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 August 1, 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 September 1, 2021, was 3,364,200.
The number of shares outstanding of the Registrant’s Class B common stock, no par value, as of September 1, 2021, was 29,692,405.

DULUTH HOLDINGS INC.
QUARTERLY REPORT ON FORM 10-Q
FOR QUARTER ENDED August 1, 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)

	August 1, 2021	January 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 18,921	$ 47,221
Receivables	2,912	2,270
Inventory, less reserves of $1,077 and $1,600, respectively	134,887	149,052
Prepaid expenses & other current assets	13,090	10,203
Prepaid catalog costs	39	1,014
Total current assets	169,849	209,760
Property and equipment, net	117,571	124,237
Operating lease right-of-use assets	112,131	117,490
Finance lease right-of-use assets, net	51,598	53,468
Available-for-sale security	6,729	6,111
Other assets, net	5,280	4,511
Total assets	$ 463,158	$ 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)

	August 1, 2021	January 31, 2021
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 37,717	$ 33,647
Accrued expenses and other current liabilities	32,687	37,686
Income taxes payable	587	7,579
Current portion of operating lease liabilities	11,378	11,050
Current portion of finance lease liabilities	2,657	2,629
Current portion of Duluth long-term debt	—	2,500
Current maturities of TRI long-term debt	658	623
Total current liabilities	85,684	95,714
Operating lease liabilities, less current maturities	98,950	104,287
Finance lease liabilities, less current maturities	41,633	43,299
Duluth long-term debt, less current maturities	—	45,750
TRI long-term debt, less current maturities	26,928	27,229
Deferred tax liabilities	8,061	8,200
Total liabilities	261,256	324,479
Shareholders' equity:		
Preferred stock, no par value; 10,000 shares authorized; no shares issued or outstanding as of August 1, 2021 and January 31, 2021	—	—
Common stock (Class A), no par value; 10,000 shares authorized; 3,364 shares issued and outstanding as of August 1, 2021 and January 31, 2021	—	—
Common stock (Class B), no par value; 200,000 shares authorized; 29,771 shares issued and 29,693 shares outstanding as of August 1, 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 August 1, 2021 and January 31, 2021, respectively	(991)	(628)
Capital stock	94,080	92,875
Retained earnings	110,703	101,166
Accumulated other comprehensive income	564	48
Total shareholders' equity of Duluth Holdings Inc.	204,356	193,461
Noncontrolling interest	(2,454)	(2,363)
Total shareholders' equity	201,902	191,098
Total liabilities and shareholders' equity	$ 463,158	$ 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		Six Months Ended	
	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
Net sales	$ 149,127	$ 137,375	$ 282,546	$ 247,292
Cost of goods sold (excluding depreciation and amortization)	67,701	64,903	134,577	122,488
Gross profit	81,426	72,472	147,969	124,804
Selling, general and administrative expenses	68,339	62,680	132,987	133,986
Operating income (loss)	13,087	9,792	14,982	(9,182)
Interest expense	1,182	1,778	2,490	3,128
Other income (loss), net	56	(250)	72	(191)
Income (loss) before income taxes	11,961	7,764	12,564	(12,501)
Income tax expense (benefit)	3,014	1,866	3,119	(3,220)
Net income (loss)	8,947	5,898	9,445	(9,281)
Less: Net loss attributable to noncontrolling interest	(45)	(43)	(91)	(87)
Net income (loss) attributable to controlling interest	$ 8,992	$ 5,941	$ 9,536	$ (9,194)
Basic earnings (loss) per share (Class A and Class B):				
Weighted average shares of common stock outstanding	32,624	32,445	32,582	32,408
Net income (loss) per share attributable to controlling interest	$ 0.28	$ 0.18	$ 0.29	$ (0.28)
Diluted earnings (loss) per share (Class A and Class B):				
Weighted average shares and equivalents outstanding	32,813	32,445	32,786	32,408
Net income (loss) per share attributable to controlling interest	$ 0.27	$ 0.18	$ 0.29	$ (0.28)

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		Six Months Ended	
	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
Net income (loss)	$ 8,947	$ 5,898	$ 9,445	$ (9,281)
Other comprehensive income				
Securities available-for sale:				
Unrealized security income (loss) arising during the period	419	335	689	(365)
Income tax expense (benefit)	105	87	173	(95)
Other comprehensive income (loss)	314	248	516	(270)
Comprehensive income (loss)	9,261	6,146	9,961	(9,551)
Comprehensive loss attributable to noncontrolling interest	(45)	(43)	(91)	(87)
Comprehensive income (loss) attributable to controlling interest	$ 9,306	$ 6,189	$ 10,052	$ (9,464)

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)

	Six Months Ended August 1, 2021						
	Capital stock				Accumulated other comprehensive income	Noncontrolling interest in variable interest entity	Total shareholders' equity
	Shares	Amount	Treasury stock	Retained earnings			
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 (loss)	—	—	—	544	—	(46)	498
Balance at May 2, 2021	32,917	$ 93,378	$ (986)	$ 101,711	$ 250	$ (2,409)	$ 191,944
Issuance of common stock	142	139	—	—	—	—	139
Stock-based compensation	—	563	—	—	—	—	563
Restricted stock forfeitures	(2)	—	—	—	—	—	—
Restricted stock surrendered for taxes	—	—	(5)	—	—	—	(5)
Other comprehensive income	—	—	—	—	314	—	314
Net income (loss)	—	—	—	8,992	—	(45)	8,947
Balance at August 1, 2021	33,057	$ 94,080	$ (991)	$ 110,703	$ 564	$ (2,454)	$ 201,902

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)

	Six Months Ended August 2, 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
Issuance of common stock	98	98	—	—	—	—	98
Stock-based compensation	—	372	—	—	—	—	372
Restricted stock forfeitures	(15)	—	—	—	—	—	—
Restricted stock surrendered for taxes	(13)	—	(67)	—	—	—	(67)
Other comprehensive income	—	—	—	—	248	—	248
Net income (loss)	—	—	—	5,941	—	(43)	5,898
Balance at August 2, 2020	32,814	$ 91,921	$ (581)	$ 78,395	$ (82)	$ (2,253)	$ 167,400

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)

	Six Months Ended	
	August 1, 2021	August 2, 2020
Cash flows from operating activities:		
Net income (loss)	$ 9,445	$ (9,281)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	14,516	13,292
Stock based compensation	1,007	881
Deferred income taxes	(312)	3,300
Loss on disposal of property and equipment	67	321
Changes in operating assets and liabilities:		
Receivables	(642)	(625)
Income taxes receivable	—	(3,780)
Inventory	14,165	(19,735)
Prepaid expense & other current assets	(1,332)	2,594
Software hosting implementation costs, net	(1,220)	—
Deferred catalog costs	975	927
Trade accounts payable	2,889	3,360
Income taxes payable	(6,992)	(3,427)
Accrued expenses and deferred rent obligations	(4,908)	(1,556)
Other assets	(1,035)	—
Noncash lease impacts	(111)	927
Net cash provided by (used in) operating activities	26,512	(12,802)
Cash flows from investing activities:		
Purchases of property and equipment	(4,984)	(8,842)
Capital contributions towards build-to-suit stores	—	(357)
Principal receipts from available-for-sale security	71	64
Proceeds from disposals	55	—
Net cash used in investing activities	(4,858)	(9,135)
Cash flows from financing activities:		
Proceeds from line of credit	5,000	52,484
Payments on line of credit	(5,000)	(41,816)
Proceeds from delayed draw term loan	—	30,000
Payments on delayed draw term loan	(48,250)	(500)
Payments on TRI long term debt	(303)	(234)
Payments on finance lease obligations	(1,237)	(793)
Payments of tax withholding on vested restricted shares	(363)	(174)
Other	199	(102)
Net cash (used in) provided by financing activities	(49,954)	38,865
(Decrease) increase in cash, cash equivalents	(28,300)	16,928
Cash, cash equivalents and restricted cash at beginning of period	47,221	2,240
Cash, cash equivalents and restricted cash at end of period	$ 18,921	$ 19,168
Supplemental disclosure of cash flow information:		
Interest paid	$ 2,519	$ 3,151
Income taxes paid	$ 10,461	$ 40
Supplemental disclosure of non-cash information:		
Unpaid liability to acquire property and equipment	$ 2,052	$ 2,451

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 August 1, 2021 and August 2, 2020, respectively.

The accompanying condensed consolidated financial statements as of and for the three and six months ended August 1, 2021 and August 2, 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 and six months ended August 1, 2021 and August 2, 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 August 1, 2021 and for the three and six months then ended, no triggering events or indicators of asset impairment were noted.

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 $1.1 million and $1.6 million as of August 1, 2021 and January 31, 2021, respectively.

The reserve for inventory shrinkage is adjusted to reflect the trend of historical physical inventory count results. The Company performs its retail store physical inventory counts in July and the difference between actual and estimated shrinkage, recorded in Cost of goods sold, may cause fluctuations in second fiscal quarter results.

F. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

(in thousands)	August 1, 2021		January 31, 2021	
Prepaid expenses & other current assets				
Pending returns inventory, net	$	1,972	$	2,490
Current software hosting implementation costs, net		1,303		1,149
Other prepaid expenses		9,815		6,564
Prepaid expenses & other current assets	$	13,090	$	10,203
Other assets, net				
Goodwill	$	402	$	402
Intangible assets, net		255		264
Non-current software hosting implementation costs		2,606		2,755
Other assets, net		2,017		1,090
Other assets, net	$	5,280	$	4,511

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. Reclassifications

Certain reclassifications have been made to the 2020 financial statements in order to conform to the 2021 presentation. There were no changes to previously reported shareholders' equity or net income (loss) as a result of the reclassifications.

J. 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

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

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.

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		Six Months Ended	
		August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
(in thousands)					
Finance lease expenses					
Amortization of right-of-use assets	Selling, general and administrative expenses	$ 840	$ 908	$ 1,678	$ 1,565
Interest on lease liabilities	Interest expense	486	435	981	873
Total finance lease expense		$ 1,326	$ 1,343	$ 2,659	$ 2,438
Operating lease expense	Selling, general and administrative expenses	$ 3,849	$ 4,495	$ 7,800	$ 8,631
Amortization of build-to-suit leases capital contribution	Selling, general and administrative expenses	321	3,624	649	3,948
Variable lease expense	Selling, general and administrative expenses	2,167	2,277	4,226	4,038
Total lease expense		$ 7,663	$ 11,739	$ 15,334	$ 19,055

Other information related to leases were as follows:

	Six Months Ended	
(in thousands)	August 1, 2021	August 2, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash flows from finance leases	$ 1,237	$ 793
Operating cash flows from finance leases	$ 981	$ 873
Operating cash flows from operating leases	$ 7,842	$ 7,607
Weighted-average remaining lease term (in years):		
Finance leases	12	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 August 1, 2021:

Fiscal year	**Finance**	**Operating**
(in thousands)		
2021 (remainder of fiscal year)	$ 2,273	$ 7,879
2022	4,523	15,961
2023	4,551	16,143
2024	4,736	15,493
2025	5,098	14,703
Thereafter	37,218	63,463
Total future minimum lease payments	$ 58,399	$ 133,642
Less – Discount	(14,109)	(23,314)
Lease liability	$ 44,290	$ 110,328

3. DEBT AND CREDIT AGREEMENT

Debt consists of the following:

(in thousands)		August 1, 2021		January 31, 2021
TRI Senior Secured Note	$	24,086	$	24,352
TRI Note		3,500		3,500
	$	27,586	$	27,852
Less: current maturities		658		623
TRI long-term debt	$	26,928	$	27,229
Duluth Delayed draw term loan		—		48,250
	$	—	$	48,250
Less: current maturities		—		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. 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. 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.

On May 14, 2021, the Company terminated the Credit Agreement, and entered into a new credit agreement (the “New Credit Agreement”), which was treated as a modification for accounting purposes. 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 revolving senior credit facility 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

As of August 1, 2021 and for the six months then ended, the Company was in compliance with all financial and non-financial covenants contained within the New Credit Agreement.

4. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

(in thousands)	August 1, 2021	January 31, 2021
Salaries and benefits	$ 8,473	$ 8,826
Deferred revenue	7,757	9,944
Freight	3,343	6,769
Product returns	4,514	5,304
Unpaid purchases of property & equipment	1,400	503
Accrued advertising	2,692	1,377
Other	4,508	4,963
Total accrued expenses and other current liabilities	$ 32,687	$ 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 six months ended August 1, 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.

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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:

	August 1, 2021			
(in thousands)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Level 3 security:				
Corporate trust	$ 5,976	$ 753	$ —	$ 6,729

	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 six months ended August 1, 2021 or August 2, 2020.

The following table presents future principal receipts related to the Company's available-for-sale security by contractual maturity as of August 1, 2021.

(in thousands)	Amortized Cost	Estimated Fair Value
Within one year	$ 155	$ 199
After one year through five years	1,053	1,271
After five years through ten years	1,628	1,847
After ten years	3,140	3,412
Total	$ 5,976	$ 6,729

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

	August 1, 2021		January 31, 2021	
(in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
TRI Long-term debt, including short-term portion	$ 27,586	$ 28,641	$ 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 January 31, 2021, the carrying value of the delayed draw term loan approximated its fair value.

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 August 1, 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 August 1, 2021 and January 31, 2021:

(in thousands)	August 1, 2021	January 31, 2021
Cash	$ 749	$ 747
Property and equipment, net	24,489	24,800
Total assets	$ 25,238	$ 25,547
Other current liabilities	$ 106	$ 58
Current maturities of long-term debt	658	623
TRI Long-term debt	26,928	27,229
Noncontrolling interest in VIE	(2,454)	(2,363)
Total liabilities and shareholders' equity	$ 25,238	$ 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		Six Months Ended	
(in thousands, except per share data)	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
Numerator - net income (loss) attributable to controlling interest	$ 8,992	$ 5,941	$ 9,536	$ (9,194)
Denominator - weighted average shares (Class A and Class B)				
Basic	32,624	32,445	32,582	32,408
Dilutive shares	189	—	204	—
Diluted	32,813	32,445	32,786	32,408
Earnings (loss) per share (Class A and Class B)				
Basic	$ 0.28	$ 0.18	$ 0.29	$ (0.28)
Diluted	$ 0.27	$ 0.18	$ 0.29	$ (0.28)

The computation of diluted loss per share for the three and six months ended August 2, 2020 excluded (0.1) million and (0.1) million shares of unvested restricted stock, respectively, because their inclusion would be anti-dilutive.

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 $0.6 million and $1.0 million for the three and six months ended August 1, 2021, respectively and $0.4 million and $0.8 million for the three and six months ended August 2, 2020, respectively. The Company's total stock compensation expense 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 six months ended August 1, 2021 is as follows:

	Shares	Weighted average fair value per share
Outstanding at January 31, 2021	338,239	$ 9.74
Granted	224,482	15.84
Vested	(148,719)	7.81
Forfeited	(1,739)	16.93
Outstanding at August 1, 2021	412,263	$ 13.73

At August 1, 2021, the Company had unrecognized compensation expense of $4.8 million related to the restricted stock awards, which is expected to be recognized over a weighted average period of 2.6 years.

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

(in thousands)	August 1, 2021	January 31, 2021
Land and land improvements	$ 4,486	$ 4,486
Leasehold improvements	46,643	47,451
Buildings	35,346	35,344
Vehicles	161	161
Warehouse equipment	14,351	14,685
Office equipment and furniture	52,687	52,614
Computer equipment	9,813	9,861
Software	33,991	34,003
	197,478	198,605
Accumulated depreciation and amortization	(87,300)	(75,958)
	110,178	122,647
Construction in progress	7,393	1,590
Property and equipment, net	$ 117,571	$ 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		Six Months Ended	
	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
(in thousands)				
Direct-to-consumer	$ 85,264	$ 100,581	$ 173,630	$ 187,111
Stores	63,863	36,794	108,916	60,181
	$ 149,127	$ 137,375	$ 282,546	$ 247,292

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:

	August 1, 2021	January 31, 2021
(in thousands)		
Contract assets	$ 1,972	$ 2,490
Contract liabilities	$ 7,757	$ 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 six months ended:

	August 1, 2021	August 2, 2020
(in thousands)		
Balance as of beginning of period	$ 9,788	$ 9,790
Gift cards sold	4,171	4,059
Gift cards redeemed	(5,919)	(5,211)
Gift card breakage	(283)	(1,045)
Balance as of end of period	$ 7,757	$ 7,593

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 25% for the six months ended August 1, 2021 and 26% for the six months ended August 2, 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.

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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.

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 and six months of fiscal 2021 and fiscal 2020 represent our 13 and 26 week periods ended August 1, 2021 and August 2, 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 initiatives, or 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, 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 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 August 1, 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 second quarter increased by 8.6% over the prior year second quarter to $149.1 million, and net sales in the first six months of fiscal 2021 increased by 14.3% over the first six months of the prior year to $282.5 million;
- Net income of $9.0 million in fiscal 2021 second quarter compared to the prior year second quarter net income of $5.9 million, and net income in the first six months of fiscal 2021 of $9.5 million compared to a net loss in the first six months of fiscal 2020 of $(9.2) million; and
- Adjusted EBITDA increased to $21.6 million in fiscal 2021 second quarter compared to the prior year second quarter Adjusted EBITDA of $16.8 million, and adjusted EBITDA in the first six months of fiscal 2021 of $31.7 million compared to $5.2 million over the first six months of the prior year.

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.

The Company has completed a comprehensive review of current operations, logistics networks, marketing and technology capabilities, and unique brands and products. The Company formulated the "Big Dam Blueprint", which management believes will unlock the Company's full potential for long-term, sustainable growth.

Big Dam Blueprint

- **Begin with a digital-first mindset** that integrates technology into all areas of the business, fundamentally changing how we operate and deliver value to customers.
- **Intensify efforts to optimize Duluth Trading's owned retail channels** by increasing focus and investments in our direct channel as our primary growth vehicle. We are conducting strategic research that will inform decisions on future stores regarding new locations and market share potential, size and layout.
- **Evolve the Company's multi-brand platform as a new pathway to grow the business.** Create unique brand positions, across men's and women's, for Duluth, 40Grit, Alaskan Hardgear, Buck Naked, and Best Made to address customer needs for various occasions including work, outdoor recreation, casual lifestyle, and first layer. Invest in the evolution of the Duluth Trading platform to enable the integration of new brands, expand our offerings and broaden our customer base.
- **Carefully test and learn to unlock long-term growth potential.** Explore new opportunities to engage current and potential customers through products, services and touchpoints that they expect and value.
- **Increase and, in some areas, accelerate investments to future proof the business.** Areas under analysis include greater automation across the logistics network; technology that will improve operations, generate positive impact and sustainable returns; support growth through multiple brands and seamlessly integrate new brands into the portfolio, and attract the talent, skillsets and expertise needed to scale the business.

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 by our 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.

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 digital and 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 grow our organization to support our growing business and increase brand awareness, 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. We also use Adjusted EBITDA as the key financial metric in determining our fiscal 2021 bonus compensation for our employees. 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		Six Months Ended	
	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
(in thousands)				
Net sales	$ 149,127	$ 137,375	$ 282,546	$ 247,292
Cost of goods sold (excluding depreciation and amortization)	67,701	64,903	134,577	122,488
Gross profit	81,426	72,472	147,969	124,804
Selling, general and administrative expenses	68,339	62,680	132,987	133,986
Operating income (loss)	13,087	9,792	14,982	(9,182)
Interest expense	1,182	1,778	2,490	3,128
Other income (loss), net	56	(250)	72	(191)
Income (loss) before income taxes	11,961	7,764	12,564	(12,501)
Income tax expense (benefit)	3,014	1,866	3,119	(3,220)
Net income (loss)	8,947	5,898	9,445	(9,281)
Less: Net loss attributable to noncontrolling interest	(45)	(43)	(91)	(87)
Net income (loss) attributable to controlling interest	$ 8,992	$ 5,941	$ 9,536	$ (9,194)
Percentage of Net sales:				
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold (excluding depreciation and amortization)	45.4 %	47.2 %	47.6 %	49.5 %
Gross margin	54.6 %	52.8 %	52.4 %	50.5 %
Selling, general and administrative expenses	45.8 %	45.6 %	47.1 %	54.2 %
Operating income (loss)	8.8 %	7.1 %	5.3 %	(3.7)%
Interest expense	0.8 %	1.3 %	0.9 %	1.3 %
Other income (loss), net	- %	(0.2)%	- %	(0.1)%
Income (loss) before income taxes	8.0 %	5.7 %	4.4 %	(5.1)%
Income tax expense (benefit)	2.0 %	1.4 %	1.1 %	(1.3)%
Net income (loss)	6.0 %	4.3 %	3.3 %	(3.8)%
Less: Net loss attributable to noncontrolling interest	- %	- %	- %	- %
Net income (loss) attributable to controlling interest	6.0 %	4.3 %	3.4 %	(3.7)%

Three Months Ended August 1, 2021 Compared to Three Months Ended August 2, 2020

Net Sales

Net sales increased $11.7 million, or 8.6%, to $149.1 million in the three months ended August 1, 2021 compared to $137.4 million in the three months ended August 2, 2020. The increase was due to an increase in store market sales, partially offset by a decrease in non-store market sales.

Store market sales increased $17.7 million, or 19.8%, to $107.1 million in the three months ended August 1, 2021 compared to $89.4 million in the three months ended August 2, 2020. The year-over-year sales difference was primarily driven by temporary store closures beginning on March 20, 2020 until they re-opened beginning in the first week of May through the third week of June. Non-store market sales decreased $5.9 million, or 12.7%, to $40.7 million in the three months ended August 1, 2021 compared to $46.6 million in the three months ended August 2, 2020. The decrease was due to the rapid shift by customers from buying in-store to buying online, extended free shipping, higher promotions, and deeper investments in digital prospecting in the prior year.

Gross Profit

Gross profit increased $8.9 million, or 12.4%, to $81.4 million in the three months ended August 1, 2021 compared to $72.5 million in the three months ended August 2, 2020. As a percentage of net sales, gross margin increased to 54.6% of net sales in the three months ended August 1, 2021, compared to 52.8% of net sales in the three months ended August 2, 2020. The increase in gross margin rate was driven by a higher mix of full price sales, as well as improved gross margin rates particularly within the Women's division.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $5.7 million, or 9.0%, to $68.3 million in the three months ended August 1, 2021 compared to $62.7 million in the three months ended August 2, 2020. Selling, general and administrative expenses as a percentage of net sales increased slightly to 45.8% in the three months ended August 1, 2021, compared to 45.6% in the three months ended August 2, 2020.

The increase in selling, general and administrative expense was primarily due to higher wages due to the Company's retail locations being open for the full fiscal quarter, coupled with annual merit increases and higher depreciation expense.

Income Taxes

Income tax expense was $3.0 million in the three months ended August 1, 2021, compared to an income tax expense of $1.9 million in the three months ended August 2, 2020. The effective tax rate related to controlling interest was 25% for the three months ended August 1, 2021 compared to 24% for the three months ended August 2, 2020.

Net Income Attributable to Controlling Interest

Net income attributable to controlling interest was $9.0 million, in the three months ended August 1, 2021 compared to net income of $5.9 million in the three months ended August 2, 2020, due to the factors discussed above.

Six Months Ended August 1, 2021 Compared to Six Months Ended August 2, 2020

Net Sales

Net sales increased $35.3 million, or 14.3%, to $282.6 million in the six months ended August 1, 2021 compared to $247.3 million in the six months ended August 2, 2020. The increase was due to an increase in store market sales, partially offset by a decrease in non-store market sales.

Store market sales increased $40.2 million, or 25.6%, to $197.0 million in the six months ended August 1, 2021 compared to $156.8 million in the six months ended August 2, 2020. The year-over-year sales difference was driven by temporary store closures in fiscal 2020 beginning on March 20, 2020 through the third week of June, as well as growth in online sales from both existing customers and new buyers. Non-store market sales decreased $5.1 million, or 5.9%, to $82.7 million in the six months ended August 1, 2021 compared to $87.8 million in the six months ended August 2, 2020 also due to heavy volume in the prior year due to customer purchasing patterns migrating online, extended free shipping offers, higher promotions and deeper investments in digital prospecting.

Gross Profit

Gross profit increased $23.2 million, or 18.6%, to $148.0 million in the six months ended August 1, 2021 compared to $124.8 million in the six months ended August 2, 2020. As a percentage of net sales, gross margin increased to 52.4% of net sales in the six months ended August 1, 2021, compared to 50.5% of net sales in the six months ended August 2, 2020. The increase in gross margin rate was also driven by 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 $1.0 million, or 0.7%, to $133.0 million in the six months ended August 1, 2021 compared to $134.0 million in the six months ended August 2, 2020. Selling, general and administrative expenses as a percentage of net sales decreased to 47.1% in the six months ended August 1, 2021, compared to 54.2% in the six months ended August 2, 2020. The positive leverage was primarily due to shifting to a more efficient digital marketing approach.

The decrease in selling, general and administrative expense was primarily due to decreased traditional advertising, partially offset by increased wages due to Company retail locations being open for the full fiscal year, as well as increased depreciation expense associated with investments in technology.

Income Taxes

Income tax expense was $3.1 million in the six months ended August 1, 2021, compared to an income tax benefit of $3.2 million in the six months ended August 2, 2020. The effective tax rate related to controlling interest was 25% for the six months ended August 1, 2021 compared to 26% for the six months ended August 2, 2020.

Net Income Attributable to Controlling Interest

Net income attributable to controlling interest was $9.5 million, in the six months ended August 1, 2021 compared to a net loss of $9.2 million in the six months ended August 2, 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		Six Months Ended	
	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
(in thousands)				
Net income (loss)	$ 8,947	$ 5,898	$ 9,445	$ (9,281)
Depreciation and amortization	7,242	6,603	14,516	13,292
Amortization of internal-use software hosting subscription implementation costs	405	—	774	—
Interest expense	1,182	1,778	2,490	3,128
Amortization of build-to-suit operating leases capital contribution	198	198	397	397
Income tax expense (benefit)	3,014	1,866	3,119	(3,220)
EBITDA	$ 20,988	$ 16,343	$ 30,741	$ 4,316
Stock based compensation	637	418	1,007	881
Adjusted EBITDA	$ 21,625	$ 16,761	$ 31,748	$ 5,197

As a result of the factors discussed above in the “Results of Operations” section, Adjusted EBITDA increased $4.8 million to $21.6 million in the three months ended August 1, 2021 compared to $16.8 million in the three months ended August 2, 2020. As a percentage of net sales, Adjusted EBITDA increased to 14.5% of net sales in the three months ended August 1, 2021 compared to 12.2% of net sales in the three months ended August 2, 2020.

As a result of the factors discussed above in the “Results of Operations” section, Adjusted EBITDA increased $26.5 million to $31.7 million in the six months ended August 1, 2021 compared to $5.2 million in the six months ended August 2, 2020. As a percentage of net sales, Adjusted EBITDA increased to 11.2% of net sales in the six months ended August 1, 2021 compared to 2.1% of net sales in the six months ended August 2, 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 August 1, 2021, our net working capital was $84.2 million, including $18.9 million of cash and cash equivalents.

We expect to spend approximately $18.0 million in fiscal 2021 on capital expenditures, inclusive of software hosting implementation costs. Capital expenditures includes a total of approximately $16.0 million related to investments in technology and $2.0 million for one planned new retail store expected to open in the third quarter. 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.

	Six Months Ended	
(in thousands)	August 1, 2021	August 2, 2020
Net cash provided by (used in) operating activities	$ 26,512	$ (12,802)
Net cash used in investing activities	(4,858)	(9,135)
Net cash (used in) provided by financing activities	(49,954)	38,865
(Decrease) increase in cash, cash equivalents	$ (28,300)	$ 16,928

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 six months ended August 1, 2021, net cash provided by operating activities was $26.5 million, which primarily consisted of net income of $9.5 million, non-cash depreciation and amortization of $14.5 million, and cash provided by operating assets and liabilities of $1.8 million. The cash provided by operating assets and liabilities of $1.8 million primarily consisted of a $14.2 million decrease in inventory and a $2.9 million increase in trade accounts payable, partially offset by a $7.0 million decrease in income taxes payable and a $4.9 million decrease in accrued expenses.

For the six months ended August 2, 2020, net cash used in operating activities was $12.8 million, which primarily consisted of net loss of $9.3 million and cash used in operating assets and liabilities of $21.3 million, partially offset by non-cash depreciation and amortization of $13.3 million, and deferred income taxes of $3.3 million. The cash used in operating assets and liabilities of $21.3 million primarily consisted of a $19.7 million increase in inventory, partially offset by a $2.6 million decrease in prepaid expenses and other current assets and a $3.4 million increase in trade accounts payable.

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 six months ended August 1, 2021, net cash used in investing activities was $4.9 million and was primarily driven by capital expenditures of $5.0 million for new investments in information technology.

For the six months ended August 2, 2020, net cash used in investing activities was $9.1 million and was primarily driven by capital expenditures of $8.8 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 six months ended August 1, 2021, net cash used in financing activities was $50.0 million, primarily consisting of the full paydown of the Company’s debt.

For the six months ended August 2, 2020, net cash provided by financing activities was $38.9 million, primarily consisting of proceeds of $29.5 million, net from our term loan and proceeds of $10.7 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 August 1, 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 August 1, 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
May 3, 2021 - May 30, 2021	—	$ —	—	$ —
May 31, 2021 - July 4, 2021	132	16.45	—	—
July 5, 2021 - August 1, 2021	179	16.98	—	—
Total	311	$ 16.72	—	$ —

Item 6. Exhibits

EXHIBIT INDEX

Exhibit No.	
10.1	First Amended and Restated Employment Agreement, dated as of May 27, 2021, between Stephen L. Schlecht and the Company.*
10.2	Summary of Outside Director Compensation.*
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 August 1, 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: September 3, 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)

FIRST AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS FIRST AMENDED AND RESTATED EMPLOYMENT AGREEMENT ("Agreement") is executed as of this 27th day of May, 2021 ("the Effective Date"), by and between Stephen L. Schlecht ("Executive") and Duluth Holdings Inc. (the "Company").

RECITALS

WHEREAS, the Company and Executive (jointly, the "Parties") are party to that certain Employment Agreement, as amended, dated August 5, 2015 (the "2015 Employment Agreement") and the Company and Executive desire to amend and restate the 2015 Employment Agreement in its entirety, on the terms and conditions set forth herein.

WHEREAS, as a result of Executive's continued 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 (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 the Parties, the Parties agree as follows:

ARTICLE I
EMPLOYMENT

Position and Duties

. Executive shall be employed in the position of Senior Advisor to 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 (a) advising the Company's Chief Executive Officer (the "CEO") on matters of strategy, operations and culture; (b) participating in leadership meetings at the invitation of the CEO; (c) in coordination with the CEO, serving as a resource to senior members of Company management; and (d) such other duties and responsibilities as may be assigned from time-to-time by the Board. Executive shall devote sufficient time, attention, energies, and best efforts to the business interests of the Company to perform Executive's duties pursuant to this Agreement, not to exceed 47 full weeks per year. With respect to outside board activities, Executive may serve on the board, advisory board or committee of any non-profit or for-profit organization. Executive may from time-to-time work remotely.

Term of Employment

. The Company employs Executive, and Executive accepts employment by the Company, for the period commencing on the Effective Date and ending on the date of the annual meeting of shareholders of the Company in 2025 (the "Employment Term"); provided, however, that the Employment Term shall be subject to earlier termination as hereinafter set forth in Article III, below. 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. 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 serve as Chairman of the Board and for so long as Executive remains Senior Advisor to the Company, Executive will be nominated to serve as the Chairman of the Board. Executive will be an employee director, and as such, Executive will not receive any additional compensation for serving as a Chairman of the Board or a member of the Board. Executive is not an officer of the Company.

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 Two Hundred Seventy Five Thousand Dollars ($275,000) ("Base Salary"), payable in accordance with the normal payroll practices and schedule of the Company. 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 increased or so 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. 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 bonus for fiscal 2021 shall be contingent upon the Company meeting certain pre-established financial thresholds as previously approved by the Compensation Committee of the Board. For fiscal years 2022, 2023, 2024 and 2025, Executive's bonus target shall be fifty percent (50%) of Executive's Base Salary and the maximum bonus award shall be up to seventy five percent (75%) of Base Salary. The amount of bonus for fiscal years 2022, 2023, 2024 and 2025 shall be contingent upon the Company meeting certain pre-established financial thresholds to be approved by the Compensation Committee of the Board for the senior officers of the Company. During the Employment Term, Executive will not be eligible for grants of equity compensation under the Company's equity incentive plan in effect during the Employment Term. The bonus for fiscal year 2025 shall be prorated for a partial year of service.

2.3 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 the Chief Executive Officer of the Company, other than Paid Time Off and 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. As used herein, "Paid Time Off" means sick days, personal days and vacation days.

(b) Company Office. Executive shall have exclusive use of his existing office at the Company's headquarters during the Employment Term.

(c) Other. Executive shall be entitled to the reasonable use of the services of an executive assistant employed by the Company during the Employment Term.

Expense Reimbursement

. 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 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 ninety (90) 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 Senior Advisor to 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, Disability

, Termination Without Cause or For Good Reason. If Executive's employment is terminated pursuant to Section 3.1(a), (d) or (e), above, or this Agreement is terminated at the end of the Employment Term, 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) all vested benefits to which Executive is entitled under any benefit plans set forth in Section 2.3(a) hereof in accordance with the terms of such plans through the date employment terminates; (ii) reimbursement of expenses to which Executive may be entitled under Section 2.4 hereof; (iv) the rights set forth under Section 11.1 (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 in a form provided to Executive by the Company (and the statutory revocation period for such release has expired), 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 the release requirements have been satisfied by such date.

Section 3.1(b)-(c) Terminations

. 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 shall be governed by the terms of the applicable plan, except as explicitly provided to the contrary pursuant to this Agreement.

ARTICLE IV
CONFIDENTIALITY

Confidentiality Obligations

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(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.

4.2 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.

4.3 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.

5.3 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., Lands' End, Inc., Columbia Sportswear Company, 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 EMPLOYEES

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 and Section 11.1 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 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, all passwords and/or access codes related to such equipment and/or materials, and all copies of all such materials (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 and except to the extent such documents, records, information, Electronic Equipment, passwords, access codes and materials are used in connection with or pertain to Executive's role as Chairman of the Board or as a member of the Board). 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

1.1 Indemnification. During the Employment Term and from and after termination of Executive's employment for any reason, Executive shall be entitled to indemnification to the same extent and on the same terms and conditions as an "Officer" of the Company (as defined in the Company's Amended and Restated Bylaws (the "Bylaws")) as set forth in the Bylaws.

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 11.2):

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

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: Stephen L. Schlecht
Email:

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 the 2015 Employment Agreement. 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

. 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.

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.

(b) 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.

<u>11.17 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.</u>

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

EXECUTIVE:

<u>/s/ Stephen L. Schlecht</u>
Stephen L. Schlecht

DULUTH HOLDINGS INC.:

<u>/s/Samuel M. Sato</u>
Samuel M. Sato
President and Chief Executive Officer

Summary of Outside Director Compensation Program

Annual Retainers

Director	$45,000	Paid quarterly at beginning of quarter
Chair of Audit Committee	+$15,000	Paid quarterly
Chair of Compensation Committee	+$10,000	Paid quarterly
Chair of Nominating and Governance Committee	+$10,000	Paid quarterly
Non-chair Audit Committee member	+$9,000	Paid quarterly
Non-chair Compensation Committee member	+$6,000	Paid quarterly
Non-chair Nominating Governance Committee member	+$6,000	Paid quarterly

Note: All travel expenses paid based on voucher

STOCK COMPENSATION: $75,000/year; each grant subject to one year vesting; stock compensation granted in May of year.

Note: For subsequent new Board members who join Board mid-year, cash and stock compensation is pro-rated.

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: September 3, 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: September 3, 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 August 1, 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:	**September 3, 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.

Exhibit 32.2

**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 August 1, 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:	**September 3, 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.