

CAPITAL SENIOR LIVING CORP

Form 10-K

March 12, 2009

Table of Contents

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

Form 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended December 31, 2008
- Or
- 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: 1-13445

Capital Senior Living Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

75-2678809
(I.R.S. Employer Identification No.)

14160 Dallas Parkway, Suite 300
Dallas, Texas
(Address of principal executive offices)

75254
(Zip Code)

Registrant's telephone number, including area code:
(972) 770-5600

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

Title of Each Class	Name of Each Exchange on which Registered
Common Stock, \$.01 par value	New York Stock Exchange

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

None

Indicate by a check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes No

Indicate by a check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer <input type="radio"/>	Accelerated filer <input checked="" type="radio"/>	Non-accelerated filer <input type="radio"/>	Smaller reporting company <input type="radio"/>
		(Do not check if a smaller reporting company)	

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

The aggregate market value of the 24,384,608 shares of the Registrant's common stock, par value \$0.01 per share (Common Stock), held by nonaffiliates (defined to exclude all executive officers and directors) on December 31, 2008, based upon the closing price of the Registrant's Common Stock as reported by the New York Stock Exchange on June 30, 2008, was approximately \$183.9 million. As of March 6, 2009, the Registrant had 26,929,094 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's definitive proxy statement pertaining to the 2009 Annual Meeting of Stockholders (the Proxy Statement) and filed or to be filed not later than 120 days after the end of the fiscal year pursuant to Regulation 14A is incorporated herein by reference into Part III.

CAPITAL SENIOR LIVING CORPORATION

TABLE OF CONTENTS

	Page Number
<u>PART I</u>	
<u>Item 1.</u> <u>Business</u>	2
<u>Item 1A.</u> <u>Risk Factors</u>	18
<u>Item 1B.</u> <u>Unresolved Staff Comments</u>	24
<u>Item 2.</u> <u>Properties</u>	24
<u>Item 3.</u> <u>Legal Proceedings</u>	25
<u>Item 4.</u> <u>Submission of Matters to a Vote of Security Holders</u>	25
<u>PART II</u>	
<u>Item 5.</u> <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	25
<u>Item 6.</u> <u>Selected Financial Data</u>	28
<u>Item 7.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	29
<u>Item 7A.</u> <u>Quantitative and Qualitative Disclosures About Market Risks</u>	49
<u>Item 8.</u> <u>Financial Statements and Supplementary Data</u>	49
<u>Item 9.</u> <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosures</u>	50
<u>Item 9A.</u> <u>Controls and Procedures</u>	50
<u>Item 9B.</u> <u>Other Information</u>	50
<u>PART III</u>	
<u>Item 10.</u> <u>Directors, Executive Officers and Corporate Governance</u>	51
<u>Item 11.</u> <u>Executive Compensation</u>	51
<u>Item 12.</u> <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	51
<u>Item 13.</u> <u>Certain Relationships and Related Transactions, and Director Independence</u>	51
<u>Item 14.</u> <u>Principal Accountant Fees and Services</u>	51
<u>PART IV</u>	
<u>Item 15.</u> <u>Exhibits and Financial Statement Schedules</u>	51
<u>Signatures</u>	52
<u>Index to Financial Statements</u>	F-1
<u>Index to Exhibits</u>	
<u>EX-21.1</u>	
<u>EX-23.1</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	

Table of Contents

PART I

ITEM 1. BUSINESS.

Overview

Capital Senior Living Corporation, a Delaware corporation (together with its subsidiaries, the Company), is one of the largest operators of senior living communities in the United States in terms of resident capacity. The Company and its predecessors have provided senior living services since 1990. As of December 31, 2008, the Company operated 64 senior living communities in 23 states with an aggregate capacity of approximately 9,500 residents, including 38 senior living communities which the Company either owned or in which the Company had an ownership interest, 25 senior living communities that the Company leased and one senior living community it managed for a third party. As of December 31, 2008, the Company also operated one home care agency. During 2008, approximately 94% of total revenues for the senior living communities operated by the Company were derived from private pay sources.

The Company's operating strategy is to provide quality senior living communities and services to its residents, while achieving and sustaining a strong, competitive position within its chosen markets, as well as to continue to enhance the performance of its operations. The Company provides senior living services to the elderly, including independent living, assisted living, skilled nursing and home care services. Many of the Company's communities offer a continuum of care to meet its residents' needs as they change over time. This continuum of care, which integrates independent living and assisted living and is bridged by home care through independent home care agencies or the Company's home care agency, sustains residents' autonomy and independence based on their physical and mental abilities.

Website

The Company's internet website www.capitalsenior.com contains an Investor Relations section, which provides links to the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, Section 16 filings and amendments to those reports, which reports and filings are available through the Company's internet website free of charge as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (SEC).

Industry Background

The senior living industry encompasses a broad and diverse range of living accommodations and supportive services that are provided primarily to persons 75 years of age or older.

For the elderly who require limited services, independent living residences supplemented at times by home health care, offers a viable option. Most independent living communities typically offer community living packaged with basic services consisting of meals, housekeeping, laundry, 24-hour staffing, transportation, social and recreational activities and health care monitoring. Independent living residents typically are not reliant on assistance with activities of daily living (ADLs) although some residents may contract out for those services.

As a senior's need for assistance increases, care in an assisted living residence is often preferable and more cost-effective than home-based care or nursing home care. Typically, assisted living represents a combination of housing and support services designed to aid elderly residents with ADLs such as ambulation, bathing, dressing, eating, grooming, personal hygiene and monitoring or assistance with medications. Certain assisted living residences may also provide assistance to residents with low acuity medical needs, or may offer higher levels of personal

assistance for incontinent residents or residents with Alzheimer's disease or other cognitive or physical frailties. Generally, assisted living residents require higher levels of care than residents of independent living residences and retirement living centers, but require lower levels of care than patients in skilled nursing facilities. For seniors who need the constant attention of a skilled nurse or medical practitioner, a skilled nursing facility may be required.

According to the American Senior Housing Association Senior Housing Construction Trends Report for 2008, 12% of the senior housing supply in the 100 largest metro areas of the United States (excluding Honolulu, HI) are

Table of Contents

assisted living units, 9% are independent living units, 39% are skilled nursing units, 17% are continuing care retirement units (CCRC), 3% are memory care units and 20% relate to age restricted senior apartments. The largest 100 metro areas contain approximately 65% of the total United States population, 62% of the age 65+ population, and 61% of the age 75+ population, according to the most recent population projections from the United States Census Bureau.

The senior living industry is highly fragmented and characterized by numerous small operators. Moreover, the scope of senior living services varies substantially from one operator to another. Many smaller senior living providers do not operate purpose-built residences, do not have extensive professional training for staff and provide only limited assistance with ADLs. The Company believes that many senior living operators do not provide the required comprehensive range of senior living services designed to permit residents to age in place within the community as residents develop further physical or cognitive frailties.

The Company believes that a number of demographic, regulatory and other trends will contribute to the continued growth in the senior living market, including the following:

Consumer Preference

The Company believes that senior living communities are increasingly becoming the setting preferred by prospective residents and their families for the care of the elderly. Senior living offers residents greater independence and allows them to age in place in a residential setting, which the Company believes results in a higher quality of life than that experienced in more institutional or clinical settings.

The likelihood of living alone increases with age. Most of this increase is due to an aging population in which women outlive men. Societal changes, such as high divorce rates and the growing numbers of persons choosing not to marry, have further increased the number of Americans living alone. This growth in the number of elderly living alone has resulted in an increased demand for services that historically have been provided by a spouse, other family members or live-in caregivers.

Demographics

The primary market for the Company's senior living services is comprised of persons aged 75 and older. This age group is one of the fastest growing segments of the United States population and is expected to grow from 18.3 million in 2006 to approximately 32.6 million in 2030. The population of seniors aged 85 and over is expected to grow from approximately 5.0 million in 2006 to approximately 8.9 million by 2030 representing an increase of approximately 78%. As the number of persons aged 75 and over continues to grow, the Company believes that there will be corresponding increases in the number of persons who need assistance with ADLs.

Senior Affluence

The average net worth of senior citizens is higher than non-senior citizens, partially as a result of accumulated equity through home ownership. The Company believes that a substantial portion of the senior population has historically accumulated significant resources available for their retirement and long-term care needs. The Company's target population is comprised of moderate to upper income seniors who have, either directly or indirectly through familial support, the financial resources to pay for senior living communities, including an assisted living alternative to traditional long-term care. However, recent volatility and downturns in the housing, financial, and credit markets could negatively affect the timing and ability of senior citizens to relocate into our communities which could have a significant impact on our business, financial condition, cash flows, and results of operations.

Reduced Reliance on Family Care

Historically, the family has been the primary provider of care for seniors. The Company believes that the increase in the percentage of women in the work force, the reduction of average family size, and overall increased mobility in society is reducing the role of the family as the traditional caregiver for aging parents. The Company

Table of Contents

believes that these factors will make it necessary for many seniors to look outside the family for assistance as they age.

Restricted Supply of Nursing Beds

Several states in the United States have adopted Certificate of Need (CON) or similar statutes generally requiring that, prior to the addition of new skilled nursing beds, the addition of new services, or the making of certain capital expenditures, a state agency must determine that a need exists for the new beds or the proposed activities. The Company believes that this CON process tends to restrict the supply and availability of licensed nursing facility beds. High construction costs, limitations on government reimbursement for the full costs of construction, and start-up expenses also act to constrain growth in the supply of such facilities. At the same time, nursing facility operators are continuing to focus on improving occupancy and expanding services to subacute patients generally of a younger age and requiring significantly higher levels of nursing care. As a result, the Company believes that there has been a decrease in the number of skilled nursing beds available to patients with lower acuity levels and that this trend should increase the demand for the Company's senior living communities, including, particularly, the Company's assisted living communities.

Cost-Containment Pressures

In response to rapidly rising health care costs, governmental and private pay sources have adopted cost containment measures that have reduced admissions and encouraged reduced lengths of stays in hospitals and other acute care settings. The federal government had previously acted to curtail increases in health care costs under Medicare by limiting acute care hospital reimbursement for specific services to pre-established fixed amounts. Private insurers have begun to limit reimbursement for medical services in general to predetermined charges, and managed care organizations (such as health maintenance organizations) are attempting to limit hospitalization costs by negotiating for discounted rates for hospital and acute care services and by monitoring and reducing hospital use. In response, hospitals are discharging patients earlier and referring elderly patients, who may be too sick or frail to manage their lives without assistance, to nursing homes and assisted living residences where the cost of providing care is typically lower than hospital care. In addition, third-party payors are increasingly becoming involved in determining the appropriate health care settings for their insureds or clients, based primarily on cost and quality of care. Based on industry data, the typical day-rate in an assisted living facility is two-thirds of the cost for comparable care in a nursing home.

Operating Strategy

The Company's operating strategy is to provide quality senior living services to its residents while achieving and sustaining a strong, competitive position within its chosen markets, as well as continuing to enhance the performance of its operations. The Company is implementing its operating strategy principally through the following methods.

Provide a Broad Range of Quality Personalized Care

Central to the Company's operating strategy is its focus on providing quality care and services that are personalized and tailored to meet the individual needs of each community resident. The Company's residences and services are designed to provide a broad range of care that permits residents to age in place as their needs change and as they develop further physical or cognitive frailties. By creating an environment that maximizes resident autonomy and provides individualized service programs, the Company seeks to attract seniors at an earlier stage, before they need the higher level of care provided in a skilled nursing facility. The Company also maintains a comprehensive quality assurance program designed to ensure the satisfaction of its residents and their family members. The Company conducts annual resident satisfaction surveys that allow residents at each community to express whether they are very

satisfied, satisfied or dissatisfied with all major areas of a community, including, housekeeping, maintenance, activities and transportation, food service, security and management. In 2008 and 2007, the Company achieved 95% and 94% overall approval ratings, respectively, from the residents' satisfaction surveys.

Table of Contents

Offer Services Across a Range of Pricing Options

The Company's range of products and services is continually expanding to meet the evolving needs of its residents. The Company has developed a menu of products and service programs that may be further customized to serve both the moderate and upper income markets of a particular targeted geographic area. By offering a range of pricing options that are customized for each target market, the Company believes that it can develop synergies, economies of scale and operating efficiencies in its efforts to serve a larger percentage of the elderly population within a particular geographic market.

Improve Occupancy Rates

The Company continually seeks to maintain and improve occupancy rates by: (i) retaining residents as they age in place by extending optional care and service programs; (ii) attracting new residents through the on-site marketing programs focused on residents and family members; (iii) selecting sites in underserved markets; (iv) aggressively seeking referrals from professional community outreach sources, including area religious organizations, senior social service programs, civic and business networks, as well as the medical community; and (v) continually refurbishing and renovating its communities.

Improve Operating Efficiencies

The Company seeks to improve operating efficiencies at its communities by actively monitoring and managing operating costs. By having an established national portfolio of communities with regional management in place, the Company believes it has established a platform to achieve operating efficiencies through economies of scale in the purchase of bulk items, such as food and supplies and in the spreading of fixed costs, such as corporate overhead, over a larger revenue base, and to provide more effective management supervision and financial controls. The Company's growth strategy includes regional clustering of new communities to achieve further efficiencies.

Emphasize Employee Training and Retention

The Company devotes special attention to the hiring, screening, training, supervising and retention of its employees and caregivers to ensure that quality standards are achieved. In addition to normal on-site training, the Company conducts national management meetings and encourages sharing of expertise among managers. The Company's commitment to the total quality management concept is emphasized throughout its training program. This commitment to the total quality management concept means identification of the best practices in the senior living market and communication of those best practices to the Company's executive directors and their staff. The identification of best practices is realized by a number of means, including: emphasis on regional and executive directors keeping up with professional trade journals; interaction with other professionals and consultants in the senior living industry through seminars, conferences and consultations; visits to other properties; leadership and participation at national and local trade organization events; and information derived from marketing studies and resident satisfaction surveys. This information is continually processed by regional managers and the executive directors and communicated to the Company's employees as part of their training. The Company hires an executive director for each of its communities and provides them with autonomy, responsibility and accountability. The Company's staffing of each community with an executive director allows it to hire more professional employees at these positions, while the Company's developed career path helps it to retain the professionals it hires. The Company believes its commitment to and emphasis on employee training and retention differentiates the Company from many of its competitors.

Senior Living Services

The Company provides senior living services to the elderly, including independent living, assisted living, skilled nursing and home care services. By offering a variety of services and encouraging the active participation of the resident and the resident's family and medical consultants, the Company is able to customize its service plan to meet the specific needs and desires of each resident. As a result, the Company believes that it is able to maximize customer satisfaction and avoid the high cost of delivering unnecessary services to residents.

Table of Contents

The Company's operating philosophy is to provide quality living communities and services to senior citizens and deliver a continuum of care for its residents as their needs change over time. This continuum of care, which integrates independent living and assisted living and is bridged by home care, sustains residents' autonomy and independence based on their physical and mental abilities. As residents age, in many of the Company's communities, they are able to obtain the additional needed services within the same community, avoiding the disruptive and often traumatic move to a different facility.

Independent Living Services

The Company provides independent living services to seniors who typically do not yet need assistance or support with ADLs, but who prefer the physical and psychological comfort of a residential community that offers health care and other services. As of December 31, 2008, the Company had ownership interests in 28 communities, leased 14 communities and managed one community that provide independent living services, with an aggregate capacity for approximately 6,500 residents.

Independent living services provided by the Company include daily meals, transportation, social and recreational activities, laundry, housekeeping and 24-hour staffing. The Company also fosters the wellness of its residents by offering access to health screenings (such as blood pressure checks), periodic special services (such as influenza inoculations), dietary and similar programs, as well as ongoing exercise and fitness classes. Classes are given by health care professionals to keep residents informed about health and disease management. Subject to applicable government regulation, personal care and medical services are available to independent living residents through either the community staff or through the Company's agency or other independent home care agencies. The Company's independent living residents pay a fee ranging from \$1,155 to \$5,545 per month, in general, depending on the specific community, program of services, size of the unit and amenities offered. The Company's contracts with its independent living residents are generally for a term of one year and are typically terminable by either party, under certain circumstances, upon 30 days notice.

Assisted Living Services

The Company offers a wide range of assisted living care and services, including personal care services, 24 hour staffing, support services, and supplemental services. As of December 31, 2008, the Company had ownership interests in 17 communities and leased 15 communities that provide assisted living services, which include communities that have independent living and other services, with an aggregate capacity for approximately 2,300 residents. The residents of the Company's assisted living residences generally need help with some or all ADLs, but do not require the more acute medical care traditionally given in nursing homes. Upon admission to the Company's assisted living communities, and in consultation with the resident, the resident's family and medical consultants, each resident is assessed to determine his or her health status, including functional abilities and need for personal care services. The resident also completes a lifestyles assessment to determine the resident's preferences. From these assessments, a care plan is developed for each resident to ensure that all staff members who render care meet the specific needs and preferences of each resident where possible. Each resident's care plan is reviewed periodically to determine when a change in care is needed.

The Company has adopted a philosophy of assisted living care that allows a resident to maintain a dignified independent lifestyle. Residents and their families are encouraged to be partners in the residents' care and to take as much responsibility for their well being as possible. The basic types of assisted living services offered by the Company include the following:

Personal Care Services. These services include assistance with ADLs such as ambulation, bathing, dressing, eating, grooming, personal hygiene, and monitoring or assistance with medications.

Support Services. These services include meals, assistance with social and recreational activities, laundry services, general housekeeping, maintenance services and transportation services.

Supplemental Services. These services include extra transportation services, personal maintenance, extra laundry services, and special care services, such as services for residents with certain forms of dementia. Certain of these services require extra charges.

Table of Contents

The Company's assisted living residents pay a fee ranging from \$1,900 to \$7,100 per month, in general, depending on the specific community, the level of personal care services, support service and supplemental services provided to the resident, size of the unit and amenities offered.

The Company maintains programs and special units at some of its assisted living communities for residents with certain forms of dementia, which provide the attention, care and services needed to help those residents maintain a higher quality of life. Specialized services include assistance with ADLs, behavior management and life skills based activities programs, the goal of which is to provide a normalized environment that supports residents' remaining functional abilities. Whenever possible, residents assist with meals, laundry and housekeeping. Special units for residents with certain forms of dementia are located in a separate area of the community and have their own dining facilities, resident lounge areas, and specially trained staff. The special care areas are designed to allow residents the freedom to ambulate as they wish, while keeping them safely contained within a secure area with a minimum of disruption to other residents. Resident fees for these special units are dependent on the size of the unit, the design type and the level of services provided.

Continuing Care Retirement Community Services

In its continuing care retirement communities, the Company provides traditional long-term care through 24-hour-per-day skilled nursing care by registered nurses, licensed practical nurses and certified nursing assistants as well as assisted living and independent living care. The Company also offers a comprehensive range of restorative nursing and rehabilitation services in its communities including, but not limited to, physical, occupational, speech and medical social services. The Company's residents receiving skilled nursing services pay fees ranging from \$4,560 to \$10,790 per month, in general, depending on the specific community and the level of care provided. As of December 31, 2008, the Company had ownership interests in one community and leased one community providing a continuum of care that includes skilled nursing services with an aggregate capacity for approximately 700 residents at all levels of care at those two communities.

Home Care Services

As of December 31, 2008, the Company provided home care services to clients at one senior living community through the Company's home care agency and made home care services available to clients at a majority of its senior living communities through third-party providers. The Company believes that the provision of private pay, home care services is an attractive adjunct to its independent living services because it allows the Company to provide more services to its residents as they age in place and increases the length of stay in the Company's communities. In addition, the Company makes available to residents certain customized physician, dentistry, podiatry and other health-related services that may be offered by third-party providers.

Operating Communities

The table below sets forth certain information with respect to senior living communities operated by the Company as of December 31, 2008.

Community	Units	Resident Capacity(1)			Total Ownership(2)	Commencement of Operations(3)	
		IL	AL	CCRC			
Owned:							
Canton Regency	Canton, OH	291		310	310	100%	03/91

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Gramercy Hill	Lincoln, NE	148	83	77	160	100%	10/98
Heatherwood	Detroit, MI	158	188		188	100%	01/92
Independence Village	East Lansing, MI	151	162		162	100%	08/00
Independence Village	Peoria, IL	158	173		173	100%	08/00
Independence Village	Raleigh, NC	165	177		177	100%	08/00
Independence Village	Winston-Salem, NC	156	161		161	100%	08/00
Sedgwick Plaza	Wichita, KS	144	134	35	169	100%	08/00
Waterford at Columbia	Columbia, SC	120	136		136	100%	11/00
Waterford at Deer Park	Deer Park, TX	120	136		136	100%	11/00

Table of Contents

Community	Units	Resident Capacity(1)			Total Ownership	Commencement of Operations(3)	
		IL	AL	CCRC			
Waterford at Edison Lakes	South Bend, IN	120	136		136	100%	12/00
Waterford at Fairfield	Fairfield, OH	120	136		136	100%	11/00
Waterford at Fort Worth	Fort Worth, TX	151	174		174	100%	06/00
Waterford at Highland Colony	Jackson, MS	120	136		136	100%	11/00
Waterford at Huebner	San Antonio, TX	120	136		136	100%	04/99
Waterford at Ironbridge	Springfield, MO	119	136		136	100%	06/01
Waterford at Mansfield	Mansfield, OH	119	136		136	100%	10/00
Waterford at Mesquite	Mesquite, TX	154	174		174	100%	09/99
Waterford at Pantego	Pantego, TX	120	136		136	100%	12/00
Waterford at Plano	Plano, TX	136	111	45	156	100%	12/00
Waterford at Shreveport	Shreveport, LA	117	136		136	100%	03/99
Waterford at Thousand Oaks	San Antonio, TX	120	136		136	100%	05/00
Wellington at Arapaho	Richardson, TX	137	109	45	154	100%	05/02
Wellington at North Richland Hills, TX	North Richland Hills, TX	119	136		136	100%	01/02
Wellington at Oklahoma City	Oklahoma City, OK	120	136		136	100%	11/00
		3,503	3,414	202	310	3,926	
Leased:							
Ventas:							
Amberleigh	Buffalo, NY	267	394		394	N/A	01/92
Cottonwood Village	Cottonwood, AZ	163	135	47	182	N/A	03/91
Crown Pointe	Omaha, NE	132	163		163	N/A	08/00
Georgetowne Place	Fort Wayne, IN	162	247		247	N/A	10/05
Harrison at Eagle Valley(4)	Indianapolis, IN	124	138		138	N/A	03/91
Rose Arbor	Maple Grove, MN	137	107	72	179	N/A	06/06
Towne Centre	Merrillville, IN	327			345	N/A	03/91
Villa Santa Barbara	Santa Barbara, CA	125	87	38	125	N/A	08/00
West Shores	Hot Springs, AR	137	135	32	167	N/A	08/00
Whitley Place	Keller, TX	47		65	65	N/A	02/08
HCP:							
	Sacramento, CA	152	156		156	N/A	01/92

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Atrium of Carmichael							
Covenant Place of Abilene	Abilene, TX	50		55		55	N/A 08/04
Covenant Place of Burleson	Burleson, TX	74		80		80	N/A 08/04
Covenant Place of Waxahachie	Waxahachie, TX	50		55		55	N/A 08/04
Crescent Place	Cedar Hill, TX	80		85		85	N/A 11/05
Crescent Point	Cedar Hill, TX	112	134			134	N/A 08/04
Crosswood Oaks	Sacramento, CA	121	127			127	N/A 01/92
Good Place	North Richland Hills, TX	72		80		80	N/A 08/04
Meadow Lakes	North Richland Hills, TX	120	145			145	N/A 08/04
Tesson Heights	St. Louis, MO	184	140	58		198	N/A 10/98
Veranda Club	Boca Raton, FL	189	235			235	N/A 01/92
Charlotte Square	Charlotte, NC	73		109		109	N/A 12/06
Chesapeake Place	Chesapeake, VA	87		106		106	N/A 12/06
Greenville Place	Greenville, SC	87		107		107	N/A 12/06
Myrtle Beach Estates	Myrtle Beach, SC	80		98		98	N/A 12/06
		3,152	2,343	1,087	345	3,775	

8

Table of Contents

Community	Units	Resident Capacity(1)			Total Ownership(2)	Commencement of Operations(3)	
		IL	AL	CCRC			
Affiliates:							
SHPIII/CSL Miami	Miamisburg, OH	146	151	45	196	10%	08/08
SHPII/CSL:							
Libertyville	Libertyville, IL	197	171	50	221	5%	03/01
Naperville	Naperville, IL	193	166	48	214	5%	01/01
Summit	Summit, NJ	88		98	98	5%	11/00
Trumbull	Trumbull, CT	150	117	48	165	5%	09/00
Midwest I							
The Waterford at Ames	Ames, IA	59		116	116	11%	02/06
The Waterford at Miracle Hills	Omaha, NE	64		74	74	11%	03/06
The Waterford at Roxbury Park	Omaha, NE	62		70	70	11%	02/06
The Waterford at Van Dorn	Lincoln, NE	68		84	84	11%	02/06
The Waterford at Woodbridge	Plattsmouth, NE	40		45	45	11%	02/06
Midwest II							
Keepsake Village of Columbus	Columbus, IN	42		42	42	15%	08/06
The Hearth at Prestwick	Avon, IN	132		144	144	15%	08/06
The Hearth at Windermere	Fishers, IN	126		133	133	15%	08/06
		1367	605	997	1,602		
Managed:							
Harding Place	Searcy, AR	115	148		148	N/A	08/04
		8,137	6,510	2,286	655	9,451	

(1) Independent living (IL) residences, assisted living (AL) residences and continuing care retirement community (CCRC) beds.

(2) Those communities shown as 5% owned consist of the Company's ownership of 5% of the member interests in SHPII/CSL (as defined below). The community shown as 10% owned consist of the Company's ownership of 10% of the member interest in SHPIII/CSL Miami. Those communities shown as 11% owned consist of the Company's ownership of approximately 11% of the member interests in Midwest I. Those communities shown as 15% owned consist of the Company's ownership of 15% of the member interests in Midwest II.

(3)

Indicates the date on which the Company acquired or commenced operating the community. The Company operated certain of its communities pursuant to management agreements prior to acquiring interests in or leasing the communities.

- (4) The Company's home care agency is on-site at The Harrison at Eagle Valley community.

Management Contracts

The Company is party to a series of property management agreements (the Midwest I Agreements) to manage five communities acquired by Midwest Portfolio Holdings, L.P. (Midwest I), a joint venture owned approximately 89% by GE Healthcare Financial Services (GE Healthcare) and approximately 11% by the Company. The Midwest I Agreements are for an initial term of five years and the agreements contain automatic one year renewals thereafter. The Midwest I Agreements generally provide for a management fee of 5% of gross revenues.

The Company is party to a series of property management agreements (the Midwest II Agreements) to manage three communities acquired by Midwest Portfolio Holdings II, L.P. (Midwest II), a joint venture owned

Table of Contents

approximately 85% by GE Healthcare and approximately 15% by the Company. The Midwest II Agreements are for an initial term of five years and the agreements contain automatic one year renewals thereafter. The Midwest II Agreements generally provide for a management fee of 5% of gross revenues.

The Company is party to a series of property management agreements with CGI Management, Inc. (the CGIM Agreements). During fiscal 2008, the Company managed two communities under the CGIM Agreements. The CGIM Agreements generally provide for management fees of 5% to 6% of gross revenues, subject to certain base management fees.

The Company is party to a series of property management agreements (the SHPII/CSL Management Agreements) with four joint ventures (collectively SHPII/CSL) owned 95% by Senior Housing Partners II, L.P. (SHPII), a fund managed by Prudential Real Estate Investors (Prudential) and 5% by the Company, which collectively own and operate four senior living communities (collectively the Spring Meadows Communities). The SHPII/CSL Management Agreements extend until various dates through November 2014. The SHPII/CSL Management Agreements generally provide for management fees of 5% of gross revenue plus reimbursement for costs and expenses related to the communities.

The Company is party to a series of property management agreements (the SHPIII/CSL Management Agreements) with three joint ventures (collectively SHPIII/CSL) owned 90% by Senior Housing Partners III, L.P. (SHPIII), a fund managed by Prudential Investment Management, Inc. (Prudential Investment) and 10% by the Company, which will collectively develop, own and operate three senior living communities. During fiscal 2008, the Company managed one community for which development was complete under the SHPIII/CSL Management Agreements. The SHPIII/CSL Management Agreements are for an initial term of ten years from the date the certificate of occupancy is issued and generally provide for management fees of 5% of gross revenue plus reimbursement for costs and expenses related to the communities.

Development Agreements

In May 2007, the Company and SHPIII entered into a joint venture agreement (SHPIII/CSL Miami) to develop a senior housing community in Miamisburg, Ohio. Under the joint venture and related agreements, the Company earns development and management fees and may receive incentive distributions. The senior housing community consists of 101 independent living units and 45 assisted living units and opened in August 2008. As of December 31, 2008, the Company had made capital contributions of \$0.8 million to the joint venture. The Company accounts for its investment in SHPIII/CSL Miami under the equity method of accounting and the Company recognized a loss in the equity of SHPIII/CSL Miami of \$0.1 million in fiscal 2008. The Company earned \$0.3 million and \$0.7 million in development fees from SHPIII/CSL Miami in fiscal 2008 and 2007, respectively. In addition, the Company earned \$0.1 million in pre-marketing fees and \$0.1 million in management fees on the community in fiscal 2008.

In November 2007, the Company and SHPIII entered into a joint venture agreement (SHPIII/CSL Richmond Heights) to develop a senior housing community in Richmond Heights, Ohio. Under the joint venture and related agreements, the Company will earn development and management fees and may receive incentive distributions. The senior housing community will consist of 97 independent living units and 45 assisted living units and is expected to open in the first half of fiscal 2009. As of December 31, 2008, the Company had made capital contributions of \$0.8 million to SHPIII/CSL Richmond Heights. The Company earned \$1.0 million and \$0.1 million in development fees from SHPIII/CSL Richmond Heights in fiscal 2008 and 2007, respectively. In addition, the Company earned \$0.1 million in pre-marketing fees on the community in fiscal 2008.

In December 2007, the Company and SHPIII entered into a joint venture agreement (SHPIII/CSL Levis Commons) to develop a senior housing community near Toledo, Ohio. Under the joint venture and related agreements, the Company

will earn development and management fees and may receive incentive distributions. The senior housing community will consist of 101 independent living units and 45 assisted living units and is expected to open in the first half of fiscal 2009. As of December 31, 2008, the Company had made capital contributions of \$0.8 million to SHPIII/CSL Levis Commons. The Company earned \$1.1 million and \$22,000 in development fees from SHPIII/CSL Levis Commons in fiscal 2008 and 2007, respectively. In addition, the Company earned \$0.1 million in pre-marketing fees on the community in fiscal 2008.

Table of Contents

Growth Strategies

The Company believes that the fragmented nature of the senior living industry and the limited capital resources available to many small, private operators provide an attractive opportunity for the Company to expand its existing base of senior living operations. The Company believes that its current operations throughout the United States serve as the foundation on which the Company can build senior living networks in targeted geographic markets and thereby provide a broad range of high quality care in a cost-efficient manner.

The following are the principal elements of the Company's growth strategy:

Organic Growth

The Company intends to continue to focus on the lease-up of its non-stabilized communities and to increase its occupancy, rents and operating margins of its stabilized communities. The Company continually seeks to maintain and improve occupancy rates by: (i) retaining residents as they age in place by extending optional care and service programs; (ii) attracting new residents through the on-site marketing programs focused on residents and family members; (iii) aggressively seeking referrals from professional community outreach sources, including area religious organizations, senior social service programs, civic and business networks, as well as the medical community; and (iv) continually refurbishing and renovating its communities. Since 2004, our same community revenue has grown at an average rate of 5.3% per annum and our same community net operating income has grown at an average rate of 8.7% per annum.

Expansion and Conversion of Existing Communities

The Company intends to increase levels of care and capacity at certain of its existing communities through expansion and/or conversion of certain units. Increasing our levels of care and capacity is expected to increase revenue and operating income while meeting the needs of our residents who have an average age of 85 years old.

Pursue Strategic Acquisitions

The Company intends to continue to pursue single or portfolio acquisitions of senior living communities. Through strategic acquisitions, joint venture investments, or facility leases, the Company seeks to enter new markets or acquire communities in existing markets as a means to increase market share, augment existing clusters, strengthen its ability to provide a broad range of care, and create operating efficiencies. As the industry continues to consolidate, the Company believes that opportunities will arise to acquire other senior living companies. The Company believes that the current fragmented nature of the senior living industry, combined with the Company's financial resources, national presence, and extensive contacts within the industry, can be expected to provide it with the opportunity to evaluate a number of potential acquisition opportunities in the future. In reviewing acquisition opportunities, the Company will consider, among other things, geographic location, competitive climate, reputation and quality of management and communities, and the need for renovation or improvement of the communities.

Pursue Management Agreements

The Company intends to pursue single or portfolio management opportunities for senior living communities. The Company believes that its management infrastructure and proven operating track record will allow the Company to take advantage of increased opportunities in the senior living market for new management contracts and other transactions.

Expand Referral Networks

The Company intends to continue to develop relationships with local and regional hospital systems, managed care organizations and other referral sources to attract new residents to the Company's communities. In certain circumstances these relationships may involve strategic alliances or joint ventures. The Company believes that such arrangements or alliances, which could range from joint marketing arrangements to priority transfer agreements, will enable it to be strategically positioned within the Company's markets if, as the Company believes, senior living programs become an integral part of the evolving health care delivery system.

Table of Contents

Operations

Centralized Management

The Company centralizes its corporate and other administrative functions so that the community-based management and staff can focus their efforts on resident care. The Company maintains centralized accounting, finance, human resources, training and other operational functions at its national corporate office in Dallas, Texas. The Company also has a corporate office in New York, New York. The Company's corporate offices are generally responsible for: (i) establishing Company-wide policies and procedures relating to, among other things, resident care and operations; (ii) performing accounting functions; (iii) developing employee training programs and materials; (iv) coordinating human resources; (v) coordinating marketing functions; and (vi) providing strategic direction. In addition, financing, development, construction and acquisition activities, including feasibility and market studies, and community design, development, and construction management are conducted at the Company's corporate offices.

The Company seeks to control operational expenses for each of its communities through standardized management reporting and centralized controls of capital expenditures, asset replacement tracking, and purchasing for larger and more frequently used supplies. Community expenditures are monitored by regional and district managers who are accountable for the resident satisfaction and financial performance of the communities in their region.

Regional Management

The Company provides oversight and support to each of its senior living communities through experienced regional and district managers. A district manager will oversee the marketing and operations of three to six communities clustered in a small geographic area. A regional manager will cover a larger geographic area consisting of seven to twelve communities. In most cases, the district and regional managers will office out of the Company's senior living communities. Currently, there are regional managers based in the Northeast, Central Plains, Midwest, Southwest and West regions.

The executive director at each community reports to a regional or district manager. The regional and district managers report directly to senior management at the Company's corporate office. The district and regional managers make regular site visits to each of their communities. The site visits involve a physical plant inspection, quality assurance review, staff training, financial and systems audits, regulatory compliance, and team building.

Community-Based Management

An executive director manages the day-to-day operations at each senior living community, including oversight of the quality of care, delivery of resident services, and monitoring of financial performance. The executive director is also responsible for all personnel, including food service, maintenance, activities, security, assisted living, housekeeping, and, where applicable, nursing. In most cases, each community also has department managers who direct the environmental services, nursing or care services, business management functions, dining services, activities, transportation, housekeeping, and marketing functions.

The assisted living and skilled nursing components of the senior living communities are managed by licensed professionals, such as a nurse and/or a licensed administrator. These licensed professionals have many of the same operational responsibilities as the Company's executive directors, but their primary responsibility is to oversee resident care. Many of the Company's senior living communities and all of its skilled nursing facilities are part of a campus setting, which include independent living. This campus arrangement allows for cross-utilization of certain support personnel and services, including administrative functions that result in greater operational efficiencies and lower costs than freestanding facilities.

The Company actively recruits personnel to maintain adequate staffing levels at its existing communities and hires new staff for new or acquired communities prior to opening. The Company has adopted comprehensive recruiting and screening programs for management positions that utilize corporate office team interviews and thorough background and reference checks. The Company offers system-wide training and orientation for all of its employees at the community level through a combination of Company-sponsored seminars and conferences.

Table of Contents

Quality Assurance

Quality assurance programs are coordinated and implemented by the Company's corporate and regional staff. The Company's quality assurance is targeted to achieve maximum resident and resident family member satisfaction with the care and services delivered by the Company. The Company's primary focus in quality control monitoring includes routine in-service training and performance evaluations of caregivers and other support employees. Additional quality assurance measures include:

Resident and Resident's Family Input. On a routine basis, the Company provides residents and their family members the opportunity to provide valuable input regarding the day-to-day delivery of services. On-site management at each community has fostered and encouraged active resident councils and resident committees who meet independently. These resident bodies meet with on-site management on a monthly basis to offer input and suggestions as to the quality and delivery of services. Additionally, at each community the Company conducts annual resident satisfaction surveys to further monitor the satisfaction levels of both residents and their family members. These surveys are sent directly to a third party firm for tabulation then to the Company's corporate headquarters for distribution to onsite staff. For 2008 and 2007, the Company achieved a 95% and a 94% approval ratings, respectively, from its residents. For any departmental area of service scoring below a 90%, a plan of correction is developed jointly by on-site, regional and corporate staff for immediate implementation.

Regular Community Inspections. Each community is inspected, on at least a quarterly basis, by regional and/or corporate staff. Included, as part of this inspection is the monitoring of the overall appearance and maintenance of the community interiors and grounds. The inspection also includes monitoring staff professionalism and departmental reviews of maintenance, housekeeping, activities, transportation, marketing, administration and food and health care services, if applicable. The inspections also include observing residents in their daily activities and the community's compliance with government regulations.

Independent Service Evaluations. The Company engages the services of outside professional independent consulting firms to evaluate various components of the community operations. These services include mystery shops, competing community analysis, pricing recommendations and product positioning. This provides management with valuable unbiased product and service information. A plan of action regarding any areas requiring improvement or change is implemented based on information received. At communities where health care is delivered, these consulting service reviews include the on-site handling of medications, record keeping and general compliance with all governmental regulations.

Marketing

Most communities are staffed by on-site sales directors and additional marketing/sales staff depending on the community size and occupancy status. The primary focus of the on-site marketing staff is to create awareness of the Company and its services among prospective residents and family members, professional referral sources and other key decision makers. These efforts incorporate an aggressive marketing plan to include monthly, quarterly and annual goals for leasing, new lead generation, prospect follow up, community outreach and resident and family referrals. Additionally, the marketing plan includes a calendar of promotional events and a comprehensive media program. On-site marketing departments perform a competing community assessment quarterly. Corporate and regional marketing directors monitor the on-site marketing departments' effectiveness and productivity on a monthly basis. Routine detailed marketing department audits are performed on an annual basis or more frequently if deemed necessary. Corporate and regional personnel assist in the development of marketing strategies for each community and produce creative media, assist in direct mail programs and necessary marketing collateral. Ongoing sales training of on-site marketing/sales staff is implemented by corporate and regional marketing directors.

In the case of new development, the corporate and regional staff develops a comprehensive community outreach program that is implemented at the start of construction. A marketing pre-lease program is developed and on-site marketing staff are hired and trained to begin the program implementation six to nine months prior to the community opening. Extensive use of media, including radio, television, print, direct mail and telemarketing, is implemented during this pre-lease phase.

Table of Contents

After the community is opened and sustaining occupancy levels are attained, the on-site marketing staff is more heavily focused on resident and resident family referrals, as well as professional referrals. A maintenance program for continued lead generation is then implemented.

Government Regulation

Changes in existing laws and regulations, adoption of new laws and regulations and new interpretations of existing laws and regulations could have a material effect on the Company's operations. Failure by the Company to comply with applicable regulatory requirements could have a material adverse effect on the Company's business, financial condition, cash flows, and results of operations. Accordingly, the Company monitors legal and regulatory developments on local and national levels.

The health care industry is subject to extensive regulation and frequent regulatory change. At this time, no federal laws or regulations specifically regulate assisted or independent living residences. While a number of states have not yet enacted specific assisted living regulations, certain of the Company's assisted living communities are subject to regulation, licensing, CON and permitting by state and local health care and social service agencies and other regulatory authorities. While such requirements vary from state to state, they typically relate to staffing, physical design, required services and resident characteristics. The Company believes that such regulation will increase in the future. In addition, health care providers are receiving increased scrutiny under anti-trust laws as integration and consolidation of health care delivery increases and affects competition. The Company's communities are also subject to various zoning restrictions, local building codes, and other ordinances, such as fire safety codes. Failure by the Company to comply with applicable regulatory requirements could have a material adverse effect on the Company's business, financial condition, and results of operations. Regulation of the assisted living industry is evolving. The Company is unable to predict the content of new regulations and their effect on its business. There can be no assurance that the Company's operations will not be adversely affected by regulatory developments.

The Company believes that its communities are in substantial compliance with applicable regulatory requirements. However, in the ordinary course of business, one or more of the Company's communities could be cited for deficiencies. In such cases, the appropriate corrective action would be taken. To the Company's knowledge, no material regulatory actions are currently pending with respect to any of the Company's communities.

Under the Americans with Disabilities Act of 1990 (ADA), all places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. A number of additional federal, state and local laws exist that also may require modifications to existing and planned properties to permit access to the properties by disabled persons. While the Company believes that its communities are substantially in compliance with present requirements or are exempt therefrom, if required changes involve a greater expenditure than anticipated or must be made on a more accelerated basis than anticipated, additional costs would be incurred by the Company. Further legislation may impose additional burdens or restrictions with respect to access by disabled persons, the costs of compliance with which could be substantial.

The Health Insurance Portability and Accountability Act of 1996 (HIPAA), in conjunction with the federal regulations promulgated thereunder by the Department of Health and Human Services, has established, among other requirements, standards governing the privacy of certain protected and individually identifiable health information (PHI) that is created, received or maintained by a range of covered entities. HIPAA has also established standards governing uniform health care transactions, the codes and identifiers to be used by the covered entities and standards governing the security of certain electronic transactions conducted by covered entities. Penalties for violations can range from civil money penalties for errors and negligent acts to criminal fines and imprisonment for knowing and intentional misconduct. HIPAA is a complex set of regulations and many unanswered questions remain with respect to the manner in which HIPAA applies to businesses such as those operated by the Company.

In addition, the Company is subject to various federal, state and local environmental laws and regulations. Such laws and regulations often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of hazardous or toxic substances. The costs of any required remediation or removal of these substances could be substantial and the liability of an owner or operator as to any property is generally not limited

Table of Contents

under such laws and regulations and could exceed the property's value and the aggregate assets of the owner or operator. The presence of these substances or failure to remediate such contamination properly may also adversely affect the owner's ability to sell or rent the property, or to borrow using the property as collateral. Under these laws and regulations, an owner, operator or an entity that arranges for the disposal of hazardous or toxic substances, such as asbestos-containing materials, at a disposal site may also be liable for the costs of any required remediation or removal of the hazardous or toxic substances at the disposal site. In connection with the ownership or operation of its properties, the Company could be liable for these costs, as well as certain other costs, including governmental fines and injuries to persons or properties. The Company has completed Phase I environmental audits of substantially all of the communities in which the Company owns interests, typically at the time of acquisition, and such audits have not revealed any material environmental liabilities that exist with respect to these communities.

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at such property, and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean up costs. The Company is not aware of any environmental liability with respect to any of its owned, leased or managed communities that the Company believes would have a material adverse effect on its business, financial condition, or results of operations. The Company believes that its communities are in compliance in all material respects with all federal, state and local laws, ordinances and regulations regarding hazardous or toxic substances or petroleum products. The Company has not been notified by any governmental authority, and is not otherwise aware of any material non-compliance, liability or claim relating to hazardous or toxic substances or petroleum products in connection with any of the communities the Company currently operates.

The Company believes that the structure and composition of government and, specifically, health care regulations will continue to change and, as a result, regularly monitors developments in the law. The Company expects to modify its agreements and operations from time to time as the business and regulatory environments change. While the Company believes it will be able to structure all its agreements and operations in accordance with applicable law, there can be no assurance that its arrangements will not be successfully challenged.

Competition

The senior living industry is highly competitive, and the Company expects that all segments of the industry will become increasingly competitive in the future. Although there are a number of substantial companies active in the senior living industry and in the markets in which the Company operates, the industry continues to be very fragmented and characterized by numerous small operators. The Company primarily competes with Assisted Living Concepts, Brookdale Senior Living Inc., Emeritus Corporation, Five Star Quality Care, Inc., Holiday Retirement Corporation and Sunrise Senior Living, Inc. The Company believes that the primary competitive factors in the senior living industry are: (i) location; (ii) reputation for and commitment to a high quality of service; (iii) quality of support services offered (such as food services); (iv) price of services; and (v) physical appearance and amenities associated with the communities. The Company competes with other companies providing independent living, assisted living, skilled nursing, home health care, and other similar service and care alternatives, some of whom may have greater financial resources than the Company. Because seniors tend to choose senior living communities near their homes, the Company's principal competitors are other senior living and long-term care communities in the same geographic areas as the Company's communities. The Company also competes with other health care businesses with respect to attracting and retaining nurses, technicians, aides and other high quality professional and non-professional employees and managers.

Employees

As of December 31, 2008, the Company employed 3,871 persons, of which 2,013 were full-time employees (62 of whom are located at the Company's corporate offices) and 1,858 were part-time employees. None of the Company's employees are currently represented by a labor union and the Company is not aware of any union organizing activity among its employees. The Company believes that its relationship with its employees is good.

Table of Contents**Executive Officers and Key Employees**

The following table sets forth certain information concerning each of the Company's executive officers and key employees as of December 31, 2008:

Name	Age	Position(s) with the Company
Lawrence A. Cohen	55	Chief Executive Officer and Vice Chairman of the Board
James A. Stroud	58	Chairman of the Board
Keith N. Johannessen	52	President and Chief Operating Officer
Ralph A. Beattie	59	Executive Vice President and Chief Financial Officer
Rob L. Goodpaster	55	Vice President National Marketing
David W. Beathard, Sr.	61	Vice President Operations
David R. Brickman	50	Vice President Secretary and General Counsel
Glen H. Campbell	64	Vice President Development
Gloria Holland	41	Vice President Finance
Jerry D. Lee	48	Corporate Controller
Robert F. Hollister	53	Property Controller

Lawrence A. Cohen has served as one of our directors and as Vice Chairman of the Board since November 1996. He has served as our Chief Executive Officer since May 1999 and was our Chief Financial Officer from November 1996 to May 1999. From 1991 to 1996, Mr. Cohen served as President and Chief Executive Officer of Paine Webber Properties Incorporated, which controlled a real estate portfolio having a cost basis of approximately \$3.0 billion, including senior living facilities of approximately \$110.0 million. Mr. Cohen serves on the boards of various charitable organizations and was a founding member and is on the executive committee of the Board of Directors of the American Seniors Housing Association. Mr. Cohen has earned a Masters in Law, is a licensed attorney and is also a Certified Public Accountant. Mr. Cohen has had positions with businesses involved in senior living for 24 years.

James A. Stroud has served as one of our directors and officers since January 1986. Effective as of December 31, 2008, Mr. Stroud resigned as Chairman of the Company, however he currently continues to serve as the Chairman of the Board. Mr. Stroud also serves on the board of directors of various educational and charitable organizations and in varying capacities with several trade organizations, including as an Owner/Operator Advisory Group member to the National Investment Conference. Mr. Stroud has served as a member of the Founder's Council and Leadership Counsel of the Assisted Living Federation of America and as a Founding Sponsor of The Johns Hopkins University Senior Housing and Care Program. Mr. Stroud was the past President and a member of the Board of Directors of the National Association for Senior Living Industry Executives. He was also a Founder of the Texas Assisted Living Association and served as a member of its Board of Directors. Mr. Stroud has earned a Masters in Law, is a licensed attorney and is also a Certified Public Accountant. Mr. Stroud has had positions with businesses involved in senior living for 24 years.

Keith N. Johannessen has served as President of the Company and its predecessors since March 1994, and previously served as Executive Vice President from May 1993 until February 1994. Mr. Johannessen has served as a director and Chief Operating Officer since May 1999. From 1992 to 1993, Mr. Johannessen served as Senior Manager in the health care practice of Ernst & Young LLP. From 1987 to 1992, Mr. Johannessen was Executive Vice President of Oxford Retirement Services, Inc. Mr. Johannessen has served on the State of the Industry and Model Assisted Living Regulations Committees of the American Seniors Housing Association. Mr. Johannessen has been active in operational aspects of senior housing for 30 years.

Ralph A. Beattie joined the Company as Executive Vice President and Chief Financial Officer in May 1999. From 1997 to 1999, he served as Executive Vice President and the Chief Financial Officer of Universal Sports America, Inc., which was honored as the number one growth company in Dallas for 1998. For the eight years prior to that he was Executive Vice President and Chief Financial Officer for Hagggar Clothing Company, during which

Table of Contents

time Haggar successfully completed its initial public offering. Mr. Beattie has earned his Masters of Business Administration and is both a Certified Management Accountant and a Certified Financial Planner.

Rob L. Goodpaster has served as Vice President National Marketing of the Company and its predecessors since December 1992. From 1990 to 1992, Mr. Goodpaster was National Director for Marketing for Autumn America, an owner and operator of senior housing facilities. Mr. Goodpaster has been active in professional industry associations and formerly served on the Board of Directors for the National Association for Senior Living Industries. Mr. Goodpaster has been active in the operational, development and marketing aspects of senior housing for 32 years.

David W. Beathard, Sr. has served as Vice President Operations of the Company and its predecessors since August 1996. From 1992 to 1996, Mr. Beathard owned and operated a consulting firm, which provided operational, marketing, and feasibility consulting regarding senior housing facilities. Mr. Beathard has been active in the operational, sales and marketing, and construction oversight aspects of senior housing for 35 years.

David R. Brickman has served as Vice President and General Counsel of the Company and its predecessors since July 1992 and has served as Secretary of the Company since May 2007. From 1989 to 1992, Mr. Brickman served as in-house counsel with LifeCo Travel Management Company, a corporation that provided travel services to U.S. corporations. Mr. Brickman has also earned a Masters of Business Administration and a Masters in Health Administration and currently serves on the Board of Advisors for the Southern Methodist University Corporate Counsel Symposium. Mr. Brickman has either practiced law or performed in-house counsel functions for 22 years.

Glen H. Campbell has served as Vice President Development of the Company since September 1997. From 1990 to 1997 Mr. Campbell served as Vice President of Development for Greenbrier Corporation, an assisted living development and management company. From 1985 to 1990 Mr. Campbell served as Director of Facility Management for Retirement Corporation of America. Mr. Campbell has been active in the design and development of retirement communities for 34 years.

Gloria M. Holland has served as Vice President Finance since June 2004. From 2001 to 2004, Ms. Holland served as Assistant Treasurer and a corporate officer for Aurum Technology, Inc., a privately held company that provided technology and outsourcing to community banks. From 1996 to 2001, Ms. Holland held positions in Corporate Finance and Treasury at Brinker International, an owner and operator of casual dining restaurants. From 1989 to 1996, Ms. Holland was a Vice President in the Corporate Banking division of NationsBank and predecessor banks. Ms. Holland received a BBA in Finance from the University of Mississippi in 1989.

Jerry D. Lee, a Certified Public Accountant, who had served as Corporate Controller since April 1999, resigned from the Company effective January 2, 2009. Prior to joining the Company, Mr. Lee served as the Senior Vice President of Finance, from 1997 to 1999, for Universal Sports America, Inc., a company that produced sporting events and provided sports marketing services for collegiate conferences and universities. From 1984 to 1997, Mr. Lee held various accounting management positions with Haggar Clothing Company. Mr. Lee is a member of the Financial Executives International, the American Institute of Certified Public Accountants and is also a member of the Texas Society of Certified Public Accountants.

Robert F. Hollister, a Certified Public Accountant, has served as Property Controller for the Company and its predecessors since April 1992. From 1985 to 1992, Mr. Hollister was Chief Financial Officer and Controller of Kavanaugh Securities, Inc., a National Association of Securities Dealers broker dealer. Mr. Hollister is a member of the American Institute of Certified Public Accountants.

Subsidiaries

Capital Senior Living Corporation is the parent company of several direct and indirect subsidiaries. Although Capital Senior Living Corporation and its subsidiaries are referred to for ease of reference in this Form 10-K as the Company, these subsidiaries are separately incorporated and maintain their legal existence separate and apart from the parent, Capital Senior Living Corporation.

Table of Contents

New York Stock Exchange Certification and SEC Certifications

In May 2008, as required in Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, the Chief Executive Officer of the Company certified to the New York Stock Exchange that he was not aware of any violations by the Company of New York Stock Exchange corporate governance listing standards. The certifications of the Chief Executive Officer and Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act have been filed as Exhibits 31.1 and 31.2 of this Form 10-K annual report.

ITEM 1A. RISK FACTORS

Our business involves various risks. When evaluating our business the following information should be carefully considered in conjunction with the other information contained in our periodic filings with the SEC. Additional risks and uncertainties not known to us currently or that currently we deem to be immaterial also may impair our business operations. If we are unable to prevent events that have a negative effect from occurring, then our business may suffer. Negative events are likely to decrease our revenue, increase our costs, make our financial results poorer and/or decrease our financial strength, and may cause our stock price to decline.

We have significant debt and our failure to generate cash flow sufficient to cover required interest and principal payments could result in defaults of the related debt.

As of December 31, 2008, we had mortgage and other indebtedness totaling approximately \$189.6 million. We cannot assure you that we will generate cash flow from operations or receive proceeds from refinancings, other financings or the sales of assets sufficient to cover required interest and principal payments. Any payment or other default could cause the applicable lender to foreclose upon the communities securing the indebtedness with a consequent loss of income and asset value to us. Further, because some of our mortgages contain cross-default and cross-collateralization provisions, a payment or other default by us with respect to one community could affect a significant number of our other communities.

We have significant operating lease obligations and our failure to generate cash flows sufficient to cover these lease obligations could result in defaults under the lease agreements.

As of December 31, 2008, we leased 25 communities with future lease obligations totaling approximately \$206.2 million, with minimum lease obligations of \$28.6 million in fiscal 2009. We cannot assure you that we will generate cash flow from operations or receive proceeds from refinancings, other financings or the sales of assets sufficient to cover these required operating lease obligations. Any payment or other default under any such lease could result in the termination of the lease, with a consequent loss of income and asset value to us. Further, because our leases contain cross-default provisions, a payment or other default by us with respect to one leased community could affect all of our other leased communities with related lessors. Certain of our leases contain various financial and other restrictive covenants, which could limit our flexibility in operating our business. Failure to maintain compliance with the lease obligations as set forth in our lease agreements could have a material adverse impact on us.

Our failure to comply with financial covenants and other restrictions contained in debt instruments and lease agreements could result in the acceleration of the related debt or lease or in the exercise of other remedies.

Our outstanding indebtedness and leases are secured by our communities, and, in certain cases, a guaranty by one or more of our subsidiaries. Therefore, an event of default under the outstanding indebtedness or leases, subject to cure provisions in certain instances, would give the respective lenders or lessors, as applicable, the right to declare all amounts outstanding to be immediately due and payable, terminate the lease, or foreclose on collateral securing the outstanding indebtedness and leases.

Table of Contents

There are various financial covenants and other restrictions in certain of our debt instruments and lease agreements, including provisions which:

require us to meet specified financial tests at the subsidiary company level, which include, but are not limited to, tangible net worth requirements;

require us to meet specified financial tests at the community level, which include, but are not limited to, occupancy requirements and lease coverage tests; and

require consent for changes in control of us.

If we fail to comply with any of these requirements, then the related indebtedness or lease obligations could become due and payable prior to their stated dates. We cannot assure that we could pay these debt or lease obligations if they became due.

We will require additional financing and/or refinancings in the future and may issue equity securities.

Our ability to obtain such financing or refinancing on terms acceptable to us could have a material adverse effect on our business, financial condition, cash flows, and results of operations. Our ability to meet our long-term capital requirements, including the repayment of certain long-term debt obligations, will depend, in part, on our ability to obtain additional financing or refinancings on acceptable terms from available financing sources, including through the use of mortgage financing, joint venture arrangements, by accessing the debt and/or equity markets and possibly through operating leases or other types of financing, such as lines of credit. Recent turmoil in the financial markets has severely restricted the availability of funds for borrowing and may make it more difficult or costly for us to raise capital. There can be no assurance that financing or refinancings will be available or that, if available, will be on terms acceptable to us. Moreover, raising additional funds through the issuance of equity securities could cause existing stockholders to experience dilution and could adversely affect the market price of our common stock. The disruptions in the financial markets have had and may continue to have a significant adverse effect on the market value of our common stock and other adverse effects on us and our business. Our inability to obtain additional financing or refinancings on terms acceptable to us could delay or eliminate some or all of our growth plans, necessitate the sales of assets at unfavorable prices or both, and would have a material adverse effect on our business, financial condition, cash flows, and results of operations.

Any future floating rate debt and lease obligations could expose us to rising interest rates.

Future indebtedness and lease obligations, if applicable, may be based on floating interest rates prevailing from time to time. Therefore, increases in prevailing interest rates could increase in the future our interest or lease payment obligations and could in the future have a material adverse effect on our business, financial condition, cash flows, and results of operations.

We cannot assure that we will be able to effectively manage our growth.

We intend to expand our operations, directly or indirectly, through the acquisition of existing senior living communities, the expansion of some of our existing senior living communities, the development of new senior living communities and/or through an increase in the number of communities which we manage under management agreements. The success of our growth strategy will depend, in large part, on our ability to implement these plans and to effectively operate these communities. If we are unable to manage our growth effectively, our business, financial condition, cash flows, and results of operations may be adversely affected.

We cannot assure that we will attempt to, or be able to, acquire additional senior living communities, develop new senior living communities or expand existing senior living communities.

The acquisition of existing communities or other businesses involves a number of risks. Existing communities available for acquisition frequently serve or target different markets than those presently served by us. We may also determine that renovations of acquired communities and changes in staff and operating management personnel are necessary to successfully integrate those communities or businesses into our existing operations. The costs incurred to reposition or renovate newly acquired communities may not be recovered by us. In undertaking acquisitions, we

Table of Contents

also may be adversely impacted by unforeseen liabilities attributable to the prior operators of those communities or businesses, against whom we may have little or no recourse. The success of our acquisition strategy will be determined by numerous factors, including our ability to identify suitable acquisition candidates; the competition for those acquisitions; the purchase price; the requirement to make operational or structural changes and improvements; the financial performance of the communities or businesses after acquisition; our ability to finance the acquisitions; and our ability to integrate effectively any acquired communities or businesses into our management, information, and operating systems. We cannot assure that our acquisition of senior living communities or other businesses will be completed at the rate currently expected, if at all, or if completed, that any acquired communities or businesses will be successfully integrated into our operations.

Our ability to successfully develop new senior living communities or expand existing senior living communities will depend on a number of factors, including, but not limited to, our ability to acquire suitable sites at reasonable prices; our success in obtaining necessary zoning, licensing, and other required governmental permits and authorizations; and our ability to control construction costs and accurately project completion schedules. Additionally, we anticipate that the development of new senior living communities or the expansion of existing senior living communities may involve a substantial commitment of capital for a period of time of two years or more until the new senior living communities or expansions are operating and producing revenue, the consequence of which could be an adverse impact on our liquidity. We cannot assure that our developments or expansion of existing senior living communities will be completed at the rate currently expected, if at all, or if completed, that such developments or expansions will be profitable.

Termination of resident agreements and resident attrition could affect adversely our revenues and earnings.

State regulations governing assisted living facilities require written resident agreements with each resident. Most of these regulations also require that each resident have the right to terminate the resident agreement for any reason on reasonable notice. Consistent with these regulations, the resident agreements signed by us allow residents to terminate their agreement on 30 days notice. Thus, we cannot contract with residents to stay for longer periods of time, unlike typical apartment leasing arrangements that involve lease agreements with specified leasing periods of up to a year or longer. If a large number of residents elected to terminate their resident agreements at or around the same time, then our revenues and earnings could be adversely affected. In addition, the advanced age of our average resident means that the resident turnover rate in our senior living facilities may be difficult to predict.

We largely rely on private pay residents and circumstances that adversely affect the ability of the elderly to pay for our services could have a material adverse effect on us.

Approximately 94% of our total revenues from communities that we operated were attributable to private pay sources and approximately 6% of our revenues from these communities were attributable to reimbursements from Medicare and Medicaid during fiscal 2008. We expect to continue to rely primarily on the ability of residents to pay for our services from their own or family financial resources. The current unfavorable economic conditions in the housing, financial, and credit markets, inflation, or other circumstances that adversely affect the ability of the elderly to pay for our services could have a material adverse effect on our business, financial condition, cash flows, and results of operations.

We are subject to risks related to third-party management agreements.

At December 31, 2008, we managed one senior living community for a third party and 13 senior living communities for joint ventures in which we have a minority interest pursuant to multi-year management agreements. The management agreements generally have initial terms of five years, subject to certain renewal rights. Under these agreements we provide management services to third party and joint venture owners to operate senior living

communities and have provided, and may in the future provide, management and consulting services to third parties on market and site selection, pre-opening sales and marketing, start-up training and management services for facilities under development and construction. In most cases, either party to the agreements may terminate them upon the occurrence of an event of default caused by the other party. In addition, subject to our rights to cure deficiencies, community owners may terminate us as manager if any licenses or certificates necessary for operation

Table of Contents

are revoked, or if we have a change of control. Also, in some instances, a community owner may terminate the management agreement relating to a particular community if we are in default under other management agreements relating to other communities owned by the same community owner or its affiliates. In addition, in certain cases the community owner may terminate the agreement upon 30 days' notice to us in the event of a sale of the community. In those agreements, which are terminable in the event of a sale of the community, we have certain rights to offer to purchase the community. The termination of a significant portion of our management agreements could have a material adverse effect on our business, financial condition, cash flows, and results of operations.

Failure to perform our obligations under our joint venture arrangements could have a material adverse effect on us.

We hold minority interests ranging from approximately 5% to 15% in several joint ventures with affiliates of Prudential and GE Healthcare. We also manage the communities owned by these joint ventures. Under the terms of the joint venture agreements with Prudential covering four properties, we are obligated to meet certain cash flow targets and failure to meet these cash flow targets could result in termination of the management agreements. Under the terms of the joint venture agreements with GE Healthcare covering eight properties, we are obligated to meet certain net operating income targets and failure to meet these net operating income targets could result in termination of the management agreements.

We are currently developing two communities and recently opened a third community, which are owned in three separate joint ventures with affiliates of Prudential. As part of development agreements, we are obligated to meet certain completion and costs guarantees. We will provide per-opening marketing services for each of the communities and upon completion we will manage the three communities owned by the joint ventures. Under the terms of the joint venture agreements with Prudential covering the three communities, we are obligated to meet certain cash flow targets and failure to meet these cash flow targets could result in termination of the management agreements.

All of the management agreements with the joint ventures contain termination and renewal provisions. We do not control these joint venture decisions covering termination or renewal. Performance of the above obligations or termination or non-renewal of the management agreements could have a material adverse effect on our business, financial condition, cash flows, and results of operations.

The senior living services industry is very competitive and some competitors may have substantially greater financial resources than us.

The senior living services industry is highly competitive, and we expect that all segments of the industry will become increasingly competitive in the future. We compete with other companies providing independent living, assisted living, skilled nursing, home health care and other similar services and care alternatives. We also compete with other health care businesses with respect to attracting and retaining nurses, technicians, aides and other high quality professional and non-professional employees and managers. Although we believe there is a need for senior living communities in the markets where we operate residences, we expect that competition will increase from existing competitors and new market entrants, some of whom may have substantially greater financial resources than us. In addition, some of our competitors operate on a not-for-profit basis or as charitable organizations and have the ability to finance capital expenditures on a tax-exempt basis or through the receipt of charitable contributions, neither of which are available to us. Furthermore, if the development of new senior living communities outpaces the demand for those communities in the markets in which we have senior living communities, those markets may become saturated. Regulation in the independent and assisted living industry, which represents a substantial portion of our senior living services, is not substantial. Consequently, development of new senior living communities could outpace demand. An oversupply of those communities in our markets could cause us to experience decreased occupancy, reduced operating margins and lower profitability.

Table of Contents

We rely on the services of key executive officers and the loss of these officers or their services could have a material adverse effect on us.

We depend on the services of our executive officers for our management. The loss of some of our executive officers and the inability to attract and retain qualified management personnel could affect our ability to manage our business and could adversely affect our business, financial condition, cash flows, and results of operations.

A significant increase in our labor costs could have a material adverse effect on us.

We compete with other providers of senior living services with respect to attracting and retaining qualified management personnel responsible for the day-to-day operations of each of our communities and skilled personnel responsible for providing resident care. A shortage of nurses or trained personnel may require us to enhance our wage and benefits package in order to compete in the hiring and retention of these personnel or to hire more expensive temporary personnel. We also will be dependent on the available labor pool of semi-skilled and unskilled employees in each of the markets in which we operate. No assurance can be given that our labor costs will not increase, or that, if they do increase, they can be matched by corresponding increases in rates charged to residents. Any significant failure by us to control our labor costs or to pass on any increased labor costs to residents through rate increases could have a material adverse effect on our business, financial condition, cash flows, and results of operations.

There is an inherent risk of liability in the provision of personal and health care services, not all of which may be covered by insurance.

The provision of personal and health care services in the long-term care industry entails an inherent risk of liability. In recent years, participants in the long-term care industry have become subject to an increasing number of lawsuits alleging negligence or related legal theories, many of which involve large claims and result in the incurrence of significant defense costs. Moreover, senior living communities offer residents a greater degree of independence in their daily living. This increased level of independence may subject the resident and, therefore, us to risks that would be reduced in more institutionalized settings. We currently maintain insurance in amounts we believe are comparable to those maintained by other senior living companies based on the nature of the risks, our historical experience and industry standards, and we believe that this insurance coverage is adequate. However, we may become subject to claims in excess of our insurance or claims not covered by our insurance, such as claims for punitive damages, terrorism and natural disasters. A claim against us not covered by, or in excess of, our insurance could have a material adverse effect upon us.

In addition, our insurance policies must be renewed annually. Based upon poor loss experience, insurers for the long-term care industry have become increasingly wary of liability exposure. A number of insurance carriers have stopped writing coverage to this market, and those remaining have increased premiums and deductibles substantially. Therefore, we cannot assure that we will be able to obtain liability insurance in the future or that, if that insurance is available, it will be available on acceptable economic terms.

We are subject to government regulations and compliance, some of which are burdensome and some of which may change to our detriment in the future.

Federal and state governments regulate various aspects of our business. The development and operation of senior living communities and the provision of health care services are subject to federal, state and local licensure, certification and inspection laws that regulate, among other matters, the number of licensed beds, the provision of services, the distribution of pharmaceuticals, billing practices and policies, equipment, staffing (including professional licensing), operating policies and procedures, fire prevention measures, environmental matters and compliance with building and safety codes. Failure to comply with these laws and regulations could result in the denial of

reimbursement, the imposition of fines, temporary suspension of admission of new residents, suspension or decertification from the Medicare program, restrictions on the ability to acquire new communities or expand existing communities and, in extreme cases, the revocation of a community's license or closure of a community. We believe that such regulation will increase in the future and we are unable to predict the content of new regulations or their effect on our business, any of which could materially adversely affect us.

Table of Contents

Various states, including several of the states in which we currently operate, control the supply of licensed skilled nursing beds, assisted living communities and home health care agencies through CON or other programs. In those states, approval is required for the construction of new health care communities, the addition of licensed beds and some capital expenditures at those communities, as well as the opening of a home health care agency. To the extent that a CON or other similar approval is required for the acquisition or construction of new communities, the expansion of the number of licensed beds, services, or existing communities, or the opening of a home health care agency, we could be adversely affected by our failure or inability to obtain that approval, changes in the standards applicable for that approval, and possible delays and expenses associated with obtaining that approval. In addition, in most states, the reduction of the number of licensed beds or the closure of a community requires the approval of the appropriate state regulatory agency and, if we were to seek to reduce the number of licensed beds at, or to close, a community, we could be adversely affected by a failure to obtain or a delay in obtaining that approval.

Federal and state anti-remuneration laws, such as anti-kickback laws, govern some financial arrangements among health care providers and others who may be in a position to refer or recommend patients to those providers. These laws prohibit, among other things, some direct and indirect payments that are intended to induce the referral of patients to, the arranging for services by, or the recommending of, a particular provider of health care items or services. Federal anti-kickback laws have been broadly interpreted to apply to some contractual relationships between health care providers and sources of patient referral. Similar state laws vary, are sometimes vague, and seldom have been interpreted by courts or regulatory agencies. Violation of these laws can result in loss of licensure, civil and criminal penalties, and exclusion of health care providers or suppliers from participation in Medicare and Medicaid programs. There can be no assurance that those laws will be interpreted in a manner consistent with our practices.

Under the Americans with Disabilities Act of 1990, all places of public accommodation are required to meet federal requirements related to access and use by disabled persons. A number of additional federal, state and local laws exist that also may require modifications to existing and planned communities to create access to the properties by disabled persons. Although we believe that our communities are substantially in compliance with present requirements or are exempt therefrom, if required changes involve a greater expenditure than anticipated or must be made on a more accelerated basis than anticipated, additional costs would be incurred by us. Further legislation may impose additional burdens or restrictions with respect to access by disabled persons, the costs of compliance with which could be substantial.

The Health Insurance Portability and Accountability Act of 1996, in conjunction with the federal regulations promulgated thereunder by the Department of Health and Human Services, has established, among other requirements, standards governing the privacy of certain protected and individually identifiable health information that is created, received or maintained by a range of covered entities. HIPAA has also established standards governing uniform health care transactions, the codes and identifiers to be used by the covered entities and standards governing the security of certain electronic transactions conducted by covered entities. Penalties for violations can range from civil money penalties for errors and negligent acts to criminal fines and imprisonment for knowing and intentional misconduct. HIPAA is a complex set of regulations and many unanswered questions remain with respect to the manner in which HIPAA applies to businesses such as those operated by us.

We may be subject to liability for environmental damages.

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at the property, and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean up costs incurred by those parties in connection with the contamination. These laws typically impose clean-up responsibility and liability without regard to whether the owner knew of or caused the presence of the contaminants, and liability under these laws has been interpreted to be joint and several unless the harm is divisible

and there is a reasonable basis for allocation of responsibility. The costs of investigation, remediation or removal of the substances may be substantial, and the presence of the substances, or the failure to properly remediate the property, may adversely affect the owner's ability to sell or lease the property or to borrow using the property as collateral. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. Persons who

Table of Contents

arrange for the disposal or treatment of hazardous or toxic substances also may be liable for the costs of removal or remediation of the substances at the disposal or treatment facility, whether or not the facility is owned or operated by the person. Finally, the owner of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. If we become subject to any of these claims the costs involved could be significant and could have a material adverse effect on our business, financial condition, cash flows, and results of operations.

Anti-takeover provisions in our governing documents, governing law, material agreements and our shareholder rights plan may discourage, delay or prevent a merger or acquisition that our stockholders may consider favorable or prevent the removal of our current board of directors and management.

Certain provisions of our amended and restated certificate of incorporation and our amended and restated by-laws may discourage, delay or prevent a merger or acquisition that our stockholders may consider favorable or prevent the removal of our current board of directors and management. We have a number of anti-takeover devices in place that will hinder takeover attempts, including: a staggered board of directors consisting of three classes of directors, each of whom serve three-year terms; removal of directors only for cause, and only with the affirmative vote of at least a majority of the voting interest of stockholders entitled to vote; right of our directors to issue preferred stock from time to time with voting, economic and other rights superior to those of our common stock without the consent of our stockholders; provisions in our amended and restated certificate of incorporation and amended and restated by-laws limiting the right of our stockholders to call special meetings of stockholders; advance notice requirements for stockholders with respect to director nominations and actions to be taken at annual meetings; requirement for two-thirds stockholder approval for amendment of our by-laws and certain provisions of our certificate of incorporation; and no provision in our amended and restated certificate of incorporation for cumulative voting in the election of directors, which means that the holders of a majority of the outstanding shares of our common stock can elect all the directors standing for election.

Several of our leases, loan documents and other material agreements require approval in case of a change of control of our company. These provisions may have the effect of delaying or preventing a change of control of our company even if this change of control would benefit our stockholders.

In addition to the anti-takeover provisions described above, we are subject to Section 203 of the Delaware General Corporation Law. Section 203 generally prohibits a person beneficially owning, directly or indirectly, 15% or more of our outstanding common stock from engaging in a business combination with us for three years after the person acquired the stock. However, this prohibition does not apply if (A) our directors approve in advance the person's ownership of 15% or more of the shares or the business combination or (B) the business combination is approved by our stockholders by a vote of at least two-thirds of the outstanding shares not owned by the acquiring person. Also, our board of directors adopted a stockholder rights plan, which may discourage a third party from making an unsolicited proposal to acquire us.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES

The executive and administrative offices of the Company are located at 14160 Dallas Parkway, Suite 300, Dallas, Texas 75254, and consist of approximately 26,000 square feet. The lease on the premises extends through May 2013. The Company believes that its corporate office facilities are adequate to meet its requirements through at least fiscal 2009 and that suitable additional space will be available, as needed, to accommodate further physical expansion of

corporate operations. The Company also leases executive office space in New York, New York pursuant to an annual lease agreement.

As of December 31, 2008, the Company owned, leased and/or managed the senior living communities referred to in Item 1 above under the caption Operating Communities.

Table of Contents**ITEM 3. LEGAL PROCEEDINGS**

The Company has claims incurred in the normal course of its business. Most of these claims are believed by management to be covered by insurance, subject to normal reservations of rights by the insurance companies and possibly subject to certain exclusions in the applicable insurance policies. Whether or not covered by insurance, these claims, in the opinion of management, based on advice of legal counsel, should not have a material effect on the consolidated financial statements of the Company if determined adversely to the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the Company's security holders during the fourth quarter ended December 31, 2008.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.*****(a) Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters.*****Market Information and Holders**

The Company's shares of common stock are listed for trading on the New York Stock Exchange (NYSE) under the symbol CSU . The following table sets forth, for the periods indicated, the high and low sales prices for the Company's common stock, as reported on the NYSE. At March 6, 2009 there were approximately 150 stockholders of record of the Company's common stock.

Year	2008		2007	
	High	Low	High	Low
First Quarter	\$ 9.97	\$ 6.32	\$ 11.78	\$ 9.65
Second Quarter	8.95	7.36	12.22	9.41
Third Quarter	8.78	6.41	10.10	7.61
Fourth Quarter	7.59	1.94	10.12	7.68

Dividends

It is the policy of the Company's Board of Directors to retain all future earnings to finance the operation and expansion of the Company's business and the funding of the Company's stock repurchase program. Accordingly, the Company has not and does not anticipate declaring or paying cash dividends on the common stock in the foreseeable future. The payment of cash dividends in the future will be at the sole discretion of the Company's Board of Directors and will depend on, among other things, the Company's earnings, operations, capital requirements, financial condition, restrictions in then existing financing agreements, and other factors deemed relevant by the Board of Directors.

Table of Contents**Securities Authorized for Issuance under Equity Compensation Plans.**

The following table presents information relating to the Company's equity compensation plans as of December 31, 2008:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of the Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)
Equity compensation plans approved by security holders	895,334	\$ 4.83	2,431,000
Equity compensation plans not approved by security holders			
Total	895,334	\$ 4.83	2,431,000

Table of Contents**Performance Graph**

The following Performance Graph shows the changes for the five year period ended December 31, 2008 in the value of \$100 invested in: (1) the Company's common stock; (2) the Standard & Poor's Broad Market Index (the S&P 500); and (3) the common stock of the Peer Group (as defined below) of companies, whose returns represent the arithmetic average of such companies. The values with each investment as of the beginning of each year are based on share price appreciation and the reinvestment with dividends on the respective ex-dividend dates.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Capital Senior Living Corporation, The S&P 500 Index,
And A Peer Group

* \$100 invested on 12/31/03 in stock & index-including reinvestment of dividends.
 Fiscal year ending December 31.

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The preceding graph assumes \$100 invested at the beginning of the measurement period, including reinvestment of dividends, in the Company's common stock, the S&P 500, and the Peer Group was plotted using the following data:

	Cumulative Total Returns					
	12/03	12/04	12/05	12/06	12/07	12/08
Capital Senior Living Corporation	100.00	96.26	175.85	180.95	168.88	50.68
S & P 500	100.00	110.88	116.33	134.70	142.10	89.53
Peer Group	100.00	126.17	181.92	241.22	175.76	38.92

The Company's Peer Group consists of Assisted Living Concepts, Brookdale Senior Living, Inc., Emeritus Corporation, Five Star Quality Care, Inc., and Sunrise Senior Living, Inc.

(b) Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities.

Not Applicable.

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

Not Applicable.

Table of Contents

ITEM 6. *SELECTED FINANCIAL DATA.*

The following table presents selected financial data of the Company which has been derived from the audited consolidated financial statements of the Company. The selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes thereto included in this Annual Report.

Table of Contents

(4) a cash sign-on bonus of \$350,000, which was paid in two installments of \$175,000 on January 27, 2016, and January 27, 2017 (with each installment subject to repayment in full if, within the 12 months following receipt of such installment, Mr. Gooch is terminated for Cause by the Company or resigns without Good Reason, each as defined in Mr. Gooch's executive severance agreement); (5) a sign-on grant of time-based RSUs which will vest upon any separation from service other than by the Company for cause or by Mr. Gooch without Good Reason; (6) performance-based RSUs, the vesting of which was subject to achievement of performance goals over fiscal years 2016 and 2017, which were not achieved; and (7) through August 31, 2017, (a) payment of, or reimbursement for, the costs of commuting between Mr. Gooch's primary state of residence and Lands End headquarters, and (b) temporary corporate housing in the Dodgeville/Madison, Wisconsin area; in each case, provided on a tax grossed-up basis. Mr. Gooch's primary workplace location is Dodgeville, Wisconsin and he is eligible to receive relocation benefits pursuant to the Company's relocation policy.

In connection with his service as Co-Interim Chief Executive Officer from September 23, 2016 to March 6, 2017, Mr. Gooch received (1) a monthly cash service bonus in the amount of \$15,000; and (2) a grant of RSUs with an aggregate grant date fair market value equal to \$150,000, of which 50% vested on December 19, 2017 and 50% vested on December 19, 2018.

Peter L. Gray

Mr. Gray's employment letter provides Mr. Gray with the following: (1) an annual base salary of \$500,000; (2) a target bonus opportunity under the AIP equal to 75% of his annual base salary (which AIP bonus amount for fiscal year 2017); (3) a target long-term incentive opportunity equal to 100% of his annual base salary; (4) a sign-on grant of RSUs with a grant date value equal to \$500,000 (the sign-on RSUs) and a sign-on grant of options to purchase shares of our common stock with a grant date value equal to \$500,000 (the sign-on stock options) with an exercise price equal to \$22.00, the fair market value of a share of Company common stock on the grant date, May 8, 2017; in each case which will vest 25% per year on each of the first four anniversaries of Mr. Gray's start date, subject to his continued employment, provided that on his earlier termination by the Company without cause (as defined in his executive severance agreement), his resignation with Good Reason (as defined in his executive severance agreement), his death or Disability (as defined in his executive severance agreement), 50% of any then unvested sign-on RSUs will vest (and if Mr. Gray experiences a qualifying termination after the third anniversary of the grant date, the final tranche of sign-on RSUs will vest in full) and 100% of any unvested sign-on stock options will vest; (5) a sign-on cash bonus of \$100,000 and (6) reimbursement of commuting expenses between his permanent residence and Wisconsin, which arrangement ceased at the conclusion of fiscal year 2017.

Kelly Ritchie

Ms. Ritchie serves as Senior Vice President, Employee and Customer Services of the Company with an annual base salary of \$406,000. She is eligible for an AIP target award of 50% of her base salary and a long-term incentive opportunity of 100% of her base salary.

Chieh Tsai

Ms. Tsai was promoted to her current role as Chief Product Officer of the Company on January 7, 2019. Ms. Tsai's annual base salary as Chief Product Officer is \$500,000. Beginning in fiscal year 2019 she is eligible for an AIP target award of 75% of her base salary and a long-term incentive opportunity of 100% of her base salary.

Potential Payments upon Termination of Employment

As described under *Compensation Discussion and Analysis Other Compensation Elements Severance Benefits* above, the Company is party to severance agreements with each of the named executive officers. The

Table of Contents

amounts shown under *Summary Table of Potential Payments upon Termination of Employment* below assume that each named executive officer (who was then employed) was terminated effective as of February 1, 2019, the last business day of fiscal year 2018. The actual amounts that would be paid to the executives can only be determined at the time of such executive's separation from Lands End. The following is a discussion of the potential compensation and benefits that the named executive officers would be entitled to upon termination of employment.

Good Reason:

A termination by the executive officer is for *Good Reason* generally if it results from (1) a reduction of more than 10% in the sum of the executive officer's annual base salary and target AIP award from those in effect as of the date of the severance agreement; (2) an executive officer's mandatory relocation to an office more than 50 miles from the primary location at which the executive officer is required to perform his or her duties; or (3) any action or inaction that constitutes a material breach under the severance agreement (or employment letter for Mr. Gooch), including the failure of a successor company to assume or fulfill the obligations under the severance agreement (or employment letter for Mr. Gooch). For Mr. Gooch, a termination by him also is for *Good Reason* if it results from Mr. Gooch no longer directly reporting to the Company's principal executive officer. Under Mr. Griffith and Mr. Gray's agreements, material diminution in their duties also constitutes a *Good Reason*, and under Mr. Griffith's agreement, a *Good Reason* further includes (i) no longer being the principal executive officer of the Company and (ii) if at any time that ESL Investments, Inc. and its affiliate entities beneficially own more than twenty percent (20%) of the Company's shares entitled to vote for directors, and they, in whole or in part, vote against Mr. Griffith's reelection to the Board while he is serving as the Chief Executive Officer of the Company.

Cause:

Cause generally is defined as (1) a material breach by the executive officer, other than due to incapacity due to a disability, of the executive officer's duties and responsibilities which breach is demonstrably willful and deliberate on the executive officer's part, is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company (or its affiliates) and such breach is not remedied by the executive officer in a reasonable period of time after receipt of written notice from the Company specifying such breach; (2) the commission by the executive officer of a felony (in certain cases defined as a felony involving moral turpitude); or (3) dishonesty or willful misconduct in connection with the executive officer's employment.

Severance Benefits upon Termination without Cause or for Good Reason

Subject to his or her execution of a release of claims against the Company and its affiliates, if the executive's employment is terminated by the Company without *Cause* or by the executive for *Good Reason*, the executive will be entitled to receive, subject to the terms of the applicable agreement, 12 months of base salary at the rate in effect as of the date of termination, other than for Mr. Griffith, who is entitled to a payment equal to two times the sum of his base salary plus Annual Bonus (as defined in his Executive Severance Agreement), paid in installments over 24 months, and Mr. Gray who is entitled to a payment equal to his base salary plus Annual Bonus over 12 months. In the event the termination occurs in contemplation of or within two years after a Change in Control of the Company (as defined in the Executive Severance Agreement) Mr. Griffith's severance payment is increased to two and one half times the sum of his base salary plus Average Bonus (as defined in the Executive Severance Agreement), paid in installments over 30 months, and Mr. Gray is entitled to receive an amount equal to two times his base salary plus Average Bonus over a period of 24 months. Ms. Hong's executive severance agreement provided that if she were terminated without cause or resigned for good reason within two years of commencing employment, she would be entitled to 24 months of salary continuation, subject to compliance with certain post-employment obligations. Ms. Hong's termination on January 7, 2019, occurred during the two-year period after her commencement of employment and payment of

benefits under her executive severance agreement is reflected in the Summary Compensation Table.

Table of Contents

The executives are entitled to receive continuation of the active medical and dental coverage that the named executive officer was eligible to participate in prior to the end of employment during the salary continuation period, provided that if the executive becomes eligible to participate in another medical or dental benefit plan through another employer or spousal plan during such period, the executive will be required to pay the full premium applicable to continuation coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA).

The executives also are entitled to reasonable outplacement services, mutually agreed to by the Company and the named executive officer, for a period of up to 12 months or until subsequent employment is obtained, whichever occurs first.

All named executive officers are entitled to a lump sum payment of unused vacation pay benefits granted to the named executive officer prior to his or her termination date.

Other Terms of Severance Agreements

An eligible named executive officer will not be entitled to a severance payment under the severance agreements in the event of termination for Cause or voluntary termination.

Under the severance agreements, the named executive officers agree to, and payments under the agreements are subject to, non-disclosure of confidential information (two years), non-disparagement (two years), non-solicitation (18 months) and non-compete (generally 12 months, where permissible under applicable state law, and subject to waiver by the Company; 24 months in the case of Mr. Griffith) covenants, as well as a release of liability for certain claims against the Company.

The severance agreements do not provide for payments to the participating named executive officers upon termination of employment due to death, disability or retirement. The Company's incentive programs and/or award agreements thereunder provide for eligibility to receive payments or vesting of awards upon the death or disability of named executive officers (and in certain cases, upon termination of employment by the Company without Cause or by the executive for Good Reason) as provided below.

Named executive officers are not entitled to any golden parachute excise tax gross-up payments under any plan or agreement with the Company.

Payments Pursuant to Incentive Compensation Programs

As described under *Compensation, Discussion and Analysis* above, the Company provides annual and long-term incentive awards to our named executive officers. Payments under these programs for termination of employment are treated as described below.

Annual Incentive Plan. Generally, if a participant in the AIP voluntarily terminates employment (for any reason other than disability) or is involuntarily terminated for any reason (other than death) prior to the payment date for an AIP award, he or she will forfeit his or her AIP award. In the event of death or disability, the named executive officer will be entitled to a pro rata payment through the termination date if the financial criteria under the AIP are satisfied. In the case of each of Mr. Griffith and Mr. Gray, per each individual's Executive Severance Agreement, in the event his employment is terminated without Cause or he terminates his employment for Good Reason, within the last six months of a fiscal year, he will be entitled to a pro rata bonus that would otherwise be payable under the Company's AIP for such fiscal year based on actual results from the fiscal year. Under the terms of Mr. Gooch's employment letter with the Company, any incentive award payable to him with respect to a fiscal year will be paid if his employment is

terminated without Cause or he terminated his employment for Good Reason or as a result of his death or disability following the end of the applicable fiscal year and prior to payment under the AIP by the Company.

Table of Contents

2017 LTIP. If any named executive officer voluntarily terminates employment (for any reason other than disability) or is involuntary terminated for any reason (other than death), he or she will forfeit his or her awards under the 2017 LTIP, except as prohibited by law. In the event of death or disability, he or she will be entitled to a pro rata payment through the termination date if performance under the 2017 LTIP, as of the termination date, equals or exceeds the applicable performance targets and the named executive officer was a participant in the 2017 LTIP for at least 12 months of the performance period.

2014 Stock Plan Awards and 2017 Stock Plan Awards. Generally, if any named executive officer voluntarily terminates employment (for any reason other than disability) or is involuntary terminated for any reason (other than death) he or she will forfeit any awards made under the 2014 Stock Plan or the 2017 Stock Plan (referred to together as the Stock Plans). Following the 12-month anniversary of the grant date of his or her award, if any named executive officer's employment is terminated because of (1) death, the unvested portion of his or her award will vest on a pro rata basis through the date of death, payable in cash to his or her estate, or (2) disability, the unvested portion of his or her award will vest on a pro rata basis through the date of termination.

Provisions in Equity Awards. Under the terms of the grant agreements governing Mr. Griffith's and Mr. Gray's sign-on RSUs and sign-on stock options, in the event of termination by the Company without Cause or termination by the executive without Good Reason, or in the case of death or disability, 50% of any then unvested sign-on RSUs will vest (and in the case of a qualifying termination after the third anniversary of the grant date, the final tranche of sign-on RSUs will vest in full) and 100% of any unvested sign-on stock options will vest. Under the award agreements that govern Mr. Gooch's sign-on awards of RSUs, unvested time-based RSUs will vest upon any separation from service other than by the Company for Cause or by the executive without Good Reason.

Change in Control Provisions of the Stock Plans. The Stock Plans, which govern the RSU awards discussed above, provide that, except to the extent specified in the applicable award agreement, upon a change in control involving the Company, any non-vested portion of a named executive officer's award will fully vest in the event that either (1) the surviving, continuing, successor, or purchasing entity fails to assume or continue the Company's rights and obligations under such award or fails to provide the participant with a substantially equivalent award, or (2) the participant's employment is terminated within 18 months following the change in control on account of a termination by the Company (or any acquiring entity) for any reason other than Cause or on account of a named executive officer's resignation for Good Reason.

Table of Contents**Potential Payments upon Termination of Employment**

The tables below summarize the potential payouts to the named executive officers (other than Ms. Hong) for the termination events described above. The amounts shown in the following tables assume that the termination of employment occurred on February 1, 2019.

	Severance Pay ^(a)	Bonus Payment ^(b)	LTIP Payout ^(c)	Continuation Medical/ Welfare Benefits ^(d)	Vacation	Outplacement	Accelerated Vesting ^(f)	Total
Jerome S. Griffith								
Termination for Good Reason	\$ 3,800,000	\$ 950,000		\$ 22,566	\$ 73,077	\$ 8,000	\$ 783,518	\$ 5,637,161
Termination without Cause	\$ 3,800,000	\$ 950,000		\$ 22,566	\$ 73,077	\$ 8,000	\$ 783,518	\$ 5,637,161
Termination with Cause								
Voluntary Termination								
Termination due to Disability Retirement			\$ 580,556				\$ 1,089,949	\$ 1,670,505
Termination due to Death			\$ 580,556				\$ 1,089,949	\$ 1,670,505
Termination after Change in Control	\$ 4,750,000	\$ 950,000		\$ 28,207	\$ 73,077	\$ 8,000	\$ 3,785,899	\$ 9,595,183
James F. Gooch								
Termination for Good Reason	\$ 675,000			\$ 16,474	\$ 51,923	\$ 8,000	\$ 141,672	\$ 893,069
Termination without Cause	\$ 675,000			\$ 16,474	\$ 51,923	\$ 8,000	\$ 141,672	\$ 893,069
Termination with Cause								
Voluntary Termination								
Termination due to Disability Retirement			\$ 208,333				\$ 311,439	\$ 519,772
Termination due to Death			\$ 208,333				\$ 311,439	\$ 519,772
Termination after Change in Control	\$ 675,000			\$ 16,474	\$ 51,923	\$ 8,000	\$ 946,200	\$ 1,697,597

Peter L. Gray

Termination for Good Reason	\$ 967,750	\$ 414,750	\$ 16,474	\$ 42,538	\$ 8,000	\$ 151,368	\$ 1,600,880
Termination without Cause	\$ 967,750	\$ 414,750	\$ 16,474	\$ 42,538	\$ 8,000	\$ 151,368	\$ 1,600,880
Termination with Cause							
Voluntary Termination							
Termination due to Disability		\$ 138,889				\$ 239,476	\$ 378,365
Retirement							
Termination due to Death		\$ 138,889				\$ 239,476	\$ 378,365
Termination after Change in Control	\$ 1,935,500	\$ 414,750	\$ 32,948	\$ 42,538	\$ 8,000	\$ 859,566	\$ 3,293,302

Kelly Ritchie

Termination for Good Reason	\$ 406,000		\$ 11,283	\$ 39,038	\$ 8,000		\$ 464,321
Termination without Cause	\$ 406,000		\$ 11,283	\$ 39,038	\$ 8,000		\$ 464,321
Termination with Cause							
Voluntary Termination							
Termination due to Disability		\$ 128,000				\$ 125,705	\$ 253,705
Retirement							
Termination due to Death		\$ 128,000				\$ 125,705	\$ 253,705
Termination after Change in Control	\$ 406,000		\$ 11,283	\$ 39,038	\$ 8,000	\$ 494,900	\$ 959,221

Chieh Tsai

Termination for Good Reason	\$ 500,000		\$ 10,539	\$ 38,462	\$ 8,000		\$ 557,001
Termination without Cause	\$ 500,000		\$ 10,539	\$ 38,462	\$ 8,000		\$ 557,001
Termination with Cause							
Voluntary Termination							
Termination due to Disability		\$ 54,167				\$ 60,242	\$ 114,409
Retirement							
Termination due to Death		\$ 54,167				\$ 60,242	\$ 114,409
Termination after Change in Control	\$ 500,000		\$ 10,539	\$ 38,462	\$ 8,000	\$ 306,982	\$ 863,983

Control

- (a) These amounts represent salary continuation and bonus payments (as applicable), without reduction by the amount of fees, salary, wages or any other form of compensation that the officer may earn from a subsequent employer or through self-employment during the salary continuation period, where applicable.
- (b) Represents pro rata bonus, assuming full payment and termination at conclusion of performance period.
- (c) Represents pro rata payout of 2017 LTIP, in accordance with the terms of the Long-Term Incentive Plan.

Table of Contents

- (d) These amounts represent the continuation of the health and welfare benefits in which each named executive officer was enrolled on February 1, 2019, assuming that the officer continues to participate in these plans for 12 months thereafter.
- (e) Assumes executive has not used any vacation time during year and represents maximum payout.
- (f) The amounts shown are based on the value of a share of the Company's common stock of \$17.76, the closing price per share on February 1, 2019. The amounts shown as a result of a Termination after Change in Control, assume the named executive officer's employment was terminated on February 1, 2019 within 18 months following a Change in Control (as defined in the Stock Plans) due to termination by the Company (or any acquiring entity) for any reason other than Cause or on account of the officer's resignation for Good Reason.

CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the median annual total compensation of our employees (other than our CEO) and the annual total compensation of Mr. Jerome S. Griffith, Chief Executive Officer and President (the "CEO"):

For fiscal year 2018:

the median of the annual total compensation of our employees (other than our CEO) was \$26,663; and

the annual total compensation of the CEO for purposes of determining the CEO pay ratio was \$4,107,583. Based on this information, for fiscal year 2018, the ratio of the annual total compensation of Mr. Griffith, our CEO, to the median of the annual total compensation of all employees was estimated to be 154 to 1.

We believe this pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules based on our payroll and employment records and the methodology described below. The SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices. As such, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

To identify the median of the annual total compensation of all our employees, as well as to determine the annual total compensation of the median employee, the methodology and the material assumptions, adjustments, and estimates that we used were as follows:

Though under the SEC's rules we were permitted to use the same median employee identified in the proxy statement for our 2018 Annual Meeting, we identified a new median employee for fiscal year 2018. We determined that, as of February 1, 2019, our employee population for purposes of determining our median employee consisted of approximately 4,886 individuals globally (4,293 employees in the United States, 241 employees in Germany and 352 employees in the United Kingdom). In determining our employee population as of such date, we excluded less than 5% of our total global workforce (approximately 231 employees, comprised of 219 employees in Japan and 12 employees in France) from the identification of the median employee, as permitted by the *de minimis* exemption under SEC rules.

Mr. Griffith's total annual compensation for fiscal year 2018 includes his base wages, long term incentive awards, fiscal year 2018 annual incentive plan payout, 401(k) matching contribution and value of an executive physical.

Table of Contents

We picked February 1, 2019 as the date to identify the median employee because it was within the last three months of our fiscal year and because the disparate impact of seasonal employees would be minimized. To identify the median employee from our employee population, we collected all taxable compensation, including base wages, overtime and any other compensation paid during fiscal year 2018. Excluded from the employee population for purposes of determining the median employee were the CEO and employees on a leave of absence on February 1, 2019.

We used the currency exchange rate in effect in January 2019 for the United Kingdom and Germany to convert foreign wages to U.S. dollars. The median employee was a full-time, benefitted employee in the Company's UK office whose total compensation included base wages, fiscal year 2018 annual incentive plan payout, and the Company's contribution to the employee's pension plan.

ITEM 2. ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Pursuant to Section 14A of the Securities Exchange Act, we are providing our stockholders with the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the SEC's compensation disclosure rules.

As described in detail under the heading *Executive Compensation Compensation Discussion and Analysis* in this Proxy Statement, we seek to link a significant portion of the compensation of our named executive officers with the Company's performance. Our compensation programs are designed to reward our named executive officers for the achievement of short-term and long-term financial goals, while minimizing excessive risk taking in the short term. We believe that our compensation program is strongly aligned with the long-term interests of our stockholders. We urge you to read the Compensation Discussion and Analysis section of this Proxy Statement for additional details on our executive compensation programs, including our compensation philosophy and objectives and the compensation of our named executive officers during fiscal year 2018.

The vote on this proposal is not intended to address any specific element of compensation; rather, the vote relates to the compensation of our named executive officers, as described in this Proxy Statement in accordance with the compensation disclosure rules of the SEC. The vote is advisory and is not binding on the Company, our Board, or the Compensation Committee of the Board. However, the Board and Compensation Committee value the opinions expressed by our stockholders in their voting on this proposal and will consider the outcome of the voting when making future compensation decisions and policies regarding our named executive officers.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE APPROVAL, ON A NON-BINDING ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DESCRIBED IN THIS PROXY STATEMENT

ITEM 3. APPROVAL OF THE LANDS END, INC. AMENDED AND RESTATED 2017 STOCK PLAN

The Compensation Committee and our Board approved an amendment and restatement of the Lands End, Inc. 2017 Stock Plan (the Original 2017 Stock Plan) in the form of the Lands End, Inc. Amended and Restated 2017 Stock Plan (the Amended and Restated 2017 Stock Plan) attached to this proxy statement as Appendix A, subject to stockholder approval. The Amended and Restated 2017 Stock Plan will be effective March 19, 2019 (the date it was approved by the Board) as long as our stockholders approve the Amended and Restated 2017 Stock Plan at the Annual Meeting.

Table of Contents

The principal changes made to the Amended and Restated 2017 Stock Plan from the Original 2017 Stock Plan are as follows:

Increased the number of shares available to be issued under the Amended and Restated 2017 Stock Plan by 1,600,000 shares, plus the 155,268 shares that remained available for issuance under the Lands End, Inc. 2014 Stock Plan, as amended and restated (the 2014 Plan) on March 19, 2019, and 472,984 shares that potentially could be recycled under the 2014 Plan due to being forfeited, lapsed as unexercised, settled for cash or used to satisfy tax withholding obligations. If the Amended and Restated 2017 Stock Plan is approved, no further grants will be made under the 2014 Plan.

Included minimum vesting requirements for awards granted under the Amended and Restated 2017 Stock Plan.

Clarified that dividends will not be paid on unvested equity awards granted under the Amended and Restated 2017 Stock Plan until the underlying equity award fully vests.

Prohibit the recycling of shares delivered to pay the exercise price for stock options or the withholding tax obligation for stock options or stock appreciation rights.

Set a limit on the maximum aggregate grant date value of awards plus cash compensation for non-employee directors at \$400,000.

Updated the plan to reflect the elimination of the exception under Section 162(m) of the Internal Revenue Code for performance-based compensation, other than with respect to certain awards that are subject to grandfathering under such provision.

As of March 27, 2019, there were 230,582 shares remaining available for issuance under the Original 2017 Stock Plan and as of March 19, 2019 there were 155,268 unused shares under the 2014 Plan. As noted in the Compensation Discussion & Analysis, we use equity compensation as an integral part of our compensation program by linking the personal interests of our employees and directors to the Company's success. If our stockholders do not approve this Proposal 3, then the Original 2017 Stock Plan will continue in full force and effect and the changes made by the Amended and Restated 2017 Stock Plan will not be implemented. As such we may be limited in our ability to use equity compensation as a means of attracting, retaining and motivating employees, non-employee directors and consultants.

The summary of the Amended and Restated 2017 Stock Plan contained in this proposal is qualified in its entirety by reference to the actual terms and conditions of the Amended and Restated 2017 Stock Plan, which is attached as Appendix A to this proxy statement.

Purpose of the Amended and Restated 2017 Stock Plan. We currently maintain two stock plans, the 2014 Stock Plan and the Original 2017 Stock Plan. A total of 1,000,000 shares of our common stock was initially authorized for issuance under the Original 2017 Plan. As of March 27, 2019, 230,582 shares remained available for future grants. A

total of 1,000,000 shares of our common stock was initially authorized for issuance under the 2014 Stock Plan. As of March 19, 2019, 155,268 shares remained available for future grants.

If approved by our stockholders, the Amended and Restated 2017 Stock Plan would make an additional 1,600,000 shares available for equity-based grants, plus the 155,268 shares, unused as of March 19, 2019, under the 2014 Stock Plan, bringing the total number of shares authorized for issuance under the Amended and Restated 2017 Stock Plan to 2,755,268 over the life of the Original 2017 Plan and the Amended and Restated 2017 Stock Plan. In addition, as described below under *Share Recycling Provisions* any shares subject to outstanding awards (including outstanding award under the 2014 Plan) that are forfeited, settled in cash or used to satisfy tax withholding obligations in the future, will again become available or recycled for issuance under the Amended and Restated 2017 Stock Plan share pool, provided, however that no shares used to pay the exercise price of a stock option, or forfeited to pay withholding taxes for stock options or stock appreciate rights may be

Table of Contents

recycled into the Amended and Restated 2017 Stock Plan. As of March 27, 2019, there were a total of 1,230,473 shares related to awards under the Original 2017 Plan and the 2014 Plan that potentially could be recycled back into the Amended and Restated 2017 Stock Plan.

If our stockholders do not approve this proposal, we will not have a sufficient number of shares available under the 2014 Stock Plan and the Original 2017 Stock Plan, based on our historical grant practices, to grant the stock awards we anticipate will be necessary to retain and motivate our key employees. We currently expect that the shares that would be reserved for issuance under the Amended and Restated 2017 Stock Plan, should be sufficient to allow us to continue to provide competitive grants of equity through the next three years. The number of equity awards we have granted under our stock plans as a percentage of our annual weighted average diluted shares (commonly referred to as the burn rate), has been on average 2.75% over the last three years, calculated using a multiplier of 2x for awards other than stock options and stock appreciation rights. The total aggregate equity value of the additional shares being authorized under the Amended and Restated 2017 Stock Plan, based on the closing price for shares of our common stock on March 19, 2019 (\$17.58), equals \$28,128,000 million, representing 4.96% of the Company's market capitalization on that day.

For these reasons, the Compensation Committee recommended, and the Board approved the Amended and Restated 2017 Stock Plan on March 19, 2019, subject to approval by our stockholders.

Any awards granted under the Amended and Restated 2017 Stock Plan before our stockholders approve the Amended and Restated 2017 Stock Plan are contingent on our stockholders approving the Amended and Restated 2017 Stock Plan. No such awards have been made as of March 27, 2019. If our stockholders do not approve the Amended and Restated 2017 Stock Plan, awards granted under the Amended and Restated 2017 Stock Plan would be void and no shares of our common stock would be issued under the Amended and Restated 2017 Stock Plan.

Overview. The following description of the material terms and conditions of the Amended and Restated 2017 Stock Plan is qualified by the Amended and Restated 2017 Stock Plan, which is included in its entirety in *Appendix A* to this Proxy Statement.

Awards. The Amended and Restated 2017 Stock Plan allows for the grant of restricted stock, stock options, stock appreciation rights, stock units and other stock-based awards to eligible individuals. The Amended and Restated 2017 Stock Plan also allows common stock of the Company to be awarded in settlement of an incentive award under our Umbrella Incentive Program (and any incentive program established thereunder).

Shares Reserved Under Amended and Restated 2017 Stock Plan. There will be a total of 2,600,000 shares of the Company's common stock, par value \$0.01 per share (for purposes of this section, stock), reserved for issuance under the Amended and Restated 2017 Stock Plan, plus (i) the 155,268 unused shares under the 2014 Stock Plan and (ii) any of the shares subject to recycling into the Amended and Restated 2017 Stock Plan by reason of being forfeited, lapsed as unexercised, settled for cash or used to satisfy withholding obligations.

The shares of our common stock that may be awarded under the Amended and Restated 2017 Stock Plan are shares currently authorized but unissued, and shares which have been reacquired by the Company. As of March 27, 2019, the closing price of a share of our common stock on the NASDAQ was \$16.26.

Share Recycling Provisions. Only shares of our common stock actually issued pursuant to an award under the Amended and Restated 2017 Stock Plan will count against the reserved shares. If any restricted stock award, stock unit award, or other stock-based award (including such awards made under the 2014 Stock Plan) is forfeited, cancelled or is settled in cash, the underlying shares will again become available for issuance. Any shares that are (1) tendered

to, or withheld by, the Company in satisfaction of any condition to a stock-based award, or (2) used to satisfy a tax withholding obligation other than withholding obligations related to stock options or stock appreciation rights, shall again become available for issuance. Shares used to pay the exercise

Table of Contents

price of an option are not added back to the available shares under the plan. If any awards are granted in substitution for outstanding awards issued by another entity and such grants are made in connection with the Company's acquisition of that entity, the shares underlying those substitute awards will not count against the maximum number of shares of common stock reserved for issuance under the Amended and Restated 2017 Stock Plan.

Effective Date and Termination of Plan. The Amended and Restated 2017 Stock Plan became effective as of March 19, 2019, subject to stockholder approval, and will continue in effect, unless earlier terminated by our Compensation Committee, until the earlier of (1) the tenth anniversary of the date the Amended and Restated 2017 Stock Plan was adopted by our Board and (2) the date on which all of the stock reserved for issuance under the Amended and Restated 2017 Stock Plan has been issued or is no longer available for use and all cash payments due under any Stock Unit or Other Stock-Based Award granted under the Amended and Restated 2017 Stock Plan have been paid or forfeited.

Eligible Individuals. Any employee, non-employee director or other individual providing advisory or consulting services to our Company or any of our Subsidiaries, as designated by the Compensation Committee from time to time (each, an Eligible Individual), is eligible to participate in the Amended and Restated 2017 Stock Plan. We had approximately 5,100 full and part-time employees as of March 27, 2019.

Administration. The Amended and Restated 2017 Stock Plan is administered by the Compensation Committee, to which such responsibility was delegated by the Board. The Compensation Committee has the authority to construe and interpret the Amended and Restated 2017 Stock Plan and to make all other determinations deemed equitable under the circumstances for the administration of the Amended and Restated 2017 Stock Plan. The Compensation Committee may allocate its responsibilities and powers to one or more members of the Board and may delegate all or any part of its responsibilities and powers to any one or more officers of the Company, subject to applicable law. The Compensation Committee may revoke any such allocation or delegation at any time.

Minimum Vesting. No award granted under the Amended and Restated 2017 Stock Plan may vest earlier than the first anniversary of the date the award was granted, other than (a) substitute awards granted as part of a corporate acquisition, (b) awards delivered in lieu of fully-vested cash-based awards, (c) any awards to non-employee directors for which the vesting period runs from one annual meeting of the Company's stockholders to the next annual meeting of the Company's stockholders, or (d) any other awards granted from time to time that result in the issuance of an aggregate of up to 5% of the shares available for issuance under the Amended and Restated 2017 Stock Plan. Such minimum vesting restrictions may lapse or be waived upon the participant's termination of service, death, or disability or as provided for in the event of a Change in Control (as defined in the Amended and Restated 2017 Stock Plan).

Terms and Conditions of Restricted Stock and Stock Unit Awards. A Restricted Stock award is a grant of shares of our common stock that is subject to risk of forfeiture or other restrictions determined by the Compensation Committee. A Stock Unit award is a right to receive a payment in cash or shares based on the fair market value of the shares of stock underlying such award. An Other Stock-Based Award is a grant of common stock or other type of equity-based or equity-related award, including the grant of fully vested, unrestricted common stock or the grant of common stock in settlement of an award under the Umbrella Incentive Program, as determined by the Compensation Committee. Restricted Stock, Stock Unit and Other Stock-Based Awards may be subject to one or more employment, performance or other forfeiture conditions which the Compensation Committee shall determine appropriate. In the event of the participant's termination of employment, the Compensation Committee may permit accelerated vesting or payment or other applicable terms. No Restricted Stock, Stock Unit or Other Stock-Based Awards in any combination may be made in any fiscal year to an Eligible Individual (except a non-employee director) representing more than 400,000 shares of stock. Separate and in addition to the above limits, no more than 400,000 shares of stock may be awarded in any calendar year to an Eligible Individual in settlement of an award under the Umbrella Incentive Program.

Table of Contents

Non-Employee Director Limit. The maximum aggregate grant date fair value of all Awards made to any non-employee director in any fiscal year, taken together with any cash payments (including the annual retainer and any other compensation) paid or payable to such non-employee director in respect to such non-employee director's service as a member of the Board during such fiscal year, shall not exceed \$400,000 in total value. The independent members of the Board may make exceptions to this limit for a non-executive chair of the Board, provided that the non-employee director receiving such additional compensation may not participate in the decision to award such compensation.

Dividends; Voting Rights. A Restricted Stock or Other Stock-Based Award may include the right to receive a cash dividend with respect to the stock subject to the award. These dividends may be subject to such conditions, restrictions and contingencies as the Compensation Committee establishes. No dividends (whether in stock or in cash) payable with respect to a Restricted Stock or Other Stock-Based Award will be paid prior to the vesting of the underlying award.

Unless otherwise set forth in the Stock Agreement, Eligible Individuals will have the right to vote shares of Restricted Stock or Other Stock-Based Award but will not have the right to vote with respect to shares covered by a Stock Unit award.

Terms and Conditions of Options and Stock Appreciation Rights. An option is a right to purchase a specified number of shares of stock, upon the satisfaction of certain exercise conditions, at an exercise price not less than the fair market value of a share of stock on the date the option is granted. Options granted under the Amended and Restated 2017 Stock Plan may be either incentive stock options (ISOs), which qualify for certain tax favored treatment under the Internal Revenue Code if certain conditions are satisfied, or nonqualified stock options (NSOs). A stock appreciation right is a right to the appreciation in the fair market value of a share of stock in excess of its value at the time of grant, which may be no less than the fair market value of a share of stock on the grant date. The Compensation Committee may make an option or a stock appreciation right subject to certain conditions, including performance-based vesting conditions. The Compensation Committee may include in the option or stock appreciation right agreement the right to exercise an option or a stock appreciation right following termination of employment or service. No option or stock appreciation right may be exercisable more than ten years from the grant date. Upon exercise of a stock appreciation right, an Eligible Individual will receive a payment in cash or stock or a combination of the two, equal to the product of (1) the number of shares of stock underlying the stock appreciation right and (2) the excess of the fair market value of a share of stock on the exercise date and the share value assigned on the date of grant. Holders of options or stock appreciation rights will not be entitled to receive dividend equivalents with respect to such award. An Eligible Individual (except a non-employee director) may not be granted options or stock appreciation rights, or a combination of options and stock appreciation rights, representing more than 500,000 shares of stock in any fiscal year.

Without the approval of our stockholders, no stock option or stock appreciation right may be amended or otherwise re-priced to lower its exercise price after the date of grant; or cancelled in exchange for cash when the exercise price exceeds the fair market value of our common stock; or exchanged as consideration for the grant of a new award with a lower exercise price, except as may be permitted in connection with an event described under Corporate Transactions below.

Performance-Based Awards. Certain awards made under the Original 2017 Plan were intended to qualify as qualified performance-based compensation under Section 162(m) of the Internal Revenue Code as in existence prior to November 2, 2017 (the Grandfathered Awards). An Eligible Individual will not receive settlement of any Grandfathered Award until the Compensation Committee determines that the applicable performance goal(s) have been attained. In exercising discretion in making this determination for Grandfathered Awards, the Compensation Committee may not increase the amount of the payment of an award intended to be performance-based compensation.

Table of Contents

Performance measures may be based on one or more or any combination (in any relative proportion) of the following: share price; market share; cash flow; revenue; revenue growth; earnings per share; operating earnings per share; operating earnings; earnings before interest, taxes, depreciation and amortization; return on equity; return on assets; return on capital; return on investment; net income; net income per share; economic value added; market value added; store sales growth; customer and member growth, maintenance and satisfaction performance goals and employee opinion survey results measured by an independent firm; and strategic business objectives, consisting of one or more objectives based on meeting specific cost or profit targets or margins, business expansion goals and goals relating to acquisitions or divestitures. Each goal, with respect to a performance period, may be expressed on an absolute and/or relative basis, may be based on the Company as a whole or on any one or more operating groups or sub-groups, business units, divisions or subsidiaries of the Company, and may be based on or otherwise employ comparisons based on internal targets, the past performance of the Company or of any one or more business units or subsidiaries of the Company, and/or the past or current performance of other companies, or an index. The Compensation Committee may elect to use other standards for performance measures or goals for awards that are not Grandfathered Awards.

Non-Transferability of Awards. Restricted Stock, Stock Unit and Other Stock-Based Awards under the Amended and Restated 2017 Stock Plan are not transferable except by will or by the laws of descent and distribution, except as otherwise provided in the related stock agreement. Except as otherwise provided by the Compensation Committee, no option or stock appreciation right shall be transferable by an Eligible Individual other than by will or by the laws of descent and distribution, and any grant by the Compensation Committee of a request by an Eligible Individual for any transfer (other than a transfer by will or by the laws of descent and distribution) will be conditioned on the transfer not being made for value or consideration.

Corporate Transactions; Change in Control. The Compensation Committee will make equitable adjustments to reflect any corporate transactions, which may include (a) adjusting the number, kind, or class (or any combination thereof) of shares of stock reserved for issuance under the Amended and Restated 2017 Stock Plan or underlying outstanding awards granted under the Amended and Restated 2017 Stock Plan and the grant limitations (described above), as well as applicable option and stock appreciation right exercise prices, (b) replacing outstanding awards with other awards of comparable value, (c) cancelling outstanding awards in return for a cash payment, and (d) any other adjustments that the Compensation Committee determines to be equitable. A corporate transaction includes, without limitation, any dividend (other than a cash dividend that is not an extraordinary dividend) or other distribution, recapitalization, stock split, reverse stock split, combination of shares, reorganization, merger, consolidation, acquisition, split-up, spin-off, combination, repurchase or exchange of stock or other securities of the Company, issuance of warrants or other rights to purchase stock or other securities of the Company or other similar corporate transaction.

In the event of a change in control (as defined in the Amended and Restated 2017 Stock Plan), except to the extent specified in the applicable award agreement, an Eligible Individual's award will fully vest only if (1) the surviving, successor or purchasing entity fails to assume the award or provide a substantially equivalent replacement award, or (2) the Eligible Individual's employment is terminated within 18 months following a change in control for any reason other than for Cause (as defined in the Amended and Restated 2017 Stock Plan), or the Eligible Individual resigns for Good Reason (as defined in the Amended and Restated 2017 Stock Plan).

Reimbursement of Excess Awards. Amounts under performance-based awards made under the Amended and Restated 2017 Stock Plan are subject to reimbursement in the event of the restatement of the Company's financial statements or approved performance measures due to errors or misconduct, to the extent permitted by governing law. The amount reimbursable would generally be the difference between the amount paid to the Eligible Individual under the performance-based award and the amount that would have been paid had the award been calculated based on the financial statements or performance measures as restated.

Amendment and Termination of the Amended and Restated 2017 Stock Plan. The Board or Compensation Committee may, at any time, amend, modify, suspend or terminate the Amended and Restated 2017 Stock Plan,

Table of Contents

and may amend any award agreement under the Amended and Restated 2017 Stock Plan, provided that without the approval of stockholders of the Company, no amendment or modification to the Amended and Restated 2017 Stock Plan may (1) materially modify the Amended and Restated 2017 Stock Plan in a way that would require stockholder approval under any regulatory requirement that the Compensation Committee determines to be applicable or (2) modify the Amended and Restated 2017 Stock Plan's prohibitions on the repricing of stock options and stock appreciation rights. Furthermore, no amendment, modification, suspension or termination may, without the written consent of an affected participant or beneficiary, materially adversely affect the rights of a participant or beneficiary under any vested and outstanding award, except to the extent necessary to comply with applicable law.

Federal Income Tax Consequences. Under present federal income tax laws, awards granted under the Amended and Restated 2017 Stock Plan will have the following tax consequences:

Restricted Shares, Stock Units, and Other Stock-Based Awards. Restricted Stock that are subject to a substantial risk of forfeiture generally result in income recognition by the participant in an amount equal to the excess of the fair market value of the shares of stock over the purchase price, if any, of the Restricted Stock at the time the restrictions lapse. A recipient of restricted stock may make an election under Section 83(b) of the Internal Revenue Code to be taxed on the excess of the fair market value of the shares granted, measured at the time of grant and determined without regard to any applicable risk of forfeiture or transfer restrictions, over the purchase price, if any, of such restricted stock. A participant who has been granted a stock award that is not subject to a substantial risk of forfeiture for federal income tax purposes will realize ordinary income in an amount equal to the fair market value of the shares at the time of grant. A recipient of Stock Units or an Other Stock-Based Award will generally recognize ordinary income at the time that the award is settled in an amount equal to the cash and/or fair market value of the shares received at settlement. In each of the foregoing cases, the Company will have a corresponding deduction at the same time the participant recognizes such income, subject to the deduction limitations of Code Section 162(m).

Options. Generally, a participant receiving an option grant will not recognize income at the time of grant. Upon the exercise of an NSO, the participant will generally recognize ordinary income equal to the excess of the then fair market value of the shares acquired over the exercise price paid. A participant will generally recognize no income upon the exercise of an ISO, although the alternative minimum tax may apply. Instead, upon a disposition of the shares received upon the exercise of an ISO after satisfying certain holding period requirements, the participant will generally recognize long-term capital gain in an amount equal to the excess, if any, of the sales price of such shares over the exercise price paid. To receive such capital gain treatment, the sale must occur no earlier than one year from the date of exercise of the ISO and two years from the date the ISO was granted. If either of these holding periods is not satisfied at the time any shares acquired upon the exercise of an ISO are disposed of, the participant will generally recognize ordinary income in the amount equal to the excess of the fair market value of the shares sold at the date of exercise over the exercise price paid. If the sales price exceeds such fair market value, the excess shall be treated as long-term capital gain if such shares have been held for at least one year from the date of exercise, and short-term capital gain if they have not been held for at least one year. However, if the sales price is less than the fair market value of such shares at the date of exercise, the amount of ordinary income recognized will be limited to the excess of the amount realized upon such sale over the participant's adjusted basis in such shares. In each of the foregoing cases, the Company will have a corresponding deduction at the same time and to the extent that the participant recognizes any ordinary income, subject to the deduction limitations of Code Section 162(m).

Stock Appreciation Rights. Generally, a participant receiving a stock appreciation right will not recognize income at the time of grant. If the participant receives the appreciation inherent in the stock appreciation right in cash, the cash will be taxed as ordinary income at the time it is received. If a participant receives the appreciation inherent in a stock appreciation right in stock, the spread between the then current market value and the share value designated at the time of grant will be taxed as ordinary income at the time the stock is received. In either case, the Company will be entitled

to a corresponding deduction when the participant recognizes such income, subject to the deduction limitations of Code Section 162(m).

Table of Contents

Section 409A. Certain awards under the Amended and Restated 2017 Stock Plan may be considered nonqualified deferred compensation subject to Code Section 409A, which imposes additional requirements on the payment of deferred compensation. These requirements generally provide that, if at any time during a taxable year a nonqualified deferred compensation plan fails to meet the requirements of Code Section 409A or is not operated in accordance with those requirements, all amounts deferred under the nonqualified deferred compensation plan for the then-current taxable year and all preceding taxable years, by or for any awardee with respect to whom the failure relates, are includible in the gross income of the awardee for the taxable year to the extent not subject to a substantial risk of forfeiture and not previously included in gross income. If a deferred amount is required to be included in income under Code Section 409A, the amount will be subject to income tax at regular income tax rates plus a 20 percent penalty, as well as potential premium interest tax.

The foregoing discussion is a general summary as of the date of this Proxy Statement of the U.S. federal income tax consequences to the Company and the participants in the Amended and Restated 2017 Stock Plan. The discussion does not address state, local or foreign income tax rules or other U.S. tax provisions, such as estate or gift taxes. Different tax rules may apply to specific participants and transactions under the Amended and Restated 2017 Stock Plan, particularly in jurisdictions outside the United States. In addition, the federal income tax laws and regulations frequently have been revised and may be changed again at any time. Therefore, each recipient is urged to consult a tax advisor before exercising any award or before disposing of any shares acquired under the Amended and Restated 2017 Stock Plan both with respect to federal income tax consequences as well as any foreign, state or local tax consequences.

New Plan Benefits. The benefits and amounts that will be received by or allocated to participants under the Amended and Restated 2017 Stock Plan are not determinable because the types and amounts of awards and selection of participants are subject to the Compensation Committee's future determination.

Equity Compensation Plan Information. The following table reflects information about securities authorized for issuance under the Company's equity compensation plans as of February 1, 2019.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (in thousands) (a)	Weighted-average exercise price of outstanding options, warrants and rights* (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))** (in thousands) (c)
Equity compensation plans approved by security holders	701	\$ 22.00	1,035
	412	\$ 18.10	

Equity compensation plans not approved by security holders***

Total	1,113	\$ 18.66	1,035
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- * The weighted-average exercise price does not take into account the shares issuable upon vesting of outstanding awards of RSUs, which have no exercise price.
- ** Represents shares of common stock that may be issued pursuant to the 2014 Stock Plan and the Original 2017 Stock Plan. Awards under the 2014 Stock Plan and the Original 2017 Stock Plan may be restricted stock, stock unit awards, incentive stock options, nonqualified stock options, stock appreciation rights, or certain other stock-based awards.
- *** In connection with commencing employment, on March 6, 2017, Mr. Griffith was granted options to purchase 294,118 shares of the Company's common stock and 117,647 restricted stock units. These awards were made as inducement grants outside of our stockholder approved stock plans in accordance with NASDAQ Listing Rule 5635(c)(4).

Table of Contents**THE BOARD RECOMMENDS THAT YOU VOTE TO APPROVE THE LANDS END, INC.****AMENDED AND RESTATED 2017 STOCK PLAN****ITEM 4. RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Item 4 is the ratification of the Audit Committee's appointment of Deloitte & Touche LLP (Deloitte) as the independent registered public accounting firm to audit the financial statements of the Company for the fiscal year ending January 31, 2020. Representatives of Deloitte will be present at the Annual Meeting. They will be available to respond to your questions and may make a statement if they so desire.

THE BOARD RECOMMENDS A VOTE FOR THE PROPOSAL TO RATIFY THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2019

Independent Registered Public Accounting Firm Fees

The following table shows the fees paid or accrued by the Company and its subsidiaries for the audit and other services provided by Deloitte and its affiliates for each of the past two fiscal years.

	Fiscal Year 2018	Fiscal Year 2017
Audit Fees ⁽¹⁾	\$ 1,115,272	\$ 1,279,312
Audit-Related Fees		
Tax Fees ⁽²⁾		\$ 124,800
All Other Fees ⁽³⁾	\$ 503,342	
Total	\$ 1,618,614	\$ 1,404,112

- (1) Audit Fees represent fees for professional services provided in connection with the audit of the Company's consolidated financial statements, review of interim financial statements, statutory audits, and other SEC matters.
- (2) Tax Fees consist of fees billed for professional services rendered for tax compliance and consulting services related to research and development credit studies and tax planning.
- (3) All Other Fees include fees and expenses not related to audit or tax services, consisting of consulting services regarding supply chain initiatives.

The Audit Committee must pre-approve all engagements of our independent registered public accounting firm as required by its charter and the rules of the SEC. For each fiscal year, the Audit Committee approves an annual estimate of fees for engagements, taking into account whether the services are permissible under applicable law and the possible impact of each non-audit service on the independent registered public accounting firm's independence from management. In addition, the Audit Committee evaluates known potential engagements of the independent registered public accounting firm, including the scope of the proposed work to be performed and the proposed fees, and approves or rejects each service. Management may present additional services for approval at subsequent committee meetings. The Audit Committee has delegated to the Audit Committee Chair the authority to evaluate and approve engagements with related fees of up to \$100,000 on behalf of the Audit Committee in the event a need arises for pre-approval between Committee meetings. If the Chair so approves any such engagements, he will report that

approval to the full Audit Committee at its next meeting.

All of the audit, tax and other services provided by Deloitte, the member firms of Deloitte Touche Tohmatsu Limited and their respective affiliates, were pre-approved in accordance with the Audit Committee's policies and procedures.

Table of Contents

Report of the Audit Committee

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the Company's system of internal controls, the presentation and disclosure in the Company's financial statements, which will be provided to our stockholders and others, and the overall audit process. All members of the Audit Committee meet the criteria for independence applicable to audit committee members under the Nasdaq listing rules. The Audit Committee Charter complies with the Nasdaq listing rules.

Management is responsible for the financial reporting process, including its internal control over financial reporting, and for the preparation of its consolidated financial statements in accordance with accounting principles generally accepted in the United States (GAAP). The Company's independent registered public accounting firm is responsible for performing an independent audit of the consolidated financial statements and internal control over financial reporting, and expressing opinions on (i) the conformity of the financial statements with GAAP; and (ii) the effectiveness of the internal control over financial reporting. The Audit Committee's responsibility is to monitor and review these processes, acting in an oversight capacity, and the Audit Committee does not certify the financial statements or guarantee the independent registered public accounting firm's report. The Audit Committee relies, without independent verification, on the information provided to it, including representations made by management and the independent registered public accounting firm, including its audit report.

The Audit Committee discussed with Deloitte, the Company's independent registered public accounting firm, the matters required to be discussed by Public Company Accounting Oversight Board AS 1301, Communications with Audit Committees. The Audit Committee has received the written disclosures and the letter from Deloitte required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte's communications with the Audit Committee concerning independence, and has discussed with Deloitte its independence. The Audit Committee reviewed and discussed with management and Deloitte the audited financial statements of Lands End, Inc. for the fiscal year ended February 1, 2019. Based on the review and discussions noted above, the Audit Committee recommended to the Board that the audited financial statements of Lands End, Inc. be included in the Company's Annual Report on Form 10-K filed with the SEC for the fiscal year ended February 1, 2019.

Audit Committee

John T. McClain, Chair
Robert Galvin
Josephine Linden
Jignesh Patel

CERTAIN RELATIONSHIPS AND TRANSACTIONS

Review and Approval of Transactions with Related Persons

In November 2016, the Board established the Related Party Relationships Committee, which has the responsibility for reviewing potential related party transactions; material amendments to, or modifications, terminations or extensions of agreements involving related party transactions, and the Company's guidelines and policies with regard to related party transactions generally.

The Related Party Relationships Committee has the authority to retain independent legal counsel and such other advisors, including independent financial advisors, to advise it and assist it in connection with fulfilling its duties. The

Related Party Relationships Committee (or, if applicable, a special committee of the Board composed of directors who are independent and disinterested with respect to the proposed transaction) also has the authority to negotiate the terms on behalf of the Company of any related party transaction.

Table of Contents

The Board has adopted a written Related Party Transactions Approval Policy that, in conjunction with Related Party Relationships Committee's charter, governs the Related Party Relationships Committee's practices with respect to related party transactions. In evaluating any related party transaction, the Related Party Relationships Committee takes into account, among other factors it deems appropriate, whether the transaction is on terms that are no less favorable to the Company or its subsidiaries than would be obtained in a comparable arm's-length transaction and the extent of the related person's interest in the transaction.

The related party transactions described in this proxy statement have been approved or ratified by the Related Party Relationships Committee.

Our Relationship with Sears Holdings

On April 4, 2014, Sears Holdings distributed 100% of the outstanding common stock of Lands End to its shareholders (the Separation). Since the Separation, Lands End has operated separately from Sears Holdings as an independent public company. Prior to the Separation, we were a wholly owned subsidiary of Sears Holdings. In addition, one of our stockholders, ESL Investments, Inc., together with related entities as a group, currently beneficially owns a majority of our outstanding common stock and a majority of Sears Holdings' outstanding common stock. Accordingly, Sears Holdings is considered a related party both prior to and subsequent to the Separation. On February 11, 2019 Sears Holdings and certain of its subsidiaries entered into an Asset Purchase Agreement with Transform Holdco LLC, an affiliate of ESL Investments, Inc., pursuant to which Transform Holdco LLC agreed to acquire from the Sears Holdings substantially all of the go-forward retail footprint and other assets and component businesses of Sears Holdings as a going concern. Transform Holdco is also now considered a related party. The retail operations agreement described below has been assigned to and assumed by Transform Holdco LLC. It is anticipated that some of the contracts and relationships described below may also be assigned to Transform Holdco LLC by Sears Holdings.

Prior to the Separation, we entered into certain agreements with Sears Holdings or its subsidiaries to effect the Separation and to provide a framework for our relationship with Sears Holdings after the Separation, as well as to provide for the allocation between us and Sears Holdings of Sears Holdings' assets, employees, liabilities and obligations (including its investments, property and tax-related assets and liabilities) attributable to periods prior to, at and after the Separation. The following is a summary of the material terms of the agreements by and between the Company and Sears Holdings or its subsidiaries, which relate to any transaction over \$120,000 that has occurred since February 2, 2018. When used in this section, Separation date refers to April 4, 2014, the date on which Sears Holdings distributed our common stock to the holders of Sears Holdings common stock.

Separation and Distribution Agreement

In connection with the Separation, we entered into a separation and distribution agreement with Sears Holdings that governed our separation from Sears Holdings. It also sets forth other agreements that govern certain aspects of our relationship with Sears Holdings following the Separation. Each party is obligated to indemnify the other for all liabilities (including third-party claims) actually incurred or suffered by the other relating to their respective assumed liabilities (and related guarantees, indemnification or contribution obligations), breaches of the separation and distribution agreement and certain ancillary agreements and untrue statements or omissions of material facts relating to its respective disclosures relating to the Separation. Lands End also is obligated to indemnify Sears Holdings for liabilities relating to any Lands End-branded gift card.

Tax Sharing Agreement

Lands End and Sears Holdings are party to a tax sharing agreement, which generally governs Sears Holdings and Lands End's respective rights, responsibilities and obligations after the Separation with respect to liabilities for U.S. federal, state, local and foreign taxes attributable to the Lands End business. In addition to the allocation of tax liabilities, the tax sharing agreement addresses the preparation and filing of tax returns for such

Table of Contents

taxes and disputes with taxing authorities regarding such taxes. Generally, Sears Holdings is liable for all pre-Separation U.S. federal, state and local taxes, other than non-income taxes that are accrued and unpaid as of the Separation date. Lands End generally is liable for all other taxes attributable to its business, including all foreign taxes. Under the tax sharing agreement, there are restrictions on the ability of the parties to take actions that could cause the Separation to fail to qualify for tax-free treatment under the Code. These restrictions may prevent each party from entering into transactions that might be advantageous to the parties or their stockholders.

Master Lease Agreement and Master Sublease Agreement

Lands End and affiliates of Sears Holdings are party to a master lease agreement and master sublease agreements pursuant to which Sears Roebuck or one of its affiliates leases or subleases to us the premises for the Lands End Shops at Sears. The master lease agreement and master sublease agreements, as applicable, set forth the terms and conditions on which we are permitted to occupy certain space within the Sears stores in order to operate our Lands End Shops at Sears. The agreements provide us rights to use the space in which our stores operate, and we pay rent directly to Sears Roebuck or one of its affiliates. As of February 1, 2019, there were 49 Lands End Shops at Sears compared to 174 Lands End Shops at Sears on February 2, 2018. The estimated total rent (assuming no early terminations or renewals) for the Lands End Shops at Sears locations is expected to be approximately \$4.0 million in fiscal year 2019. The leases for the remaining locations will expire by January 31, 2020.

Lands End Shops at Sears Retail Operations Agreement

Lands End and Sears, Roebuck & Co. (Sears Roebuck) are party to a Lands End Shops at Sears retail operations agreement to support our Lands End Shops at Sears. Pursuant to the retail operations agreement, a subsidiary of Sears Holdings provides us with certain retail operation support services, including providing sales and floor support personnel, access to point-of-sale and other information technology systems, logistics and warehousing support and other support services, for which Lands End pays to Sears Roebuck the fees specified in the agreement. Each party is obligated to indemnify the other against third-party claims relating to certain infringement or misconduct, and in the case of Lands End, in certain respects relating to the Lands End Shops at Sears, Lands End merchandise and intellectual property rights. The retail operations agreement terminates with respect to individual Lands End Shops at Sears upon expiration or termination of their respective leases or closure of the associated Sears Holdings store location. Sears Roebuck may terminate the retail operations agreement in the event of an uncured breach by Lands End of that agreement or of certain other agreements entered into by Lands End and various Sears Holdings affiliates in conjunction with the Separation. This agreement has been assigned to and assumed by Transform Holdco LLC.

Shop Your Way Retail Establishment Agreement

Prior to April 4, 2018, Lands End and Sears Holdings Management Corporation (SHMC), a subsidiary of Sears Holdings, were party to a Shop Your Way retail establishment agreement that governed Lands End's participation in the Shop Your Way program. Under this agreement, SHMC issued rewards points to Shop Your Way members when they purchased program-eligible merchandise and services from us and we accepted rewards points redemptions from members as full or partial payment for eligible merchandise and services purchased from us. We paid SHMC an agreed-upon fee for points issued in connection with the purchase of program-eligible merchandise and service from us and, depending on the applicable burn rate for the quarter (i.e., ratio of points redeemed in Lands End formats to points issued in Lands End formats in the previous 12 months), we paid additional fees to SHMC or SHMC reimburses fees to us for points redeemed in Lands End formats, as set forth in the agreement. At our election, SHMC would provide us program-related marketing and analytic services. Lands End and SHMC jointly own transaction information related to purchases made by Shop Your Way members in Lands End formats, while all information relating to members of the program and the program itself are owned by SHMC. We were permitted to engage in

promotional, marketing, loyalty or other similar activities outside the Shop Your Way program so long as such activities did not conflict with, and are not promoted in the aggregate more prominently or comprehensively than, the Shop Your Way program.

Table of Contents

The agreement, as amended to date, expired on April 4, 2018, and the parties have not entered into a new agreement. As of March 26, 2019, Lands End continues to participate in Shop Your Way, on a limited basis, related to its Lands End Shops at Sears locations.

Financial Services Agreement

Lands End and SHMC are party to a financial services agreement pursuant to which Sears Holdings provides us with certain payment processing support services, including store credit services for our Lands End Shops at Sears locations, at the fees for which Sears Holdings receives such services from certain third-party providers. The financial services agreement may be terminated by either party for convenience upon 45 days written notice or for a material breach that is not cured within 30 days of receipt of notice by the breaching party; provided that if SHMC terminates solely for convenience, then Lands End will have up to a year to transition to a new processor. SHMC may also, in its sole discretion, terminate or modify on (if reasonably practicable) 30 days prior written notice any service related to credit card or debit card processing if the applicable card issuer or processor determines that Lands End is not entitled to process credit or debit payments or has breached the applicable processing agreement.

Buying Agency Agreement

Effective July 11, 2016, the Company entered into a buying agency agreement with International Sourcing & Logistics, a subsidiary of Sears Holdings (ISL), pursuant to which ISL provides us with certain foreign buying office support services, on a non-exclusive basis, including vendor selection and screening, contract negotiation support and quality control services. ISL receives a commission on purchases made with the assistance of ISL and we are required to pay annual minimum commissions to ISL during the term of the agreement. The buying agency agreement expires on June 30, 2020.

Lands End Business Outfitters Sales

The Company sells uniforms and work-related clothing to Sears Holdings from time to time.

Sears Marketplace Local Marketplace MyGofer Fulfilled By Merchant (FBM) Seller Agreement

SHMC and Lands End are parties to a marketplace agreement that governs the terms and conditions under which Lands End may sell products through certain Sears Holdings websites in exchange for a commission payable to SHMC in the amount of 15% of the sales price of goods sold.

Gift Card Services Agreement

Lands End and SHC Promotions LLC (SHCP), a wholly owned subsidiary of Sears Holdings, are parties to a gift card services agreement pursuant to which SHCP provides certain services relating to the issuance, use and settlement of gift cards and gift certificates to Lands End. The gift card services agreement was amended in connection with the Separation, and provides for, among other things, arm s-length pricing based on a mutually beneficial arrangement for both parties, with selling fees of 1% and redemption fees of 3% for SHCP gift cards issued prior to the Separation; cross selling of Lands End and SHCP logo cards (with cash and related liabilities transferred to the ultimate obligor); and cross redemption of Lands End and SHCP logo cards (with cash and related liabilities transferred to the redeeming party s books). The issuance services may be terminated by either party for convenience with 30 days prior written notice, upon which the other services (excluding certain obligations relating to Lands End offering gift cards and gift certificates for sale and redemption) provided for under the gift card services agreement would continue until the earlier of 12 months from termination or the date upon which all activated Lands End-branded gift cards have been

redeemed.

Table of Contents

Fiscal 2018 Amounts Paid to and Received from Sears Holdings

Amounts due to or from Sears Holdings and its subsidiaries are non-interest bearing, and generally settled on a net basis. Total expenses charged by Sears Holdings to the Company relating to Lands End Shops at Sears, including for rent, labor, financial services and supply chain services, were \$30.6 million in fiscal year

2018. Total expenses charged by Sears Holdings to the Company for general corporate services, including for sourcing, Shop Your Way and shared services, were \$8.7 million in fiscal year 2018. These amounts exclude pass-through amounts paid to Sears Holdings or its subsidiaries in satisfaction of the Company's payment obligations to third parties under contracts shared with Sears Holdings or its subsidiaries. Total amounts charged by the Company to Sears Holdings for the use of intellectual property or services, including call center services, Outfitters' revenue, credit card revenue, royalty income and gift card expense, were \$1.7 million in fiscal year 2018. During fiscal year 2018, Sears Holdings and its subsidiaries also paid the Company approximately \$534 thousand for inventory sold to Kmart, for sale at a Kmart location.

OTHER INFORMATION

Other Business That May Come Before the Meeting

Our management does not intend to bring any other business before the Annual Meeting for action and has not been notified of any other business proposed to be brought before the Annual Meeting. However, if any other business should be properly presented for action, it is the intention of the persons named on the proxy card to vote in accordance with their judgment on such business.

2020 Annual Meeting of Stockholders

Procedures for Submitting Stockholder Proposals

If you would like to include a stockholder proposal in the proxy statement for our 2020 Annual Meeting of Stockholders, your stockholder proposal must satisfy the rules and regulations of the SEC to be eligible for inclusion in the proxy statement for that meeting and it must be delivered to the Company not later than November 30, 2019. However, if the date of our 2020 Annual Meeting changes by more than 30 days from the date that is the first anniversary of our 2019 Annual Meeting, then the deadline is a reasonable time before we begin to print and mail proxy materials for the 2020 Annual Meeting. If you would like to submit a stockholder proposal for our 2020 annual meeting of stockholders (2020 Annual Meeting) and you do not require that the proposal be included in the Company's proxy materials, you must notify the Company of such proposal not later than the close of business on the 90th day, and not earlier than the close of business on the 120th day, prior to the first anniversary of the date of the 2019 Annual Meeting. However, if the date of the 2020 Annual Meeting is more than 30 days before, or more than 70 days after, the anniversary date, you must notify the Company of such proposal not earlier than the close of business on the 120th day prior to the 2020 Annual Meeting and not later than the close of business on the later of the 90th day prior to the Annual Meeting or the 10th day following the day on which the Company first makes a public announcement of the date of the 2020 Annual Meeting. Your notice must also include the information required by our Bylaws.

All stockholder proposals must be delivered to the Company at the following address: Lands End, Inc., 1 Lands End Lane, Dodgeville, Wisconsin 53595, Attention: General Counsel and Corporate Secretary.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers and the beneficial holders of more than 10% of our common stock to file reports of ownership and changes in ownership with respect to our common stock with the SEC and to furnish copies of these reports to Lands End. Based on a review of these reports and written representations from our directors and executive officers that no other reports were required, all Section 16(a) filing requirements were met on a timely basis during fiscal year 2018.

Table of Contents

Solicitation of Proxies

The proxies are solicited by our Board of Directors. We will pay the cost to solicit proxies. Directors and officers of the Company and employees of its affiliates may solicit proxies either personally or by telephone, facsimile transmission or through the Internet.

Annual Report on Form 10-K

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2019, including the financial statements and schedules and a list of all exhibits, will be supplied without charge to any stockholder upon written request sent to Lands End, Inc., Law Department, 1 Lands End Lane, Dodgeville, Wisconsin 53595, Attn: General Counsel and Corporate Secretary. You may also view the Annual Report on Form 10-K on-line at the SEC website at www.sec.gov or on our website at www.landsend.com under the heading *Investor Relations* and the subheading *Financials & Filings*.

IMPORTANT

The interest and cooperation of all stockholders in the affairs of Lands End are considered to be of the greatest importance by Lands End. Even if you expect to attend the Annual Meeting, it is requested that, whether your share holdings are large or small, you promptly vote by telephone, through the Internet or by mail (if you received your proxy materials by mail).

Table of Contents

APPENDIX A

**LANDS END, INC.
AMENDED AND RESTATED 2017 STOCK PLAN**

Table of Contents

TABLE OF CONTENTS

	Page
SECTION 1. BACKGROUND AND PURPOSE	1
1.1. The Plan	1
SECTION 2. DEFINITIONS	1
2.1. Board	1
2.2. Change in Control	1
2.3. Code	1
2.4. Committee	2
2.5. Company	2
2.7. Employee	2
2.8. Eligible Individual	2
2.9. Exchange Act	2
2.10. Fair Market Value	2
2.11. ISO	2
2.12. NQO	2
2.13. Non-Employee Director	2
2.14. Option	2
2.15. Option Agreement	2
2.16. Option Price	2
2.17. Other Stock-Based Award	3
2.18. Performance Period	3
2.19. Plan	3
2.21. Restricted Stock	3
2.22. SAR Agreement	3
2.23. SAR Share Value	3
2.24. Stock	3
2.25. Stock Agreement	3
2.26. Stock Appreciation Right or SAR	3
2.27. Stock Unit	3
2.28. Subsidiary	3
SECTION 3. SHARES RESERVED UNDER PLAN	3
3.1. Shares	3
3.2. Share Counting	4
3.3. Use of Proceeds	4
3.4. Substitute Awards	4
3.5. Award Vesting Limitations	4
SECTION 4. EFFECTIVE DATE OF AMENDMENT AND RESTATEMENT	4
SECTION 5. PLAN ADMINISTRATION	5
5.1. Authority of Committee	5
5.2. Amendment of Awards	5

5.3.	Delegation	5
5.4.	Decisions Binding	5
SECTION 6.	ELIGIBILITY AND NON-EMPLOYEE DIRECTOR LIMIT	5
6.1.	Eligibility	5
6.2.	Non-Employee Director Limit.	5

Table of Contents

TABLE OF CONTENTS

(continued)

	Page
SECTION 7. RESTRICTED STOCK, STOCK UNITS AND OTHER STOCK- BASED AWARDS	6
7.1. Committee Action	6
7.2. Forfeiture Conditions	6
7.3. Rights Under Awards	6
7.4. Satisfaction of Forfeiture Conditions	7
SECTION 8. OPTIONS AND SARS	7
8.1. Options	7
8.2. ISO Rules	7
8.3. Option Price, Exercise Period and No Dividend Equivalents	7
8.4. Method of Exercise	8
8.5. SARs	8
8.6. Non-transferability	9
8.7. Share Limitations	9
SECTION 9. PERFORMANCE-BASED AWARDS	9
9.1. 162(m) Grandfathering	9
9.2. Performance Measures	10
9.3. Certification of Performance	10
SECTION 10. SECURITIES REGISTRATION	10
SECTION 11. LIFE OF PLAN	10
SECTION 12. ADJUSTMENT	10
12.1. Corporate Transactions	10
12.2. General	11
12.3. Change in Control	11
SECTION 13. AMENDMENT OR TERMINATION	12
SECTION 14. MISCELLANEOUS	12
14.1. Stockholder Rights	12
14.2. No Contract of Employment or Contract for Services	12
14.3. Coordination with Corporate Policies	13
14.4. Withholding	13
14.5. Compliance with Code Section 409A	13
14.6. Requirements of Law	13
14.7. Indemnification	13
14.8. Headings and Captions	13
14.9. Governing Law	14
14.10. Invalid Provisions	14

14.11.	Conflicts	14
14.12.	Successors	14
14.13.	Deferral of Awards	14
14.14.	Employees in Foreign Jurisdictions	14
14.15.	Reimbursement of Excess Awards	14

Table of Contents

LANDS END, INC.

AMENDED AND RESTATED 2017 STOCK PLAN

SECTION 1. BACKGROUND AND PURPOSE

1.1. **The Plan.** The name of this Plan is the **Lands End, Inc. Amended and Restated 2017 Stock Plan**. The purpose of this Plan is to promote the interests of the Company and its Subsidiaries through grants to Eligible Individuals of Restricted Stock, Stock Units, Other Stock-Based Awards, Options and Stock Appreciation Rights in order to (1) attract and retain the services of Eligible Individuals, (2) provide an additional incentive to each Eligible Individual to work to increase the value of Stock and (3) provide each Eligible Individual with a stake in the future of the Company which corresponds to the stake of each Company stockholder.

SECTION 2. DEFINITIONS

Each term set forth in this Section 2 shall have the meaning set forth opposite such term for purposes of this Plan and, for purposes of such definitions, the singular shall include the plural and the plural shall include the singular.

2.1. **Board** shall mean the Board of Directors of the Company.

2.2. **Change in Control** shall mean the occurrence of any of the following events:

(a) The acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a Person) of beneficial ownership of any capital stock of the Company if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) fifty percent (50%) or more of either (i) the then-outstanding shares of Stock (the Outstanding Common Stock) or (ii) the combined voting power of the then-outstanding securities of the Company entitled to vote generally in the election of directors; provided, however, that for purposes of this subclause (a), the following acquisitions of capital stock of the Company (whether Stock or otherwise) shall not constitute a Change in Control: (i) any acquisition directly from the Company (excluding an acquisition pursuant to the exercise, conversion or exchange of any security exercisable for, convertible into or exchangeable for Stock or voting securities of the Company, unless the Person exercising, converting or exchanging such security acquired such security directly from the Company or an underwriter or agent of the Company), (ii) any acquisition by the Company, (iii) any acquisition by any Person which as of the date hereof beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) twenty percent (20%) or more of the Outstanding Common Stock, or (iv) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company;

(b) The consummation of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or resulting entity) more than fifty percent (50%) of the combined voting power of the surviving or resulting entity outstanding immediately after such merger or consolidation; or

(c) The consummation of a plan or agreement for the sale or disposition of all or substantially all of the consolidated assets of the Company (other than such a sale or disposition immediately after which such assets will be owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the Stock immediately prior to such sale or disposition).

2.3. **Code** shall mean the Internal Revenue Code of 1986, as amended.

Table of Contents

2.4. **Committee** shall mean the Compensation Committee of the Board to which the responsibility to administer this Plan is delegated by the Board and which shall consist of at least two members of the Board, each of whom shall be a non-employee director (within the meaning of Rule 16b-3 under the Exchange Act) and, to the extent relevant, each of whom shall be an outside director for purposes of Section 162(m) of the Code.

2.5. **Company** shall mean Lands End, Inc., a Delaware corporation, and any successor to such corporation.

2.6. **Effective Date** shall have the meaning set forth in Section 4.

2.7. **Employee** shall mean any individual employed by the Company or a Subsidiary on the payroll records thereof. An Employee shall not include any individual during any period he or she is classified or treated by the Company (or any Subsidiary) as an independent contractor or any employee of an employment or temporary agency or firm, without regard to whether such individual is subsequently determined to have been or is subsequently retroactively reclassified as a common-law employee of the Company or any Subsidiary during such period.

2.8. **Eligible Individual** shall mean an Employee, Non-Employee Director or other individual performing advisory or consulting services for the Company or a Subsidiary, as determined and designated by the Committee from time to time. An award may be granted to an Eligible Individual, in connection with hiring, retention or otherwise, prior to the date the Employee, Non-Employee Director or service provider first performs service for the Company or the Subsidiaries, provided such award shall not become vested prior to the date the Employee, Non-Employee Director or other service provider first performs such service. Notwithstanding the above, for purposes of ISOs, Eligible Individual shall be limited to an Employee of the Company or a Subsidiary, as determined and designated by the Committee.

2.9. **Exchange Act** shall mean the Securities Exchange Act of 1934, as amended.

2.10. **Fair Market Value** shall mean, for any given date, the closing price for the Stock, as of such date, as reported by the NASDAQ Stock Market on the relevant valuation date or, if there were no sales on the valuation date, on the next preceding date on which such selling prices were recorded; provided, however, that if the Stock is no longer listed for trading on a national securities exchange, an amount determined in accordance with standards adopted by the Committee on a basis consistently applied.

2.11. **ISO** shall mean an Option granted under Section 8 to purchase Stock and evidenced by an Option Agreement which provides that the Option is intended to satisfy the requirements for an incentive stock option under Code Section 422.

2.12. **NQO** shall mean an Option granted under Section 8 to purchase Stock and evidenced by an Option Agreement which provides that the Option shall not be treated as an incentive stock option under Code Section 422.

2.13. **Non-Employee Director** shall mean a member of the Board who is not an Employee of the Company or a Subsidiary.

2.14. **Option** shall mean an ISO or a NQO.

2.15. **Option Agreement** shall mean the written (or electronic) agreement or instrument which sets forth the terms of an Option granted to an Eligible Individual under this Plan.

2.16. **Option Price** shall mean the price which shall be paid to purchase one share of Stock upon the exercise of an Option granted under this Plan and which is no less than the Fair Market Value of a share of Stock on the date the Option is granted, other than with respect to an Option granted as a substitute award under Section 3.4.

Table of Contents

2.17. **Other Stock-Based Award** shall mean a grant under Section 7 to an Eligible Individual of Stock or other type of equity-based or equity-related award not otherwise described by the terms of this Plan, including without limitation, the grant or offer for sale of unrestricted Stock or the grant of Stock in settlement of an award under the Lands End, Inc. Umbrella Incentive Program, as amended and restated from time to time, and any incentive program thereunder, in such amounts and subject to such terms and conditions, as the Committee shall determine.

2.18. **Performance Period** shall mean the period selected by the Committee during which performance is measured for purpose of determining the extent to which an award of SARs, Options, Restricted Stock, Stock Units or Other Stock-Based Awards has been earned.

2.19. **Plan** shall mean this Lands End, Inc. Amended and Restated 2017 Stock Plan, as amended from time to time.

2.20. **Prior Plan** shall mean the Lands End, Inc. 2014 Stock Plan, as amended and restated.

2.21. **Restricted Stock** shall mean Stock granted to an Eligible Individual pursuant to Section 7.

2.22. **SAR Agreement** shall mean the written (or electronic) agreement or instrument which sets forth the terms of a SAR granted to an Eligible Individual under this Plan.

2.23. **SAR Share Value** shall mean the figure which is set forth in each SAR Agreement and which is no less than the Fair Market Value of a share of Stock on the date the related SAR is granted.

2.24. **Stock** shall mean the common stock of the Company, par value \$0.01 per share.

2.25. **Stock Agreement** shall mean the written (or electronic) agreement or instrument which sets forth the terms of a Restricted Stock, Stock Unit or Other Stock-Based Award grant to an Eligible Individual under this Plan.

2.26. **Stock Appreciation Right or SAR** shall mean a right which is granted pursuant to the terms of Section 8 to the appreciation in the Fair Market Value of a share of Stock in excess of the SAR Share Value for such a share.

2.27. **Stock Unit** shall mean a right granted to an Eligible Individual pursuant to Section 7 to receive a payment in cash or shares based on the Fair Market Value of the number of shares of Stock described in such grant.

2.28. **Subsidiary** shall mean any corporation which is a subsidiary corporation (within the meaning of Code Section 424(f)) of the Company.

SECTION 3. SHARES RESERVED UNDER PLAN

3.1. **Shares**. Subject to Section 3.2, there shall be reserved for issuance under this Plan, the sum of (i) 2,600,000 shares of Stock and (ii) any shares of Stock which as of the Effective Date are available for issuance under the Prior Plan, or are subject to awards granted under the Prior Plan which are forfeited or lapse unexercised, and which following the Effective Date are not issued under the Prior Plan, including any shares of Stock that would be added back to the number of shares of Stock available under the Prior Plan due to withholding of shares used to satisfy any tax withholding obligations, subject to the limitations of Section 3.2 below; which limit also shall be the maximum number of shares that may be issued pursuant to ISOs under Section 8. After the Effective Date, no awards may be granted under the Prior Plan; however, any awards under the Prior Plan that are outstanding as of the Effective Date shall continue to be subject to the terms and conditions of the Prior Plan.

Table of Contents

3.2. Share Counting. The shares of Stock described in Section 3.1 shall be reserved to the extent that the Company deems appropriate from authorized but unissued shares of Stock and from shares of Stock which have been reacquired by the Company. Shares of Stock covered by an award under the Plan shall only be counted as used to the extent they are actually issued. Furthermore, any shares of Stock issued pursuant to a Restricted Stock or Other Stock-Based Award grant which are forfeited or cancelled thereafter shall again become available for issuance under this Plan. The net number of shares of Stock issued under a Stock Unit or Other Stock-Based Award, if applicable, shall not again become available under Section 3.1 for issuance under this Plan. If a Stock Unit or Other Stock-Based Award is forfeited or settled in cash, the related shares of Stock shall again become available for issuance under this Plan. The net number of shares of Stock issued under an Option or SAR, to the extent it is exercised, shall not again become available under Section 3.1 for issuance under this Plan. If an Option or SAR is forfeited or settled in cash, if applicable, the related shares of Stock shall again become available for issuance under this Plan. Any shares of Stock under this Plan or the Prior Plan, which are (a) tendered to, or withheld by, the Company in satisfaction of any condition to a grant of Restricted Stock or Other Stock-Based Award, or (b) used to satisfy a withholding obligation under Section 14.4 (or under a similar provision in the Prior Plan) with respect to Restricted Stock, Stock Units or Other Stock-Based Awards, shall again become available under Section 3.1 for issuance under this Plan. For the avoidance of doubt, any shares of Stock tendered to, or withheld by, the Company in payment of an Option Price of an Option, or used to satisfy a withholding obligation associated with an Option or an SAR shall not be added to the shares of Stock authorized for issuance under Section 3.1 of this Plan.

3.3. Use of Proceeds. The proceeds which the Company receives from the sale of any shares of Stock under this Plan shall be used for general corporate purposes and shall be added to the general funds of the Company.

3.4. Substitute Awards. Awards may be granted under the Plan from time to time in substitution for stock options and other awards held by employees or directors of other entities who are about to become Employees, whose employer is about to become an affiliate as the result of a merger or consolidation of the Company with another corporation, or the acquisition by the Company of substantially all the assets of another corporation, or the acquisition by the Company of at least fifty percent (50%) of the issued and outstanding stock of another corporation as the result of which such other corporation will become a Subsidiary. The terms and conditions of the substitute awards so granted may vary from the terms and conditions set forth in the Plan to such extent as the Committee at the time of grant may deem appropriate to conform, in whole or in part, to the provisions of the award in substitution for which they are granted. If shares of Stock are issued under the Plan with respect to a substitute award granted under this Section 3.4, as described above, to the extent permitted by applicable law and exchange rules, such shares of Stock will not count against the maximum number of shares of Stock reserved for issuance under the Plan, as set forth in Section 3.1.

3.5. Award Vesting Limitations. Notwithstanding any other provision of the Plan to the contrary, but subject to Section 12, no award (or portion thereof) granted under the Plan shall vest earlier than the first anniversary of the date the award is granted; provided, however, that, notwithstanding the foregoing, the minimum vesting requirement of this Section 3.5 shall not apply to: (a) any substitute awards granted under Section 3.4, (b) any awards delivered in lieu of fully-vested cash-based awards (or other fully-vested cash awards or payments), (c) any awards to non-employee directors for which the vesting period runs from the date of one annual meeting of the Company's stockholders to the next annual meeting of the Company's stockholders, which is at least 50 weeks after the immediately preceding year's annual meeting, or (d) any other awards granted from time to time that result in the issuance of an aggregate of up to 5% of the shares available for issuance under Section 3.1 as of the Effective Date; provided that, nothing in this Section 3.2 limits the ability of an Award to provide that such minimum vesting restrictions may lapse or be waived upon the Participant's termination of service, death, disability or as provided in Section 12.3.

SECTION 4. EFFECTIVE DATE OF AMENDMENT AND RESTATEMENT

The Plan was originally adopted effective March 30, 2017 and approved by shareholders on May 11, 2017 (the Original Plan). The Original Plan is hereby amended and restated effective March 19, 2019 (the Effective

Table of Contents

Date), subject to the stockholders of the Company (acting at a duly called meeting of such stockholders) approving the adoption of this Plan, as amended and restated. If the Plan as amended and restated is not approved by the stockholders, then the Original Plan will remain in effect, without modification hereby.

SECTION 5. PLAN ADMINISTRATION

5.1. **Authority of Committee.** The Plan shall be administered by the Committee. Except as limited by law, or by the Certificate of Incorporation or By-Laws of the Company, and subject to the provisions of this Plan, the Committee shall have full power, authority, and sole and exclusive discretion to construe, interpret and administer this Plan, including without limitation, the power and authority to make determinations relating to Plan grants and correct mistakes in Stock, Option, or SAR Agreements, and to take such other action in the administration and operation of this Plan as the Committee deems equitable under the circumstances. The Committee, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective. In addition, the Committee shall have full and exclusive power to adopt such rules, regulations and guidelines for carrying out the Plan as it may deem necessary or proper, all of which power shall be executed in the best interests of the Company and in keeping with the objectives of the Plan. This power includes, but is not limited to, selecting award recipients and establishing all award terms and conditions.

5.2. **Amendment of Awards.** The Committee, in its sole discretion, may amend any outstanding award at any time in any manner not inconsistent with the terms of the Plan, provided that no outstanding, vested award may be amended without the grantee's consent if the amendment would have a materially adverse effect on the grantee's rights under the award. Notwithstanding the foregoing, the Committee, in its sole discretion, may amend an award if it determines such amendment is necessary or advisable for the Company to comply with applicable law (including Code Section 409A), regulation, rule, or accounting standard.

5.3. **Delegation.** To the extent permitted by applicable law, the Committee may delegate its authority as identified herein to one or more officers of the Company or members of the Board, including without limitation the authority to approve grants to Eligible Individuals other than any of the Company's officers and Non-employee Directors. To the extent that the Committee delegates its authority to make grants as provided by this Section 5.3, all references in the Plan to the Committee's authority to make grants and determinations with respect thereto shall be deemed to include the Committee's delegate(s). In addition, the Committee may delegate to one or more of its members, officers of the Company or agents or advisors such administrative duties or powers as it may deem advisable. Any such delegate shall serve at the pleasure of, and may be removed at any time by, the Committee.

5.4. **Decisions Binding.** In making any determination or in taking or not taking any action under the Plan, the Committee or its delegate(s) may obtain and may rely on the advice of experts, including Employees of and professional advisors to the Company. Any action taken by, or inaction of, the Committee or its delegate(s) relating to or pursuant to the Plan shall be within the absolute discretion of the Committee or its delegate. Such action or inaction of the Committee or its delegate(s) shall be conclusive and binding on the Company, on each affected Eligible Individual and on each other person directly or indirectly affected by such action.

SECTION 6. ELIGIBILITY AND NON-EMPLOYEE DIRECTOR LIMIT

6.1. **Eligibility.** Eligible Individuals shall be eligible for the grant of awards under this Plan.

6.2. **Non-Employee Director Limit.** The maximum aggregate grant date fair value (computed as of the Grant Date in accordance with applicable financial accounting rules) of all awards (including Restricted Stock, Stock Units, Other Stock-Based Awards, Options and SARs) made to any Non-Employee Director under this Plan in any fiscal year,

taken together with any cash payments (including the annual retainer and any other compensation) paid or payable to such Non-Employee Director in respect to such Non-Employee Director s

Table of Contents

service as a member of the Board during such fiscal year, shall not exceed \$400,000 in total value. The independent members of the Board may make exceptions to this limit for a non-executive chair of the Board, provided that the Non-Employee Director receiving such additional compensation may not participate in the decision to award such compensation.

SECTION 7. RESTRICTED STOCK, STOCK UNITS AND OTHER STOCK-BASED AWARDS

7.1. Committee Action.

(a) **General.** The Committee acting in its absolute discretion shall have the right to grant Restricted Stock, Stock Units and Other Stock-Based Awards to Eligible Individuals from time to time.

(b) **Limitation.** No Restricted Stock, Stock Unit or Other Stock-Based Award grants in any combination may be made to an Eligible Individual (other than a Non-Employee Director, as to whom the limitation in Section 6.2 shall apply) in any fiscal year with respect to more than 400,000 shares of Stock. Each grant of Restricted Stock, Stock Units and Other Stock-Based Awards shall be evidenced by a Stock Agreement. Notwithstanding the foregoing, separate and in addition to the above limit, no more than 400,000 shares of Stock may be awarded to any Eligible Individual (other than a Non-Employee Director, as to whom the limitation in Section 6.2 shall apply) in any fiscal year with respect to Stock that is granted in settlement of an award under the Lands End, Inc. Umbrella Incentive Program (or any incentive program established thereunder).

7.2. **Forfeiture Conditions.** The Committee may make a Restricted Stock, Stock Unit or Other Stock-Based Award grant subject to one or more employment, performance or other forfeiture conditions which the Committee acting in its absolute discretion deems appropriate under the circumstances, and the related Stock Agreement shall set forth each such forfeiture condition and the deadline for satisfying each such forfeiture condition. Any Restricted Stock or Other Stock-Based Award issued hereunder may be evidenced in such manner, as the Committee, in its sole discretion, shall deem appropriate, including without limitation, book entry registration or issuance of a stock certificate or certificates. In the event any physical stock certificate is issued in respect of Restricted Stock or Other Stock-Based Award granted under the Plan, such certificates shall be registered in the name of the Eligible Individual, shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to the award, and shall be held by the Company as escrow agent until the restrictions on such award have lapsed.

7.3. Rights Under Awards.

(a) **Dividends.** Each Stock Agreement which evidences a Restricted Stock or Other Stock-Based Award grant shall state whether the Eligible Individual shall have a right to receive any dividends paid on any shares of Restricted Stock, Stock Unit or Other Stock-Based Award subject to the Stock Agreement. If such a Stock Agreement provides that an Eligible Individual has the right to receive a dividend when paid, such agreement shall set forth the conditions, if any, under which the Eligible Individual will be eligible to receive such dividends, but not prior to the date that the Restricted Stock, Stock Unit or Other Stock Based Award would otherwise vest. If such a Stock Agreement calls for any such payments to be made, the Company shall make such payments from the Company's general assets on the date the Restricted Stock, Stock Unit or Other Stock-Based Award vests and the Eligible Individual shall be no more than a general and unsecured creditor of the Company with respect to such payments.

(b) **Voting Rights.** An Eligible Individual shall have the right to vote shares of Restricted Stock or Other Stock-Based Award unless otherwise provided in the related Stock Agreement. An Eligible Individual receiving a Stock Unit grant shall not possess any voting rights with respect to such Stock Units.

(c) **Effect of Termination**. In the discretion of the Committee, a Stock Agreement may provide for vesting, payment, or other applicable terms after the Eligible Individual ceases to be employed or provide services to the Company or Subsidiary for any reason whatsoever, including death or disability.

Table of Contents

(d) **Nontransferability.** No Restricted Stock or Other Stock-Based Award grant and no shares issued pursuant to a Restricted Stock or Other Stock-Based Award grant shall be transferable by an Eligible Individual other than by will or by the laws of descent and distribution before an Eligible Individual's interest in such shares have become completely nonforfeitable, and no interests in a Stock Unit grant shall be transferable other than by will or the laws of descent and distribution, in each case except as otherwise provided in the related Stock Agreement.

(e) **Creditor Status.** An Eligible Individual to whom a Stock Unit is granted shall be no more than a general and unsecured creditor of the Company with respect to any payment due under such grant.

7.4. **Satisfaction of Forfeiture Conditions.** A share of Stock shall cease to be Restricted Stock or Other Stock-Based Award at such time as an Eligible Individual's interest in such Stock becomes nonforfeitable under this Plan and the terms of the related Stock Agreement. Upon vesting of a Stock Unit, the Eligible Individual shall receive payment in cash or Stock in accordance with the terms of the related Stock Agreement.

SECTION 8. OPTIONS AND SARs

8.1. **Options.** The Committee acting in its absolute discretion shall have the right to grant Options to purchase shares of Stock to Eligible Individuals from time to time, and Options may be granted for any reason the Committee deems appropriate under the circumstances. Each grant of an Option shall be evidenced by an Option Agreement, and each Option Agreement shall set forth whether the Option is an ISO or a NQO and shall set forth such other terms and conditions, including without limitation any performance-based vesting conditions or forfeiture provisions, of such grant, as the Committee acting in its absolute discretion deems consistent with the terms of this Plan.

8.2. **ISO Rules.** Notwithstanding anything in this Plan to the contrary, no term of this Plan relating to ISOs shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan or any ISO under Code Section 422. The aggregate Fair Market Value of ISOs granted to an Eligible Individual under this Plan and incentive stock options granted to such Eligible Individual under any other stock option plan adopted by the Company or a Subsidiary which first become exercisable in any calendar year shall not exceed \$100,000. Such Fair Market Value figure shall be determined by the Committee on the date the ISO or other incentive stock option is granted, and the Committee shall interpret and administer the limitation set forth in this Section 8.2 in accordance with Code Section 422(d).

8.3. **Option Price, Exercise Period and No Dividend Equivalents.**

(a) **Option Price.** The Option Price for each share of Stock subject to an Option shall be no less than the Fair Market Value of a share of Stock on the date the Option is granted, other than with respect to an Option granted as a substitute award under Section 3.4. The Option Price shall be payable in full upon the exercise of any Option in accordance with the terms of the Plan. Except in accordance with the provisions of Section 12, the Committee shall not, absent the approval of the Company's stockholders, take any action, whether through amendment, cancellation, replacement grants, exchanges or any other means, to directly or indirectly reduce the Option Price of any outstanding Option including: (a) lowering the Option Price after it is granted, (b) canceling an Option when the Option Price per share exceeds the Fair Market Value of a share of Stock in exchange for cash or another award (other than in connection with a Change in Control) or (c) take any other action with respect to an Option that would be treated as a repricing under the rules and regulations of the principal U.S. national securities exchange on which the Stock is listed.

(b) **Exercise Period.** Each Option granted under this Plan shall be exercisable in whole or in part at such time or times as set forth in the related Option Agreement, but no Option Agreement shall make an Option exercisable before the date such Option is granted or on or after the date which is the tenth anniversary of the date such Option is granted. In

the discretion of the Committee, an Option Agreement may provide for the exercise of an Option after the Eligible Individual ceases to be employed or provide services to the Company or a Subsidiary for any reason whatsoever, including death or disability.

Table of Contents

(c) **No Dividend Equivalents.** In no event shall any Option or Option Agreement granted under the Plan include any right to receive dividend equivalents with respect to such award.

8.4. Method of Exercise.

(a) **Committee Rules.** An Option may be exercised as provided in this Section 8.4 pursuant to procedures (including, without limitation, procedures restricting the frequency or method of exercise) as shall be established by the Committee or its delegate from time to time for the exercise of Options.

(b) **Notice and Payment.** An Option shall be exercised by delivering to the Committee or its delegate during the period in which such Option is exercisable, (1) written (or electronic) notice of exercise in a form acceptable to the Committee indicating the specific number of shares of Stock subject to the Option which are being exercised and (2) payment in full of the Option Price for such specific number of shares. An Option Agreement, at the discretion of the Committee, may provide for the payment of the Option Price by any of the following means:

(1) in cash, electronic funds transfer or a check acceptable to the Committee;

(2) in Stock which has been held by the Eligible Individual for a period acceptable to the Committee and which Stock is otherwise acceptable to the Committee, provided that the Committee may impose whatever restrictions it deems necessary or desirable with respect to such method of payment;

(3) through a broker-facilitated cashless exercise procedure acceptable to the Committee;

(4) through a net exercise feature, whereby the Company withholds shares to cover the payment of the Option Price and any related tax withholding obligation; or

(5) in any combination of the methods described in this Section 8.4(b) which is acceptable to the Committee.

Any payment made in Stock shall be treated as equal to the Fair Market Value of such Stock on the date the properly endorsed stock certificate for such Stock is delivered to the Committee (or to its delegate) or, if payment is effected through a certification of ownership of Stock in lieu of a stock certificate, on the date the Option is exercised.

(c) **Restrictions.** The Committee may from time to time establish procedures for restricting the exercise of Options on any given date as the result of excessive volume of exercise requests or any other problem in the established system for processing Option exercise requests or for any other reason the Committee or its delegate deems appropriate or necessary.

8.5. SARs.

(a) **SARs and SAR Share Value.**

(1) The Committee acting in its absolute discretion may grant an Eligible Individual a SAR which will give the Eligible Individual the right to the appreciation in one, or more than one, share of Stock, and any such appreciation shall be measured from the related SAR Share Value; provided, however, in no event shall the SAR Share Value be less than the Fair Market Value of a share of Stock on the date such SAR is granted, other than with respect to a substitute award under Section 3.4. The Committee shall have the right to make any such grant subject to such additional terms, including without limitation any performance-based vesting conditions or forfeiture provisions, as the Committee deems appropriate and such terms shall be set forth in the related SAR Agreement.

(2) Each SAR granted under this Plan shall be exercisable in whole or in part at such time or times as set forth in the related SAR Agreement, but no SAR Agreement shall make a SAR exercisable before the date such SAR is granted or on or after the date which is the tenth anniversary of the date such SAR is granted. In the discretion of the Committee, a SAR Agreement may provide for the

Table of Contents

exercise of a SAR after the Eligible Individual ceases to be employed or provide services to the Company or Subsidiary for any reason whatsoever, including death or disability.

(3) Except in accordance with the provisions of Section 12, the Committee shall not, absent the approval of the Company's stockholders, take any action, whether through amendment, cancellation, replacement grants, exchanges or any other means, to directly or indirectly reduce the SAR Share Value of any outstanding SAR including: (a) lowering the SAR Share Value after it is granted, (b) canceling a SAR when the SAR Share Value exceeds the Fair Market Value of a share of Stock in exchange for cash or another award (other than in connection with a Change in Control) or (c) take any other action with respect to a SAR that would be treated as a repricing under the rules and regulations of the principal U.S. national securities exchange on which the Stock is listed.

(b) **Procedure**. The exercise of a SAR shall be effected by the delivery of the related SAR Agreement to the Committee together with a statement signed by the Eligible Individual which specifies the number of shares of Stock as to which the Eligible Individual exercises his or her SAR.

(c) **Payment**. An Eligible Individual who exercises his or her SAR will receive a payment in cash or in Stock, or in a combination of cash and Stock, equal in amount to the product of (i) the number of shares of Stock with respect to which the SAR is exercised multiplied by (ii) the excess of the Fair Market Value of a share of Stock on the exercise date over the applicable SAR Share Value. The Committee acting in its absolute discretion shall determine the form of such payment. Any cash payment shall be made from the Company's general assets, and an Eligible Individual shall be no more than a general and unsecured creditor of the Company with respect to such payment.

(d) **No Dividend Equivalents**. In no event shall any SAR or SAR Agreement granted under the Plan include any right to receive dividend equivalents with respect to such award.

8.6. **Non-transferability**. Except to the extent the Committee deems permissible and consistent with the best interests of the Company, no Option or SAR shall be transferable by an Eligible Individual other than by will or by the laws of descent and distribution, and any grant by the Committee of a request by an Eligible Individual for any transfer (other than a transfer by will or by the laws of descent and distribution) of an Option or SAR shall be conditioned on the transfer not being made for value or consideration. Any such Option or SAR granted under this Plan shall be exercisable during an Eligible Individual's lifetime, as the case may be, only by (subject to the first sentence in this Section 8.6) the Eligible Individual, provided that in the event an Eligible Individual is incapacitated and unable to exercise such Eligible Individual's Option or SAR, such Eligible Individual's legal guardian or legal representative whom the Committee deems appropriate based on all applicable facts and circumstances presented to the Committee may exercise such Eligible Individual's Option or SAR, in accordance with the provisions of this Plan and the applicable Option or SAR Agreement. The person or persons to whom an Option or SAR is transferred by will or by the laws of descent and distribution (or pursuant to the first sentence of this Section 8.6) thereafter shall be treated as the Eligible Individual under this Plan.

8.7. **Share Limitations**. An Eligible Individual (other than a Non-Employee Director, as to whom the limitation in Section 6.2 shall apply) may not be granted in any fiscal year Options, or SARs, or one or more Options and SARs in any combination which in the aggregate relate to more than 500,000 shares of Stock.

SECTION 9. PERFORMANCE-BASED AWARDS

9.1. **162(m) Grandfathering**. Certain awards made under the Original Plan were intended to qualify as "qualified performance based compensation" under Section 162(m) of the Code as in existence prior to November 2, 2017 (the "Grandfathered Awards"). The Committee may, in its sole discretion, (a) determine which awards are Grandfathered

Awards and (b) subject to any other restrictions set forth in this Plan, to amend any Grandfathered Award for any or no reason such that the Award will no longer qualify as a Grandfathered Award. With respect to any Grandfathered Award the provisions of this Section 9 shall control over any contrary provision contained in the Plan; provided that, if after such decision the Committee alters such intention for any

Table of Contents

reason, the provisions of this Section 9 shall no longer control over any other provision contained in the Plan. The Committee, in its sole discretion, may subject any Grandfathered Awards to additional conditions and restrictions unrelated to any performance measures or performance goals (including, without limitation, continued employment or service requirements) to the extent such Grandfathered Awards otherwise satisfy the requirements of this Section 9 with respect to the applicable performance measures and goals applicable thereto.

9.2. Performance Measures. A performance goal may be based on any one or more or any combination (in any relative proportion) of the following: share price, market share, cash flow, revenue, revenue growth, earnings per share, operating earnings per share, operating earnings, earnings before interest, taxes, depreciation and amortization, return on equity, return on assets, return on capital, return on investment, net income, net income per share, economic value added, market value added, store sales growth, customer growth, maintenance and satisfaction performance goals and employee opinion survey results measured by an independent firm, and strategic business objectives, consisting of one or more objectives based on meeting specific cost or profit targets or margins, business expansion goals and goals relating to acquisitions or divestitures. Each goal, with respect to a performance period, may be expressed on an absolute and/or relative basis, may be with respect to Company performance as a whole, operating group or sub-group performance, business unit performance, individual Subsidiary performance, other group or individual performance, or division performance, and may be based on or otherwise employ comparisons based on internal targets, the past performance of the Company or of any one or more business units of the Company or its Subsidiaries, and/or the past or current performance of other companies, or an index. For the avoidance of doubt, any performance measures that are financial metrics will be determined in accordance with United States Generally Accepted Accounting Principles (GAAP) or will be adjusted when established to include or exclude any items otherwise includable or excludable under GAAP; provided, however, that the Committee may elect to use other standards for performance goals that are not Grandfathered Awards.

9.3. Certification of Performance. A Participant will not receive settlement of any Grandfathered Award until the Committee has determined that the applicable performance goal(s) have been attained. To the extent that the Committee exercises discretion in making the determination required by this subsection, such exercise of discretion may not result in an increase in the amount of the payment with respect to such award.

SECTION 10. SECURITIES REGISTRATION

For Stock issued pursuant to this Plan, the Company at its expense shall take such action as it deems necessary or appropriate to register the original issuance of such Stock to an Eligible Individual under the Securities Act of 1933, as amended, or under any other applicable securities laws or to qualify such Stock for an exemption under any such laws prior to the issuance of such Stock to an Eligible Individual; however, the Company shall have no obligation whatsoever to take any such action in connection with the transfer, resale or other disposition of such Stock by an Eligible Individual.

SECTION 11. LIFE OF PLAN

No award shall be granted under this Plan on or after the earlier of: (a) the tenth (10th) anniversary of the date the Company adopts this Plan, in which event this Plan otherwise thereafter shall continue in effect until all Options and SARs have been exercised in full or no longer are exercisable and all Restricted Stock, Stock Unit and Other Stock-Based Award grants under this Plan have been forfeited or the forfeiture conditions on the related Stock or cash payments have been satisfied in full, or (b) the date on which all of the Stock reserved under Section 3 has been issued or is no longer available for use under this Plan and all cash payments due under any Stock Unit grants have been paid or forfeited, in which event this Plan also shall terminate on such date.

SECTION 12. ADJUSTMENT

12.1. **Corporate Transactions.** The Committee shall make equitable adjustments to reflect any corporate transaction, which may include (a) adjusting the number, kind or class (or any combination thereof) of shares of

Table of Contents

Stock reserved under Section 3, the grant limitations described in Section 7.1(b) and Section 8.7, the number, kind or class (or any combination thereof) of shares of Stock subject to Options and SARs granted under this Plan and the applicable Option Price and SAR Share Value as well as the number, kind or class of shares of Stock subject to Restricted Stock, Stock Unit and Other Stock-Based Award grants under this Plan, (b) replacing outstanding awards with other awards of comparable value, (c) cancelling outstanding awards in return for a cash payment, and (d) any other adjustments that the Committee determines to be equitable. For purposes of this paragraph a corporate transaction includes without limitation any dividend (other than a cash dividend that is not an extraordinary cash dividend) or other distribution (whether in the form of cash, Stock, securities of a subsidiary of the Company, other securities or other property), recapitalization, stock split, reverse stock split, combination of shares, reorganization, merger, consolidation, acquisition, split-up, spin-off, combination, repurchase or exchange of Stock or other securities of the Company, issuance of warrants or other rights to purchase Stock or other securities of the Company, or other similar corporate transaction. Notwithstanding anything in this paragraph to the contrary, an adjustment to an Option or SAR under this paragraph shall be made in a manner that will not result in the grant of a new Option or SAR under Code Section 409A or cause the Option or SAR to fail to be exempt from Code Section 409A.

12.2. **General.** If any adjustment under this Section 12 would create a fractional share of Stock or a right to acquire a fractional share of Stock, such fractional share shall be disregarded and the number of shares of Stock reserved under this Plan and the number subject to any grant shall be the next lower number of shares of Stock, rounding all fractions downward. Any adjustment made under this Section 12 by the Committee shall be conclusive and binding on all affected persons.

12.3. **Change in Control.**

(a) Upon the occurrence of a Change in Control, except to the extent specified in a Stock Agreement, any non-vested portion of an Eligible Individual's award shall fully vest only in the event of either

(i) the failure by the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the Acquiror), to assume or continue the Company's rights and obligations under each or any award or portion thereof outstanding immediately prior to the Change in Control, or to substitute for each or any such outstanding award or portion thereof a substantially equivalent award with respect to the Acquiror's stock or other consideration of equivalent value as of the effective date of the Change in Control; or

(ii) the Eligible Individual's termination of employment within eighteen (18) months following a Change in Control on account of a termination by the Company (or any Acquiror) for any reason other than Cause or on account of an Eligible Individual's resignation for Good Reason.

(b) For purposes of Section 12.3(a):

(i) Cause means (i) a material breach by the Eligible Individual (other than a breach resulting from the Eligible Individual's incapacity due to a Disability) of the Eligible Individual's duties and responsibilities which breach is demonstrably willful and deliberate on the Eligible Individual's part, is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and is not remedied in a reasonable period of time after receipt of written (or electronic) notice from the Company specifying such breach; (ii) the commission by the Eligible Individual of a felony; or (iii) dishonesty or willful misconduct in connection with the Eligible Individual's employment.

(ii) Good Reason shall mean, without the Eligible Individual's written (or electronic) consent, (i) a reduction of more than ten percent (10%) in the sum of the Eligible Individual's annual base salary and target bonus under Company's

Annual Incentive Plan; (ii) the Eligible Individual's mandatory relocation to an office more than fifty (50) miles from the primary location at which the Eligible Individual was previously required to perform his or her duties; or (iii) any other action or inaction that constitutes a material breach of the terms of this Agreement, including failure of a successor company

Table of Contents

to assume or fulfill the obligations under this Agreement, provided that the Company shall have failed to remedy any Good Reason event within sixty (60) days of the Eligible Individual's providing notice to the Company of the Good Reason event.

Notwithstanding the foregoing, with respect to any Eligible Individual who is party to an executive severance agreement or other employment agreement with the Company as of the date of his or her termination of employment (an ESA), Cause and Good Reason as used in Section 12.3(a) shall have the same meaning as those terms are defined in the Eligible Individual's ESA.

(c) Excess Parachute Payment Limitations. Notwithstanding any provision of the Plan or a Stock Agreement to the contrary for awards issued on or after April 9, 2015, if any portion of any payment or benefit under this Plan, either individually or in conjunction with any payment or benefit under any other plan, agreement or arrangement with the Company (all such payments and benefits are collectively referred to as, the Total Payments), would constitute an excess parachute payment within the meaning of Code Section 280G, that is subject to the excise tax imposed by Code Section 4999, then such payments or benefits made hereunder to the Participant shall be reduced, such that the value of the Total Payments that the Participant is entitled to receive shall be \$1 less than the maximum amount which the Participant may receive without becoming subject to the excise tax under Section 4999; provided, however, that such reduction shall only apply if it results in the Participant receiving a greater amount on an after-tax basis that he or she would receive absent such reduction. For purposes of this Section 12.3(c), the determination of whichever amount is greater on an after-tax basis shall be (i) based on maximum federal, state and local income and employment tax rates and the tax that would be imposed on the Participant pursuant to Code Section 4999 and (ii) made at Company expense by an independent accountants selected by the Company and the Participant (which may be the Company's income tax return preparers if Participant so agrees), and such determination shall be final and binding on both the Participant and the Company.

SECTION 13. AMENDMENT OR TERMINATION

The Board or the Committee may at any time in its sole discretion, for any reason whatsoever, terminate or suspend the Plan, and from time to time may amend or modify the Plan; provided that without the approval of stockholders of the Company, no amendment or modification to the Plan may: (a) materially modify the Plan in any way that would require stockholder approval under any regulatory requirement that the Committee determines to be applicable, including without limitation, the rules of any exchange or (b) modify the prohibition on repricing an Option or SAR as set forth in Sections 8.3 and 8.5, respectively. No amendment, modification, suspension or termination of the Plan shall have a materially adverse effect on any vested and outstanding award on the date of such amendment, modification, suspension or termination, without the written (or electronic) consent of the affected grantee. Notwithstanding the foregoing, no Eligible Individual consent shall be needed for an amendment, modification, or termination of the Plan if the Committee determines such amendment, modification, or termination is necessary or advisable for the Company to comply with applicable law (including Code Section 409A), regulation, rule, or accounting standard. Suspension or termination of the Plan shall not affect the Committee's ability to exercise the powers granted to it with respect to awards under this Plan prior to the date of such suspension or termination.

SECTION 14. MISCELLANEOUS

14.1. **Stockholder Rights.** No Eligible Individual shall have any rights as a stockholder of the Company as a result of the grant of an Option or SAR under this Plan or his or her exercise of such Option or SAR pending the actual delivery of any Stock subject to such Option or SAR to such Eligible Individual. Except as otherwise provided in this Plan, an Eligible Individual's rights as a stockholder in the shares of Stock related to a Restricted Stock or Other Stock-Based Award grant shall be set forth in the related Stock Agreement.

14.2. **No Contract of Employment or Contract for Services.** The grant of an award to an Eligible Individual under this Plan shall not constitute a contract of employment or contract for the performance of

Table of Contents

services or an agreement to continue his or her status as an Eligible Individual and shall not confer on an Eligible Individual any rights in addition to those rights, if any, expressly set forth in any Stock, Option or SAR Agreement.

14.3. **Coordination with Corporate Policies**. Shares of Stock and cash acquired by an Eligible Individual under this Plan shall be subject to share retention, forfeiture, and clawback policies established by the Company in accordance with the terms of such policies.

14.4. **Withholding**. The exercise of any Option or SAR granted under this Plan and the acceptance of a Restricted Stock, Stock Unit or Other Stock-Based Award grant shall constitute an Eligible Individual's full and complete consent to whatever action the Committee deems necessary to satisfy the minimum tax withholding requirements, if any, which the Committee acting in its discretion deems applicable. Subject to applicable law, the Committee, in its discretion, shall have the right to condition the delivery of any shares of Stock (or other benefit) under the Plan on the satisfaction of an Eligible Individual's applicable withholding obligation and shall have the right to satisfy such tax withholding requirements, if any: (a) through cash payment by the Eligible Individual; (b) with the Committee's consent, through the surrender of shares of Stock which the Eligible Individual already owns (provided, however, that to the extent shares of Stock described in this subsection (b) are used to satisfy more than the minimum statutory withholding obligation, then, except as otherwise provided by the Committee, payments made with shares of Stock in accordance with this subsection (b) shall be limited to shares of Stock held by the Eligible Individual for not less than six (6) months prior to the payment date); or (c) through the surrender of shares of Stock to which the Eligible Individual is otherwise entitled under the Plan; provided, however, that such shares of Stock under this subsection (c) may be used to satisfy not more than the Company's minimum statutory withholding obligation (based on minimum statutory withholding rates for Federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income) (or any higher withholding amount permitted by applicable regulatory requirements without triggering variable accounting under GAAP)..

14.5. **Compliance with Code Section 409A**. To the extent that amounts payable under this Plan are subject to Code Section 409A, the Plan is intended to comply with Code Section 409A and official guidance issued thereunder. Notwithstanding anything herein to the contrary, the Plan shall be interpreted, operated and administered in a manner consistent with this intention.

14.6. **Requirements of Law**. The granting of awards and the issuance of Stock under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

14.7. **Indemnification**. Each person who is or shall have been a member of the Committee and each delegate of such Committee shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be made a party or in which he or she may be involved in by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided that the Company is given an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it personally. Such foregoing right of indemnification shall not apply in circumstances involving such person's bad faith or willful misconduct. The foregoing right of indemnification shall not be exclusive and shall be independent of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or By-laws, by contract, as a matter of law, or otherwise.

14.8. **Headings and Captions.** The headings and captions here are provided for reference and convenience only, shall not be considered part of this Plan, and shall not be employed in the construction of this Plan.

Table of Contents

14.9. **Governing Law.** This Plan shall be governed under the internal laws of the state of Wisconsin without regard to principles of conflicts of laws, to the extent not superseded by federal law. The state and federal courts located in the state of Wisconsin shall have exclusive jurisdiction in any action, lawsuit or proceeding based on or arising out of the Plan.

14.10. **Invalid Provisions.** In the event any provision of this Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Plan, and this Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

14.11. **Conflicts.** In the event of a conflict between the terms of this Plan and any Stock, Option or SAR Agreement, the terms of the Plan shall prevail.

14.12. **Successors.** All obligations of the Company under the Plan with respect to awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

14.13. **Deferral of Awards.** The Committee may, in a Stock Agreement or otherwise, establish procedures for the deferral of Stock or cash deliverable upon settlement, vesting or other events with respect to Restricted Stock, Stock Units or Other Stock-Based Awards. Notwithstanding anything herein to the contrary, in no event will any deferral of Stock or any other payment with respect to any award granted under the Plan be allowed if the Committee determines, in its sole discretion, that the deferral would result in the imposition of the additional tax under Code Section 409A.

14.14. **Employees in Foreign Jurisdictions.** Notwithstanding any provision of this Plan to the contrary, in order to achieve the purposes of this Plan or to comply with provisions of the laws in countries outside the United States in which the Company operates or has Employees, the Committee, in its sole discretion, shall have the power and authority to (i) determine which Eligible Individuals (if any) employed by the Company outside the United States should participate in the Plan, (ii) modify the terms and conditions of any awards made to such Eligible Individuals, and (iii) establish sub-plans and other award terms, conditions and procedures to the extent such actions may be necessary or advisable to comply with provisions of the laws in such countries outside the United States in order to assure the lawfulness, validity and effectiveness of awards granted under this Plan.

14.15. **Reimbursement of Excess Awards.** If the Company's financial statements or approved performance measures under the Plan are the subject of a restatement due to error or misconduct, to the extent permitted by governing law the Committee in its sole discretion may determine that the Company will seek reimbursement of Excess Awards paid under the Plan to an Employee (and any other Employee who is determined to have known of or been involved in any such misconduct) for the relevant performance period(s). For purposes of the Plan, an Excess Award means the positive difference, if any, between (a) the performance-based award paid to an Employee under the Plan and (b) the performance-based award that would have been paid to the Employee, had the award been calculated based on the Company's financial statements or performance measures as restated. The Company will not be required to award Employees an additional Plan-related payment should the restated financial statements or performance measures result in a higher performance-based award under the Plan. The provisions of this Section 14.15 are in addition to any rights or remedies the Company may have under any clawback policy as in effect.

Table of Contents

LANDS END, INC.

1 LANDS END LANE

DODGEVILLE, WISCONSIN 53595

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information. Vote by 11:59 P.M. ET on May 8, 2019. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions. Vote by 11:59 P.M. ET on May 8, 2019. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

E69874-P17218

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

**LANDS END,
INC.**

For All	Withhold All	For All Except	To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.
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The Board of Directors recommends you vote FOR the following:

1. Election of Directors

Nominees:

- | | |
|------------------------|---------------------|
| 01) Robert Galvin | 05) John T. McClain |
| 02) Jerome S. Griffith | 06) Maureen Mullen |
| 03) Elizabeth Leykum | 07) Jignesh Patel |
| 04) Josephine Linden | 08) Jonah Staw |

The Board of Directors recommends you vote FOR proposals 2, 3 and 4:

For Against Abstain

2. Advisory vote to approve the compensation of our Named Executive Officers.
3. Approve the Lands End, Inc. Amended and Restated 2017 Stock Plan.
4. Ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for fiscal year 2019.

NOTE: Such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Yes No

Please indicate if you plan to attend this meeting.

Please sign exactly as your name or names appear(s) hereon. When signing as attorney, executor, administrator, trustee, guardian or corporate officer, give full title. Joint owners should each sign personally. All holders must sign. If a corporation or a partnership, please sign in full corporate or partnership name by an authorized officer.

Signature
[PLEASE SIGN
WITHIN BOX] Date

Signature
(Joint
Owners) Date

Table of Contents

LANDS END, INC.

ADMISSION TICKET

You should present this admission ticket in order to gain admittance to the 2019 Annual Meeting of Stockholders. This ticket admits only the stockholder(s) listed on the reverse side and is not transferable. If shares are held in the name of a broker, trust, bank, or other nominee, you should bring with you a statement, proxy or letter from the broker, trustee, bank or nominee confirming the beneficial ownership of the shares as of the record date. Use of cameras, recording devices and other electronics will not be permitted at the meeting.

**DIRECTIONS TO THE 2019 ANNUAL MEETING
OF STOCKHOLDERS OF LANDS END, INC.**

Directions from Madison, Wisconsin:

From **US-18 W/US-151 S**/Verona Rd. merge onto **US-18 W**/Dodgeville Expressway via **EXIT 47** toward Dodgeville/Prairie du Chien. Pass through 1 roundabout. Turn right on **HWY-23**, then left on King St/County **Hwy-YZ**. Take the 1st right onto Lands End Lane.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Notice and Proxy Statement and Annual Report on Form 10-K are available at www.proxyvote.com.

E69875-P17218

Lands End, Inc.

This Proxy is Solicited on Behalf of the Board of Directors

of Lands End, Inc.

May 9, 2019

The undersigned, revoking any proxy previously given, hereby appoint(s) James F. Gooch, Peter L. Gray and Bernard L. McCracken, all of whom are officers of Lands End, Inc., and each of them, as proxies with full powers of substitution, to vote, as directed on the reverse side of this card, all shares the undersigned is entitled to vote at the 2019 Annual Meeting of Stockholders of Lands End, Inc. to be held on May 9, 2019 at 9:00 a.m. Central Time, and at any adjournment or postponement of the Annual Meeting, and authorize(s) each proxy to vote at his discretion on any other matter that may properly come before the Annual Meeting, or at any adjournment or postponement of the

Annual Meeting INCLUDING WITHOUT LIMITATION TO VOTE ON THE ELECTION OF SUCH SUBSTITUTE NOMINEES FOR DIRECTOR AS SUCH PROXIES MAY SELECT IN THE EVENT THAT ANY NOMINEE(S) NAMED ON THIS PROXY CARD BECOME(S) UNABLE TO SERVE AS A DIRECTOR.

This proxy, when properly executed, will be voted in the manner directed herein and in the discretion of the proxy holders on all other matters properly coming before the Annual Meeting. **If no direction is made, this proxy will be voted FOR all of the Board of Directors nominees for election to the Board of Directors, FOR proposal 2, FOR proposal 3 and FOR proposal 4.**

SEE REVERSE SIDE