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

FORM 10-Q

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

For the quarterly period ended May 2, 2021

OR

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

For the transition period from _______ to _______

Commission File Number 001-37641

DULUTH HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Wisconsin **(State or other jurisdiction of incorporation or organization)**	**39-1564801** **(I.R.S. Employer Identification Number)**
201 East Front Street **Mount Horeb, Wisconsin** **(Address of principal executive offices)**	**53572** **(Zip Code)**

(608) 424-1544
(Registrant’s telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class B Common Stock, No Par Value	DLTH	NASDAQ Global Select Market

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 o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No o

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 the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	o	Accelerated Filer	☑
Non-accelerated Filer	o	Smaller Reporting Company	☑
		Emerging Growth Company	o

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. o

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

The number of shares outstanding of the Registrant’s Class A common stock, no par value, as of June 2, 2021, was 3,364,200.
The number of shares outstanding of the Registrant’s Class B common stock, no par value, as of June 2, 2021, was 29,658,718.

DULUTH HOLDINGS INC.
QUARTERLY REPORT ON FORM 10-Q
FOR QUARTER ENDED May 2, 2021
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

DULUTH HOLDINGS INC.
Condensed Consolidated Balance Sheets - Assets
(Unaudited)
(Amounts in thousands)

	May 2, 2021	January 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 26,054	$ 47,221
Receivables	2,558	2,820
Inventory, less reserves of $1,834 and $1,600, respectively	144,185	149,052
Prepaid expenses & other current assets	10,980	10,203
Prepaid catalog costs	802	1,014
Total current assets	184,579	210,310
Property and equipment, net	119,783	124,237
Operating lease right-of-use assets	115,060	117,490
Finance lease right-of-use assets, net	52,329	53,468
Available-for-sale security	6,346	6,111
Other assets, net	4,067	3,961
Total assets	$ 482,164	$ 515,577

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

DULUTH HOLDINGS INC.
Condensed Consolidated Balance Sheets – Liabilities and Shareholders' Equity
(Unaudited)
(Amounts in thousands)

	May 2, 2021	January 31, 2021
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 40,091	$ 33,647
Accrued expenses and other current liabilities	30,903	37,686
Income taxes payable	7,683	7,579
Current portion of operating lease liabilities	11,189	11,050
Current portion of finance lease liabilities	2,578	2,629
Current portion of Duluth long-term debt	17,626	2,500
Current maturities of TRI long-term debt	640	623
Total current liabilities	110,710	95,714
Operating lease liabilities, less current maturities	101,876	104,287
Finance lease liabilities, less current maturities	42,304	43,299
Duluth long-term debt, less current maturities	—	45,750
TRI long-term debt, less current maturities	27,079	27,229
Deferred tax liabilities	8,252	8,200
Total liabilities	290,221	324,479
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 10,000 shares authorized; no shares issued or outstanding as of May 2, 2021 and January 31, 2021	—	—
Common stock (Class A), no par value; 10,000 shares authorized; 3,364 shares issued and outstanding as of May 2, 2021 and January 31, 2021	—	—
Common stock (Class B), no par value; 200,000 shares authorized; 29,631 shares issued and 29,553 shares outstanding as of May 2, 2021 and 29,530 shares issued and 29,477 shares outstanding as of January 31, 2021	—	—
Treasury stock, at cost; 78 and 53 shares as of May 2, 2021 and January 31, 2021, respectively	(986)	(628)
Capital stock	93,378	92,875
Retained earnings	101,710	101,166
Accumulated other comprehensive income	250	48
Total shareholders' equity of Duluth Holdings Inc.	194,352	193,461
Noncontrolling interest	(2,409)	(2,363)
Total shareholders' equity	191,943	191,098
Total liabilities and shareholders' equity	$ 482,164	$ 515,577

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

DULUTH HOLDINGS INC.
Condensed Consolidated Statements of Operations
(Unaudited)
(Amounts in thousands, except per share figures)

	Three Months Ended	
	May 2, 2021	May 3, 2020
Net sales	$ 133,419	$ 109,917
Cost of goods sold (excluding depreciation and amortization)	66,876	57,585
Gross profit	66,543	52,332
Selling, general and administrative expenses	64,648	71,306
Operating income (loss)	1,895	(18,974)
Interest expense	1,308	1,350
Other income, net	16	59
Income (loss) before income taxes	603	(20,265)
Income tax expense (benefit)	105	(5,086)
Net income (loss)	498	(15,179)
Less: Net loss attributable to noncontrolling interest	(46)	(44)
Net income (loss) attributable to controlling interest	$ 544	$ (15,135)
Basic earnings (loss) per share (Class A and Class B):		
Weighted average shares of common stock outstanding	32,540	32,372
Net income (loss) per share attributable to controlling interest	$ 0.02	$ (0.47)
Diluted earnings (loss) per share (Class A and Class B):		
Weighted average shares and equivalents outstanding	32,720	32,372
Net income (loss) per share attributable to controlling interest	$ 0.02	$ (0.47)

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

DULUTH HOLDINGS INC.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(Amounts in thousands)

	Three Months Ended	
	May 2, 2021	May 3, 2020
Net income (loss)	$ 498	$ (15,179)
Other comprehensive income		
Securities available-for sale:		
Unrealized security income (loss) arising during the period	270	(700)
Income tax expense (benefit)	68	(182)
Other comprehensive income (loss)	202	(518)
Comprehensive income (loss)	700	(15,697)
Comprehensive income (loss) attributable to noncontrolling interest	(46)	(44)
Comprehensive income (loss) attributable to controlling interest	$ 746	$ (15,653)

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

DULUTH HOLDINGS INC.
Condensed Consolidated Statement of Shareholders' Equity
(Unaudited)
(Amounts in thousands)

	Three Months Ended May 2, 2021						
	Capital stock						
	Shares	Amount	Treasury stock	Retained earnings	Accumulated other comprehensive income	Noncontrolling interest in variable interest entity	Total shareholders' equity
Balance at January 31, 2021	32,841	$ 92,875	$ (628)	$ 101,166	$ 48	$ (2,363)	$ 191,098
Issuance of common stock	101	132	—	—	—	—	132
Stock-based compensation	—	371	—	—	—	—	371
Restricted stock forfeitures	(1)	—	—	—	—	—	—
Restricted stock surrendered for taxes	(24)	—	(358)	—	—	—	(358)
Other comprehensive loss	—	—	—	—	202	—	202
Net income	—	—	—	544	—	(46)	498
Balance at May 2, 2021	32,917	$ 93,378	$ (986)	$ 101,710	$ 250	$ (2,409)	$ 191,943

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

DULUTH HOLDINGS INC.
Condensed Consolidated Statement of Shareholders' Equity
(Unaudited)
(Amounts in thousands)

	Three Months Ended May 3, 2020						
	Capital stock				Accumulated other comprehensive income	Noncontrolling interest in variable interest entity	Total shareholders' equity
	Shares	Amount	Treasury stock	Retained earnings			
Balance at February 2, 2020	32,536	$ 90,902	$ (407)	$ 87,589	$ 188	$ (2,166)	$ 176,106
Issuance of common stock	227	115	—	—	—	—	115
Stock-based compensation	—	434	—	—	—	—	434
Restricted stock forfeitures	(1)	—	—	—	—	—	—
Restricted stock surrendered for taxes	(18)	—	(107)	—	—	—	(107)
Other comprehensive loss	—	—	—	—	(518)	—	(518)
Net loss	—	—	—	(15,135)	—	(44)	(15,179)
Balance at May 3, 2020	32,744	$ 91,451	$ (514)	$ 72,454	$ (330)	$ (2,210)	$ 160,851

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

DULUTH HOLDINGS INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Amounts in thousands)

	Three Months Ended	
	May 2, 2021	**May 3, 2020**
Cash flows from operating activities:		
Net income (loss)	$ 498	$ (15,179)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	7,274	6,689
Stock based compensation	371	463
Deferred income taxes	(16)	(21)
Loss on disposal of property and equipment	51	—
Changes in operating assets and liabilities:		
Receivables	262	(1,989)
Inventory	4,867	(27,188)
Prepaid expense & other current assets	(595)	2,196
Software hosting implementation costs, net	(132)	—
Deferred catalog costs	212	1,014
Trade accounts payable	5,991	(1,842)
Income taxes payable	104	(3,427)
Accrued expenses and deferred rent obligations	(6,330)	5,126
Other assets	(33)	—
Noncash lease impacts	(101)	667
Net cash provided by (used in) operating activities	12,423	(33,491)
Cash flows from investing activities:		
Purchases of property and equipment	(2,033)	(4,059)
Capital contributions towards build-to-suit stores	—	(74)
Principal receipts from available-for-sale security	35	31
Proceeds from disposals	24	—
Net cash used in investing activities	(1,974)	(4,102)
Cash flows from financing activities:		
Proceeds from line of credit	—	37,484
Payments on line of credit	—	(21,816)
Proceeds from delayed draw term loan	—	30,000
Payments on delayed draw term loan	(30,625)	(250)
Payments on TRI long term debt	(151)	(116)
Payments on finance lease obligations	(615)	(392)
Payments of tax withholding on vested restricted shares	(358)	(107)
Other	133	(150)
Net cash (used in) provided by financing activities	(31,616)	44,653
(Decrease) increase in cash, cash equivalents and restricted cash	(21,167)	7,060
Cash, cash equivalents and restricted cash at beginning of period	47,221	2,240
Cash, cash equivalents and restricted cash at end of period	$ 26,054	$ 9,300
Supplemental disclosure of cash flow information:		
Interest paid	$ 1,348	$ 1,447
Income taxes paid	$ —	$ 37
Supplemental disclosure of non-cash information:		
Unpaid liability to acquire property and equipment	$ 962	$ 2,000

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

DULUTH HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

A. Nature of Operations

Duluth Holdings Inc. (“Duluth Trading” or the “Company”), a Wisconsin corporation, is a lifestyle brand of men’s and women’s casual wear, workwear and accessories sold primarily through the Company’s own omnichannel platform. The Company’s products are marketed under the Duluth Trading brand, with the majority of products being exclusively developed and sold as Duluth Trading branded merchandise.

The Company identifies its operating segments according to how its business activities are managed and evaluated. The Company continues to report one reportable external segment, consistent with the Company’s omnichannel business approach. The Company’s revenues generated outside the United States were insignificant.

The Company has two classes of authorized common stock: Class A common stock and Class B common stock. The rights of holders of Class A common stock and Class B common stock are identical, except for voting and conversion rights. Each share of Class A common stock is entitled to ten votes per share and is convertible at any time into one share of Class B common stock. Each share of Class B common stock is entitled to one vote per share. The Company’s Class B common stock trades on the NASDAQ Global Select Market under the symbol “DLTH.”

B. Basis of Presentation

The condensed consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”). The Company consolidates TRI Holdings, LLC (“TRI”) as a variable interest entity (see Note 6 “Variable Interest Entity” for further information). All significant intercompany balances and transactions have been eliminated in consolidation.

The Company’s fiscal year ends on the Sunday nearest to January 31 of the following year. Fiscal 2021 is a 52-week period and ends on January 30, 2022. Fiscal 2020 was a 52-week period and ended on January 31, 2021. The three months of fiscal 2021 and fiscal 2020 represent the Company’s 13 week periods ended May 2, 2021 and May 3, 2020, respectively.

The accompanying condensed consolidated financial statements as of and for the three months ended May 2, 2021 and May 3, 2020 have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and, in the opinion of the Company, include all adjustments (which are normal and recurring in nature) necessary to present fairly the financial position, results of operations and cash flows of the Company for the interim periods presented. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such SEC rules and regulations as of and for the three months ended May 2, 2021 and May 3, 2020. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company’s annual report on Form 10-K for the fiscal year ended January 31, 2021.

C. COVID-19

In March 2020, a novel strain of coronavirus (“COVID-19”) was declared a global pandemic by the World Health Organization. This pandemic has negatively affected the U.S. and global economies, disrupted global supply chains and financial markets, led to significant travel and transportation restrictions, including mandatory business closures and orders to shelter in place. These impacts are discussed within these notes to the condensed consolidated financial statements.

The ultimate impact of COVID-19 on our operational and financial performance still depends on future developments outside of our control. Given the uncertainty, we cannot reasonably estimate the continued impact on our business and whether that impact will be different than what we have already experienced.

D. Impairment Analysis

As of May 2, 2021 and for the three months then ended, no triggering events or indicators of asset impairment were noted.

At May 3, 2020, the Company determined that the effects of COVID-19 represented indicators of asset impairment, and as a result, performed interim impairment assessments for the Company’s intangible assets, long-lived assets and goodwill. Due to the nature of the Company’s intangible assets balance, the Company concluded that no indicators of impairment were present.

Based on these assessments, the Company concluded that no impairment losses had been incurred. However, the Company cannot predict the future impact or duration of the negative effect of COVID-19 and as a result, cannot reasonably predict the probability or amount of impairment losses that may be incurred in future periods.

There were no triggering events subsequent to the quarter ended May 3, 2020.

E. Inventory

Inventory consists of finished goods stated at the lower of cost or net realizable value, with cost determined using the first-in, first-out valuation method. The Company records an inventory reserve for the anticipated loss associated with selling inventories below cost. Inventory reserve for excess and obsolete items was $1.8 million and $1.6 million as of May 2, 2021 and January 31, 2021, respectively

F. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

(in thousands)	May 2, 2021	January 31, 2021
Prepaid expenses & other current assets		
Pending returns inventory, net	$ 2,072	$ 2,490
Current software hosting implementation costs, net	1,246	1,149
Other prepaid expenses	7,662	6,564
Prepaid expenses & other current assets	$ 10,980	$ 10,203
Other assets, net		
Goodwill	$ 402	$ 402
Intangible assets, net	260	264
Non-current software hosting implementation costs	2,493	2,755
Other assets, net	912	540
Other assets, net	$ 4,067	$ 3,961

G. Seasonality of Business

The Company's business is affected by the pattern of seasonality common to most apparel businesses. Historically, the Company has recognized a significant portion of its revenue and operating profit in the fourth fiscal quarter of each year as a result of increased sales during the holiday season.

H. Cash and cash equivalents

The Company considers short-term investments with original maturities of three months or less when purchased to be cash equivalents. Amounts receivable from credit card issuers are typically converted to cash within 2 to 4 days of the original sales transaction and are considered to be cash equivalents.

I. Significant Accounting Policies

There have been no significant changes to the Company's significant accounting policies as described in the Company's Annual Report on Form 10-K for the year ended January 31, 2021.

2. LEASES

Based on the criteria set forth in ASC Topic 842, *Leases* ("ASC 842"), the Company recognizes ROU assets and lease liabilities related to leases on the Company's consolidated balance sheets. The Company determines if an arrangement is, or contains, a lease at inception. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities reflect the obligation to make lease payments arising from the lease. At any given time during the lease term, the lease liability represents the present value of the remaining lease payments and the ROU asset is measured at the amount of the lease liability, adjusted for pre-paid rent, unamortized initial direct costs and the remaining balance of lease incentives received. Both the lease ROU asset and liability are reduced to zero at the end of the lease.

The Company leases retail space under non-cancelable lease agreements, which expire on various dates through 2036. Substantially all of these arrangements are store leases. Store leases generally have initial lease terms ranging from five years to fifteen years with renewal options and rent escalation provisions. At the commencement of a lease, the Company includes only the initial lease term as the option to extend is not reasonably certain. The Company does not record leases with a lease term of 12 months or less on the Company's consolidated balance sheets.

When calculating the lease liability on a discounted basis, the Company applies its estimated discount. The Company bases this discount on a collateralized interest rate as well as publicly available data for instruments with similar characteristics.

In addition to rent payments, leases for retail space contain payments for real estate taxes, insurance costs, common area maintenance, and utilities that are not fixed. The Company accounts for these costs as variable payments and does not include such costs as a lease component.

Due to the adverse impacts of COVID-19, the Company negotiated rent deferral and payback periods with a number of the Company's store landlords for the months of April and May 2020. Based on the guidance set forth in the Financial Accounting Standards Board ("FASB") issued Staff Q&A "Topic 842 and Topic 840: Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic" the Company has accounted for these deferrals as if no changes to the lease contract were made and will not elect to apply the lease modification guidance under ASC 842. As of May 2, 2021 the Company has deferred rent of approximately $0.4 million which was recorded within accrued expenses and other current liabilities and will be paid in accordance with the concession arrangements.

The expense components of the Company's leases reflected on the Company's consolidated statement of operations were as follows:

	Consolidated Statement of Operations	Three Months Ended	
(in thousands)		May 2, 2021	May 3, 2020
Finance lease expenses			
Amortization of right-of-use assets	Selling, general and administrative expenses	$ 838	$ 657
Interest on lease liabilities	Interest expense	495	438
Total finance lease expense		$ 1,333	$ 1,095
Operating lease expense	Selling, general and administrative expenses	$ 3,951	$ 4,136
Amortization of build-to-suit leases capital contribution	Selling, general and administrative expenses	328	324
Variable lease expense	Selling, general and administrative expenses	2,059	1,761
Total lease expense		$ 7,671	$ 7,316

DULUTH HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

Other information related to leases were as follows:

	Three Months Ended	
(in thousands)	May 2, 2021	May 3, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash flows from finance leases	$ 615	$ 392
Operating cash flows from finance leases	$ 495	$ 439
Operating cash flows from operating leases	$ 3,977	$ 3,802
Weighted-average remaining lease term (in years):		
Finance leases	13	14
Operating leases	9	10
Weighted-average discount rate:		
Finance leases	4.4%	4.5%
Operating leases	4.3%	4.3%

Future minimum lease payments under the non-cancellable leases are as follows as of May 2, 2021:

Fiscal year	Finance	Operating
(in thousands)		
2021 (remainder of fiscal year)	$ 3,381	$ 11,644
2022	4,523	15,749
2023	4,551	15,931
2024	4,736	15,262
2025	5,098	14,469
Thereafter	37,188	62,742
Total future minimum lease payments	$ 59,477	$ 135,797
Less – Discount	(14,595)	(22,732)
Lease liability	$ 44,882	$ 113,065

3. DEBT AND CREDIT AGREEMENT

Debt consists of the following:

(in thousands)	May 2, 2021	January 31, 2021
TRI Senior Secured Note	$ 24,219	$ 24,352
TRI Note	3,500	3,500
	$ 27,719	$ 27,852
Less: current maturities	640	623
TRI long-term debt	$ 27,079	$ 27,229
Duluth Line of credit	$ —	$ —
Duluth Delayed draw term loan	17,626	48,250
	$ 17,626	$ 48,250
Less: current maturities	17,626	2,500
Duluth long-term debt	$ —	$ 45,750

TRI Holdings, LLC

TRI entered into a senior secured note (“TRI Senior Secured Note”) with an original balance of $26.7 million. The TRI Senior Secured Note is scheduled to mature on October 15, 2038 and requires installment payments with an interest rate of 4.95%. See Note 6 “Variable Interest Entities” for further information.

TRI entered into a promissory note (“TRI Note”) with an original balance of $3.5 million. The TRI Note is scheduled to mature in November 2038 and requires annual interest payments at a rate of 3.05%, with a final balloon payment due in November 2038.

While the above notes are consolidated in accordance with ASC Topic 810, *Consolidation*, the Company is not the guarantor nor obligor of these notes.

Credit Agreement

On May 17, 2018, the Company entered into a credit agreement (the “Credit Agreement”) which provided for borrowing availability of up to $80.0 million in revolving credit (the “Revolver”), and borrowing availability of up to $50.0 million in a delayed draw term loan (“DDTL”), for a total credit facility of $130.0 million. The $80.0 million revolving credit facility was scheduled to mature on May 17, 2023. The $50.0 million DDTL was available to draw upon in differing amounts through May 17, 2020 and was scheduled to mature on May 17, 2023. Outstanding balances under the DDTL required quarterly principal payments with a final balloon payment at maturity. The Credit Agreement was secured by essentially all Company assets and required the Company to maintain compliance with certain financial and non-financial covenants, including a maximum rent adjusted leverage ratio and a minimum fixed charge coverage ratio as defined in the Credit Agreement.

On April 30, 2020, the Credit Agreement was amended to include an incremental DDTL of $20.5 million (the “Incremental DDTL”) that was available to draw upon before March 31, 2021, and matured on April 29, 2021, for a total credit facility of $150.5 million. As of and for the three months ended May 2, 2021, no amount of the Incremental DDTL was funded. The loan covenants were also amended to allow for greater flexibility during the Company’s peak borrowing periods in fiscal 2020. The interest rate applicable to the Revolver or DDTL was a fixed rate for a one-, two-, three- or six-month interest period equal to LIBOR (with a 1% floor) for such interest period plus a margin of 225 to 300 basis points, based upon the Company’s rent adjusted leverage ratio (effective rate of 3.5% for the Revolver and the DDTL at May 2, 2021). The interest rate applicable to the Incremental DDTL was also a fixed rate over the aforementioned interest periods equal to LIBOR (with a 1% floor) for such interest period plus a margin of 275 to 350 basis points.

As of May 2, 2021 and for the three months then ended, the Company was in compliance with all financial and non-financial covenants for all debts discussed above. Subsequent to the May 2, 2021 quarter end, the Company refinanced the above credit agreement. See Note 13 “Subsequent Events” for further information.

4. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

(in thousands)	May 2, 2021	January 31, 2021
Salaries and benefits	$ 8,261	$ 8,826
Deferred revenue	8,588	9,944
Freight	4,031	6,769
Product returns	4,615	5,304
Catalog costs	692	396
Unpaid purchases of property & equipment	132	503
Accrued advertising	2,794	981
Other	1,790	4,963
Total accrued expenses and other current liabilities	$ 30,903	$ 37,686

5. FAIR VALUE

ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"), defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e., an exit price). The exit price is based on the amount that the holder of the asset or liability would receive or need to pay in an actual transaction (or in a hypothetical transaction if an actual transaction does not exist) at the measurement date. ASC 820 describes a fair value hierarchy based on three levels of inputs that may be used to measure fair value, of which the first two are considered observable and the last unobservable, as follows:

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

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

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

The fair value of the Company's available-for-sale security was valued based on a discounted cash flow method (Level 3), which incorporates the U.S. Treasury yield curve, credit information and an estimate of future cash flows. During the three months ended May 2, 2021, certain changes in the inputs did impact the fair value of the available-for-sale security. The calculated fair value is based on estimates that are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

DULUTH HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

The amortized cost and fair value of the Company's available-for-sale security and the corresponding amount of gross unrealized gains and losses recognized in accumulated other comprehensive income are as follows:

	May 2, 2021			
(in thousands)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Level 3 security:				
Corporate trust	$ 6,012	$ 334	$ —	$ 6,346

	January 31, 2021			
(in thousands)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Level 3 security:				
Corporate trust	$ 6,047	$ 64	$ —	$ 6,111

The Company does not intend to sell the available-for-sale-security in the near term and does not believe that it will be required to sell the security. The Company reviews its securities on a quarterly basis to monitor its exposure to other-than-temporary impairment.

No other-than-temporary impairment was recorded in the unaudited condensed consolidated statements of operations for the three months ended May 2, 2021 or May 3, 2020.

The following table presents future principal receipts related to the Company's available-for-sale security by contractual maturity as of May 2, 2021.

(in thousands)	Amortized Cost	Estimated Fair Value
Within one year	$ 151	$ 170
After one year through five years	1,028	1,124
After five years through ten years	1,596	1,691
After ten years	3,237	3,361
Total	$ 6,012	$ 6,346

The carrying values and fair values of other financial instruments in the Consolidated Balance Sheets are as follows:

	May 2, 2021		January 31, 2021	
(in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
TRI Long-term debt, including short-term portion	$ 27,719	$ 29,787	$ 27,852	$ 28,697

The above long-term debt, including short-term portion is attributable to the consolidation of TRI in accordance with ASC Topic 810, *Consolidation*. The fair value was also based on a discounted cash flow method (Level 3) based on credit information and an estimate of future cash flows.

As of May 2, 2021 and January 31, 2021, the carrying value of the delayed draw term loan and line of credit both approximated their fair value.

DULUTH HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

6. VARIABLE INTEREST ENTITY

Based upon the criteria set forth in ASC 810, *Consolidation*, the Company consolidates variable interest entities ("VIEs") in which it has a controlling financial interest and is therefore deemed the primary beneficiary. A controlling financial interest will have both of the following characteristics: (a) the power to direct the VIE activities that most significantly impact economic performance; and (b) the obligation to absorb the VIE losses and the right to receive benefits that are significant to the VIE. The Company has determined that it was the primary beneficiary of one variable interest entity ("VIE") as of May 2, 2021 and January 31, 2021.

The Company leases the Company's headquarters in Mt. Horeb, Wisconsin from TRI. In conjunction with the lease, the Company invested $6.3 million in a trust that loaned funds to TRI for the construction of the Company's headquarters. TRI is a Wisconsin limited liability company whose primary purpose and activity is to own this real property. The Company considers itself the primary beneficiary for TRI as the Company has both the power to direct the activities that most significantly impact the entity's economic performance and is expected to receive benefits that are significant to TRI. As the Company is the primary beneficiary, it consolidates TRI and the lease is eliminated in consolidation. The Company does not consolidate the trust as the Company is not the primary beneficiary.

The condensed consolidated balance sheets include the following amounts as a result of the consolidation of TRI as of May 2, 2021 and January 31, 2021:

(in thousands)	May 2, 2021	January 31, 2021
Cash	$ 747	$ 747
Property and equipment, net	24,644	24,800
Total assets	$ 25,391	$ 25,547
Other current liabilities	$ 81	$ 58
Current maturities of long-term debt	640	623
TRI Long-term debt	27,079	27,229
Noncontrolling interest in VIE	(2,409)	(2,363)
Total liabilities and shareholders' equity	$ 25,391	$ 25,547

7. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is computed under the provisions of ASC 260, *Earnings Per Share*. Basic earnings (loss) per share is based on the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share is based on the weighted average number of common shares plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding restricted stock and are considered only for dilutive earnings (loss) per share unless considered anti-dilutive. The reconciliation of the numerator and denominator of the basic and diluted earnings (loss) per share calculation is as follows:

	Three Months Ended	
(in thousands, except per share data)	May 2, 2021	May 3, 2020
Numerator - net income (loss) attributable to controlling interest	$ 544	$ (15,135)
Denominator - weighted average shares (Class A and Class B)		
Basic	32,540	32,372
Dilutive shares	180	—
Diluted	32,720	32,372
Earnings (loss) per share (Class A and Class B)		
Basic	$ 0.02	$ (0.47)
Diluted	$ 0.02	$ (0.47)

DULUTH HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

The Computation of diluted loss per share for the three months ended May 3, 2020 excluded 0.1 million shares of unvested restricted stock respectively, because their inclusion would be anti-dilutive due to a net loss.

8. STOCK-BASED COMPENSATION

The Company accounts for its stock-based compensation plan in accordance with ASC 718, *Stock Compensation*, which requires the Company to measure all share-based payments at grant date fair value and recognize the cost over the requisite service period of the award.

Total stock compensation expense associated with restricted stock recognized by the Company was $0.4 million for the three months ended May 2, 2021 and May 3, 2020. The Company's total stock compensation expense (benefit) is included in selling, general and administrative expenses on the Condensed Consolidated Statements of Operations.

A summary of the activity in the Company's unvested restricted stock during the three months ended May 2, 2021 is as follows:

	Shares	Weighted average fair value per share
Outstanding at January 31, 2021	338,239	$ 9.74
Granted	90,914	15.45
Vested	(68,502)	11.70
Forfeited	(595)	17.95
Outstanding at May 2, 2021	360,056	$ 10.79

At May 2, 2021, the Company had unrecognized compensation expense of $3.2 million related to the restricted stock awards, which is expected to be recognized over a weighted average period of 2.9 years.

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

(in thousands)	May 2, 2021	January 31, 2021
Land and land improvements	$ 4,486	$ 4,486
Leasehold improvements	46,979	47,451
Buildings	35,342	35,344
Vehicles	161	161
Warehouse equipment	14,528	14,685
Office equipment and furniture	52,624	52,614
Computer equipment	9,809	9,861
Software	33,951	34,003
	197,880	198,605
Accumulated depreciation and amortization	(81,615)	(75,958)
	116,265	122,647
Construction in progress	3,518	1,590
Property and equipment, net	$ 119,783	$ 124,237

10. REVENUE

The Company's revenue primarily consists of the sale of apparel, footwear and hard goods. Revenue for merchandise that is shipped to our customers from our distribution centers and stores is recognized upon shipment. Store revenue is recognized at the point of sale, net of returns, and excludes taxes. Shipping and processing revenue generated from customer orders are included as a component of net sales and shipping and processing expense, including handling expense, is included as a component of selling, general and administrative expenses. Sales tax collected from customers and remitted to taxing authorities is excluded from revenue and is included in accrued expenses.

Sales disaggregated based upon sales channel is presented below.

	Three Months Ended	
	May 2, 2021	May 3, 2020
(in thousands)		
Direct-to-consumer	$ 88,366	$ 86,530
Stores	45,053	23,387
	$ 133,419	$ 109,917

Contract Assets and Liabilities

The Company’s contract assets primarily consist of the right of return for amounts of inventory to be returned that is expected to be resold and is recorded in Prepaid expenses and other current assets on the Company’s consolidated balance sheets. The Company’s contract liabilities primarily consist of gift card liabilities and are recorded in Accrued expenses and other current liabilities under deferred revenue (see Note 4 “Accrued Expenses and Other Current Liabilities”) on the Company’s consolidated balance sheets. Upon issuance of a gift card, a liability is established for its cash value. The gift card liability is relieved and revenues on gift cards are recorded at the time of redemption by the customer.

Contract assets and liabilities on the Company’s consolidated balance sheets are presented in the following table:

	May 2, 2021	January 31, 2021
(in thousands)		
Contract assets	$ 2,072	$ 2,490
Contract liabilities	$ 8,432	$ 9,788

Revenue from gift cards is recognized when the gift card is redeemed by the customer for merchandise, or as a gift card breakage, an estimate of gift cards which will not be redeemed. The Company does not record breakage revenue when escheat liability to the relevant jurisdictions exists. Gift card breakage is recorded within Net sales on the Company’s consolidated statement of operations. The following table provides the reconciliation of the contract liability related to gift cards for the nine months ended:

	May 2, 2021	May 3, 2020
(in thousands)		
Balance as of beginning of period	$ 9,788	$ 9,790
Gift cards sold	1,739	1,545
Gift cards redeemed	(2,990)	(2,606)
Gift card breakage	(105)	(996)
Balance as of end of period	$ 8,432	$ 7,733

11. INCOME TAXES

The provision for income taxes for the interim period is based on an estimate of the annual effective tax rate adjusted to reflect the impact of discrete items. Management judgment is required in projecting ordinary income to estimate the Company’s annual effective tax rate. The effective tax rate related to controlling interest was 16% for the three months ended May 2, 2021, which was impacted by changes to certain discrete items during the quarter. Excluding these non-recurring discrete items, the effective tax rate related to controlling interest was 25% for both the three months ended May 2, 2021 and May 3, 2020. The income from TRI was excluded from the calculation of the Company’s effective tax rate, as TRI is a limited liability company and not subject to income taxes.

12. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued Accounting Standards Update No. 2016-13 *"Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,"* ("ASU 2016-13"), which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, which include trade and other receivables, loans and held-to-maturity debt securities, to record an allowance for credit risk based on expected losses rather than incurred losses, otherwise known as "CECL". In addition, this guidance changes the recognition for credit losses on available-for-sale debt securities, which can occur as a result of market and credit risk and requires additional disclosures. On November 15, 2019, the FASB issued ASU No. 2019-10 *"Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815, and Leases (Topic 842),"* (ASU 2019-10"), which provides framework to stagger effective dates for future major accounting standards and amends the effective dates for certain major new accounting standards to give implementation relief to certain types of entities. ASU 2019-10 amends the effective dates for ASU 2016-13 for smaller reporting companies with fiscal years beginning after December 15, 2022, and interim periods within those years. The Company expects to adopt ASU 2016-13 on January 30, 2023, the first day of the Company's first quarter for the fiscal year ending January 28, 2024, the Company's fiscal year 2023. The Company is evaluating the level of impact adopting ASU 2016-13 will have on the Company's consolidated financial statements.

13. SUBSEQUENT EVENTS

On May 14, 2021, the Company terminated the aforementioned Credit Agreement, dated as of May 17, 2018, as amended, and entered into a new credit agreement (the "New Credit Agreement"). The New Credit Agreement matures on May 14, 2026 and provides for borrowings of up to $150.0 million that are available under a revolving senior credit facility, with a $5.0 million sublimit for issuance of standby letters of credit, as well as a $10.0 million sublimit for swing line loans. At the Company's option, the interest rate applicable to the Revolver will be a floating rate equal to: (i) the Bloomberg Short-Term Bank Yield Index rate ("BSBY") plus the applicable rate of 1.25% to 2.00% determined based on the Company's rent adjusted leverage ratio, or (ii) the base rate plus the applicable rate of 0.25% to 1.00% based on the Company's rent adjusted leverage ratio. The New Credit Agreement is secured by essentially all Company assets and requires the Company to maintain compliance with certain financial and non-financial covenants, including a maximum rent adjusted leverage ratio and a minimum fixed charge coverage ratio as defined in the New Credit Agreement.

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

The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with the financial statements and related notes of Duluth Holdings Inc. included in Item 1of this Quarterly Report on Form 10-Q and with our audited financial statements and the related notes included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2021 ("2020 Form 10-K").

The Company's fiscal year ends on the Sunday nearest to January 31 of the following year. Fiscal 2021 is a 52-week period and ends on January 30, 2022. Fiscal 2020 was a 52-week period and ended on January 31, 2021. The three months of fiscal 2021 and fiscal 2020 represent our 13 week periods ended May 2, 2021 and May 3, 2020, respectively.

Unless the context indicates otherwise, the terms the "Company," "Duluth," "Duluth Trading," "we," "our," or "us" are used to refer to Duluth Holdings Inc.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. All statements other than statements of historical or current facts included in this Quarterly Report on Form 10-Q are forward-looking statements. Forward looking statements refer to our current expectations and projections relating to our financial condition, results of operations, plans, objectives, strategies, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "could," "estimate," "expect," "project," "plan," "potential," "intend," "believe," "may," "might," "will," "objective," "should," "would," "can have," "likely," and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected earnings, revenue, costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth or initiatives, strategies are forward-looking statements. All forward-looking statements are subject to risks and uncertainties, including the risks and uncertainties described under Part I, Item 1A "Risk Factors," in our 2020 Form 10-K, Part II, and other SEC filings, which factors are incorporated by reference herein. These risks and uncertainties include, but are not limited to, the following: the prolonged effects of the COVID-19 on store traffic and disruptions to our distribution network, supply chains and operations; our ability to maintain and enhance a strong brand and sub-brand image; effectively adapting to new challenges associated with our expansion into new geographic markets; generating adequate cash from our existing stores to support our growth; effectively relying on sources for merchandise located in foreign markets; transportation delays and interruptions, including port congestion; inability to timely and effectively obtain shipments of products from our suppliers and deliver merchandise to our customers; the inability to maintain the performance of a maturing store portfolio; the impact of changes in corporate tax regulations; identifying and responding to new and changing customer preferences; the success of the locations in which our stores are located; our ability to attract and retain customers in the various retail venues and locations in which our stores are located; competing effectively in an environment of intense competition; our ability to adapt to significant changes in sales due to the seasonality of our business; price reductions or inventory shortages resulting from failure to purchase the appropriate amount of inventory in advance of the season in which it will be sold in global market constraints; increases in costs of fuel or other energy, transportation or utility costs and in the costs of labor and employment; failure of our information technology systems to support our current and growing business, before and after our planned upgrades; and other factors that may be disclosed in our SEC filings or otherwise. Moreover, we operate in an evolving environment, new risk factors and uncertainties emerge from time to time and it is not possible for management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. We qualify all of our forward-looking statements by these cautionary statements.

We undertake no obligation to update or revise these forward-looking statements, except as required under the federal securities laws.

Overview

We are a lifestyle brand of men's and women's casual wear, workwear and accessories sold primarily through our own omnichannel platform. We offer products nationwide through our website and catalog. In 2010, we initiated our omnichannel platform with the opening of our first store. Since then, we have expanded our retail presence, and as of May 2, 2021, we operated 61 retail stores and three outlet stores.

We offer a comprehensive line of innovative, durable and functional products, such as our Longtail T® shirts, Buck Naked™ underwear, Fire Hose® work pants, and No-Yank® Tank, which reflect our position as the Modern, Self-Reliant American Lifestyle brand. Our brand has a heritage in workwear that transcends tradesmen and appeals to a broad demographic for everyday and on-the-job use.

From our heritage as a catalog for those working in the building trades, Duluth Trading has become a widely recognized brand and proprietary line of innovative and functional apparel and gear. Over the last decade, we have created strong brand awareness, built a loyal customer base and generated robust sales momentum. We have done so by sticking to our roots of "there's gotta be a better way" and through our relentless focus on providing our customers with quality, functional products.

A summary of our financial results is as follows:

- Net sales in fiscal 2021 first quarter increased by 21.4% over the prior year first quarter to $133.4 million;
- Net income of $0.5 million in fiscal 2021 first quarter compared to the prior year first quarter net loss of $(15.2) million;
- Adjusted EBITDA increased to $10.1 million in fiscal 2021 first quarter compared to the prior year first quarter Adjusted EBITDA of $(11.6) million;

See "Reconciliation of Net Income (Loss) to EBITDA and EBITDA to Adjusted EBITDA" section for a reconciliation of our net income (loss) to EBITDA and EBITDA to Adjusted EBITDA, both of which are non-U.S. GAAP financial measures. See also the information under the heading "Adjusted EBITDA" in the section "How We Assess the Performance of Our Business" for our definition of Adjusted EBITDA.

With an emphasis on profitable growth we are pursuing several strategies, including evolving into a portfolio of distinct brands within the Duluth Trading ecosystem, growing sales in existing store and non-store markets, strengthening the core Men's Duluth sub-brand and growing our Women's Duluth sub-brand.

Our management's discussion and analysis includes market sales metrics for our stores, website and catalog sales. Market areas are determined by a third-party that divides the United States and Puerto Rico into 280 unique geographical areas. Our store market sales metrics include sales from our stores, website and catalog. Our non-store market sales metrics include sales from our website and catalog.

COVID-19

In March 2020, a novel strain of coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization. This pandemic has negatively affected the U.S. and global economies, disrupted global supply chains and financial markets, led to significant travel and transportation restrictions, including mandatory business closures and orders to shelter in place.

The ultimate impact of COVID-19 on our operational and financial performance still depends on future developments outside of our control, including the duration and spread of the pandemic and related actions taken by federal, state and local government officials, and international governments to prevent disease spread. Given the uncertainty, we cannot reasonably estimate store traffic patterns and the prolonged impact on overall consumer demand. We continue to actively evaluate all federal, state and local regulations to ensure compliance with store operations.

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of financial and operating measures that affect our operating results.

Net Sales

Net sales reflect our sale of merchandise plus shipping and handling revenue collected from our customers, less returns and discounts. Direct-to-consumer sales are recognized upon shipment of the product and store sales are recognized at the point of sale. We also use net sales as one of the key financial metrics in determining our annual bonus compensation for our employees.

Gross Profit

Gross profit is equal to our net sales less cost of goods sold. Gross profit as a percentage of our net sales is referred to as gross margin. Cost of goods sold includes the direct cost of purchased merchandise; inventory shrinkage; inventory adjustments due to obsolescence, including excess and slow-moving inventory and lower of cost and net realizable reserves; inbound freight; and freight from our distribution centers to our retail stores. The primary drivers of the costs of individual goods are raw material costs. Depreciation and amortization are excluded from gross profit. We expect gross profit to increase to the extent that we successfully grow our net sales. Given the size of our sales through our direct-to-consumer sales channel relative to our total net sales, shipping and handling revenue has had a significant impact on our gross profit and gross profit margin. Historically, this revenue has partially offset shipping and handling expense included in selling, general and administrative expenses. We have experienced declines in shipping and handling revenues, and this trend is expected to continue. Declines in shipping and handling revenues may have a material adverse effect on our gross profit and gross profit margin, as well as Adjusted EBITDA to the extent there are not commensurate declines, or if there are increases, in our shipping and handling expense. Our gross profit may not be comparable to other retailers, as we do not include distribution network and store occupancy expenses in calculating gross profit, but instead we include them in selling, general and administrative expenses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include all operating costs not included in cost of goods sold. These expenses include all payroll and payroll-related expenses and occupancy expenses related to our stores and to our operations at our headquarters, including utilities, depreciation and amortization. They also include marketing expense, which primarily includes television advertising, catalog production, mailing and print advertising costs, as well as all logistics costs associated with shipping product to our customers, consulting and software expenses and professional services fees. Selling, general and administrative expenses as a percentage of net sales is usually higher in lower-volume quarters and lower in higher-volume quarters because a portion of the costs are relatively fixed.

Our historical sales growth has been accompanied by increased selling, general and administrative expenses. The most significant components of these increases are advertising, marketing, rent/occupancy and payroll costs. While we expect these expenses to increase as we continue to open new stores, increase brand awareness and grow our organization to support our growing business, we believe these expenses will decrease as a percentage of sales over time.

Adjusted EBITDA

We believe Adjusted EBITDA is a useful measure of operating performance, as it provides a clearer picture of operating results by excluding the effects of financing and investing activities by eliminating the effects of interest and depreciation costs and eliminating expenses that are not reflective of underlying business performance. We use Adjusted EBITDA to facilitate a comparison of our operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business.

We define Adjusted EBITDA as consolidated net income before depreciation and amortization, interest expense and provision for income taxes adjusted for the impact of certain items, including non-cash and other items we do not consider representative of our ongoing operating performance. We believe Adjusted EBITDA is less susceptible to variances in actual performance resulting from depreciation, amortization and other items. This non-GAAP measure may not be comparable to similarly titled measures used by other companies.

Results of Operations

The following table summarizes our unaudited consolidated results of operations for the periods indicated, both in dollars and as a percentage of net sales.

	Three Months Ended	
(in thousands)	May 2, 2021	May 3, 2020
Net sales	$ 133,419	$ 109,917
Cost of goods sold (excluding depreciation and amortization)	66,876	57,585
Gross profit	66,543	52,332
Selling, general and administrative expenses	64,648	71,306
Operating income (loss)	1,895	(18,974)
Interest expense	1,308	1,350
Other income, net	16	59
Income (loss) before income taxes	603	(20,265)
Income tax expense (benefit)	105	(5,086)
Net income (loss)	498	(15,179)
Less: Net loss attributable to noncontrolling interest	(46)	(44)
Net income (loss) attributable to controlling interest	$ 544	$ (15,135)
Percentage of Net sales:		
Net sales	100.0 %	100.0 %
Cost of goods sold (excluding depreciation and amortization)	50.1 %	52.4 %
Gross margin	49.9 %	47.6 %
Selling, general and administrative expenses	48.5 %	64.9 %
Operating income (loss)	1.4 %	(17.3)%
Interest expense	1.0 %	1.2 %
Other income, net	- %	0.1 %
Income (loss) before income taxes	0.5 %	(18.4)%
Income tax expense (benefit)	0.1 %	(4.6)%
Net income (loss)	0.4 %	(13.8)%
Less: Net loss attributable to noncontrolling interest	- %	- %
Net income (loss) attributable to controlling interest	0.4 %	(13.8)%

Three Months Ended May 2, 2021 Compared to Three Months Ended May 3, 2020

Net Sales

Net sales increased $23.5 million, or 21.4%, to $133.4 million in the three months ended May 2, 2021 compared to $109.9 million in the three months ended May 3, 2020. The increase was due to increases in both non-store and store market sales.

Store market sales increased $22.5 million, or 33.3%, to $89.9 million in the three months ended May 2, 2021 compared to $67.4 million in the three months ended May 3, 2020. The year-over-year sales difference was driven by temporary store closures in fiscal 2020 beginning on March 20, 2020 through May 3, 2020, as well as growth in online sales from both existing customers and new buyers. Non-store market sales increased $0.8 million, or 2%, to $42.0 million in the three months ended May 2, 2021 compared to $41.2 million in the three months ended May 3, 2020.

Gross Profit

Gross profit increased $14.2 million, or 27.2%, to $66.5 million in the three months ended May 2, 2021 compared to $52.3 million in the three months ended May 3, 2020. As a percentage of net sales, gross margin increased to 49.9% of net sales in the three months ended May 2, 2021, compared to 47.6% of net sales in the three months ended May 3, 2020. The increase in gross margin rate was driven a higher mix of full price sales as well as improved gross margin rates on both full price and clearance items.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased $6.7 million, or 9.3%, to $64.6 million in the three months ended May 2, 2021 compared to $71.3 million in the three months ended May 3, 2020. Selling, general and administrative expenses as a percentage of net sales decreased to 48.5% in the three months ended May 2, 2021, compared to 64.9% in the three months ended May 3, 2020. The positive leverage was primarily due to shifting to a more efficient digital marketing approach as customer purchasing patterns migrated to online.

The decrease in selling, general and administrative expense was primarily due to decreased traditional advertising, reduced digital prospecting spend, the elimination of third-party logistics, and $1.6 million of non-recurring COVID-19 related expenses during the first quarter of the prior fiscal year. The decrease was partially offset by increased wages due to Company retail locations being open for the full fiscal quarter.

Income Taxes

Income tax expense was $0.1 million in the three months ended May 2, 2021, compared to an income tax benefit of $5.1 million in the three months ended May 3, 2020. The effective tax rate related to controlling interest was 16% for the three months ended May 2, 2021, which was impacted by changes to certain discrete items during the quarter. Excluding these non-recurring discrete items, the effective tax rate related to controlling interest was 25% for both the three months ended May 2, 2021 and May 3, 2020.

Net Income Attributable to Controlling Interest

Net income attributable to controlling interest was $0.5 million, in the three months ended May 2, 2021 compared to a net loss of $(15.1) million in the three months ended May 3, 2020, due to the factors discussed above.

Reconciliation of Net Income (Loss) to EBITDA and EBITDA to Adjusted EBITDA

The following table presents reconciliations of net income (loss) to EBITDA and EBITDA to Adjusted EBITDA, both of which are non-U.S. GAAP financial measures, for the periods indicated below. See the above section titled “How We Assess the Performance of Our Business,” for our definition of Adjusted EBITDA.

	Three Months Ended	
(in thousands)	May 2, 2021	May 3, 2020
Net income (loss)	$ 498	$ (15,179)
Depreciation and amortization	7,274	6,689
Amortization of internal-use software hosting subscription implementation costs	369	—
Interest expense	1,308	1,350
Amortization of build-to-suit operating leases capital contribution	199	199
Income tax expense (benefit)	105	(5,086)
EBITDA	$ 9,753	$ (12,027)
Stock based compensation	371	463
Adjusted EBITDA	$ 10,124	$ (11,564)

As a result of the factors discussed above in the “Results of Operations” section, Adjusted EBITDA increased $20.7 million to $10.1 million in the three months ended May 2, 2021 compared to $(11.6) million in the three months ended May 3, 2020. As a percentage of net sales, Adjusted EBITDA increased to 7.6% of net sales in the three months ended May 2, 2021 compared to (10.5)% of net sales in the three months ended May 3, 2020.

Liquidity and Capital Resources

General

Our business relies on cash from operating activities and a credit facility as our primary sources of liquidity. Our primary cash needs have been for inventory, marketing and advertising, payroll, store leases, capital expenditures associated with infrastructure, information technology, and opening new stores. The most significant components of our working capital are cash, inventory, accounts payable and other current liabilities. At May 2, 2021, our net working capital was $73.5 million, including $26.1 million of cash and cash equivalents.

We expect to spend approximately $15.0 million in fiscal 2021 on capital expenditures, inclusive of software hosting implementation costs. Capital expenditures includes a total of approximately $13.0 million related to investments in technology and $2.0 million for one planned new retail store. Due to the seasonality of our business, a significant amount of cash from operating activities is generated during the fourth quarter of our fiscal year. We also use cash in our investing activities for capital expenditures throughout all four quarters of our fiscal year.

We believe that our cash flow from operating activities and the availability of cash under our credit facility will be sufficient to cover working capital requirements and anticipated capital expenditures for the foreseeable future.

Cash Flow Analysis

A summary of operating, investing and financing activities is shown in the following table.

	Three Months Ended	
	May 2, 2021	May 3, 2020
(in thousands)		
Net cash provided by (used in) operating activities	$ 12,423	$ (33,491)
Net cash used in investing activities	(1,974)	(4,102)
Net cash (used in) provided by financing activities	(31,616)	44,653
(Decrease) increase in cash, cash equivalents and restricted cash	$ (21,167)	$ 7,060

Net Cash Provided by (Used in) Operating Activities

Operating activities consist primarily of net income adjusted for non-cash items that include depreciation and amortization, stock-based compensation and the effect of changes in operating assets and liabilities.

For the three months ended May 2, 2021, net cash provided by operating activities was $12.4 million, which consisted of net income of $0.5 million, cash provided by operating assets and liabilities of $4.8 million, non-cash depreciation and amortization of $7.3 million, and stock based compensation of $0.4 million. The cash provided by operating assets and liabilities of $4.8 million primarily consisted of a $4.9 million decrease in inventory and a $6.5 million increase in trade accounts payable, partially offset by a $6.8 million decrease in accrued expenses.

For the three months ended May 3, 2020, net cash used in operating activities was $33.5 million, which consisted of net loss of $15.2 million and cash used in operating assets and liabilities of $25.4 million, partially offset by non-cash depreciation and amortization of $6.7 million and stock based compensation of $0.5 million. The cash used in operating assets and liabilities of $25.4 million primarily consisted of a $27.2 million increase in inventory. The quarter-end inventory position, although primarily consisting of core non-seasonal products, reflected a higher balance than historical levels due to purchase commitments made prior to scaling back new store openings and a general slowdown in sales growth over the prior 18 months. Net cash used in operating activities was partially offset by a $5.1 million increase in accrued expenses and deferred rent obligations, a $3.4 million decrease of income taxes payable and a $1.0 million decrease in deferred catalog costs.

Net Cash Used in Investing Activities

Investing activities consist primarily of capital expenditures for growth related to investments in infrastructure, information technology, and new store openings.

For the three months ended May 2, 2021, net cash used in investing activities was $2.0 million and was primarily driven by capital expenditures of $2.0 million for new investments in information technology.

For the three months ended May 3, 2020, net cash used in investing activities was $4.1 million and was primarily driven by capital expenditures of $4.1 million for new retail stores, as well as investments in information technology.

Net Cash (Used in) Provided by Financing Activities

Financing activities consist primarily of borrowings and payments related to our revolving line of credit and other long-term debt, as well as payments on finance lease obligations.

For the three months ended May 2, 2021, net cash used in financing activities was $31.6 million, primarily consisting of payments of $30.6 million on long-term debt.

For the three months ended May 3, 2020, net cash provided by financing activities was $44.7 million, primarily consisting of proceeds of $29.7 million, net from our term loan and proceeds of $15.7 million, net from our revolving line of credit to fund working capital.

Contractual Obligations

There have been no significant changes to our contractual obligations as described in our Annual Report on Form 10-K for the fiscal year ended January 31, 2021.

Off-Balance Sheet Arrangements

We are not a party to any material off-balance sheet arrangements.

Critical Accounting Policies and Critical Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the related disclosures of contingent assets and liabilities at the date of the financial statements. We evaluate our accounting policies, estimates, and judgments on an on-going basis. We base our estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions and such differences could be material to the consolidated financial statements.

As of the date of this filing, there were no significant changes to any of the critical accounting policies and estimates described in our 2020 Form 10-K.

Recent Accounting Pronouncements

See Note 12 “Recent Accounting Pronouncements,” of Notes to Condensed Consolidated Financial Statements included in Part 1, Item 1, of this quarterly report on Form 10-Q for information regarding recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in the market risks described in our 2020 Form 10-K. See Note 3 “Debt and Credit Agreement,” of Notes to Condensed Consolidated Financial Statements included in Part 1, Item 1, of this quarterly report on Form 10-Q, for disclosure on our interest rate related to borrowings under our credit agreement.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Section 13a-15(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), requires management of an issuer subject to the Exchange Act to evaluate, with the participation of the issuer’s principal executive and principal financial officers, or persons performing similar functions, the effectiveness of the issuer’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act), as of the end of each fiscal quarter. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(d) and 15d-15(d) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q 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

From time to time, we are subject to certain legal proceedings and claims in the ordinary course of business. We are not presently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our business, financial condition, operating results or cash flows. We establish reserves for specific legal matters when we determine that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable.

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves a number of risks that may have a material adverse effect on our business, financial condition and results of operations. For a detailed discussion of the risks that affect our business, please refer to the section entitled “Risk Factors” in our 2020 Form 10-K, or other SEC filings. There have been no material changes to our risk factors as previously disclosed in our fiscal 2020 Annual Report on Form 10-K.

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

We did not sell any equity securities during the quarter ended May 2, 2021, which were not registered under the Securities Act.

The following table contains information of shares acquired from employees in lieu of amounts required to satisfy minimum tax withholding requirements upon the vesting of the employees' restricted stock during the three months ended May 2, 2021.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet to be purchased under the plans or programs
February 1, 2021 - February 28, 2021	16,112	$ 14.05	—	$ —
March 1, 2021 - April 4, 2021	3,135	14.35	—	—
April 5, 2021 - May 2, 2021	5,280	16.46	—	—
Total	24,527	$ 14.95	—	$ —

Item 6. Exhibits

EXHIBIT INDEX

Exhibit No.	
10.1	Credit Agreement, dated as of May 14, 2021, among Duluth Holdings Inc., the Lenders party thereto, Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C Issuer, BofA Securities, Inc., as a Joint Lead Arranger and Sole Bookrunner, and Keybanc Capital Markets Inc., as a Joint Lead Arranger, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated May 14, 2021.
10.2	Security Agreement, dated as of May 14, 2021, by and between Duluth Holdings Inc. and Bank of America, N.A., incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated May 14, 2021.
10.3	Employment Agreement between Duluth Holdings Inc. and Samuel M. Sato dated May 3, 2021.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities and Exchange Act, as amended.*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities and Exchange Act of 1934, as amended.*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.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**
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended May 2, 2021 has been formatted in Inline XBRL (Inline Extensible Business Reporting Language).

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* Filed herewith

** 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.

Date: June 4, 2021

DULUTH HOLDINGS INC.
(Registrant)

/s/ David Loretta
David Loretta
Senior Vice President and Chief Financial Officer
(On behalf of the Registrant and as Principal Financial Officer)

/s/ Michael Murphy
Michael Murphy
Vice President and Chief Accounting Officer
(On behalf of the Registrant and as Principal Accounting Officer)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is executed as of this 3rd day of May, 2021 ("the Effective Date"), by and between Samuel M. Sato ("Executive") and Duluth Holdings Inc. (the "Company").

RECITALS

WHEREAS, the Company desires to employ Executive as its President and Chief Executive Officer, and Executive desires to be employed by the Company in such capacity, on the terms and conditions set forth herein.

WHEREAS, as a result of Executive's employment with the Company, Executive will have access to and be entrusted with valuable information about the Company's business and customers, including trade secrets and confidential information; and

WHEREAS, the Company and Executive (jointly, the "Parties")believe it is in their best interests to make provision for certain aspects of their relationship during and after the period in which Executive is employed by the Company.

NOW, THEREFORE, in consideration of the promises and the mutual agreements and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by Parties, the Parties agree as follows:

ARTICLE I
EMPLOYMENT

Position and Duties

. Executive shall be employed in the positions of President and Chief Executive Officer of the Company and shall be subject to the authority of, and shall report to, the Company's Board of Directors (the "Board"). Executive's duties and responsibilities shall include all those customarily attendant to the positions of President and Chief Executive Officer, and such other duties and responsibilities as may be assigned from time-to-time by the Board. Executive shall devote Executive's entire business time, attention, energies, and best efforts exclusively to the business interests of the Company while employed by the Company, except as otherwise approved by the Board, to the extent that such activities do not impair Executive's ability to perform Executive's duties pursuant to this Agreement. With respect to outside board activities, Executive, with the Board's written approval (which approval shall not be unreasonably withheld), may serve on the board, advisory board or committee of: (a) any non-profit, charitable or similar organization; and (b) following the second (2nd) anniversary of the Effective Date, one (1) for-profit organization.

Term of Employment

. The Company employs Executive, and Executive accepts employment by the Company, for the period commencing on the Effective Date. Executive's employment shall continue until terminated by the Company or Executive, in accordance with and subject to the termination provisions set forth in Article III, below (the "Employment Term"). Upon the termination of Executive's employment for any reason, Executive will be deemed to have resigned all of Executive's positions with the Company and on its Board. Although the foregoing resignations are effective without any further action by Executive,

Executive agrees to execute any documents reasonably requested by the Company to document such actions.

Board Service

. Executive will be appointed to the Board as of May 27, 2021 and will serve as a member of the Board until the earlier of the next annual meeting of the Company or the termination of Executive's employment with the Company for any reason. Thereafter, for so long as Executive remains President and Chief Executive Officer of the Company, Executive will be nominated to serve as a member of the Board. Executive will be an employee director, and as such, Executive will not receive any additional compensation for serving as a member of the Board.

ARTICLE II
COMPENSATION AND OTHER BENEFITS

Base Salary

. During the Employment Term, the Company shall pay Executive in substantially equal monthly or more frequent installments, an annual salary of Eight Hundred Thousand Dollars ($800,000) ("Base Salary"), payable in accordance with the normal payroll practices and schedule of the Company. Executive's Base Salary shall be reviewed annually and may be increased at any time and from time-to-time as the Board and/or Compensation Committee of the Board (the "Compensation Committee"), as applicable, shall deem appropriate in its sole discretion. Base Salary shall not be reduced at any time during the Employment Term, except pursuant to across-the-board base salary reductions affecting all other senior executives of the Company. The term "Base Salary," as utilized in this Agreement, shall refer to Base Salary as so increased or decreased. All amounts in this Agreement are stated prior to deductions for federal and state income and employment tax withholding.

Incentive Compensation

. During the Employment Term, Executive shall be eligible to participate in annual incentive bonus plans (the "Bonus Plan") offered by the Company to its senior executives from time-to-time. The performance metrics for the Bonus Plan and the extent to which such metrics are met, as well as any other material terms, including threshold and maximum levels for annual cash incentive bonuses, shall be determined in the sole discretion of the Board and/or Compensation Committee, as applicable. For fiscal year 2021, Executive's bonus target shall be one hundred percent (100%) of Executive's Base Salary and the maximum bonus award shall be up to one hundred fifty percent (150%) of Base Salary. The amount of the bonus for fiscal year 2021 shall be contingent upon the Company meeting certain pre-established financial thresholds as previously disclosed to Executive, and shall be prorated based on the Effective Date.

2.1 Equity. During the Employment Term, Executive will be eligible for annual grants of equity compensation awards offered to the Company's management employees, in the sole discretion of the Board and/or Compensation Committee, as applicable. Executive will receive an initial restricted stock grant with a grant date fair value of One Million Seven Hundred Thousand Dollars ($1,700,000), subject to the terms of the Company's Restricted Stock Agreement, which shall provide for one hundred percent (100%) vesting upon the third (3rd) anniversary of the grant date, provided Executive has been continuously employed through the vesting date. For fiscal year 2022, Executive's annual grant will have a target grant date fair value equal to One Million Six Hundred Thousand Dollars ($1,600,000) and a maximum grant date fair value of Two Million Dollars ($2,000,000). A portion of the grant date fair value of Executive’s fiscal 2022 grant will be based on the results of Executive’s annual performance review, which will be conducted by the Board, and the remaining portion of Executive’s fiscal 2022 grant will be based on certain performance metrics, which may include Adjusted EBITDA, stock price and sales growth.

2.2 Other Benefits.

In General

. During the Employment Term and subject to any limitation on participation provided by applicable law: (i) Executive shall be entitled to participate in all applicable qualified and nonqualified retirement plans, practices, policies and programs of the Company, including without limitation the BeniComp Select Executive Medical Reimbursement Plan; and (ii) Executive and/or Executive’s family, as the case may be, shall be eligible for all applicable welfare benefit plans, practices, policies and programs provided by the Company, with respect to both (i) and (ii) above, to the same extent as other senior executives of the Company, other than severance plans, practices, policies and programs. Nothing herein shall be deemed to limit the Company’s ability to amend, terminate or otherwise change any of the referenced plans, practices, policies and programs at any time, and from time-to-time.

Paid Time Off

. During the Employment Term, Executive shall be entitled to 200 hours of Paid Time Off per calendar year (pro-rated for partial years), which shall accrue in accordance with, and be otherwise subject to the provisions of the Company’s policy, as in effect from time-to-time. As used herein, “Paid Time Off” means sick days, personal days and vacation days.

2.3 Relocation. Executive shall relocate his primary residence to the greater Madison, Wisconsin area on or before May 1, 2022. The Company will reimburse the Executive up to Two Hundred Twenty-Five Thousand Dollars ($225,000) in accordance with the Company’s Senior Executive Relocation Policy. Executive shall be subject to that certain Relocation Repayment Agreement, dated April 22, 2021, which is incorporated herein by reference.

Expense Reimbursement

. Except to the extent addressed by Section 2.5, above, related to relocation expenses, the Company shall pay or reimburse Executive for all reasonable out-of-pocket expenses actually incurred by Executive in the course of performing Executive’s duties for the Company in accordance with the Company’s reimbursement policies for senior executives as in effect from time-to-time. Executive shall keep accurate records and receipts of such expenditures and shall submit such accounts and proof thereof as may from time-to-time be required in accordance with such expense account or reimbursement policies that the Company may establish for its senior executives generally. The Company’s obligation to pay or reimburse Executive for certain expenses will comply with the requirements set forth in Section 1.409A-3(i)(1)(iv) of the regulations (the “409A Regulations”), promulgated under Section 409A of the Code, including the requirement that the amount of expenses eligible for reimbursement during any calendar year may not affect the expenses eligible for reimbursement in any other taxable year. Further, reimbursement of eligible expenses shall be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, as required by Section 1.409A-3(i)(1)(iv) of the 409A Regulations.

ARTICLE III
TERMINATION

Right to Terminate; Automatic Termination

. During the Employment Term, Executive's employment may terminate for any of the reasons set out in paragraphs (a) through (e) hereof.

Termination by Death or Disability

. Executive's employment and the Company's obligations under this Agreement, except as provided in Section 3.2(a), below, shall terminate automatically, effective immediately and without any notice being necessary, upon Executive's death or a determination of Disability of Executive. For purposes of this Agreement, "Disability" means the inability of Executive to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, as determined by a physician selected by the Company and Executive. If the Company and Executive cannot agree on a physician, each party shall select a physician and the two physicians shall select a third who shall make the determination as to whether Executive has a condition that meets the definition of Disability. Executive shall cooperate with any reasonable efforts to make such determination. In the event Executive is unable to select a physician, such selection shall be made by Executive's spouse, and if Executive's spouse is unable to select a physician, such selection shall be made by Executive's legal representative. Any such determination shall be conclusive and binding on the Parties. Any determination of Disability under this Section 3.1(a) is not intended to alter any benefits any person and/or beneficiary may be entitled to receive under any long-term disability insurance policy carried by either the Company or Executive with respect to Executive, which benefits shall be governed solely by the terms of any such insurance policy.

Termination For Cause

. The Company may terminate Executive's employment and all of the Company's obligations under this Agreement, except as provided in Section 3.2(b), below, at any time for Cause (as defined below) by giving written notice to Executive stating the basis for such termination, effective immediately upon giving such notice or at such other time thereafter as the Company may designate. "Cause" shall mean any of the following: (i) Executive has materially breached this Agreement, any other agreement to which Executive and the Company are parties, or any Company policy, or has materially breached any other obligation or duty owed to the Company pursuant to law or the Company's policies and procedures manual, including, but not limited to, Executive's failure to relocate as provided for in Section 2.5, above or Executive's substantial failure or willful refusal to perform Executive's duties and responsibilities to the Company (other than as a result of Executive's Death or Disability); (ii) Executive has committed an act of gross negligence, willful misconduct or any violation of law in the performance of Executive's duties for the Company; (iii) Executive has taken any action substantially likely to result in material discredit to or material loss of business, reputation or goodwill of the Company; (iv) Executive has failed to follow resolutions that have been approved by a majority of the Board concerning the operations or business of the Company; (v) Executive has been convicted of or plead *nolo contendere* to a felony or other crime, the circumstances of which substantially relate to Executive's employment duties with the Company; provided however, that upon indictment in any such case, the Executive may, at the Company's sole discretion, be suspended without pay pending final resolution of the matter; (vi) Executive has misappropriated funds or property of the Company or engaged in any material act of dishonesty; or (vii) Executive has attempted to obtain a personal profit from any transaction in which the Company has an interest, and which constitutes a corporate opportunity of the Company, or which is adverse to the interests of the Company, unless the transaction was approved in writing by the Board after full disclosure of all details relating to such transaction.

Termination by Resignation

. Executive's employment and the Company's obligations under this Agreement shall terminate automatically, except as provided in Section 3.2(b), below, when Executive voluntarily terminates Executive's employment with the Company other than with Good Reason (as described in Section 3.1(e), below), with forty-five (45) days' prior notice, or at such other earlier time as may be mutually agreed between the Parties following the provision of such notice.

Termination Without Cause

. The Company may terminate Executive's employment and all of the Company's obligations under this Agreement, except as provided in Section 3.2(c), below, at any time and for any reason. Such termination shall be effective immediately upon the Company providing notice to Executive that Executive is terminated without Cause, or such other time thereafter as the Company shall designate.

Termination By Executive With Good Reason

. Executive may terminate this Agreement with Good Reason, at which time Executive's employment and all of the Company's obligations under this Agreement shall terminate, except as provided in Section 3.2(c). "Good Reason" shall mean the occurrence of any of the following conditions without Executive's written consent, provided that Executive shall provide notice to the Company of the existence of the condition within 90 days of the initial existence of such condition, the Company shall have 30 days from the date it receives the notice (the "Cure Period") within which to cure such condition, and Executive must terminate Executive's employment within no more than 30 days after the expiration of the Cure Period if the Company does not cure the condition within the Cure Period: (i) a reduction in Executive's title such that Executive is no longer President and Chief Executive Officer of the Company; (ii) a material reduction in Executive's then current level of Base Salary, except with the consent of Executive; (iii) a material diminution in Executive's duties or responsibilities; (iv) a breach by the Company of any material provision of this Agreement; or (v) the relocation of Executive's office location more than twenty-five (25) miles from Belleville or Mt. Horeb, Wisconsin.

Obligations Upon Termination

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Termination by Death or Disability

. If Executive's employment is terminated pursuant to Section 3.1(a), above, Executive or Executive's estate shall have no further rights against the Company hereunder, except for the right to receive: (i) any unpaid Base Salary with respect to the period prior to the effective date of termination of employment; (ii) payment of any accrued but unused Paid Time Off, consistent with the Company's policy related to carryovers of unused time and applicable law; (iii) all vested benefits to which Executive is entitled under any benefit plans set forth in Section 2.4(a) hereof in accordance with the terms of such plans through the date employment terminates; (iv) reimbursement of expenses to which Executive may be entitled under Section 2.6 hereof (clauses (i) through (iv) collectively, the "Accrued Obligations"); and (v) provided that Executive, or a representative of Executive's estate, as the case may be, executes and delivers to the Company an irrevocable release of all employment-related claims against the Company as further described in Section 3.2(e), a pro-rated annual incentive bonus payment (based on the number of days worked in that fiscal year) for the fiscal year in which termination occurs based on actual performance-based bonus attainments for such fiscal year, payable in a lump sum. The pro-rated annual incentive bonus payment shall be made at such time as other participants in the plan receive their payment, or, if later, on the sixtieth (60th) day following the date of Executive's termination of employment, provided that (i) and (ii) of Section 3.2(e) have been satisfied by such date. The treatment of Executive's equity awards, if any, shall be governed by the applicable plans or grant agreements, except as explicitly provided to the contrary pursuant to this Agreement.

Termination With Cause or Resignation Without Good Reason

. If Executive's employment is terminated pursuant to Section 3.1(b) or (c), above, Executive shall have no further rights against the Company hereunder, except for the right to receive the Accrued Obligations. The treatment of Executive's incentive compensation provided under Section 2.2 hereof and the treatment of Executive's equity awards, if any, shall be governed by the terms of the applicable plans or grant agreements, except as explicitly provided to the contrary pursuant to this Agreement.

Termination Without Cause or For Good Reason

- No Change in Control. If Executive's employment is terminated pursuant to Section 3.1(d) or (e), above, and such termination does not occur within the period that begins thirty (30) days prior to a Change in Control (defined below) and ends two (2) years following a Change in Control (the "Change in Control Period"), Executive shall have no further rights against the Company hereunder, except for the right to receive: (i) the Accrued Obligations; and (ii) Severance Payments, as defined below, but only for so long as Executive complies with the requirements of Articles IV, V, VI, VII, VIII, IX and X, below. For purposes of this Agreement, "Severance Payments" means: (A) twelve (12) months of Base Salary continuation; (B) a pro-rated annual incentive bonus payment (based on the number of days worked in that fiscal year) for the fiscal year in which termination occurs based on actual performance-based bonus attainments for such fiscal year; and (C) to the extent it does not result in a tax or penalty on the Company, reimbursement for that portion of the premiums paid by Executive to obtain COBRA continuation health coverage that equals the Company's subsidy for health coverage for active employees with family coverage (if applicable) grossed up so that Executive will be made whole for such premiums on an after-tax basis ("COBRA Continuation Payments") for twelve (12) months following the date employment terminates (provided that Executive has not obtained health coverage from any other source and is not eligible to receive health coverage from any other employer, in which event Executive shall promptly notify the Company of the alternative health coverage and shall no longer be entitled to reimbursement), at the times provided in Section 3.2(f), below. The treatment of Executive's equity awards, if any, shall be governed by the terms of the applicable plans or grant agreements, except as explicitly provided to the contrary pursuant to this Agreement.

Termination Without Cause or For Good Reason
- Change in Control. If Executive's employment is terminated pursuant to Section 3.1(d) or (e), above, and such termination occurs during the Change in Control Period, Executive shall have no further rights against the Company hereunder, except for the right to receive: (i) the Accrued Obligations; and (ii) Change in Control Severance Payments, as defined below, but only for so long as Executive complies with the requirements of Articles IV, V, VI, VII, VIII, IX and X, below. For purposes of this Agreement, "Change in Control Severance Payments" means (A) a lump-sum payment of two and one-half (2.5) times the sum of (x) twelve (12) months of Base Salary and (y) Executive's annual target bonus for the fiscal year in which termination occurs; and (B) COBRA Continuation Payments for eighteen (18) months following the date employment terminates (provided that Executive has not obtained health coverage from any other source and is not eligible to receive health coverage from any other employer, in which event Executive shall promptly notify the Company of the alternative health coverage and shall no longer be entitled to reimbursement), at the times provided in Section 3.2(f), below. The treatment of Executive's equity awards, if any, shall be governed by the terms of the applicable plans or grant agreements, except as explicitly provided to the contrary pursuant to this Agreement. For purposes of this Agreement, "Change in Control" shall mean the first to occur of the following: (i) the sale, lease, exchange, encumbrance or other disposition (other than licenses that do not constitute an effective disposition of all or substantially all of the assets of the Company and its subsidiaries taken as a whole, and the grant of security interests in the ordinary course of business) by the Company of all or substantially all of the Company's assets; or (ii) the merger or consolidation of the Company with or into any other entity, other than a merger or consolidation that would result in the Class A Common Stock of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its sole parent entity) more than fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its sole parent entity outstanding immediately after such merger or consolidation. Notwithstanding the foregoing, a transaction shall not constitute a Change in Control unless the transaction also constitutes a change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation within the meaning of Section 409A and the 409A Regulations.

Release Requirement

. Notwithstanding the foregoing, the Company shall not pay to Executive, and Executive shall not have any right to receive, the Severance Payments or Change in Control Severance Payment unless, on or before the sixtieth (60th) day following the date of termination of employment: (i) Executive has executed and delivered to the Company a release of all employment-related claims against the Company, its affiliates, successor companies, and their past and current directors, officers, employees and agents, in a form provided to Executive by the Company (which shall preserve, to the extent applicable, any indemnity rights Executive may be entitled to pursuant to Company by-laws, statute or any director and officer liability insurance maintained by the Company); and (ii) the statutory revocation period for such release has expired.

Timing of Payment of Severance Payments

/Change in Control Severance Payments. Base Salary continuation provided for in Section 3.2(c) shall commence on the sixtieth (60th) day following the date of termination of employment and shall be paid over a twelve (12) month period in accordance with the normal payroll practices and schedule of the Company. The pro-rated annual incentive bonus payment provided for in Section 3.2(c) shall be made at such time as other participants in the plan receive their payment, or, if later, on the sixtieth (60th) day following the date of Executive's termination of employment, provided that Section 3.2(e) has been satisfied by such date. The lump-sum payment provided for in Section 3.2(d) shall be made on the sixtieth (60th) day following the date of termination of employment. The COBRA Continuation Payments provided for in Sections 3.2(c) and 3.2(d) shall be paid on a monthly basis after Executive has paid the applicable COBRA premium payment, provided that Section 3.2(e) has been satisfied by such date, over a 12-month or 18-month period, as applicable. Notwithstanding anything to the contrary contained in this Agreement, if: (i) Executive is a "specified employee" within the meaning of Section 1.409A-1(i) of the 409A Regulations; and (ii) the Severance Payments do not qualify for exemption from Section 409A under the short-term deferral exception to deferred compensation of Section 1.409A-1(b)(4) of the 409A Regulations, the separation pay plan exception to deferred compensation of Section 1.409A-1(b)(9) of the 409A Regulations, or any other exception under the 409A Regulations, that portion of the Severance Payments not exempt from Section 409A of the Code shall be made in accordance with the terms of this Agreement, but in no event earlier than the first to occur of: (A) the day after the six-month anniversary of Executive's termination of employment; or (B) Executive's death. Any payments delayed pursuant to the prior sentence shall be made in a lump sum, on the first business day after the six-month anniversary of Executive's termination of employment along with interest thereon payable at the short-term applicable federal rate for monthly payments, as determined under Section 1274(d) of the Code, for the month in which Executive's employment terminated. Each installment of the Severance Payments shall be deemed a separate payment for purposes of Section 409A and the 409A Regulations.

Treatment of Severance Payments/Change in Control Severance Payments for Tax and Benefit Purposes

. The Severance Payments and Change in Control Severance Payments shall be treated as ordinary income and shall be reduced by any applicable income or employment taxes which are required to be withheld under applicable law, and all amounts are stated before any such deduction. Furthermore, the Severance Payments and Change in Control Severance Payments shall not be included as compensation for purposes of any qualified or nonqualified retirement or welfare benefit plan, program or policy of the Company.

Parachute Payments

. Notwithstanding anything contained in this Agreement to the contrary, the Company, based on the advice of its legal or tax counsel, shall compute whether there would be any “excess parachute payments” payable to Executive, within the meaning of Section 280G of the Code, taking into account the total ‘‘parachute payments,” within the meaning of Section 280G of the Code, payable to Executive by the Company under this Agreement and any other plan, agreement or otherwise. If there would be any excess parachute payments, the Company, based on the advice of its legal or tax counsel, shall compute the net after-tax proceeds related to such parachute payments, taking into account the excise tax imposed by Section 4999 of the Code, as if: (i) such parachute payments were reduced, but not below zero, such that the total parachute payments payable to Executive would not exceed three (3) times the “base amount” as defined in Section 280G of the Code, less One Dollar ($1.00); or (ii) the full amount of such parachute payments were not reduced. If reducing the amount of such parachute payments otherwise payable would result in a greater after-tax amount to Executive, such reduced amount shall be paid to Executive and the remainder shall be forfeited. If not reducing such parachute payments otherwise payable would result in a greater after-tax amount to Executive, then such parachute payments shall not be reduced. If such parachute payments are reduced pursuant to the foregoing, they will be reduced in the following order: first, by reducing any cash severance payments, then by reducing any fringe or other severance benefits, and finally by reducing any payments or benefits otherwise payable with respect to, or measured by, the Company’s common stock (including without limitation by eliminating accelerated vesting, in each case starting with the installment or tranche last eligible to become vested absent the occurrence of a change in control). Notwithstanding the foregoing, to the extent the Parties agree that any of the foregoing amounts are not parachute payments, such amounts shall not be reduced. To the extent the Parties cannot agree as to whether any of the payments are in fact parachute payments, the Parties will designate, by mutual agreement, an unrelated third-party with tax expertise to make the determination. Notwithstanding any provision of this Section 3.2(d) to the contrary, no amount shall be subject to reduction pursuant to this Section 3.2(d) to the extent the reduction would result in a violation of any applicable law.

ARTICLE IV
CONFIDENTIALITY

Confidentiality Obligations

.

(a) During Employment. Executive will not, during Executive’s employment with the Company, directly or indirectly use or disclose any Confidential Information or Trade Secrets except in the interest and for the benefit of the Company.

(b) Trade Secrets Post-Employment. After the end, for any reason, of Executive’s employment with the Company, Executive will not directly or indirectly use or disclose any Trade Secrets.

(c) Confidential Information Post-Employment. For a period of twenty-four (24) months following the end, for any reason, of Executive's employment with the Company, Executive will not directly or indirectly use or disclose any Confidential Information.

(d) Third Party Information. Executive further agrees not to use or disclose at any time information received by the Company from others except in accordance with the Company's contractual or other legal obligations.

4.4 Definitions.

Trade Secret

. The term "Trade Secret" has that meaning set forth under applicable law.

Confidential Information

. The term "Confidential Information" means all non-Trade Secret information of, about or related to the Company or provided to the Company by its customers and suppliers that is not known generally to the public or the Company's competitors. Confidential Information includes, but is not limited to: (i) strategic plans, budgets, forecasts, financial information, inventions, product designs and specifications, material specifications, materials sourcing information, product costs, information about products under development, research and development information, production processes, equipment design and layout, customer lists, information about orders from and transactions with customers, sales and marketing information, strategies and plans, pricing information; and (ii) information which is marked or otherwise designated or treated as confidential or proprietary by the Company.

Exclusions

. Notwithstanding the foregoing, the terms "Confidential Information" and "Trade Secret" do not include, and the obligations set forth in this Agreement do not apply to, any information which: (i) can be demonstrated by Executive to have been known by Executive prior to Executive's employment by the Company; (ii) is or becomes generally available to the public through no act or omission of Executive; (iii) is obtained by Executive in good faith from a third party who discloses such information to Executive on a non-confidential basis without violating any obligation of confidentiality or secrecy relating to the information disclosed; or (iv) is independently developed by Executive outside the scope of Executive's employment without use of Confidential Information or Trade Secrets of the Company.

4.5 Trade Secret Law. Nothing in this Agreement shall limit or supersede any common law, statutory or other protections of trade secrets where such protections provide the Company with greater rights or protections for a longer duration than provided in this Agreement. With respect to the disclosure of a Trade Secret and in accordance with 18 U.S.C. § 1833, Executive shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a Trade Secret that (a) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, provided that, the information is disclosed solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding filed under seal so that it is not disclosed to the public. Executive is further notified that if

Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the Company's Trade Secrets to Executive's attorney and use the Trade Secret information in the court proceeding, provided that, Executive files any document containing the Trade Secret under seal so that it is not disclosed to the public, and does not disclose the Trade Secret, except pursuant to court order.

ARTICLE V
NON-COMPETITION

Restrictions on Competition During Employment
. During the term of Executive's employment with the Company, Executive shall not directly or indirectly compete against the Company, or directly or indirectly divert or attempt to divert business from the Company anywhere the Company does or is taking steps to do business.

Post-Employment Restricted Services Obligation
. For a period of two (2) years following the end, for whatever reason, of Executive's employment with the Company, Executive agrees not to directly or indirectly provide Restricted Services to any Competitor in the Territory.

5.1 Definitions.

Restricted Services
. The term "Restricted Services" means employment duties and functions of the type provided by Executive to the Company during the twelve (12) month period immediately prior to the end, for whatever reason, of Executive's employment with the Company.

Competitor
. The term "Competitor" means Carhartt, Inc., L.L. Bean, Inc., Cabela's Inc., Columbia Sportswear Company, Lands' End, Inc., Under Armour, Inc., VF Corporation, and any and all of their respective affiliates and successors. In addition, the term "Competitor" shall mean any corporation, partnership, association, or other person or entity that engages in any business which, at any time during the eighteen (18) month period immediately prior to the end, for whatever reason, of Executive's employment with the Company, and regardless of business format (including, but not limited to, department stores, specialty stores, discount stores, direct marketing, or electronic commerce): (i) marketed, manufactured, or sold men's or women's casual wear, work wear, base layer or accessories of the type marketed, manufactured or sold by the Company during the eighteen (18) month period immediately prior to the end of Executive's employment with the Company and (ii) had combined annual revenues in excess of $100 million.

Territory
. The term "Territory" shall mean the United States of America and Canada.

ARTICLE VI
BUSINESS IDEA RIGHTS

Assignment
. The Company will own, and Executive hereby assigns to the Company and agrees to assign to the Company, all rights in all Business Ideas which Executive

originates or develops whether alone or working with others while Executive is employed by the Company. All Business Ideas which are or form the basis for copyrightable works are hereby assigned to the Company and/or shall be assigned to the Company or shall be considered "works for hire" as that term is defined by United States Copyright Law.

Definition of Business Ideas

. The term "Business Ideas" means all ideas, designs, modifications, formulations, specifications, concepts, know-how, trade secrets, discoveries, inventions, data, software, developments and copyrightable works, whether or not patentable or registrable, which Executive originates or develops, either alone or jointly with others while Executive is employed by the Company and which are: (i) related to any business known to Executive to be engaged in or contemplated by the Company; (ii) originated or developed during Executive's working hours; or (iii) originated or developed in whole or in part using materials, labor, facilities or equipment furnished by the Company.

Disclosure

. While employed by the Company, Executive will promptly disclose all Business Ideas to the Company.

Execution of Documentation

. Executive, at any time during or after the Employment Term, will promptly execute all documents which the Company may reasonably require to perfect its patent, copyright and other rights to such Business Ideas throughout the world.

ARTICLE VII
NON-SOLICITATION OF RESTRICTED PERSONS

7.1 Non-Solicitation of Restricted Persons. While Executive is employed by the Company, and for a period of two (2) years following the end, for whatever reason, of Executive's employment with the Company, Executive shall not directly or indirectly solicit any Restricted Person to provide services to or on behalf of a person or entity in a manner reasonably likely to pose a competitive threat to the Company.

7.2 Restricted Person. The term "Restricted Person" means an employee of the Company who (a) at the time of the solicitation, is a top-level employee of the Company, has special skills or knowledge important to the Company, or has skills that are difficult for the Company to replace and (b) is an employee with whom Executive had a working relationship or about whom Executive acquired or possessed specialized knowledge, in each case, in connection with Executive's employment with the Company and during the eighteen (18) month period immediately prior to the end, for whatever reason, of Executive's employment with the Company.

ARTICLE VIII
EMPLOYEE DISCLOSURES AND ACKNOWLEDGMENTS

Confidential Information of Others

. Executive warrants and represents to the Company that Executive is not subject to any employment, consulting or services agreement, or any restrictive covenants or agreements of any type, which would conflict or prohibit Executive from fully carrying out Executive's duties as described under the terms of this Agreement. Further, Executive warrants and represents to the Company that Executive has not and will not retain or use, for the benefit of the Company, any confidential information, records, trade secrets, or other property of a former employer.

Scope of Restrictions

. Executive acknowledges that during the course of Executive's employment with the Company, Executive will gain knowledge of Confidential Information and Trade Secrets of the Company. Executive acknowledges that the Confidential Information and Trade Secrets of the Company are necessarily shared with Executive on a routine basis in the course of performing Executive's job duties and that the Company has a legitimate protectable interest in such Confidential Information and Trade Secrets, and in the goodwill and business prospects associated therewith. Executive acknowledges that the Company does business in all states in the United States and in Canada. Accordingly, Executive acknowledges that the scope of the restrictions contained in this Agreement are appropriate, necessary and reasonable for the protection of the business, goodwill and property rights of the Company, and that the restrictions imposed will not prevent Executive from earning a living in the event of, and after, the end, for any reason, of Executive's employment with the Company.

Prospective Employers

. Executive agrees, during the term of any restriction contained in Articles IV, V, VI, VII, VIII, IX and X of this Agreement, to disclose this Agreement to any entity which offers employment or engagement to Executive. Executive further agrees that, during the term of any restriction contained in Articles IV, V, VI, VII, VIII, IX and X, the Company may send a copy of this Agreement to, or otherwise make the provisions hereof known to, any person or entity with which Executive seeks to establish a business relationship, including, without limitation, potential employers, joint-venturers, or persons or entities to whom Executive seeks to provide consulting services as an independent contractor.

Third Party Beneficiaries

. All of the Company's affiliates, successors and assigns are third party beneficiaries with respect to Executive's performance of Executive's duties under this Agreement and the undertakings and covenants contained in this Agreement, and the Company and any such entity, enjoying the benefits thereof, may enforce this Agreement directly against Executive.

Survival

. The Covenants set forth in Articles IV, V, VI, VII, VIII, IX and X of this Agreement shall survive the termination of this Agreement.

Injunctive Relief

. Executive acknowledges that the services to be rendered by Executive hereunder are of a special, unique, and extraordinary character and, in connection with such services, Executive will have access to Confidential Information and Trade Secrets that are vital to the Company's business. Executive consents and agrees that, in the event of the breach or a threatened breach by Executive of any of the provisions of this Agreement, the Company would sustain irreparable harm and that damages at law would not be an adequate remedy for a violation of this Agreement, and, in addition to any other rights or remedies that the Company may have under this Agreement, common or statutory law or otherwise, the Company shall be entitled to specific performance and/or injunctive or other equitable relief from a court of competent jurisdiction enforcing this Agreement and/or restraining Executive from committing, threatening to commit, or continuing any violation of this Agreement (in each case without posting a bond or other security), including, but not limited to, restraining Executive from disclosing, using for any purpose, selling, transferring, or otherwise disposing of, in whole or in part, any Confidential Information and/or Trade Secrets. Nothing contained herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for any breach or threatened breach of any provision of this Agreement, including, but not limited to, the recovery of damages, costs, and fees, including the recovery of any prior Severance Payments or Change in Control Severance Payments made to Executive.

Consistency With Applicable Law

. Executive acknowledges and agrees that nothing in this Agreement prohibits Executive from reporting possible violations of law to any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of federal, state or local laws or regulations. Moreover, nothing in this Agreement shall be deemed to require the Company's prior approval of such communications.

ARTICLE IX
RETURN OF RECORDS

Upon the end, for any reason, of Executive's employment with the Company, or upon request by the Company at any time, Executive, within five (5) days after the termination of Executive's employment or earlier upon the Company's written request, shall return to the Company all documents, records, information, equipment (including computers, laptops, tablet computers, cell phones and other such equipment ("Electronic Equipment")) and materials belonging and/or relating to the Company (except Executive's own personnel and wage and benefit materials relating solely to Executive and Executive's personal Electronic Equipment which is not owned by the Company), all passwords and/or access codes related to such equipment and/or materials, and all copies of all such materials. Upon the end, for any reason, of Executive's employment with the Company, or upon request of the Company at any time, Executive further agrees to destroy such records maintained by Executive on Executive's personally-owned Electronic Equipment, which destruction the Company may reasonably confirm.

ARTICLE X
NONDISPARAGEMENT

Executive agrees that Executive will not, at any time (whether during or after the Employment Term), publish or communicate to any person or entity any Disparaging (as defined below) remarks, comments or statements concerning the Company and its respective present and former members, partners, directors, officers, shareholders, employees, agents, attorneys, successors and assigns, except as required by law, rule or regulation. "Disparaging" remarks, comments or statements are those that impugn the character, honesty, integrity or morality or business acumen or abilities in connection with any aspect of the operation of business of the individual or entity being disparaged.

ARTICLE XI
MISCELLANEOUS

Notice

. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, or sent by electronic mail or prepaid overnight courier to the

Parties at the addresses set forth below (or such other address as shall be specified by the Parties by like notice pursuant to this Section 11.1):

To the Company: Duluth Holdings, Inc.
201 E. Front Street
Mt. Horeb, WI 53572
Attention: David S. Homolka
Email: dhomolka@duluthtrading.com

With a copy to: Godfrey & Kahn, S.C.
833 E. Michigan St., Suite 1800
Milwaukee, WI 53202
Attention: John A. Dickens
Fax: 1-414-273-5198
Email: jadicken@gklaw.com

To Executive: Samuel Sato
[personal address omitted]
Email: [personal email omitted]

Such notices and communications shall be deemed given upon personal delivery or receipt at the address or email account of the party stated above or at any other address specified by such party to the other party in writing, except that if delivery is refused or cannot be made for any reason, then such notice shall be deemed given on the third day after it is sent.

Entire Agreement; Amendment; Waiver

. This Agreement (including any documents referred to herein) sets forth the entire understanding of the Parties hereto with respect to the subject matter contemplated hereby. Any and all previous agreements and understandings between or among the Parties regarding the subject matter hereof, whether written or oral, are superseded by this Agreement, including without limitation any employment offer letters. Notwithstanding the foregoing, nothing provided herein shall supersede the terms of any Restricted Stock Agreement, which shall remain in full force and effect pursuant to its terms and, in the event of a conflict between such agreement and the terms of this Agreement, the provision of the agreement which is both enforceable and most protective of the Company’s interests shall control. This Agreement shall not be amended or modified except by a written instrument duly executed by each of the Parties hereto. Any extension or waiver by any party of any provision hereto shall be valid only if set forth in an instrument in writing signed on behalf of such party.

Headings

. The headings of sections and paragraphs of this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any of its provisions.

Attorneys’ Fees; Expenses

. Except as provided in Section 2.4(c), above, each party hereto shall bear and pay all of the respective fees, expenses and disbursements of their agents, representatives, accountants and counsel incurred in connection with and related to this Agreement.

Waiver of Breach

. The waiver by either party of the breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either party.

Severability

. If any court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then such invalidity or unenforceability shall have no effect on the other provisions hereof, which shall remain valid, binding and enforceable and in full force and effect, and, to the extent allowed by law, such invalid or unenforceable provision shall be construed in a manner so as to give the maximum valid and enforceable effect to the intent of the Parties expressed therein.

Governing Law

. This Agreement shall in all respects be construed according to the laws of the State of Wisconsin, without regard to its conflict of laws principles.

Future Cooperation

. Executive agrees that, during Executive's employment and following the termination of Executive's employment for any reason, Executive will cooperate with requests by the Company to assist in the defense or prosecution of any lawsuits or claims in which the Company, or its officers, directors or employees may be or become involved and in connection with any internal investigation or administrative, regulatory or judicial proceeding, in each case which relates to matters occurring while Executive was employed by the Company, at such times and at such places as shall be mutually convenient for Executive and the Company, taking into account any employment commitments which Executive then has. Executive shall be compensated by the Company at a rate comparable to that which Executive earned while an employee of the Company or that which Executive is currently earning, whichever is greater; provided, however, that during such time as Executive is receiving Severance Payments or Change in Control Severance Payments pursuant to Sections 3.2(c) or 3.2(d) of this Agreement, such payments shall be the sole compensation provided to Executive for services reasonably requested under this Section 11.8.

Compliance with Section 409A of the Code and the 409A Regulations

. This Agreement, and any ambiguity hereunder, shall be interpreted and administered so that any payments or benefits are either exempt from or avoid taxation under Section 409A of the Code, the 409A Regulations and any authority promulgated thereunder. Executive acknowledges that the Company has made no representations as to the treatment of the compensation and benefits provided hereunder and the Executive has been advised to obtain Executive's own tax advice. Any term used in this Agreement which is defined in Code Section 409A or the 409A Regulations shall have the meaning set forth therein unless otherwise specifically defined herein. Any obligations under this Agreement that are subject to the requirements of Code Section 409A and arise in connection with Executive's "termination of employment", "termination" or other similar references shall only be triggered if the termination of employment or termination qualifies as a "separation from service" within the meaning of Section 1.409A-1(h) of the 409A Regulations. Each amount or benefit payable pursuant to this Agreement shall be deemed a separate payment for purposes of Section 409A and the 409A Regulations.

Successors

.

This Agreement is personal to Executive and shall not be assignable by Executive otherwise than by will or the laws of descent and distribution

. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

(a) This Agreement shall be assignable by the Company without the written consent of Executive and shall inure to the benefit of and be binding upon the Company and its respective successors and assigns. Upon assignment of this Agreement by the Company, all references to the "Company" shall be deemed to refer to the party to which this Agreement is assigned.

11.3 Acknowledgement of Representation. Executive and the Company acknowledge that they have had the opportunity to be represented by counsel of their own choosing and, therefore, in the event of a dispute over the meaning of this Agreement or any provisions thereof, neither party shall be entitled to any presumption of correctness in favor of the interpretation advanced by such party or against the interpretation advanced by the other party.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date first written above.

EXECUTIVE:

/s/ Samuel M. Sato
Samuel M. Sato

DULUTH HOLDINGS INC.:

/s/ Stephen L. Schlecht
Stephen L. Schlecht
Executive Chairman

Exhibit 31.1

CERTIFICATIONS

I, Sam Sato, Chief Executive Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Duluth Holdings Inc. (the "registrant");

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

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

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

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

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

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

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

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

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

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

Date: June 4, 2021

/s/ Sam Sato

Sam Sato

Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, David Loretta, Chief Financial Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Duluth Holdings Inc. (the "registrant");

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

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

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

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

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

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

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

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

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

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

Date: June 4, 2021

/s/ David Loretta
David Loretta
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Duluth Holdings Inc. (the "Company") for the quarterly period ended May 2, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sam Sato, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

	/s/ Sam Sato
Name:	**Sam Sato**
Title:	**Chief Executive Officer**
Date:	**June 4, 2021**

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. This certification shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

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

In connection with the Quarterly Report on Form 10-Q of Duluth Holdings Inc. (the “Company”) for the quarterly period ended May 2, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David Loretta, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

	/s/ David Loretta
Name:	**David Loretta**
Title:	**Chief Financial Officer**
Date:	**June 4, 2021**

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. This certification shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.