## **ITEM 6. EXHIBITS**

The following documents are filed as exhibits hereto:

- 3.1 Amended and Restated Certificate of Incorporation of Lands' End, Inc. (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed by Lands' End, Inc. on March 20, 2014 (File No. 001-09769)).
- 3.2 Amended and Restated Bylaws of Lands' End, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on April 8, 2014 (File No. 001-09769)).
- 10.1 Letter from Lands' End, Inc. to Peter L. Gray relating to employment, dated April 21, 2017.
- 10.2 Executive Severance Agreement dated and effective as of April 21, 2017 between Lands' End, Inc. and its affiliates and subsidiaries and Peter L. Gray.
- 10.3 Director Compensation Policy effective as of May 10, 2017.
- 31.1 Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
- 31.2 Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
- 32.1 Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document\*
- 101.SCH XBRL Taxonomy Extension Schema Document\*
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document\*
- 101.DEF XBRL Taxonomy Extension Definition Document\*
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document\*
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document\*

\* In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be "furnished" and not "filed."

## 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.

Lands' End, Inc.  
(Registrant)

By: /s/ James F. Gooch

James F. Gooch

Executive Vice President, Chief Financial Officer, Chief Operating Officer and Treasurer  
(Principal Financial Officer)

Dated: June 6, 2017

April 21, 2017

Peter L. Gray

Dear Peter,

We are pleased to extend to you our offer to join Lands' End, Inc. ("*Lands' End*") as its Executive Vice President & Chief Administrative Officer, reporting directly to the Chief Executive Officer and President, contingent on our mutual execution of this letter agreement and your Executive Severance Agreement (as defined below). You will commence employment on May 8, 2017 and you will assume the additional roles of General Counsel and Corporate Secretary of Lands' End at 12:01 a.m. on May 12, 2017.

The key elements of your compensation package are as follows:

- Annual base salary at a rate of \$500,000.
  - Participation in the Lands' End Annual Incentive Plan with an annual incentive target opportunity of 75% of your Base Salary (your "Target Annual Bonus"). Any annual incentive bonus payable under the Annual Incentive Plan with respect to a fiscal year will be paid by April 15 of the following fiscal year, provided that you are actively employed at the payment date or your employment with Lands' End terminates at or after the end of the given fiscal year (a) by Lands' End without Cause, (b) by you for Good Reason or (c) as a result of your death or Disability. Capitalized terms used in this letter agreement but not otherwise defined will have the meaning set forth in the Executive Severance Agreement. You will be guaranteed a minimum annual incentive bonus under the Annual Incentive Plan for the fiscal year in which the start date occurs of \$187,500.
  - You will receive a one-time cash sign-on bonus of \$100,000 ("*Sign-On Bonus*"). If your employment is terminated by Lands' End for Cause (as defined in the Executive Severance Agreement) or by you without Good Reason (as defined in the Executive Severance Agreement) prior to the second anniversary of your Start Date, within 30 days of your last day worked, you will be required to pay back the pre-tax amount of the Sign-On Bonus paid to you within the 365 days immediately preceding the date your employment is terminated. For the avoidance of doubt, you shall not have to return any such amounts if your employment terminates by lands' End without Cause, by you for Good Reason or as a result of your death or Disability (as defined in the Executive Severance Agreement).
  - On or promptly following your Start Date, you will receive a one-time sign-on grant of restricted stock units ("*Sign-on RSUs*"), valued, as of the grant date at \$500,000, and a one-time sign on grant of stock options ("*Sign-on Stock Options*") valued as of the grant date (per Black-Scholes or a similar methodology) at \$500,000, in each case pursuant to the form of restricted stock unit award agreement and form of stock option award agreement to be approved by the Compensation Committee of the Board of Directors of Lands' End (the "*Committee*"), under the Lands' End, Inc. 2014 Stock Plan (As Amended and Restated) ("*the 2014 Plan*").
  - The Sign-on RSUs and Sign-on Stock Options will be scheduled to vest on a graded basis, with 25% vesting on the first anniversary of the Start Date, 25% vesting on the second anniversary of the Start Date, 25% vesting on the third anniversary of the Start Date, and 25% vesting on the fourth anniversary of the Start Date. You will be eligible to receive at least four (4) business weeks paid vacation, in accordance with Lands' End policy. Added to this you will qualify for (8) national paid holidays each year.
  - You will participate in the Lands' End long-term incentive program ("*LTI*") previously approved by the Committee in fiscal year 2017, with a target incentive opportunity of 100% of your base salary, allocated 50% (\$250,000 target amount) in the form of an award under the Lands' End, Inc. Long-Term Incentive Program (As Amended and Restated) and 50% (\$250,000 grant date value) in the form of restricted stock unit awards under the 2014 Plan issued on your Start Date, determined in each case in the same manner as LTI awards previously granted to other senior executive officers of Lands' End in fiscal year 2017. Your eligibility to participate in future LTI programs of Lands' End will be determined at the same time and in the same manner as other senior executive officers of Lands'
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End; provided, however, that your target award opportunity with respect to any given performance and/or vesting cycle, will not be less than 100% of your annual base salary as in effect on the date of the grant of any such award.

- You will be eligible to participate in all retirement, health and welfare programs of Lands' End on a basis no less than favorable than other senior executives, in accordance with the applicable terms, conditions and availability of those programs. Lands' End shall provide you with indemnification and advancement of expenses to the fullest extent permitted by applicable law and directors' and officers' liability insurance, each at the level provided to senior executives of Lands' End.
- Lands' End will promptly pay or reimburse you for reasonable legal fees and expenses incurred by you in connection with the negotiation and drafting of this offer letter, not to exceed \$15,000 in total.
- All cash amounts referenced in this letter are, unless otherwise expressly stated, subject to applicable income and employment tax withholding as required under applicable law.
- Lands' End and you agree that your workplace location will be at Lands' End principal executive offices in Dodgeville, Wisconsin, subject to such business-related travel as may reasonably be required in order for you to perform your duties to Lands' End. Lands' End will reimburse you for all reasonable expenses incurred by you in the course of performing your duties with Lands' End, to its requirements with respect to reporting and documentation of expenses under its expense reimbursement policy, including all travel, hotel, and other expenses incurred by you in performing your duties. Lands' End will reimburse you for your roundtrip airfare for commuting between your Massachusetts residence and Lands' End headquarters. Airfare is considered a commuting expense and will be taxable. You will be responsible for all other expenses (e.g. car, rent, etc.).

This offer of employment to you by Lands' End is contingent upon you signing an Executive Severance Agreement with Lands' End (" *the Executive Severance Agreement* "). This offer also is contingent upon a satisfactory completion of pre-employment drug test and employment eligibility verification (i.e., Form I-9).

By accepting this offer, you agree to devote all of your professional time and attention to the duties required by your position with Lands' End while employed and to the best interests of Lands' End.

To that end, you represent and warrant to Lands' End that you are: (a) not subject to any obligation, written or oral, containing any non-competition provision or any other restriction (including, without

limitation, any confidentiality provision) that would result in any restriction on your ability to accept and perform this or any other position with Lands' End or any of its affiliates; and (b) you are not, except for the entity set forth on Exhibit A, a member of any board of directors, board of trustees or similar governing body of any for-profit, non-profit, or not-for-profit entity (any such board a "Secondary Board") or (ii) a party to any agreement, written or oral, with any entity under which you would remuneration for your services; provided, however, that subject to written approval by the Board (not to be unreasonably withheld), you will be eligible, to serve as a member of at least one Secondary Board. Finally, you agree that you will not disclose or use, in violation of an obligation of confidentiality, any information that you acquired as a result of any previous employment or otherwise, and represent and affirm that your employment with Lands' End will not violate any restrictive covenants by which you are bound under any agreement with any prior employer or service recipient.

Peter, we are looking forward to you joining Lands' End. We are excited about the important contributions you will make to the company and look forward to your acceptance of our offer. If you have any questions, please let me know.

Sincerely,

/s/ Jerome S. Griffith

Jerome S. Griffith

Chief Executive Officer and President

Lands' End, Inc.

/s/ Peter L. Gray

Peter L. Gray

Exhibit A

Tufts University Hillel Foundation

## EXECUTIVE SEVERANCE AGREEMENT

This Executive Severance Agreement (“*Agreement*”) is made effective as of the 21st day of April, 2017 (the “*Effective Date*”), between Lands’ End, Inc., a Delaware corporation (together with its successors, assigns and Affiliates, the “*Company*”), and Peter L. Gray (“*Executive*”).

WHEREAS, in light of the Company’s size and its visibility as a publicly traded company that reports its results to the public, the Company has attracted the attention of other companies and businesses seeking to obtain for themselves or their customers some of the Company’s business acumen and know-how; ; and

WHEREAS, the Company and Executive have entered into an employment letter agreement dated April 21st, 2017 (the “*Employment Letter*”), pursuant to which the Company has agreed to employ Executive commencing on (May 8th, 2017), (the “*Start Date*”) on the terms and conditions contained in the Employment Letter, which includes Executive entering into this Agreement, and Executive has agreed to accept such employment on such terms and conditions, including those obligations contained in this Agreement; and

WHEREAS, the Company shall, in connection with Executive commencing employment with the Company, share with Executive certain aspects of its business acumen and know-how as well as specific confidential and proprietary information about the products, markets, processes, costs, developments, ideas, and personnel of the Company; and

WHEREAS, the Company shall, in connection with Executive commencing employment with the Company, imbue Executive with certain aspects of the goodwill that the Company has developed with its customers, vendors, representatives and employees; and

WHEREAS, in consideration for Executive commencing employment with the Company and entering into this Agreement, the Company is extending to Executive the opportunity to receive severance benefits under certain circumstances as provided in this Agreement.

NOW, THEREFORE, in consideration of the foregoing, and of the respective covenants and agreements of the parties set forth in this Agreement, the parties hereto agree as follows:

1. Definitions. As used in this Agreement, the following terms have the meanings indicated (but if not otherwise defined herein, capitalized terms as used in this Agreement will have the meanings indicated in the Employment Letter):

a. “*Accrued Accounts*” means (i) unpaid base salary, accrued but unused vacation and expense reimbursements due, which shall be paid promptly after Executive’s Separation from Service, amounts due under any benefit or equity plan, grant or program, paid in accordance with the terms of such plan, grant or program, and any unpaid bonus for any prior completed fiscal year paid when the bonus would otherwise be paid for such prior fiscal year (which, for the avoidance of doubt, shall not be paid in duplication of the same or any similar obligations under any other arrangement) and (iv) to the extent that a Qualifying Termination occurs within the last six calendar months of a given fiscal year, a pro rata bonus that would otherwise be payable under the Company’s Annual Incentive Plan for such fiscal year based on actual results from the fiscal year, multiplied by the ratio of the number of days employed during such fiscal year to the number of days in the year, and paid when bonuses are otherwise paid under the Annual Incentive Plan for such fiscal year (but in no event later than April 15 following the end of such fiscal year).

b. “*Affiliate*” means any subsidiary or other entity that, directly or indirectly through one or more intermediaries, is controlled by Lands’ End, Inc., whether now existing or hereafter formed or acquired. For purposes hereof, “control” means the power to vote or direct the voting of sufficient securities or other interests to elect one-third of the directors or managers or to control the management of such subsidiary or other entity.

c. “*Annual Bonus*” shall mean the average bonus (annualized for any partial fiscal year) paid (if any) to Executive under the Company’s Annual Incentive Plan in the last two consecutive completed fiscal years ending prior to the Date of Termination, provided that, (i) Executive’s Target Annual bonus shall be used for either of the fiscal years beginning in each of January 2017 and 2018 to the extent the Date of Termination occurs prior to the date

that annual bonuses for the applicable fiscal year has been determined (and, if payable, paid) in respect of both years or (ii) if payment under this Agreement is being triggered upon a Change in Control Termination, Annual Bonus shall for this purpose mean the higher of the applicable amount determined under clause (i) of this definition and the Executive's Target Annual Bonus.

d. "Cause" means (i) a material breach by Executive (other than a breach resulting from Executive's incapacity due to a condition that with the passing of time would be a Disability) of Executive's duties and responsibilities which breach is demonstrably willful and deliberate on Executive's part, is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and is not remedied in a reasonable period of time after receipt of written notice from the Board specifying such breach; (ii) the indictment and conviction of, or pleading of guilty or nolo contendere by, Executive to a felony; or (iii) willful misconduct in connection with Executive's employment.

e. "Change in Control" shall have the meanings such term in the Company's 2014 Stock Plan (As Amended and Restated).

f. "Change in Control Termination" means a Qualifying Termination occurring either (i) within 180 calendar days prior to a Change in Control, so long as a definitive agreement pursuant to which transactions contemplated thereunder would result in a Change in Control, has been executed by the Company prior to such Date of Termination or (ii) on or within two (2) years after a Change in Control occurs.

g. "Code" means the Internal Revenue Code of 1986, as amended.

h. "Competitive Business" means any corporation, partnership, association, or other person or entity (including but not limited to Executive) that:

i. is listed on Appendix A or is otherwise included in the Company's annual proxy statement (the "Proxy") as most recently filed prior to the Date of Termination, each of which Executive acknowledges is a Competitive Business, whether or not it falls within the categories in subsection (c)(ii) immediately below; or

ii. engages in any business which, at any time during the most recent eighteen (18) months of Executive's Company Employment and regardless of the business format (including but not limited to a department store, specialty store, discount store, direct marketing, or electronic commerce): (A) consists of marketing, manufacturing or selling apparel and/or home products that are material products of the Company, at a price point similar to that of the Company and which entity has a combined annual revenue in excess of \$250 million that is primarily generated by any combination of the products described above; and (B) the Board of Directors of the Company (the "Board") (or a designated committee thereof) reasonably identifies and adds to Appendix A by written notice to Executive at least ninety (90) days prior to the Date of Termination (provided that the Company's filing of the Proxy with the Securities and Exchange Commission shall constitute valid notice to Executive of any such identification or addition regardless of whether such filing occurs at least ninety (90) days prior to the Date of Termination).

Notwithstanding the foregoing, in no event shall "Competitive Business" include (A) any activity in which Executive proposes to engage, to which the Board provides its written consent to Executive, not to be unreasonably withheld; or (B) services by Executive as an advisor to any private equity firm, so long as Executive is providing strategic investment and management advice (including on an acquisition, but excluding for the avoidance of doubt, advising in respect of any company that would otherwise meet the definition of a Competitive Business already in, or once it becomes a part of, the private equity firm portfolio) in the area of apparel and/or home products generally and is not otherwise sharing Confidential Information or providing advice and/or guidance to any entity listed as a Competitive Business as referenced in subparagraphs i. and ii. above.

i. "Confidential Information" means information related to the Company's business, not generally known in the trade or industry, which Executive learns or creates during the period of Executive's Company Employment, which may include but is not limited to product specifications, manufacturing procedures, methods, equipment, compositions, technology, formulas, know-how, research and development programs, sales methods, customer lists, customer usages and requirements, personnel evaluations and

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compensation data, computer programs and other confidential technical or business information and data that is not otherwise in the public domain.

j. “*Disability*” means disability as defined under the Company’s long-term disability plan (regardless of whether Executive is a participant under such plan), including the completion of any time period required for full coverage under such plan.

k. “*Executive’s Company Employment*” means the time during which Executive is employed by any entity comprised within the definition of “Company,” regardless of any change in the entity actually employing Executive.

l. “*Good Reason*” shall mean, without Executive’s prior written consent, (i) a reduction of more than ten percent (10%) from the highest prior level of either the Executive’s annual rate of base salary or Target Annual Bonus under the Company’s Annual Incentive Plan (and for the avoidance of doubt, any reduction that is equal to or less than such 10% amount may only occur to the extent in connection with a general reduction of annual rate of base salary that applies proportionately to all executive officers); (ii) Executive’s mandatory relocation to an office more than fifty (50) miles from the primary location at which Executive was required to perform Executive’s duties prior to such relocation; (iii) a material diminution in Executive’s duties, responsibilities or authority, or the assignment of duties or responsibilities materially inconsistent with Executive’s position as Executive Vice President, Chief Administrative Officer & General Counsel of the Company; or (iv) any other action or inaction that constitutes a material breach of the terms of the Employment Letter, including the failure of a successor company to assume or fulfill the obligations under the Employment Letter or this Agreement. In each case, Executive must provide Company with written notice of the facts giving rise to a claim that “Good Reason” exists for purposes of this Agreement, within sixty (60) days of the initial existence of such Good Reason event, and Company shall have the right to remedy such event within thirty (30) days after receipt of Executive’s written notice. “Good Reason” shall cease to exist, and may not form the basis for claiming any compensation or benefits under this Agreement, if any of the following occurs:

- i. Executive fails to provide the above-referenced written notice of the Good Reason event within sixty (60) days of its occurrence;
- ii. Company remedies the Good Reason event within the above-referenced thirty (30) day remediation period; or
- iii. Executive fails to resign within fifteen (15) days after the above-referenced thirty (30) day remediation period.

m. “*Qualifying Termination*” means the first to occur of a termination of the Executive’s Company Employment by the Company without Cause or by Executive upon his resignation for Good Reason, in any such case in accordance with the applicable procedural provisions set forth in this Agreement.

n. “*Restricted Period*” means (i) the Salary Continuation Period that corresponds to any Separation from Service described in Section 2(a) below or (ii) twelve (12) months following the Date of Termination that corresponds to any Separation from Service not described in Section 2(a) below. Notwithstanding any provision of this Agreement to the contrary, on and after the first anniversary of a Qualifying Termination, Executive may elect, by written notice to the Company, to (a) forfeit all rights to the payments and benefits otherwise to be provided under Section 2 of this Agreement between and including the date on which Executive commences engaging in activity that would, but for this provision, constitute a breach of Section 8 of this Agreement (such date to be specified in such notice, the “*Forfeiture Date*”) through the end of the Salary Continuation Period and (b) reimburse the Company, in an amount in cash equal to the prorata portion of the value of the portion of the Sign-On Awards (as such term is defined in the Employment Letter) that became vested in accordance with the terms of the applicable Sign-On Award grant agreements as of Executive’s Date of Termination, with such amount equal to the product of (i) the sum of (x) the net after-tax amount on Executive’s Date of Termination of the shares of Company common stock delivered to Executive in settlement of the Sign-on RSUs (as such term is defined in the Employment Letter) that became vested in accordance with the terms of the applicable Sign-On RSU grant agreement as of Executive’s Date of Termination plus (y) the net after-tax amount that Executive would have realized on the Date of Termination in respect of the Sign-On Options assuming that, as of Executive’s Date of Termination, Executive had exercised in full all Sign-On Options (as such term is defined in the Employment Letter) and (ii) a fraction, equal to (x) the number of calendar days remaining between and including the Forfeiture Date through the end of the Salary

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Continuation Period, divided by (y) the number of days in the Salary Continuation Period, and upon such forfeiture and reimbursement, the restrictions imposed on Executive under Section 8 of this Agreement shall cease to apply to Executive as of the Forfeiture Date.

o. “*Salary Continuation*” means the sum of monthly base salary, based on Executive’s highest monthly base salary rate prior to the date Executive’s Company Employment terminates (“*Date of Termination*”) and one-twelfth of Executive’s Annual Bonus payable for a period of twelve (12) months following the Date of Termination (“*Salary Continuation Period*”), provided that, if the event giving rise to payment of Salary Continuation is a Change in Control Termination, such period shall be twenty-four (24) months.

p. “*Section 409A Threshold*” means an amount equal to the sum of the following amounts: (x) two times the lesser of (1) Executive’s base salary for services provided to the Company as an employee for the calendar year preceding the calendar year in which Executive has a Separation from Service; and (2) the maximum amount that may be taken into account under a qualified plan in accordance with Code Section 401(a)(17) for the calendar year in which the Executive has a Separation from Service, and (y) the amount of Executive’s Salary Continuation that does not otherwise provide for a deferral of compensation by application of Treasury Regulation Section 1.409A-1(b)(4). In all events, this amount shall be limited to the amounts specified under Treasury Regulation Sections 1.409A-1(b)(9)(iii)(A) and 1.409A-1(b)(9)(iii)(B) and the amount of any payments of Salary Continuation described in Treasury Regulation Section 1.409A-1(b)(4)(i) or any successors thereto.

q. “*Separation from Service*” means a “separation from service” with the Company within the meaning of Code Section 409A (and regulations issued thereunder). Notwithstanding anything herein to the contrary, the fact that Executive is treated as having incurred a Separation from Service under Code Section 409A and the terms of this Agreement shall not be determinative, or in any way affect the analysis, of whether Executive has retired, terminated employment, separated from service, incurred a severance from employment or become entitled to a distribution, under the terms of any qualified retirement plan (including pension plans and 401(k) savings plans) maintained by the Company.

r. “*Specified Employee*” means a “specified employee” under Code Section 409A (and regulations issued thereunder).

s. “*Trade Secret*” means information, including a formula, pattern, compilation, program, device, method, technique or process, that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and that is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.

## 2. Severance.

a. Upon the occurrence of a Qualifying Termination, Executive shall be entitled to the following:

i. Salary Continuation during the Salary Continuation Period.

ii. Continuation of health, dental and vision coverage for Executive, his spouse and his dependents, as applicable, at the applicable active employee rate (which shall be withheld, as applicable, from payments of Executive’s Salary Continuation) until the end of the pay period that includes the last day of the Salary Continuation Period, on the same terms as they were provided immediately prior to the Date of Termination (the “*Continuation Benefits*”). Any such coverage provided during the Salary Continuation Period shall not run concurrently with the applicable continuation period in accordance with the provisions of the Consolidated Omnibus Budget Reconciliation Act (“*COBRA*”). If Executive becomes eligible to participate in another medical or dental benefit plan or arrangement through another employer during such period, the Company shall no longer pay for continuation coverage benefits and Executive shall be required to pay the full COBRA premium. Executive is required to notify the Company within thirty (30) days of obtaining other medical or dental benefits coverage. Any coverage provided under this Section 2(a)(ii) shall be subject to such amendments (including termination) of the coverage available to active participants as the Company shall make from time to time at its sole discretion, including but not limited to changes in covered expenses, employee contributions for premiums, and co-payment obligations, and shall be, to the fullest extent permitted by law, secondary to any other coverage Executive may obtain from subsequent employment. If the Company’s health plans are self-funded within the meaning of Code Section 105(h), the

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premiums paid by the Company for coverage shall be treated as taxable income to Executive.

iii. Reasonable outplacement services considering Executive's position, mutually agreed upon by the Company and Executive from those vendors used by Company as of the Date of Termination, for a period of up to twelve (12) months or until subsequent employment is obtained, whichever occurs first.

iv. Accrued Amounts.

a. Executive shall not be entitled to continuation of compensation or benefits if Executive's employment terminates for any other reason, including due to death or Disability, except as may be provided under any other agreement or benefit plan applicable to Executive at the time of the termination of Executive's employment and except for Accrued Benefits (provided that upon a resignation without Good Reason or Termination for Cause, the pro rata annual bonus otherwise payable in respect of the year in which the Date of Termination occurs shall not be paid). Executive shall also not be entitled to Salary Continuation, the Continuation Benefits nor the outplacement services pursuant to clause iii. above, after Executive materially violates the terms of this Agreement, including the material requirements under Section 8, unless such violation is effectively curable and Executive cures such violation within ten (10) business days after written notice of such violation by the Company. Except as provided in this Section 2, all other compensation and benefits shall terminate as of the Date of Termination.

b. Subject to subsection (c), Company shall pay Executive's Salary Continuation due under Section 2(a)(i) in substantially equal installments on each regular salary payroll date for the Salary Continuation Period, except as otherwise provided in this Agreement. Salary Continuation payments shall be subject to withholdings for federal and state income taxes, FICA, Medicare and other legally required or authorized deductions. For the avoidance of doubt, Executive shall not be obligated to seek affirmatively or accept an employment, contractor, consulting or other arrangement to mitigate Salary Continuation and any other amounts received for such activities shall not reduce the amounts due hereunder. Further, to the extent Executive does not execute and timely submit the General Release and Waiver (in accordance with Section 7) by the deadline specified therein, or revokes such General Release and Waiver, Salary Continuation payments Continuation Benefits shall terminate and forever lapse, and Executive shall be required immediately to reimburse the Company for any portion of the Salary Continuation and health benefits premiums paid during the Salary Continuation Period. For clarity, the Salary Continuation and Continuation Benefits shall, subject to paragraph c below, start immediately upon the Date of Termination and not be delayed until such General Release and Waiver is executed and not revoked. To the extent such Salary Continuation was paid in a calendar year prior to the calendar year in which such reimbursement is received by the Company, the reimbursement shall be in the gross amount of such Salary Continuation on a pre-tax-withholding basis. To the extent such Salary Continuation was paid in the same calendar year as the reimbursement is received by the Company, the reimbursement shall be in the net amount of such Salary Continuation on an after-tax-withholding basis. In the event such reimbursement is required with respect to Salary Continuation payments that are reported on a Form W-2 for Executive, Executive shall be solely responsible for claiming any related tax deduction, and the Company shall not be required to issue a corrected Form W-2 except as required by law.

c. If at the time of Separation from Service, the Executive is a Specified Employee, payment of any nonqualified deferred compensation due during such six (6) month period shall be deferred until the earlier of six (6) months and one (1) day after the Executive's Separation from Service or the Executive's death and then paid in a lump sum; provided that, if the Executive's Separation from Service qualifies under Code 409A for the application of the Section 409A Threshold, such Section 409A Threshold shall be applied, after application of any short term deferral period that applies to payments, such that full payment of the nonqualified deferred compensation shall be made until the Section 409A Threshold is reached and then any remaining payments during such six (6) months period shall be deferred until the end of the period or Executive's earlier death.

d. If the Termination is a Change in Control Termination and occurs prior to the Change in Control, any increased Annual Bonus amount that becomes due as a result of the Change in Control from the period prior to the Change in Control shall be paid in a lump sum upon the Change in Control, but if, and only if, the Change in Control is covered by Treasury Reg. 1-409A-3(i)(v).

e. If any of the payments or benefits received or to be received by Executive (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) constitute "parachute payments" within the meaning of Section 280G of the Code and would, but for this paragraph, be subject to the excise tax imposed

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under Section 4999 of the Code (the “*Excise Tax*”), then such payments shall be reduced by the minimum possible amounts until no amount payable to Executive will be subject to the Excise Tax; *provided, however*, that no such reduction shall be made if the net after-tax payment (after taking into account federal, state, local or other income, employment and excise taxes) to which Executive would otherwise be entitled without such reduction would be greater than the net after-tax payment (after taking into account federal, state, local or other income, employment and excise taxes) to Executive resulting from the receipt of such payments with such reduction. In applying any such reduction, the Executive shall be entitled to elect the order of reduction to the extent such right would not be a violation of Code Sections 280G, 409A or 4999. If it is a violation or the Executive does not elect, to the extent any such payments may be subject to Code Section 409A, the reduction shall be applied to in the following order (i) any payments of Salary Continuation starting with the last payment due, (ii) vesting of compensatory awards of shares (or in the absence of shares, restricted stock units) to the extent Treas. Reg 1.280G-Q and A24(c) does not apply in reverse order, (iii) vesting of compensatory awards of shares (or in the absence of shares, restricted stock units) to the extent such Section does not apply in reverse order, (iv) compensatory stock options on the sum basis and sum order as (n) and (m) and then (v) any remaining payments on a pro rata basis in proportion to the amount of such payments that are considered “contingent on a change in ownership or control” within the meaning of Section 280G of the Code. All calculations and determinations under this subsection (e) shall be made by an independent accounting firm or independent tax counsel appointed by the Company whose determinations shall be conclusive and binding on the Company and the Executive for all purposes and who (x) shall provide an opinion to the Company (in respect of which the Company shall use its reasonable best efforts to also require such firm or counsel to provide an opinion to Executive) that can be relied on for filing tax returns and (y) shall provide copies of all such calculations, as well as a copy of a formal valuation of any non-competition provision that impacts the foregoing calculations. All fees and expenses of the accounting firm or tax counsel shall be borne solely by the Company and shall be paid by the Company.

3. Confidentiality. Subject to Section 11(b) below, in addition to all duties of loyalty imposed on Executive by law or otherwise, during the term of Executive’s Company Employment and for two years following the termination of such employment for any reason, other than in the reasonable and good faith performance of his duties to the Company, Executive shall maintain Confidential Information in confidence and secrecy and shall not disclose Confidential Information or use it for the benefit of any person or organization (including Executive) other than the Company without the prior written consent of an authorized officer of the Company (except for disclosures to persons acting on the Company’s behalf with a need to know such information). Nothing set forth in this Agreement shall prohibit Executive from reporting possible violations of federal or state law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal or state law or regulation. Executive shall not be required to receive prior authorization from the Company, in order to make any such reports or disclosures, or to notify the Company that he has made such reports or.

4. Non-Disclosure of Trade Secrets. Subject to Section 11(b) below, during Executive’s Company Employment, except in the reasonable and good faith performance of his duties to the Company, Executive shall preserve and protect Trade Secrets of the Company from unauthorized use or disclosure; and after termination of such employment, Executive shall not use or disclose any Trade Secret of the Company for so long as that Trade Secret remains a Trade Secret.

5. Third-Party Confidentiality. Executive shall not disclose to the Company, use on its behalf, or otherwise induce the Company to use any secret or confidential information belonging to persons or entities not affiliated with the Company, which may include a former employer of Executive, if Executive then has an obligation or duty to any person or entity (other than the Company) to not disclose such information to other persons or entities, including the Company. Executive acknowledges that the Company has disclosed that the Company is now, and may be in the future, subject to duties to third parties to maintain information in confidence and secrecy. By executing this Agreement, Executive consents to be bound by any such duty owed by the Company to any third party of which he is informed.

6. Work Product. Executive acknowledges that all ideas, inventions, innovations, improvements, developments, methods, designs, analyses, reports, databases, and any other similar or related information (whether patentable or not) which relate to the actual or anticipated business, research and development, or existing or known future products or services of the Company which are or were conceived, developed or created by Executive (alone or jointly with others) during Executive’s Company Employment (the “*Work Product*”) is and shall remain the exclusive property of the Company. Executive acknowledges and agrees that all copyrightable Work Product was created in Executive’s capacity as an employee of Lands’ End and within the scope of Executive’s Company Employment, and

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thus constitutes a “work made for hire” under the Copyright Act of 1976, as amended. Executive hereby assigns to the Company all right, title and interest in and to all Work Product, and agrees to perform all actions reasonably requested by the Company to establish, confirm or protect the Company’s ownership thereof (including, without limitation, executing assignments, powers of attorney and other instruments).

7. General Release and Waiver. Upon or following Executive’s Date of Termination potentially entitling Executive to Salary Continuation and other benefits under Section 2 above, Executive will execute a binding general release and waiver of claims in a form substantially similar to the attached Appendix B. If the General Release and Waiver is not signed within the time it requires or is signed but subsequently revoked, Executive will not continue to receive any Salary Continuation otherwise payable, and shall reimburse any Salary Continuation previously paid.

8. Noncompetition. During Executive’s Company Employment and thereafter for the applicable Restricted Period, Executive shall not, directly or indirectly, participate in, consult with, be employed by, or assist with the organization, planning, financing, management, operation or control of any Competitive Business, provided the foregoing shall not limit Executive from being involved in the noncompetitive portion of a Competitive Business.

9. Nonsolicitation. During Executive’s Company Employment and for eighteen (18) months following the termination of such employment for any reason, Executive shall not, directly or indirectly, either by himself or by providing substantial assistance to others (i) solicit any employee of the Company to terminate employment with the Company, or (ii) employ or seek to employ, or cause or assist any other person, company, entity or business to employ or seek to employ, any individual who was both an employee of the Company as of Executive’s Date of Termination and has been an employee of the Company in the six (6) months prior to the event. The foregoing shall not be violated by general advertising not targeted at employees of the Company or serving as a reference upon request to an entity with which Executive is not associated.

10. Future Employment. During Executive’s Company Employment and thereafter for the applicable Restricted Period, before accepting any employment with any Competitive Business (whether or not Executive believes such employment is prohibited by Section 8), Executive shall disclose to the Company the identity of any such Competitive Business and a complete description of the duties involved in such prospective employment, including a full description of any business, territory or market segment to which Executive will be assigned. Further, during Executive’s Company Employment and for eighteen (18) months following the termination of such employment for any reason, Executive agrees that, before accepting any future employment, Executive will provide a copy of this Agreement to any prospective employer of Executive, and Executive hereby authorizes the Company to do likewise, whether before or after the outset of the future employment.

11. Nondisparagement; Cooperation.

a. During Executive’s Company Employment and for two (2) years following the termination of such employment for any reason, Executive (i) will not criticize or disparage the Company or its directors, officers, employees or products, and (ii) will reasonably cooperate with the Company in all investigations, potential litigation or litigation in which the Company is involved or may become involved with respect to matters that relate to Executive’s Company Employment (other than any such investigations, potential litigation or litigation between Company and Executive); *provided, that*, with regard to Executive’s duties under clause (ii), Executive shall be reimbursed for reasonable travel and out-of-pocket expenses related thereto, but shall otherwise not be entitled to any additional compensation. During Executive’s Company employment and for two (2) years following the termination of such employment, the Company’s executive officers and its directors shall not, directly or indirectly, except the directors and/or executive officers amongst themselves while Executive is employed in their reasonable and good faith performance of their duties to the Company, criticize or disparage Executive.

b. Notwithstanding the foregoing, nothing in this Section 11 or any other provision of this Agreement shall prevent Executive or the officers and directors from (i) making any truthful statement to the extent, but only to the extent (A) necessary with respect to any litigation, arbitration or mediation involving this Agreement or the Employment Letter, including, but not limited to, the enforcement of this Agreement or the Employment Letter, in the forum in which such litigation, arbitration or mediation properly takes place or (B) required by law, legal process or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with apparent jurisdiction,

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(ii) making normal competitive statements any time after the expiration of the applicable Restricted Period, (iii) rebut false or misleading statements made by others and/or (iv) making any statements in the reasonable and good faith performance of duties to the Company while Executive is employed by the Company.

12. Indemnification. After termination, the Company shall continue to maintain a directors and officers liability insurance policy covering Executive to the extent the Company provides such coverage for its executive officers and directors and shall continue to cover Executive under any indemnification agreement, by-laws or other existing indemnification rights while liability continues to exist after the Date of Termination.

13. Notices. All notices, request, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given (or received, as applicable) upon the calendar date when delivered by hand or when mailed by United States certified or registered mail with postage prepaid addressed as follows:

a. If to Executive, to such person or address which Executive has furnished to the Company in writing pursuant to the above.

b. If to the Company, to the attention of the Company's Chief Executive Officer at the address set forth on the signature page of this Agreement or to such other person or address as the Company shall furnish to Executive in writing pursuant to the above.

14. Enforceability. Executive recognizes that irreparable injury may result to the Company, its business and property, and the potential value thereof in the event of a sale or other transfer, if Executive breaches any of the restrictions imposed on Executive by this Agreement, and Executive agrees that if Executive shall engage in any act in violation of such provisions, then the Company shall be entitled, in addition to such other remedies and damages as may be available, to an injunction prohibiting Executive from engaging in any such act.

15. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon and enforceable by Lands' End, Inc., its successors, pending assigns and Affiliates, all of which (other than Lands' End, Inc.) are intended third-party beneficiaries of this Agreement. Executive hereby consents to the assignment of this Agreement to any person or entity, which is a successor to all or substantially all of the Lands' End business provided such entity assumes the obligation hereunder in writing.

16. Validity. Any invalidity or unenforceability of any provision of this Agreement is not intended to affect the validity or enforceability of any other provision of this Agreement, which the parties intend to be severable and divisible, and to remain in full force and effect to the greatest extent permissible under applicable law.

17. Choice of Law; Jurisdiction. Except to the extent superseded or preempted by federal U.S. law, the rights and obligations of the parties and the terms of this Agreement shall be governed by and construed in accordance with the domestic laws of the State of Wisconsin, but without regard to the State of Wisconsin's conflict of laws rules. The parties further agree that the state and federal courts in Madison, Wisconsin, shall have exclusive jurisdiction over any claim which in any way arises out of Executive's employment with the Company, including but not limited to any claim seeking to enforce the provisions of this Agreement.

18. Section 409A Compliance. To the extent that a payment or benefit under this Agreement is subject to Code Section 409A, it is intended that this Agreement as applied to that payment or benefit comply with or be exempt from the requirements of Code Section 409A, and the Agreement shall be administered and interpreted consistent with this intent. Notwithstanding any provision of this Agreement to the contrary, for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment that are considered deferred compensation under Section 409A, references to Executive's "termination of employment" (and corollary terms) with the Company shall be construed to refer to Executive's "separation from service" (within the meaning of Treas. Reg. Section 1.409A-1(h)) with the Company. Whenever payments under this Agreement are to be made in installments, each such installment shall be deemed to be a separate payment for purposes of Section 409A. With respect to any reimbursement or in-kind benefit arrangements of the Company that constitute deferred compensation for purposes of Section 409A, except as otherwise permitted by Section 409A, the following conditions shall be applicable: (i) the amount eligible for reimbursement, or in-kind benefits provided, under any such arrangement in one calendar year may not affect the amount eligible for reimbursement, or in-kind benefits to be provided, under such arrangement in any other calendar year, (ii) any reimbursement must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, and (iii) the right to

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reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

19. Effectiveness. The parties to this Agreement each acknowledge and agree that Executive's employment shall not commence, and Executive shall not be subject to or eligible for payments and benefits under this Agreement, in each case until Executive commences Executive's Company Employment on the Start Date. Notwithstanding the foregoing, in the event that, after the Effective Date but prior to the Start Date, (a) the Company terminates the Employment Letter and this Agreement and rescinds the offer to Executive to commence employment with the Company on the Start Date (under circumstances other than those which, if Executive were employed with the Company at such time, would constitute Cause), then Executive shall be entitled to receive the Salary Continuation in accordance with the terms of Section 2.a.i. above, with the Salary Continuation Period to commence on the next regularly scheduled payroll date occurring after the Company has provided written notice to Executive of its termination of the Employment Letter and this Agreement, or (b) Executive terminates the Employment Letter and this Agreement, Executive shall first be required to provide sixty (60) days advance written notice to the Company of such termination, in which case Executive acknowledges and agrees that Executive, for good and valuable consideration, shall be bound by the restrictive covenants set forth in Sections 3 through 9 of this Agreement, as if Executive had resigned without Good Reason on the date of such written notice.

20. Miscellaneous. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. This Agreement may be modified only by a written agreement signed by Executive and a duly authorized officer or director of the Company.

[END OF DOCUMENT. SIGNATURES ON NEXT PAGE.]

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IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

EXECUTIVE

/s/ Peter L. Gray  
Peter L. Gray

LANDS' END, INC.

By: /s/ Jerome S. Griffith  
Name: Jerome S. Griffith  
Its: Chief Executive Officer & President

5 Lands' End Lane  
Dodgeville, WI 53595

*[Signature Page to Peter L. Gray Executive Severance Agreement]*

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## Appendix A

Amazon.com  
Ann Taylor  
Ascena Retail Group, Inc. Bonobos  
Brooks Brothers  
Chico's  
Eddie Bauer  
The Gap Company  
J. C. Penney Company Inc. J. Crew  
Jos. A. Bank Kate Spade Kohl's  
L Brands L.L. Bean Next Retail  
Polo Ralph Lauren  
Talbots  
Target  
Tommy Hilfiger  
Vineyard Vines

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## Appendix B

**NOTICE: YOU MAY CONSIDER THIS GENERAL RELEASE AND WAIVER FOR UP TO TWENTY-ONE (21) DAYS. YOU MAY NOT SIGN IT UNTIL ON OR AFTER YOUR LAST DAY OF WORK. IF YOU DECIDE TO SIGN IT, YOU MUST DELIVER A SIGNED COPY TO LANDS' END, INC. BY NO LATER THAN THE TWENTY- SECOND (22ND ) DAY AFTER YOUR LAST DAY OF WORK TO THE GENERAL COUNSEL, LANDS' END, INC., 5 LANDS' END LANE, DODGEVILLE, WISCONSIN 53595. YOU MAY REVOKE THE GENERAL RELEASE AND WAIVER WITHIN SEVEN (7) DAYS AFTER SIGNING. ANY REVOCATION WITHIN THIS PERIOD MUST BE IMMEDIATELY SUBMITTED IN WRITING TO THE GENERAL COUNSEL AT THE ADDRESS SET FORTH ABOVE. YOU MAY WISH TO CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS DOCUMENT.**

### GENERAL RELEASE AND WAIVER

In consideration of the severance benefits that are described in the attached Executive Severance Agreement that I previously entered into with Lands' End, Inc., dated as of April 21st, 2017, I, for myself, my heirs, administrators, representatives, executors, successors and assigns, do hereby release Lands' End, Inc., its current and former agents, subsidiaries, affiliates, related organizations, employees, officers, directors, shareholders, attorneys, successors, and assigns (collectively, "Lands' End") from any and all claims of any kind whatsoever, whether known or unknown, arising out of, or connected with, my employment with Lands' End and the termination of my employment. Without limiting the general application of the foregoing, this General Release & Waiver releases, to the fullest extent permitted under law, all contract, tort, defamation, and personal injury claims; all claims based on any legal restriction upon Lands' End's right to terminate my employment at will; Title VII of the Civil Rights Act of 1964, 42 U.S.C. §§ 2000e et seq.; the Age Discrimination in Employment Act, 29 U.S.C. §§ 621 et seq.; the Americans with Disabilities Act, 42 U.S.C. §§ 12101 et seq.; the Rehabilitation Act of 1973, 29 U.S.C. §§ 701 et seq.; the Employee Retirement Income Security Act of 1974, 29 U.S.C. §§ 1001 et seq. ("ERISA"); 29 U.S.C. § 1985; the Civil Rights Reconstruction Era Acts, 42 U.S.C. §§ 1981-1988; the National Labor Relations Act, 29 U.S.C. §§ 151 et seq.; the Family & Medical Leave Act, 29 U.S.C. §§ 2601 et seq.; the Immigration & Nationality Act, 8 U.S.C. §§ 1101 et seq.; Executive Order 11246 and all regulations thereunder; the Wisconsin Fair Employment Act, Wis. Stat. §§ 111.31-111.395; the Wisconsin Family & Medical Leave Act, Wis. Stat. § 103.10; the Wisconsin Worker's Compensation Act, Wis. Stat. Ch. 102; and any and all other state, federal or local laws of any kind, whether administrative, regulatory, statutory or decisional.

This General Release & Waiver does not apply to any claims that may arise after the date I sign this General Release & Waiver. Also excluded from this General Release & Waiver are any claims that cannot be waived by law, including but not limited to (1) my right to file a charge with or participate in an investigation conducted by the Equal Employment Opportunity Commission and (2) my rights or claims to benefits accrued under benefit plans maintained by Lands' End and governed by ERISA. I do, however, waive any right to any monetary or other relief flowing from any agency or third-party claims or charges, including any charge I might file with any federal, state or local agency. I warrant and represent that I have not filed any complaint, charge, or lawsuit against Lands' End with any governmental agency or with any court. The release does not cover any rights to indemnification or rights to directors and officers liability insurance coverage

I also waive any right to become, and promise not to consent to become a participant, member, or named representative of any class in any case in which claims are asserted against Lands' End that are related in any way to my employment or termination of employment at Lands' End, and that involve events that have occurred as of the date I sign this General Release and Waiver. If I, without my consent, am made a member of a class in any proceeding, I will opt out of the class at the first opportunity afforded to me after learning of my inclusion. In this regard, I agree that I will execute, without objection or delay, an "opt-out" form presented to me either by the court in which such proceeding is pending, by class counsel or by counsel for Lands' End.

I have read this General Release and Waiver and understand all of its terms. I have signed it voluntarily with full knowledge of its legal significance.

I have had the opportunity to seek, and I have been advised in writing of my right to seek, legal counsel prior to signing this General Release & Waiver.

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I was given at least twenty-one (21) days to consider signing this General Release & Waiver. I agree that any modification of this General Release & Waiver Agreement will not restart the twenty-one (21) day consideration period.

I understand that if I sign the General Release & Waiver, I can change my mind and revoke it within seven (7) days after signing it by notifying the General Counsel of Lands' End in writing at Lands' End, Inc., 5 Lands' End Lane, Dodgeville, Wisconsin 53595. I understand the General Release & Waiver will not be effective until after the seven (7) day revocation period has expired.

I understand that the delivery of the consideration herein stated does not constitute an admission of liability by Lands' End and that Lands' End expressly denies any wrongdoing or liability.

Date: **SAMPLE ONLY- DO NOT DATE** Signed by: **SAMPLE ONLY- DO NOT SIGN**  
Witness by: **SAMPLE ONLY- DO NOT SIGN**

**Lands' End, Inc.**  
**Director Compensation Policy**

This sets forth the Director Compensation Policy (the “Policy”) of Lands' End, Inc. (the “Company”), as adopted by the Board of Directors of the Company (the “Board”), which shall remain in effect until amended, replaced or rescinded by further action of the Board. The cash compensation described in this Policy shall be paid or be made, as applicable, automatically and without further action of the Board, to each non-employee director. Members of the Board shall not be entitled to receive any compensation for service on the Board other than as described in the Policy.

**1. Compensation**

*Payment Amount.* Each non-employee director elected to serve as a member of the Board at the Company's Annual Stockholders' Meeting each year shall be eligible to receive an “annual” retainer of \$100,000, paid in cash, for service on the Board. For purposes of this policy, “annual” means from Annual Stockholders' Meeting to Annual Stockholders' Meeting each year. In addition, (1) a non-employee director serving as Chairman of the Board shall be eligible to receive an additional annual retainer of \$30,000, (2) a non-employee director serving as Chairman of the Audit Committee shall be eligible to receive an additional annual retainer of \$20,000, (3) a non-employee director serving as Chairman of the Compensation Committee shall be eligible to receive an additional annual retainer of \$15,000, (4) a non-employee director serving as Chairman of each other standing committee of the Board shall be eligible to receive an additional annual retainer of \$10,000, (5) a non-employee director serving as a member of the Audit Committee (other than the Chairman of the Audit Committee) shall be eligible to receive an additional annual retainer of \$12,500, (6) a non-employee director serving as a member of the Compensation Committee (other than the Chairman of the Compensation Committee) shall be eligible to receive an additional annual retainer of \$10,000, and (7) a non-employee director serving as a member of each other standing committee of the Board (other than the Chairman of the applicable committee) shall be eligible to receive an additional annual retainer of \$7,500; in each case, paid in cash, for such service.

*Payment Schedule and Vesting.* The annual retainers for service on the Board and as chairman of committees of the Board as set forth above shall be paid by the Company in four equal quarterly installments, the first installment being paid on the date of the three month anniversary of the Annual Stockholders' Meeting and the remaining installments being paid on each successive three month anniversary date (each such payment date, a “Quarterly Payment Date”); provided, however, that if the Company's Annual Stockholders' Meeting for the following year occurs prior to the end of the one year period, the final Quarterly Payment Date shall be paid on the day of such Annual Stockholders' Meeting. If any non-employee director holds office as a director of the Board for less than a full annual period, such non-employee director shall only be entitled to the portion of the annual retainer payable through the Quarterly Payment Date following the date on which the non-employee director shall have ceased to serve on the Board.

*Annual Election to Receive Retainer in the Form of Common Stock.* A non-employee director may elect annually in advance to receive the retainer that would otherwise be payable in cash, either in whole or in part, in the form of shares of common stock of the Company issued under the Lands' End, Inc. 2014 Stock Plan, as amended, the Lands' End, Inc. 2017 Stock Plan, as amended, or a successor equity plan, in which case he or she shall receive, at the time the cash retainer payment would have been payable, shares having an equivalent fair market value on the applicable Quarterly Payment Date, determined using the NASDAQ regular market hours closing price of the Company's common stock on such Quarterly Payment Date (rounded to the nearest whole share). Such election shall be effective for the annual period commencing on the date of the next Annual Stockholders' Meeting following the election.

*New Directors.* In the event a new non-employee director is elected or appointed to the Board, such non-employee director shall be eligible to receive as compensation for service as a member of the Board or as Chairman of the Audit Committee, a pro-rated amount of their applicable annual retainer as measured from the date of appointment or election through the next scheduled Quarterly Payment Date and thereafter shall be paid in conformity with the other non-employee directors.

**2. Health Care Programs**

Upon the approval of the Nominating and Corporate Governance Committee on a case-by-case basis, a non-employee director may participate in health care programs of the Company on a basis no less favorable than senior executives of the Company.

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### **3. Merchandise Discounts and Annual Allowance**

All non-employee directors are eligible to purchase Lands' End merchandise and services at a discount, subject to the terms of the Lands' End Employee Merchandise Discounts Policy. All non-employee directors also shall receive an annual allowance of \$2,750 to purchase Lands' End merchandise and services.

### **4. Expense Reimbursement**

All directors, including, for the avoidance of doubt, directors who are employees of the Company, will be reimbursed for all reasonable out-of-pocket expenses incurred by such directors in connection with their participation in meetings of the Board (and committees thereof) and the boards of directors (and committees thereof) of the subsidiaries of the Company. The Company shall make reimbursement to directors within a reasonable amount of time following submission by the directors of reasonable written substantiation for the expenses.

*Revised Effective as of May 10, 2017*

## CERTIFICATIONS

I, Jerome S. Griffith, certify that:

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

June 6, 2017

/s/ Jerome S. Griffith

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Jerome S. Griffith

President and Chief Executive Officer  
(Principal Executive Officer)

Lands' End, Inc.

## CERTIFICATIONS

I, James F. Gooch, certify that:

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

June 6, 2017

/s/ James F. Gooch

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James F. Gooch

Executive Vice President, Chief Operating Officer, Chief Financial Officer and  
Treasurer  
(Principal Financial Officer)

Lands' End, Inc.

**CERTIFICATION****Pursuant to 18 U.S.C. 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002**

Each of the undersigned, Jerome S. Griffith, President and Chief Executive Officer of Lands' End, Inc. (the "Company") and James F. Gooch, Executive Vice President, Chief Operating Officer, Chief Financial Officer and Treasurer of the Company, has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended April 28, 2017 (the "Report").

Each of the undersigned hereby certifies that:

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

June 6, 2017

/s/ Jerome S. Griffith

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Jerome S. Griffith

President and Chief Executive Officer  
(Principal Executive Officer)

June 6, 2017

/s/ James F. Gooch

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James F. Gooch

Executive Vice President, Chief Operating Officer,  
Chief Financial Officer and Treasurer  
(Principal Financial Officer)