LANDS' END, INC.
Form DEF 14A
April 06, 2018
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for use of the Commission Only (as permitted by Rule 14c-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

LANDS END, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of filing fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined.):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

April 6, 2018

To our Stockholders:

I am pleased to invite you to attend the 2018 Annual Meeting of Stockholders (the Annual Meeting) of Lands End, Inc. (the Company or Lands End) on Thursday, May 24, 2018. The meeting will begin at 9:00 a.m. (Central time) in the Gary C. Comer Activity Center, 3 Lands End Lane, Dodgeville, Wisconsin 53595.

Whether or not you plan to attend the Annual Meeting in person, please read the Proxy Statement and vote your shares. Instructions for Internet and telephone voting are included in your Notice of Internet Availability of Proxy Materials or proxy card (if you received your materials by mail).

An admission ticket (or other acceptable proof of stock ownership) and a form of government-issued photo identification (such as a valid driver s license or passport) will be required for admission to the Annual Meeting. Only stockholders who own Lands End common stock as of the close of business on March 26, 2018 will be entitled to attend the Annual Meeting. An admission ticket will serve as verification of your ownership.

If your Lands End shares are held in a bank or brokerage account, you can attend the annual meeting if you bring your Notice of Internet Availability of Proxy Materials or a recent bank or brokerage statement showing you owned shares of Lands End common stock on March 26, 2018. You may also contact your bank or broker to obtain a written legal proxy.

Registration will begin at 8:15 a.m. and seating will begin at 8:30 a.m. Use of cameras, recording devices, and other electronic devices will not be permitted at the Annual Meeting.

Sincerely,

Jerome S. Griffith
Chief Executive Officer and President

LANDS END, INC. 1 LANDS END LANE DODGEVILLE, WISCONSIN 53595

Table of Contents

Lands End, Inc.

1 Lands End Lane

Dodgeville, Wisconsin 53595

Notice of 2018 Annual Meeting of Stockholders

Date: May 24, 2018
Time: 9:00 a.m. Central Time
Place: Lands End, Inc.

Gary C. Comer Activity Center

3 Lands End Lane

Dodgeville, Wisconsin 53595

Please attend the 2018 Annual Meeting of Stockholders (the Annual Meeting) of Lands End, Inc. (the Company, Lands End, our company, we, our, or us) to:

1. Elect to Lands End s Board of Directors the following seven nominees presented by the Board of Directors: Robert Galvin, Jerome S. Griffith, Elizabeth Leykum, Josephine Linden, John T. McClain, Jignesh Patel and Jonah Staw;

2. Vote on a non-binding advisory resolution to approve the compensation of our named executive officers;

3. Vote on a non-binding advisory resolution on the frequency of holding future stockholder votes regarding the compensation of our named executive officers;

4. Ratify the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm for fiscal year 2018; and

5. Consider any other business that may properly come before the Annual Meeting or any adjournments or postponements of the Annual Meeting.

The record date for determining stockholders entitled to notice of, and to vote at, the Annual Meeting is March 26, 2018. Only stockholders of record at the close of business on that date can vote at, or will be eligible to attend, the Annual Meeting.

On or about April 6, 2018 we began mailing a Notice of Internet Availability of Proxy Materials (the Notice) to all stockholders of record as of March 26, 2018 and posted our proxy materials on the website referenced in the Notice (www.proxyvote.com). As more fully described in the Notice, stockholders may choose to access our proxy materials on the website referred to in the Notice or may request a printed set of our proxy materials. In addition, the Notice and website provide information regarding how you may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. For those who previously requested printed proxy materials or electronic materials on an ongoing basis, you will receive those materials as you requested.

It is important that your shares are represented at the Annual Meeting. Stockholders may vote their shares (1) in person at the Annual Meeting, (2) by telephone, (3) through the Internet, or (4) by completing and mailing a proxy card if you receive your proxy materials by mail. Specific instructions for voting by telephone or through the Internet (including voting deadlines) are included in the Notice and in the proxy card. If you attend and vote at the Annual Meeting, your vote at the Annual Meeting will replace any earlier vote.

By Order of the Board of Directors.

Peter L. Gray

Executive Vice President, Chief
Administrative Officer, General Counsel and
Corporate Secretary

April 6, 2018

Table of Contents

PROXY STATEMENT

The accompanying proxy is being solicited on behalf of the Board of Directors for use at the Annual Meeting of Stockholders to be held on May 24, 2018. On or about April 6, 2018, the Company began mailing to stockholders a Notice of Internet Availability of the Proxy Materials containing instructions on how to access proxy materials via the Internet and how to vote online (www.proxyvote.com). Stockholders who did not receive the Notice will continue to receive a paper or electronic copy of the proxy materials, which the Company also began sending on or about April 6, 2018.

Important Notice Regarding the Availability of Proxy Materials

for the 2018 Annual Meeting of Stockholders

The Company s Proxy Statement for the 2018 Annual Meeting of Stockholders and the Annual Report on Form 10-K for the fiscal year ended February 2, 2018 are available at www.proxyvote.com.

TABLE OF CONTENTS

Table of Contents

QUESTIONS AND ANSWERS

Q. Why is Lands End distributing this Proxy Statement?

A. Our Board of Directors is soliciting proxies for use at the Lands End 2018 Annual Meeting (the Annual Meeting) to be held on Thursday, May 24, 2018, at 9:00 a.m. Central Time, in the Gary C. Comer Activity Center, 3 Lands End Lane, Dodgeville, Wisconsin 53595. In order to solicit your proxy, we must furnish you with this Proxy Statement, which contains information about the matters to be voted upon at the Annual Meeting.

Q. What information is contained in these materials?

A. The information included in this proxy statement relates to the proposals to be considered and voted on at the Annual Meeting, the voting process, the compensation of the directors and our most highly paid executive officers, and other required information. Our Form 10-K for fiscal year 2017 is available to review with this proxy statement. We are mailing the Notice of 2017 Annual Meeting of Stockholders and instructions on how to access the proxy statement (or, for those who request it, a hard copy of this proxy statement and the enclosed form of proxy) to our stockholders on or about April 6, 2018.

Q. Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

A. In accordance with rules and regulations adopted by the Securities and Exchange Commission (SEC), instead of mailing a printed copy of our proxy materials to each stockholder, we are furnishing proxy materials, including this Proxy Statement and the Annual Report on Form 10-K, by providing access to such documents on the Internet. Most stockholders will not receive printed copies of the proxy materials unless they request them. Instead, a Notice of Internet Availability of Proxy Materials (the Notice) has been sent to most of our stockholders instructing them as to how to access and review the proxy materials on the Internet. The Notice also provides instructions as to how you may submit your proxy on the Internet. If you would like to receive a paper or email copy of our proxy materials, please follow the instructions for requesting such materials in the Notice.

Q. What will stockholders be asked to do at the Annual Meeting?

A. At the Annual Meeting, our stockholders will be asked to:

Elect to Lands End s Board of Directors the following seven nominees presented by the Board of Directors: Robert Galvin, Jerome S. Griffith, Elizabeth Leykum, Josephine Linden, John T. McClain, Jignesh Patel and Jonah Staw;

vote on a non-binding advisory resolution to approve the compensation of our named executive officers (as identified under *Executive Compensation*);

vote on a non-binding advisory resolution on the frequency of holding future stockholder votes regarding the compensation of our named executive officers;

ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2018; and

consider any other business that may properly come before the Annual Meeting or any adjournments or postponements of the Annual Meeting.

Q. What does it mean to vote by proxy?

A. It means that you give someone else the right to vote your shares in accordance with your instructions. In this way, you ensure that your vote will be counted even if you are unable to attend the Annual Meeting. If you give your proxy but do not include specific instructions on how to vote, the individuals named as proxies will vote your shares as follows:

FOR the election of seven nominees for director;

FOR the approval, on a non-binding advisory basis, of the compensation of our named executive officers as described in this Proxy Statement;

FOR the approval, on a non-binding advisory basis, of holding future advisory votes on the compensation of our named executive officers every year; and

FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2018.

Q. Who is entitled to vote?

A. Only holders of our common stock at the close of business on March 26, 2018 (the Record Date) are entitled to vote at the Annual Meeting. Each outstanding share of common stock is entitled to one vote. There were 32,131,970 shares of our common stock outstanding on the Record Date.

Q. How do I cast my vote?

A. If you hold your shares directly in your own name, you are a registered stockholder and can complete and submit a proxy through the Internet, by telephone or by mail (if you received your proxy materials by mail) or vote in person at the Annual Meeting. If your shares are held in the name of a broker or other nominee, you are a street-name stockholder and will receive instructions from your broker or other nominee describing how to vote your shares.

Q. How do I vote by telephone or through the Internet?

A. If you are a registered stockholder, you may vote by telephone or through the Internet following the instructions in the Notice or in the proxy card. If you are a street-name stockholder, your broker or other nominee will provide information for you to use in directing your broker or nominee how to vote your shares.

Q. Who will count the vote?

A. A representative of Broadridge Financial Services, Inc., an independent tabulator, will count the vote and act as the inspector of election.

Q. Can I change my vote after I have voted?

A. A subsequent vote by any means will change your prior vote. For example, if you voted by telephone, a subsequent Internet vote will change your vote. If you are a registered stockholder and wish to change your vote by mail, you may do so by requesting, in writing, a proxy card from the Corporate Secretary at Lands End, Inc., Law Department, 1 Lands End Lane, Dodgeville, Wisconsin 53595, Attention: General Counsel and Corporate Secretary. The last vote timely received prior to the Annual Meeting will be the one counted. If you are a registered stockholder, you may also change your vote by voting in person at the Annual Meeting. Street-name stockholders wishing to change their votes must contact the broker or nominee directly (the holder of record). If you are a street-name stockholder, you are not the record holder of your shares, and while you are welcome to attend the Annual Meeting, you will not be permitted to vote unless you obtain a signed proxy from your bank, broker or other nominee.

Table of Contents

Q. Can I revoke a proxy?

A. Yes, registered stockholders may revoke a properly executed proxy at any time before it is exercised by submitting a letter addressed to and received by the Corporate Secretary at the address listed in the answer to the previous question, or by voting in person at the meeting. If you are a street-name stockholder, you must contact your broker or other nominee for instructions on how to revoke your voting instructions for your shares.

Q. What does it mean if I receive more than one Notice, proxy or voting instruction card?

A. It means your shares are registered differently or are in more than one account. For all Notices you receive, please enter your vote by Internet for each control number you have been assigned. If you received paper copies of proxy materials, please complete, sign and mail all proxy and voting instruction cards you receive. We encourage you to register all your accounts in the same name and address. Registered stockholders may contact our transfer agent, Computershare Trust Company, N.A., at P.O. Box 505000, Louisville, Kentucky 40223 (1-866-627-2096). Street-name stockholders holding shares through a broker or other nominee should contact their broker or nominee and request consolidation of their accounts.

Q. What is a quorum?

A. A majority of the outstanding shares entitled to vote, being present or represented by proxy at the Annual Meeting, constitutes a quorum. A quorum is necessary to conduct the Annual Meeting.

Q. How many votes are needed to approve each of the proposals?

A. **Item 1:** The director nominees will be elected by a plurality of the votes cast by the shares of common stock entitled to vote at the Annual Meeting and present in person or represented by proxy. This means that the seven nominees who receive the most affirmative votes will be elected as directors.

Item 2: Approval of the compensation of our named executive officers on a non-binding advisory basis requires the affirmative vote of a majority of those shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal.

Item 3: A plurality of the votes cast is required for the non-binding advisory approval of the frequency of stockholder votes on the compensation of our named executive officers. This means that the frequency option that receives the most affirmative votes of all the votes cast is the one that will be deemed approved by the stockholders.

Item 4: Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm requires the affirmative vote of a majority of those shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal.

Q. What is the effect of an abstention?

A. The shares of a stockholder who abstains from voting on a matter will be counted for purposes of determining whether a quorum is present at the Annual Meeting so long as the stockholder is present in person or represented by proxy. With regard to the election of directors, votes may be cast in favor or withheld, and votes that are withheld will have no effect. On all other matters, abstentions may be specified. An abstention from voting on a matter by a stockholder present in person or represented by proxy at the meeting has no effect on the outcome of the vote on the frequency of stockholder votes on the compensation of our named executive officers. An abstention from voting on a matter by a stockholder present in person or represented by proxy at the Annual Meeting has the same legal effect as a vote against all other proposals.

Table of Contents

Q. How will votes be counted on shares held through brokers?

A. If you are a street-name stockholder and do not provide your broker with voting instructions, your shares may constitute broker non-votes. Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. Brokers are not entitled to vote on the election of directors, or the advisory proposals to approve the compensation of our named executive officers and the frequency of stockholder votes on the compensation of our named executive officers unless the brokers receive voting instructions from the beneficial owner. The shares of a stockholder whose shares are not voted because of a broker non-vote on a particular matter will be counted for purposes of determining whether a quorum is present at the Annual Meeting so long as the stockholder is represented by proxy. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered present and entitled to vote on that proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the Annual Meeting, assuming that a quorum is obtained. Brokers will be permitted to vote without voting instructions on the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm, assuming that a quorum is obtained.

Q. Is cumulative voting permitted for the elections of directors?

A. No, you may not cumulate your votes for the election of directors.

Q. Who may attend the Annual Meeting?

A. Any stockholder as of the Record Date may attend.
If you plan to attend the meeting, you will be required to present an Admission Ticket (or other acceptable proof of stock ownership) and a form of government-issued photo identification (such as a valid driver s license or passport). We strongly urge you to obtain your Admission Ticket in advance by accessing www.proxyvote.com and following the instructions provided (you will need the 16 digit number included on your proxy card, voting instruction form or Notice).

Alternatively, the following documents will be accepted in lieu of an Admission Ticket for those stockholders as of the Record Date who are unable to obtain an Admission Ticket in advance of the Annual Meeting:

If you received a Notice and will not be requesting a printed copy of the proxy materials, you may use your Notice as your Admission Ticket.

If your Lands End shares are registered in your name and you received your proxy materials by mail, you may use the Admission Ticket attached to your proxy card at the Annual Meeting.

If your Lands End shares are held in a bank or brokerage account, you can attend the annual meeting if you bring your Notice of Internet Availability of Proxy Materials or a recent bank or brokerage statement showing you owned shares of Lands End common stock on March 26, 2018. You may also contact your bank or broker to obtain a written legal proxy.

Q. Can I access future annual meeting materials through the Internet rather than receiving them by mail?

A. Yes. Registered stockholders can sign up for electronic delivery at www.proxyvote.com. If you vote through the Internet, you can also sign up for electronic delivery. Just follow the instructions that appear after you finish voting. You will receive an e-mail next year containing links to our Annual Report on Form 10-K and the Proxy Statement for our 2019 annual meeting. Street-name stockholders may also have the opportunity to receive copies of these documents electronically. Please check the information provided in the proxy materials mailed to you by your broker or other nominee regarding the availability of this service. This procedure reduces the printing costs and fees we incur in connection with the solicitation of proxies.

Table of Contents

Q. What is householding ?

A. Lands End has adopted a procedure called householding, which has been approved by the SEC. Under this procedure, registered stockholders who have the same address and last name and do not receive proxy materials electronically will receive a single Notice or set of proxy materials, unless one or more of these stockholders notifies us that they wish to continue receiving individual copies. Stockholders who participate in householding will continue to receive separate proxy cards. This procedure can result in savings to Lands End by reducing printing and postage costs.

If you participate in householding and wish to receive a separate Notice or set of proxy materials, or if you wish to receive separate copies of future Notices or sets of proxy materials, please call 1-866-540-7095 or write to: Broadridge Financial Solutions, Inc., Householding Department, 51 Mercedes Way, Edgewood, New York 11717. The Company will deliver the requested documents to you promptly upon your request.

Registered stockholders who share the same address, currently receive multiple copies of proxy materials, and who wish to receive only one copy of these materials per household in the future may contact Broadridge Financial Solutions at the address or telephone number listed above. Street-name stockholders should contact their broker or other nominee to request information about householding.

Table of Contents

CORPORATE GOVERNANCE

Corporate Governance Practices

The Lands End Board of Directors (the Board) is committed to effective corporate governance. The Board has approved and adopted Corporate Governance Guidelines that provide the framework for Lands End s governance. The Nominating and Corporate Governance Committee of the Board reviews and assesses the Corporate Governance Guidelines annually and recommends changes to the Board as appropriate. The Corporate Governance Guidelines, along with the charters of Board committees, our Director Compensation Policy, our Related Party Transactions Policy, our Code of Conduct and our Board of Directors Code of Conduct are available on our website at www.landsend.com, under the heading *Investor Relations* and then *Corporate Governance.*

Among other things, the Corporate Governance Guidelines provide that:

Independent directors will meet regularly in executive session in conjunction with regularly scheduled Board meetings.

Executive sessions of the independent directors will occur at least twice a year as determined by the independent directors.

The Board and each of its committees has the power to engage, at the Company s expense, independent legal, financial, and other advisors as deemed necessary, without consulting or obtaining the approval of the Company s officers in advance.

The Board will conduct annual self-evaluations to assess whether it and its committees are functioning effectively.

Director Independence

Based on the review and recommendation by the Nominating and Corporate Governance Committee, the Board analyzed the independence of each director. In making its independence determinations, the Board considers transactions, relationships and arrangements between Lands End and entities with which directors are associated as executive officers, directors and trustees. When these transactions, relationships and arrangements exist, they are in the ordinary course of business and are of a type customary for a retail company like Lands End.

As a result of this review, the Board affirmatively determined that the following directors meet the standards of independence under the applicable Nasdaq Stock Market listing rules, including that each member is free of any relationship that would interfere with his or her individual exercise of independent judgment:

Robert Galvin

Elizabeth Leykum

Josephine Linden

John T. McClain

Jignesh Patel

Jonah Staw

In addition, Robert A. Bowman, who served as a member of the Board during fiscal 2017, until his resignation on December 22, 2017, was considered to have met the independence standard during his tenure as a member of the Board. In the course of the Board s independence determination, the Board considered transactions, relationships and arrangements required to be disclosed pursuant to SEC rules. In determining that Mr. McClain met the applicable independence standards, the Board considered his service as a trustee of Seritage Growth Properties, which, as of February 2, 2018, owned or held an indirect ownership interest in a subset of the

Table of Contents

underlying properties in which the Company subleased space from a subsidiary of Sears Holdings Corporation (Sears Holdings) for Lands End Shops at Sears. The Board also considered a prior consulting relationship between Sears Holdings and a company of which Mr. Staw was Chief Executive Officer and has determined that Mr. Staw met the standards of independence as of April 4, 2017, the third anniversary of the distribution by Sears Holdings of 100% of the issued and outstanding shares of Lands End common stock to Sears Holdings stockholders (the Separation).

The Board also has determined that (1) each member of the Audit Committee meets additional, heightened independence criteria applicable to audit committee members under the Nasdaq Stock Market listing rules and SEC Rule 10A-3, and (2) each of Robert Galvin, Josephine Linden, and John T. McClain is an audit committee financial expert as defined in Item 407(d)(5) of Regulation S-K promulgated by the SEC.

The Board also has determined that all members of the Compensation Committee meet independence criteria applicable to compensation committee members under the Nasdaq Stock Market listing rules and that all members of the Related Party Relationships Committee meet the independence criteria set forth in the Related Party Relationships Committee s charter.

Table of Contents

ITEM 1. ELECTION OF DIRECTORS

Item 1 is the election of seven nominees to our Board: Robert Galvin, Jerome S. Griffith, Elizabeth Leykum, Josephine Linden, John T. McClain, Jignesh Patel and Jonah Staw. Each of the nominees is a current member of the Board. If elected, each nominee will hold office until the next annual meeting or until his or her successor is elected and qualified, or earlier death, resignation, disqualification or removal. The persons named in the proxy card (the proxies) will vote FOR the election of all of the nominees listed below, unless otherwise instructed. You may not vote for a greater number of persons than the number of nominees named in this Proxy Statement. The Board expects all nominees to be available for election. If any nominee should become unavailable to serve as a director for any reason prior to the Annual Meeting, the Board may substitute another person as a nominee. In that case, your shares will be voted for that other person.

THE BOARD RECOMMENDS THAT YOU VOTE

FOR ELECTION OF THE SEVEN NOMINEES FOR DIRECTOR

The biographies of each of the nominees below contains information regarding the person s service as a director, business experience, education, director positions held currently or at any time during the last five years, information regarding involvement in certain legal or administrative proceedings, if applicable, and the experiences, qualifications, attributes or skills that caused the Board to determine that the person should serve as a director for the Company.

Robert Galvin, 58, joined the Board in May 2014. He is the principal of Galvin Consulting, which he founded in January 2014. Mr. Galvin served as the Chief Executive Officer of Elie Tahari, a leading global designer lifestyle brand, from January to November 2013. Prior to that, he served as the President of Camuto Group, a leading global women s fashion footwear company from April 2007 to January 2012. Mr. Galvin previously served as the Chief Operating Officer of Sport Brands International, a global wholesale and retail athletic branded company from 2003 until April 2007. He previously held leadership roles at Kurt Salmon Associates, York International and Nine West Group Inc. Mr. Galvin has served on the board of Big 5 Sporting Goods Corporation since July 2015, bebe stores, inc. since November 2014, and Cherokee Inc. since June 2012. Mr. Galvin has a B.S. in Accounting from Fairfield University and a M.B.A. from New York University, Stern School of Business. Mr. Galvin brings an extensive knowledge of the apparel industry and management experience, gained through his service as Chief Executive Officer and through numerous senior executive positions at several apparel companies for more than 15 years.

Jerome S. Griffith, 60, joined Lands End as Chief Executive Officer and President and as a member of the board of directors in March 2017. He served as the Chief Executive Officer, President and a member of the board of directors of Tumi Holdings, Inc. from April 2009 until its sale in August 2016 to Samsonite International S.A. From 2002 to February 2009, he was employed at Esprit Holdings Limited, a global fashion brand, where he was promoted to Chief Operating Officer and appointed to the board in 2004, then promoted to President of Esprit North and South America in 2006. From 1999 to 2002, he worked as an Executive Vice President at Tommy Hilfiger. From 1998 to 1999, he worked as the President of Retail at the J. Peterman Company, a catalog-based apparel and retail company. From 1989 through 1998, he worked in various positions of increasing responsibility at Gap, Inc. He has served as a member of the board of Vince Holding Corp. since November 2013, Samsonite International S.A. since August 2016, and Parsons School of Design, which is part of the New School, since September 2013. Mr. Griffith served a member of the Supervisory Board of the Tom Tailor Group from May 2015 to March 2017. He holds a B.S. degree in marketing from The Pennsylvania State University. Mr. Griffith brings to the Board experience as a public company director, experience as a senior executive of a major global consumer products company and a proven track record of innovation and driving international growth and expansion.

Elizabeth Leykum, 39, joined the Board in March 2014. She has served as founder of Serenade Capital LLC, an investment firm, since May 2016. From October 2013 to April 2016, she served as a founding principal of HEG Capital LLC, a Connecticut-registered investment advisory firm. Prior to joining HEG Capital, Ms. Leykum was, from June 2012 to September 2013, a Vice President at Rand Group, an investment management services firm. Until June 2012, she was a Vice President of ESL Investments, Inc., which she joined in July 2004. From 2000 to 2002, Ms. Leykum worked in the Principal Investment Area at Goldman, Sachs & Co. She served as a director of Sears Hometown and Outlet Stores, Inc. from October 2012 to May 2014 and is currently a trustee of The Kinkaid School and the Houston Ballet. She graduated Phi Beta Kappa, *magna cum laude* from Harvard College and received an M.B.A with distinction from Harvard Business School. Through her work in investment management, she brings to the Board a strong ability to analyze, assess, and oversee corporate and financial performance.

Josephine Linden, 66, joined the Board in March 2014 and has served as Chair of the Board since October 2014. She founded and has been the managing member and principal of Linden Global Strategies LLC, a New York-based SEC registered investment management firm working with sophisticated U.S. and international clients, since September 2011. From September 2010 to July 2011, she held an Adjunct Professor position in the Finance department of Columbia Business School. In November 2008, Mrs. Linden retired from Goldman, Sachs & Co. as a Partner and Managing Director after having been with the firm for more than 25 years, where she held a variety of roles, including Managing Director and Regional Manager of the New York office for Private Wealth Management, head of Global Equities Compliance, and an Advisor to GSJBWere, Australia. She serves as a trustee, and sits on the executive committee, of Collegiate School in New York, New York, and also has served as its Treasurer, and Chair of its Finance, Audit and Nominating Committees. She acts as Financial Advisor to The Prince of Wales Foundation. She served as a director of Bally Technologies, Inc. from April 2011 to November 2014 and has served as a director of Sears Hometown and Outlet Stores, Inc. since October 2012. She received an M.B.A. from the University of Chicago, with a specialization in Finance, and a B.A. from the University of Sydney. Mrs. Linden brings extensive knowledge of capital markets and other financial matters to the Board from her 25-year career with Goldman Sachs.

John T. McClain, 57, joined the Board in May 2014. From November 2015 to September 2016, he served as Chief Financial Officer of Lindblad Expeditions Holdings, Inc., a global provider of expedition cruises and adventure travel experiences. Mr. McClain served as the Chief Financial Officer of The Jones Group Inc., a leading global designer, marketer and wholesaler of over 25 brands, from July 2007 until the sale of the company to Sycamore Partners in April 2014. From April 2014 to August 2014, he continued to provide Senior Advisor services related to financial operations to The Jones Group Inc. Prior to that, Mr. McClain held a number of roles at Avis Budget Group, Inc. formerly Cendant Corporation. He joined Cendant Corporation in September 1999, serving as the Senior Vice President, Finance & Corporate Controller until 2006. From July 2006 to 2007, Mr. McClain served as the Chief Accounting Officer of Avis and Chief Operating Officer of Cendant Finance Holdings. Mr. McClain previously held leadership roles at Sirius Satellite Radio Inc. and ITT Corporation. Mr. McClain has served as a trustee of Seritage Growth Properties, a real estate investment trust, since June 2015, on the board of Nine West Holdings from April 2014 until October 2015, and on the board of Cherokee Inc. since September 2017. Mr. McClain holds a B.S degree in accounting from Lehigh University. Mr. McClain brings over 25 years of executive financial experience, serving at high-level capacities for the retail and consumer sectors.

Jignesh Patel, 47, joined the Board in April 2014. He is a professor in the Computer Science Department at the University of Wisconsin-Madison, where he has served on the faculty since September 2008. He is also the co-founder of a startup, DataChat, that was founded in 2017. He served as the Chief Scientist of Pivotal Software, Inc. from June 2015 to June 2016. He co-founded Locomatix, which developed a platform to power mobile data-driven services and applications, and served as its Chief Executive Officer from June 2010 to August 2013, when the company became part of Twitter. He is currently also the sole proprietor of JMP Consulting LLC, which provides consulting services on data-related technologies. He is a Fellow of the Association for Computing Machinery (ACM) and an Institute of Electrical and Electronics Engineers (IEEE) Fellow. He obtained his B. Tech. (with honors) in Computer Science and Engineering from IT-BHU (now ITT-Varanasi) in 1991, M.S. in Computer Sciences from the University of Wisconsin-Madison in 1993, and Ph. D. in Computer Sciences from the University of

Wisconsin-Madison in 1998. Mr. Patel brings extensive experience with emerging technologies and technology-driven companies from his academic and professional activities.

Table of Contents

Jonah Staw, 42, joined the Board in April 2014. Mr. Staw has served as the Chief Executive Officer of Staw Entertainment Enterprises, LLC, an advisory group working with corporate clients, since August 2011. He also has served as Vice President of Logitech Inc., a global provider of personal computer and mobile accessories, since January 2017. Mr. Staw is the co-founder of LittleMissMatched, a multi-channel international brand that includes retail, wholesale, licensing, catalog and internet businesses, and served as its Chief Executive Officer from 2004 to July 2011 and as Chairman from July 2011 to July 2012. Mr. Staw previously served as a director and strategist at Frog Design, a product strategy and design firm, from 1999 to 2004 and as a member of the real estate development team of Skanska USA from 1997 to 1999. Mr. Staw graduated Phi Beta Kappa and *magna cum laude* from Brown University with a B.A. in the History of Art and Architecture. Mr. Staw brings extensive knowledge of multi-channel retail businesses including digital, branding, product development, marketing and innovation through his professional experience.

The Nominating and Corporate Governance Committee of our Board is responsible for reviewing the qualifications and independence of members of the Board and its various committees on a periodic basis, as well as the composition of the Board as a whole. This assessment includes members qualification as independent, as well as consideration of skills and experience in relation to the needs of the Board. New director nominees will be recommended to the Board by the Nominating and Corporate Governance Committee. The ultimate responsibility for selection of director nominees resides with the Board.

While the Company does not have a formal diversity policy, the Board considers diversity in identifying director nominees. The Board and the Nominating and Governance Committee believe that it is important that our directors represent diverse viewpoints. In addition to diversity of experience, the Nominating and Corporate Governance Committee seeks director candidates with a broad diversity of professions, skills and backgrounds. The Nominating and Corporate Governance Committee discusses Board composition, including the diversity of the Board, annually.

The Board met six times during fiscal year 2017. All of the directors attended over 75% of the total number of meetings of the Board and meetings of the committees on which they served. Our Corporate Governance Guidelines provide that directors are expected to attend Annual Meetings of Stockholders.

Committees of the Board

The Board has standing Audit, Compensation, and Nominating and Corporate Governance committees, as well as a Related Party Relationships committee. The table below reflects the current membership of each committee and the number of meetings held by each committee during fiscal year 2017.

	Audit	**Compensation**	**Nominating and Corporate Governance**	**Related Party Relationships**
Robert Galvin	X	X*		X*
Jerome S. Griffith				
Elizabeth Leykum		X	X*	
Josephine Linden	X	X	X	
John T. McClain	X*			
Jignesh Patel	X		X	X
Jonah Staw			X	
Number of Meetings	8	4	4	2

* Committee Chair

Table of Contents

Each committee operates under a written charter. The charters are available on our corporate website, www.landsend.com, under the heading *Investor Relations* and then *Corporate Governance.* The principal functions of each Committee are summarized below.

Audit Committee

- Responsible for the compensation and oversight of the work of the independent registered public accounting firm in connection with the annual audit report
- Hires the independent registered public accounting firm to perform the annual audit
- Reviews the Company s annual and quarterly financial statements, including disclosures made in management s discussion and analysis of results of operations and financial condition
- Reviews the reports prepared by the independent registered public accounting firm and management s responses thereto
- Pre-approves audit and permitted non-audit services performed by the independent registered public accounting firm
- Responsible for oversight of risks and exposures associated with financial matters, the Company s enterprise risk management framework and the steps management has taken to monitor and control risks and exposures
- Reviews management s plan for establishing and maintaining internal controls
- Reviews the internal audit department s responsibilities, budget and staffing
- Discusses with the Company s General Counsel matters that involve our compliance and ethics policies

Compensation Committee

- Evaluates the Chief Executive Officer s performance in light of corporate goals and objectives
- Reviews and approves the base salaries, annual incentive opportunities and cash- and equity-based awards and opportunities for our senior executives

Reviews and approves employment agreements, severance arrangements, change-in-control agreements and change-in-control provisions affecting any elements of compensation and benefits for our senior executives

Approves compensation plans and programs for our senior executives

Approves any special or supplemental compensation and benefits for senior executives, including supplemental retirement benefits and the perquisites provided to them during and after employment

Receives periodic reports on our compensation programs as they affect all employees

Nominating and Corporate Governance Committee

Reports annually to the Board with an assessment of the performance of the Board

Recommends to the Board new director nominees

In concert with the Compensation Committee, reviews annually succession planning recommendations for the Company s senior executives

Recommends to the Board director compensation and benefits

Reviews and reassesses the adequacy of our Corporate Governance Guidelines

Table of Contents

Related Party Relationships Committee

Reviews the terms and determines the advisability of any related party transaction, as defined in the Related Party Relationships Committee charter, including whether the relevant transaction is fair to, and in the best interests of, the Company and its unaffiliated stockholders

To the extent the Related Party Relationships Committee deems appropriate, negotiates the terms of any related party transaction and, subject to the limitations of applicable law, approves any related party transaction

Recommends to the full Board what action, if any, should be taken by the Board with respect to any related party transaction

Reviews, evaluates and approves matters that potentially involve conflicts of interest involving members of the Board or management, and recommends to the full Board what action, if any, should be taken by the Board with respect to conflict of interest matters.

In October, 2014, the Company established a Technology Committee of the Board of Directors to assist the Board in overseeing information technology strategy, and significant investments in support of such strategy, especially in light of the Company s ongoing enterprise resource planning (ERP) project, as well as information technology risks. In November 2017, the Board determined that from a governance perspective, the oversight of technology strategy and investments was a topic that would be addressed at the Board level and technology risks would be addressed with other enterprise risk management matters within the purview of the Audit Committee, and accordingly, the Technology Committee was dissolved. The Technology Committee met four times in fiscal year 2017, and at the time of its dissolution, the members of the Technology Committee were Robert A. Bowman, John T. McClain, Jignesh Patel (Chairman) and Jonah Staw.

Communications with the Board

Our Board has adopted a policy and process for stockholders to communicate with the Board or an individual director. Stockholders may communicate with the Board collectively, or with any of its individual non-employee directors, by writing to Lands End, Inc. Board of Directors, c/o Corporate Secretary, Lands End, Inc., Law Department, 1 Lands End Lane, Dodgeville, Wisconsin 53595. The Corporate Secretary has discretion to determine whether stockholder communications are proper for submission to the intended recipient. Examples of stockholder communications that would be considered presumptively inappropriate for submission include the following: communications regarding personal solicitations; spam and other junk mail; new product suggestions; resumes and other job inquiries; business solicitations or advertisements; communications that are unduly hostile, threatening, illegal, or similarly unsuitable; and communications that are frivolous in nature.

Board Leadership Structure

We separate the roles of Chief Executive Officer and Chair of the Board. Our Chief Executive Officer is responsible for the day-to-day leadership and performance of the Company, while the Chair of the Board provides guidance to our Chief Executive Officer and senior management and sets the agenda for Board meetings and presides over Board meetings. In carrying out her responsibilities, the Chair preserves the distinction between management and oversight, maintaining the responsibility of management to develop corporate strategy and the responsibility of the Board to review and express its views on corporate strategy and management s execution of that strategy.

The Board s Role in Risk Oversight

Consistent with our leadership structure, our Chief Executive Officer and other members of senior management are responsible for the identification, assessment, and management of risks that could affect the Company and the Board provides oversight in connection with these efforts. We do not believe that the Board s role in risk oversight has an effect on the Company s leadership structure. The Board s oversight is conducted primarily through committees of the Board, as disclosed in the descriptions of the responsibilities of the Audit Committee and the Compensation Committee above and in the charters of such committees.

The Audit Committee is responsible for oversight of (1) risks and exposures associated with financial matters, particularly financial reporting, tax, accounting, disclosure, internal control over financial reporting, and credit and liquidity matters; (2) the Company s enterprise risk management framework; and (3) the steps management has taken to monitor and control risks and exposures, including the Company s risk assessment and risk management policies and strategies and programs and policies relating to legal compliance. Risks arising from any related party transactions, including the potential for reputational risk, are separately evaluated by our Related Party Relationships Committee.

The Compensation Committee evaluates whether the risks arising from the Company s compensation policies and practices for its employees would be reasonably likely to have a material adverse effect on the Company and has concluded that our programs do not create risk that is reasonably likely to have a material adverse effect on the Company.

The Board has retained responsibility for general oversight of risks. The Board satisfies this responsibility through full reports by each committee chair regarding the committee s considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within the Company, including our Chief Financial Officer, our General Counsel, our Chief Information Officer and our senior internal audit and information security executives.

Nomination of Director Candidates

Directors may be nominated by the Board or by stockholders in accordance with our Bylaws. The Nominating and Corporate Governance Committee will, when it deems appropriate, actively seek individuals qualified to become Board members, and will solicit input on director candidates from a variety of sources, including current directors. The Committee will evaluate a candidate s qualifications and review all proposed nominees for the Board, including those proposed by stockholders, in accordance with its charter and our Corporate Governance Guidelines. This will include a review of the person s qualifications and independence as well as consideration of diversity, age, skills, education and experience in the context of the needs of the Board. The Committee has the ability to retain a third party to assist in the nomination process.

Director nominees recommended by the Nominating and Corporate Governance Committee are expected to be committed to representing the long-term interests of our stockholders. The Committee believes that it is important to align the interests of directors with those of our stockholders. Generally, each non-employee director is required to acquire a number of shares of our common stock in an amount that, at cost, is equal to one times the amount of the director s annual retainer in effect on the date when the director first becomes a member of the Board. Non-employee directors must meet this requirement by the third anniversary of that date unless, due to employment or legal restrictions, he or she is unable to acquire our common stock. As of February 2, 2018, all non-employee directors were in compliance with this requirement. Board members should possess a high degree of integrity and have broad knowledge, experience and mature judgment. In addition to a meaningful economic commitment to our company as expressed in share ownership, directors and nominees should have predominately business backgrounds, have experience at policy-making levels in business and/or technology, and bring a diverse set of business experiences and perspectives to the Board.

Mr. Griffith s employment letter with the Company provided for his appointment to the Board and provides that he will be nominated for reelection to the Board each time his term as director is scheduled to expire. In addition, under his executive severance agreement with the Company, a termination of employment by Mr. Griffith is for Good Reason if, among other events, at any time that ESL Investments, Inc. and its affiliate

Table of Contents

entities beneficially own more than 20% of the Company s shares entitled to vote for directors, they, in whole or in part, vote against his reelection to the Board while Mr. Griffith is serving as the Company s Chief Executive Officer.

A Lands End stockholder can nominate a candidate for election to the Board by complying with the nomination procedures in our Bylaws, which provide that for an election to be held at an annual meeting of stockholders, nomination by a stockholder must be made by notice in writing delivered to the Company not later than the 90th day, and not earlier than the 120th day, prior to the first anniversary of the preceding year s annual meeting. If the date of the subject annual meeting is more than 30 days before or more than 70 days after the first anniversary of the preceding year s annual meeting, notice by the stockholder must be delivered not earlier than the 120th day prior to the annual meeting and not later than the later of the 90th day prior to the annual meeting or the 10th day following the day on which public announcement of the date of such annual meeting is first made by the Company. For an election to be held at a special meeting of stockholders, the stockholder s notice in writing must be delivered to the Company not earlier than the 120th day prior to the special meeting and not later than the later of the 90th day prior to the special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at the special meeting.

A stockholder s written notice to the Corporate Secretary described in the preceding paragraph must be delivered to Lands End, Inc., Attn: Corporate Secretary,1 Lands End Lane, Dodgeville, Wisconsin 53595. Any stockholder of record or beneficial owner of common stock proposing such a nomination must be a stockholder of record on the date of the giving of such notice and on the record date for the determination of stockholders entitled to notice of and to vote at the meeting of stockholders and comply with the applicable notice procedures set forth in the Company s Amended and Restated By-Laws, including setting forth the following in the written notice: (i) the name and address of the stockholder; (ii) the number of shares of capital stock of the Company owned beneficially and of record by the stockholder; (iii) a description of any agreement, arrangement or understanding with respect to the nomination between or among the stockholder, any of its affiliates or associates, each nominee and any others acting in concert with any of the foregoing; (iv) a description of any agreement, arrangement or understanding that has been entered into as of the date of the stockholder s notice by, or on behalf of, the stockholder, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, the stockholder with respect to securities of the Company; (v) a representation that the stockholder is a holder of record of stock of the Company entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to propose each nomination; (vi) a representation whether the stockholder intends or is part of a group that intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Company s outstanding capital stock required to elect each nominee and/or (b) otherwise to solicit proxies or votes from stockholders in support of each nomination; (vii) the name, age and business address of each nominee proposed in the notice; (viii) all information concerning the stockholder and each nominee required to be disclosed in proxy solicitations for director elections under the proxy rules of the SEC; and (ix) the written consent of each nominee to serve as a director if so elected.

The Company may require any proposed nominee to furnish such other information as the Company may reasonably require to determine the eligibility of the nominee to serve as a director. The chairman of any annual meeting or special meeting of stockholders may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedures. A stockholder s compliance with these procedures will not require the Company to include information regarding a proposed nominee in the Company s proxy solicitation materials.

Table of Contents

COMPENSATION OF DIRECTORS

Our Director Compensation Policy provides for an annual cash retainer for serving as a non-employee director of the Company, plus additional amounts for serving as Chair of a committee or as a member of a committee, as follows:

	Cash Compensation[(1)]
Board Member	$ 100,000
Board Chair	$ 30,000
Audit Committee Chair	$ 20,000
Compensation Committee Chair	$ 15,000
Other Committee Chairs	$ 10,000
Audit Committee member	$ 12,500
Other Committee members	$ 7,500

(1) Assumes service for a full year; directors who serve for less than the full year are entitled to receive a pro-rated portion of the applicable payment. Each year, for purposes of the Director Compensation Policy, begins on the date of our annual meeting of stockholders.

In addition, the Director Compensation Policy provides that our non-employee directors may elect annually in advance to receive all or a portion of their retainer in the form of shares of Lands End common stock issued under the Company s stock plans. Non-employee directors also receive an annual allowance in the amount of $2,750 for the purchase of Lands End merchandise. Upon the approval on a case-by-case basis of the Nominating and Corporate Governance Committee, a non-employee director may participate in health care programs of the Company on a basis no less favorable than senior executives of the Company.

The following table shows information concerning the compensation paid in fiscal year 2017 to non-employee directors who served on the Board during fiscal year 2017.

Name	Fees Earned or Paid in Cash	Stock Awards ($)[(a)]	All Other Compensation[(b)]	Total[(c)]
Josephine Linden, Chair	$ 152,500		$ 2,750	$ 155,250
Robert A. Bowman*	$ 18,258	$ 76,997	$ 2,750	$ 98,005
Robert Galvin	$ 133,125		$ 2,750	$ 135,875
Elizabeth Leykum	$ 117,500		$ 2,750	$ 120,250
John T. McClain	$ 123,791		$ 2,750	$ 126,541
Jignesh Patel	$ 121,784		$ 2,750	$ 124,534
Jonah Staw	$ 105,392		$ 2,750	$ 108,142

* Mr. Bowman resigned from the Board on December 22, 2017.

(a)

Shares issued in lieu of cash pursuant to director s prior election. Amount represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718.

(b) Each director receives a merchandise allowance of $2,750 per year.

(c) The amounts in this column do not include amounts attributable to a discount on Lands End merchandise and the incremental cost to the Company of health care coverage, in each case, that are available generally to all Lands End salaried employees and non-employee directors.

During fiscal year 2017, Mr. Griffith was an employee of the Company and, as such, did not receive separate or additional compensation for his service as a director. See *Executive Compensation* for information relating to the compensation paid to Mr. Griffith during fiscal year 2017.

Table of Contents

BENEFICIAL OWNERSHIP OF THE COMPANY S COMMON STOCK

The following table sets forth certain information regarding beneficial ownership of our common stock as of March 26, 2018 for (1) each person known to us to be the beneficial owner of more than 5% of our common stock; (2) each named executive officer; (3) each of our directors; and (4) all of our executive officers and directors as a group.

Name of Beneficial Owner[1]	Shares of Common Stock Beneficially Owned	
	Number	Percent of Common Stock Outstanding
Joseph M. Boitano	9,777[2]	*
Robert Galvin	6,672	*
Rebecca Gebhardt	9,093[2]	*
James F. Gooch	19,489[3]	*
Peter L. Gray	22,985[4]	*
Jerome S. Griffith	194,493[5]	*
Gill Hong	1,900	*
Scott D. Hyatt	[2]	
Elizabeth Leykum	12,299	*
Josephine Linden	27,504	*
John T. McClain	5,054	*
Jignesh Patel	10,000	*
Kelly Ritchie	17,098[6]	*
Jonah Staw	5,660	*
Directors and executive officers as a group (11 persons)	323,154[7]	1.0%
Greater than 5% Stockholders:		
ESL Investments, Inc. and related entities, as a group[8]	21,526,634[9]	67.1%
Capital Research Global Investors[10]	1,761,232	5.4%
Frontier Capital Management Co., LLC[11]	1,663,088	5.2%

* Represents less than 1% of outstanding common stock

(1) Unless otherwise noted below, the address of each beneficial owner listed in the table is c/o Lands End, Inc., 1 Lands End Lane, Dodgeville, Wisconsin 53595. We have determined beneficial ownership in accordance with the rules of the SEC, which provide that beneficial ownership includes any shares over which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire within 60 days after March 26, 2018, through the exercise of a stock option or vesting of an RSU or any other right. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that all the persons and entities named in the table below have sole voting and investment power with respect to all

shares of common stock that they beneficially own. We have based our calculation of the percentage ownership on 32,131,970 shares of common stock outstanding.

(2) Mr. Boitano ceased serving as an officer of the Company effective July 31, 2017. Ms. Gebhardt ceased serving as an officer of the Company effective November 1, 2017. Mr. Hyatt ceased serving as an officer of the Company effective March 14, 2017. Beneficial ownership shown for Messrs. Boitano, Hyatt and Ms. Gebhardt respectively is as of such dates.

(3) Includes 13,000 shares that are subject to RSUs that are scheduled to vest within 60 days of March 26, 2018.

(4) Includes 8,522 shares that are subject to RSUs and 12,254 options, in each case, that are scheduled to vest within 60 days of March 26, 2018.

Table of Contents

(5) Includes 9,834 shares that are subject to RSUs that are scheduled to vest within 60 days of March 26, 2018 and 73,530 presently exercisable options.
(6) Includes 7,013 shares that are subject to RSUs that are scheduled to vest within 60 days of March 26, 2018.
(7) Includes 38,369 shares that are subject to RSUs and 12,254 options, in each case, that are scheduled to vest within 60 days of March 26, 2018, and 73,530 presently exercisable options.
(8) Beneficial ownership is based on the ESL Investments, Inc. Amendment No. 20 to Schedule 13D reporting ownership as of January 24, 2018. ESL Investments, Inc. and related entities, as a group, consists of the following: ESL Investments, Inc. (Investments); Edward S. Lampert; ESL Partners, L.P. (Partners); and RBS Partners, L.P. (RBS). RBS is the general partner of, and may be deemed to indirectly beneficially own securities beneficially owned by, Partners. Investments is the general partner of, and may be deemed to indirectly beneficially own securities beneficially owned by, RBS. Mr. Lampert is the Chairman, Chief Executive Officer and Director of, and may be deemed to indirectly beneficially own securities beneficially owned by, Investments.
(9) Investments disclosed sole voting power and sole dispositive power as to 5,736,994 shares and shared dispositive power as to 15,789,640 shares; Edward S. Lampert disclosed sole voting power as to 21,526,634 shares, sole dispositive power as to 5,736,994 shares and shared dispositive power as to 15,789,640 shares; Partners disclosed sole voting power and sole dispositive power as to 5,736,994 shares and shared dispositive power as to 15,789,640 shares; RBS disclosed sole voting power and sole dispositive power as to 5,736,994 shares and shared dispositive power as to 15,789,640 shares. The address of ESL Investments, Inc. and related entities is c/o ESL Investments, Inc. and related entities, as a group, 1170 Kane Concourse, Suite 200, Bay Harbor Islands, Florida 33154.
(10) Beneficial ownership is based on the Capital Research Global Investors Amendment No. 4 to Schedule 13G reporting ownership as of December 29, 2017. Capital Research Global Investors disclosed sole voting power and sole dispositive power as to 1,761,232 shares. Capital Research Global Investors disclaims beneficial ownership. The address of Capital Research Global Investors is c/o Capital Research Global Investors, 333 South Hope Street, Los Angeles, California 90071.
(11) Beneficial ownership is based on the Schedule 13G filed by Frontier Capital Management Co., LLC (Frontier Capital) reporting ownership as of December 31, 2017. Frontier Capital disclosed sole voting power as 674,208 and sole dispositive power as to 1,663,088 shares. The address of Frontier Capital is c/o Frontier Capital Management Co., LLC, 99 Summer Street, Boston, Massachusetts 02110.

Under the Company s Insider Trading Policy, our employees and directors are prohibited from engaging in, among other things, short sale transactions and hedging transactions with respect to Company securities, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and private exchange funds. Our employees and directors also are prohibited from holding Company securities in a margin account or otherwise pledging Company securities as collateral for a loan.

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Summary

This Compensation Discussion and Analysis provides information to assist you in understanding the fiscal year 2017 compensation of the executive officers identified in the Summary Compensation Table, whom we refer to as our named executive officers. Our named executive officers are:

Jerome S. Griffith, Chief Executive Officer and President

James F. Gooch, Executive Vice President, Chief Operating Officer, Chief Financial Officer and Treasurer (who also served as Co-Interim Chief Executive Officer until March 6, 2017)

Joseph M. Boitano, Former Executive Vice President, Chief Merchandising and Design Officer (who also served as Co-Interim Chief Executive Officer until March 6, 2017)

Peter L. Gray, Executive Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary

Gill Hong, Executive Vice President, Chief Merchandising Officer and Head of International

Kelly Ritchie, Senior Vice President, Employee and Customer Services

Rebecca L. Gebhardt, Former Executive Vice President, Chief Marketing Officer

Scott Hyatt, Former Executive Vice President, Chief Supply Chain Officer

Mr. Boitano s employment terminated on July 31, 2017, Ms. Gebhardt s employment terminated on November 1, 2017 and Mr. Hyatt s employment terminated on March 31, 2017.

Executive Compensation Philosophy and Objectives

The Compensation Committee believes that the Company s long-term success is directly related to its ability to attract, motivate and retain highly talented executives who are committed to our mission, results and cultural beliefs. The Compensation Committee has developed a compensation philosophy for our senior executives designed to pay for performance. Accordingly, the total compensation packages provided to our named executive officers generally include both annual and long-term incentive opportunities that are linked to performance measures or are otherwise at risk due to market fluctuations and potential for forfeiture. For fiscal year 2017, 66%, on average, of our named executive officers target compensation was considered at-risk based on financial performance measures or the possibility of forfeiture.

Our compensation packages are designed in large measure to motivate and encourage executives to drive performance and achieve superior results for the Company and its stockholders. They also reflect other important considerations, such as the value of the position in the marketplace, levels of job responsibility, individual performance and the need to attract and retain top executive talent. The Compensation Committee grants equity-based incentives to align management s and stockholders interests. While the Compensation Committee seeks to utilize compensation and benefit arrangements that reflect the pay-for-performance compensation philosophy, it recognizes that from time to time it may be appropriate for the Company to provide additional inducements, such as sign-on awards and other provisions, in order to recruit, retain, and motivate highly qualified executives.

Competitive Pay Practices

The Committee believes that, in order to attract qualified external candidates and retain valuable executives, the Company must offer executive compensation arrangements that include components that are set at levels that

Table of Contents

candidates would view favorably when considering alternative employment opportunities. In making compensation decisions, the Company takes many factors into account, including competitive considerations; the responsibilities, impact and importance of the individual s position within the Company; individual performance; the individual s expected future contributions to Lands End; the individual s historical compensation; the performance of the Company overall; retention risk; tenure in position; internal pay equity; and the effect on our general and administrative expenses. The Committee also takes into account compensation and market data, which data primarily focuses on apparel retail companies and other related industries.

In connection with the actions taken by the Compensation Committee in fiscal year 2017 for the named executive officers, the Compensation Committee reviewed publicly available compensation data of a peer group of companies that was determined with assistance from Frederic W. Cook & Co., Inc. (F.W. Cook), the Compensation Committee s independent compensation consultant, supplemented by survey data, when relevant public data were not available. The Compensation Committee used available information and monitored actions taken by the peer group companies to evaluate market trends and to assess the long-term incentive plan design aspects and overall competitiveness of our executive compensation programs. While the Compensation Committee did not seek to establish any specific element of compensation or total compensation at or within a prescribed range relative to the peer group of companies, it generally considers compensation arrangements to be competitive if they fall within a range of 15% above or below a market median.

In making its fiscal 2017 compensation decisions, the Compensation Committee considered compensation data from the following 20 peer companies, comprised primarily of apparel retail companies and those in related industries:

American Eagle Outfitters, Inc.	The Buckle, Inc.
Carter s, Inc.	Chico s FAS, Inc.
The Children s Place Retail Stores, Inc.	Columbia Sportswear Company
Deckers Outdoor Corporation	Express, Inc.
The Finish Line, Inc.	Francesca s Holdings Corporation
HSN, Inc.	Kate Spade & Company
lululemon athletica inc.	New York & Company, Inc.
Oxford Industries, Inc.	Perry Ellis International, Inc.
Pier 1 Imports, Inc.	Tilly s, Inc.
Urban Outfitters, Inc.	Zumiez Inc.

In comparing the relative size of the Company to the peer group median, the Company fell between the 25th percentile and median in revenue and operating income, at the 25th percentile in market capitalization, and at the 75th percentile in total assets. At the recommendation of F. W. Cook, the peer group for fiscal year 2017 differed from the peer group used for fiscal year 2016, as Aeropostale, Inc. was removed due to its 2016 bankruptcy filing and Deckers Outdoor Corporation was added during a peer group review that was undertaken in August 2016.

At our 2017 annual meeting of stockholders, over 99% of the votes cast supported our advisory resolution on the compensation of our executive officers named in the proxy statement for the meeting.

Executive Compensation Program: Key Elements

The key elements of Lands End s compensation program for its executives include base salary, annual cash incentive opportunities, long-term performance-based cash and equity incentive opportunities and long-term time-based equity awards.

Table of Contents

Annual Compensation

Base Salary Base salary is the fixed element of each executive s cash compensation, and provides executives with an appropriate level of financial certainty.

Annual Incentive Plan Lands End s annual incentive program seeks to motivate executives by providing opportunities to earn annual cash awards if annual financial objectives established by the Compensation Committee are achieved.

Long-Term Compensation

Long-Term Performance-Based Awards Lands End s long-term incentive programs are designed to motivate executives to focus on long-term company performance through awards based on multi-year performance periods that reinforce accountability by linking executive compensation to achievement of performance goals. These programs seek to align the goals of Lands End executives with Lands End s strategic direction and initiatives, which the Compensation Committee believes will result in increased returns to its stockholders.

Long-Term Time-Based Awards Lands End s long-term incentive programs also include time-based awards of equity that are at risk. The multi-year vesting requirements of time-based awards are designed to promote retention and encourage executive officers to adopt longer-term approaches to Lands End s business. Time-based equity compensation also provides alignment with Lands End s stockholders, as value received will be consistent with return to Lands End s stockholders.

There is no pre-established policy or target for the allocation between annual and long-term incentive compensation. Instead, the Compensation Committee takes a holistic approach to executive compensation and balance the compensation elements for each executive individually.

How Elements Are Used to Achieve Our Compensation Objectives

The Compensation Committee believes that a fair and effective way to motivate executives to produce superior results for stockholders is to increase the proportion of an executive s total compensation that is performance-based or otherwise at risk, including equity compensation, as the executive s ability to achieve those results increases. Additionally, the Compensation Committee believes that the value of incentive compensation should depend upon the performance of the Company in a given performance or vesting period. Under Lands End s incentive compensation structure, the highest amount of compensation can be achieved through consistent superior performance over sustained periods of time. This approach is designed to provide an incentive to manage Lands End for the long term, while minimizing excessive risk taking in the short term.

During fiscal year 2017, the Compensation Committee sought to achieve the objectives of our compensation program for our named executive officers through the grant of annual and long-term incentive awards. The fiscal year 2017 annual incentive awards for the named executive officers offered an opportunity to earn cash compensation based solely upon the achievement by Lands End of an adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) goal for fiscal year 2017. The Compensation Committee also granted long-term equity awards to its named executive officers, as well as the broader group of senior executives, that will vest following the completion of specified employment service periods and, long-term cash award, which vest based upon achievement of multi-year performance goals.

Awards under the Lands End, Inc. Annual Incentive Plan (As Amended and Restated) (AIP) and its long-term incentive programs, including the Lands End, Inc. Long-Term Incentive Program (As Amended and Restated) (LTIP), are established based on a percentage of base salary. As the participating executive s base salary is determined, in part, on his or her past performance, an award that is based on a multiple of that base salary also reflects, in part, his or her past performance.

Following the end of a performance period, the Compensation Committee certifies the level of achievement against the applicable financial performance goals established under its annual and long-term performance-based incentive programs if the applicable threshold level of performance is achieved. In doing so, the Compensation Committee retains the ability to exercise discretion in relation to the annual and long-term performance-based incentive awards granted to Lands End executives; however, any exercise of discretion under the Lands End, Inc. Umbrella Incentive Program (As Amended and Restated), the AIP and the LTIP may not result in an increase in the payments under existing awards intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (Section 162(m)). With respect to its fiscal year 2017 compensation decisions, the Compensation Committee did not exercise its discretion to adjust performance targets or payout amounts under these incentive programs for any of the named executive officers.

Fiscal Year 2017 Base Salaries

Base salaries are established at levels that generally reflect the past performance, experience, expected future contributions and responsibilities of the executive officer. The importance of the executive officer s position, external pay data, market competitiveness and internal pay equity also are considered, as well as the extent of any promotions or other change in the executive s responsibilities. Effective May 27, 2017, the following named executive officers received a base salary increase: Mr. Gooch received a $15,000 increase to $640,000; Mr. Boitano received a $45,000 increase to $475,000; Ms. Ritchie received a $10,000 increase to $394,000; and Ms. Gebhardt received a $10,000 increase to $410,000. The base salaries of Mr. Griffith, Mr. Gray and Ms. Hong were established at the time each commenced employment during fiscal year 2017.

Fiscal Year 2017 Performance Measures and Goals

For the awards granted to named executive officers in fiscal year 2017 under the AIP and the LTIP, performance goals based on an adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) measure were approved by the Compensation Committee. Adjusted EBITDA is a key metric used by the Company s management to measure business performance, in an effort to encourage growth and create increased stockholder value through the efficient use of corporate assets.

In establishing adjusted EBITDA goals for the AIP for fiscal year 2017 (together with the AIP, the 2017 AIP) and the LTIP for the performance period consisting of fiscal years 2017 to 2019 (together with the LTIP, the 2017 LTIP), the Compensation Committee considered such factors as fiscal year 2016 financial results, overall fiscal year 2017 financial goals, the Company s competitive position, and market trends, as well as the general state of the economy and the Company s business.

Fiscal Year 2017 Annual Incentive Opportunity

For the 2017 AIP, the Compensation Committee approved an adjusted EBITDA performance measure (2017 AIP EBITDA) and goals, which accounted for 100% of the annual incentive opportunity for our named executive officers. The 2017 AIP EBITDA measure differs from Adjusted EBITDA, which is reported by the Company, as actual Adjusted EBITDA results are subject to further adjustment as detailed below (see Item 6 of the Company s Annual Report on Form 10-K for a reconciliation of Adjusted EBITDA to Net Income).

To determine 2017 AIP EBITDA performance, the Company first computes Adjusted EBITDA, which it defines as earnings before interest, taxes, depreciation and amortization for the performance period computed as operating income appearing on the Company s statement of operations for the applicable reporting period, adjusted for depreciation, amortization, gains/(losses) on sales of assets and other items the Company determines affect the comparability of financial statements. Then, in determining financial goal achievement relative to the 2017 AIP EBITDA measure, the Compensation Committee is required to adjust either the performance target or actual Adjusted EBITDA results to reflect the following occurrences affecting the Company during the performance period:

- the effects of currency fluctuations in comparison to plan currency rates;

- gains or losses from litigation, claim judgments, or regulatory proceedings, including product recalls or legal and insurance settlements that, in each case, individually exceed $500,000;

the effect of changes in laws, regulations, or accounting principles, methods or estimates;

write down or impairment of assets;

the gain or loss from the sale or discontinuance of a business segment, division, or unit, and the planned, unrealized corporate post-incentive adjusted EBITDA for this business segment, division, or unit;

results from an unplanned acquired business and costs related to the unplanned acquisition;

restructuring and workforce severance costs pursuant to a plan approved by the Board and Chief Executive Officer;

the impact of the unplanned termination or loss of store leases; and

extraordinary items as defined by accounting principles generally accepted in the United States (GAAP).

Opportunities under the AIP for the participating executives are generally established upon hire and reviewed when the Compensation Committee reviews annual compensation or at the time a compensation package for a participating executive is otherwise approved. The target award opportunity under the 2017 AIP was 100% of base salary for Mr. Griffith, 75% of base salary for Messrs. Gooch and Gray and Ms. Hong, 65% of base salary for Mr. Boitano, Ms. Gebhardt and Mr. Hyatt, and 50% of base salary for Ms. Ritchie, which was based upon the participating executive s relative level of responsibility and potential to affect Lands End overall performance. Per the terms of their employment offer letters, Mr. Griffith was guaranteed a 2017 AIP payment of at least $475,000 and Mr. Gray was guaranteed a 2017 AIP payment of at least $187,500. As indicated below, actual payouts exceeded the guaranteed amounts.

Threshold, second-tier target, first-tier target and maximum levels of 2017 AIP EBITDA were established. The 2017 AIP contemplated increasing levels of payout for performance at higher levels, with 10% payout relating to the threshold level, 75% payout relating to the second-tier target level, 100% payout relating to the first-tier target level and 200% payout relating to the maximum level, with a sliding scale for actual performance between levels. If the threshold performance level was not attained, no bonus was to be paid.

The threshold level was set at the level of Adjusted EBITDA which was achieved in fiscal 2016, the second-tier target level was set relative to the Company s internal budget and goals, the first-tier target level was set at a 10% overachievement of the second-tier target level, and the maximum level was set at a 67% overachievement of the second-tier target level. A table summarizing the plan design, metric, and performance levels, and actual result is set forth below:

Metric	Threshold (10% payout)	Second Tier Target (75% payout)	First Tier Target (100% payout)	Maximum (200% payout)

2017 AIP EBITDA	$ 40 million	$ 60 million	$ 66 million	$ 100 million

At the time it set the targets, the Board believed that the metrics at the second-tier target level were attainable, yet challenging, as $60 million of 2017 AIP EBITDA represented a 50% increase over fiscal year 2016 Adjusted EBITDA.

Table of Contents

For 2017, the Company achieved 2017 AIP EBITDA, calculated in accordance with and applying the adjustments required by the definition of 2017 AIP EBITDA, at the second-tier target of $60 million, resulting in a payout of 75% of target for each of the named executive officers. Neither the Compensation Committee nor the Board exercised any discretion with respect to the bonus amounts, which are set forth below.

Name	Target Cash Bonus for 2017	Actual Bonus Earned in 2017	Actual Bonus Earned as % of Target
Jerome S. Griffith	$ 876,923	$ 657,692	75%
James F. Gooch	$ 485,553	$ 364,165	75%
Joseph M. Boitano	$ 146,000	0	0%
Peter L. Gray	$ 281,250	$ 210,938	75%
Gill Hong	$ 64,904	$ 48,678	75%
Kelly Ritchie	$ 199,154	$ 149,365	75%
Rebecca L. Gebhardt	$ 199,800	0	0%
Scott D. Hyatt	$ 61,875	0	0%

Fiscal Year 2017 Long-Term Compensation Opportunities

2017 Long-Term Incentive Structure: 2017 LTIP and 2017 RSU Awards

There were two components of the Company s long-term incentive structure (LTI) established in fiscal year 2017: awards under the 2017 LTIP and awards of restricted stock units (RSU) (2017 RSU Awards) under the Lands End, Inc. 2014 Stock Plan (As Amended and Restated) (the 2014 Stock Plan). The 2017 LTIP is intended as a performance-based incentive program and the 2017 RSU Awards are time-based incentive awards.

For fiscal year 2017, the total LTI target award opportunity as a percentage of base salary was 200% for Mr. Griffith and 100% for each of the other named executive officers, with 50% of each officer s LTI target opportunity awarded under the 2017 LTIP and 50% of each officer s LTI target opportunity awarded in the form of the 2017 RSU Awards, based on grant date fair value. Mr. Hyatt s departure preceded the timing of these awards and he did not receive any LTI in 2017. Ms. Hong joined the Company in November 2017 and did not participate in the LTI in 2017.

2017 LTIP

Awards under the 2017 LTIP represent the right to receive cash or, at the discretion of the Compensation Committee, shares of the Company s common stock in lieu of cash, or a combination of cash and shares, upon the achievement of certain performance goals for each year in a three-year period and for the cumulative period. The performance period for the 2017 LTIP is fiscal years 2017 through 2019. The Compensation Committee determined the performance measure and threshold, target and maximum goals for the performance measure under the 2017 LTIP. Opportunities for participants under the 2017 LTIP are based solely on a specified adjusted EBITDA performance measure (2017 LTIP EBITDA), with specific independent target opportunities for each fiscal year (with each year representing 25% of the target opportunity) as well as the three-year cumulative period (representing 25% of the target opportunity). All performance goals were established at the beginning of the performance period.

The definition of 2017 LTIP EBITDA is the same as the definition of 2017 AIP EBITDA (as defined above).

Under the 2017 LTIP, a threshold level of performance for a goal will generate a payout at 10% of the 2017 LTIP target opportunity subject to that goal and a target level of performance will generate a payout at 100% of the 2017 LTIP target opportunity subject to that goal. The maximum incentive opportunity under the 2017 LTIP is 200% of the participant s target award amount. The payout percentage between each of threshold and target payout and between target and maximum payout is based on straight-line (linear) interpolations. A table

23

Table of Contents

summarizing the plan design, metric, and performance levels, as each was set for 2017, which represented 25% of the 2017 LTIP value is set forth below:

Metric for 2017 (25% of total opportunity)	Threshold (10% payout)	Target (100% payout)	Maximum (200% payout)
2017 LTIP EBITDA	$40 million	$60 million	$90 million

For 2017, the Company achieved 2017 LTIP EBITDA, calculated in accordance with and applying the adjustments required by the definition of 2017 LTIP EBITDA, at the target level of $60 million. Per the terms of the 2017 LTIP, the amount relating to 2017 performance is banked and will be paid to the participant (along with any other amounts earned under the 2017 LTIP for fiscal year 2018, fiscal year 2019 and the cumulative three-year performance period) no later than the date that is the 15th day of the third month following fiscal year 2019, provided that the participant is actively employed by us on the payment date (unless otherwise prohibited by law).

The participation in the 2017 LTIP of Mr. Boitano and Ms. Gebhardt terminated when their employment with the Company ceased.

2017 RSU Awards

The 2017 RSU Awards are intended to focus the named executive officers on the Company s long-term performance and align their interests with those of Lands End stockholders. Each RSU represents a contingent right to receive one share of the Company s common stock upon satisfaction of the vesting conditions. The 2017 RSU Awards will vest, subject to satisfaction of vesting conditions, including continued employment, on the first, second and third anniversaries of the grant date (with respect to 25%, 25% and 50% of the RSUs), which was May 1, 2017 for all participants other than Mr. Gray, who received his grant on May 8, 2017, upon commencing employment.

The 2017 RSU Awards granted to Mr. Boitano and Ms. Gebhardt were forfeited when their employment with the Company ceased.

Prior Performance-Based Awards Providing Fiscal Year 2017 Compensation Opportunities

2016 LTIP

Awards under the 2016 LTIP represent the right to receive cash or, at the discretion of the Compensation Committee, shares of the Company s common stock in lieu of cash, or a combination of cash and shares, upon the achievement of certain performance goals for each year in a three-year period and for the cumulative period. The performance period for the 2016 LTIP is fiscal years 2016 through 2018. The Compensation Committee determined the performance measure and threshold, target and maximum goals for the performance measure under the 2016 LTIP. Opportunities for participants under the 2016 LTIP are based solely on a specified adjusted EBITDA performance measure (2016 LTIP EBITDA), with specific independent target opportunities for each fiscal year (with each year representing 20% of the target opportunity) as well as the three-year cumulative period (representing 40% of the target opportunity).

The definition of 2016 LTIP EBITDA is substantially the same as the definition of 2017 AIP EBITDA (as defined above).

During fiscal year 2016, the Company concluded that no payments to participants under the 2016 LTIP are likely to occur because none of the performance goals established in connection with the 2016 LTIP are likely to be achieved. Accordingly, the Company ceased recording expense and reversed the prior expense recognized in connection with the 2016 LTIP. As the threshold performance level was not met for the fiscal year 2017 performance measures, no amounts were banked under the 2016 LTIP for fiscal year 2017 performance.

Table of Contents

The participation in the 2016 LTIP of Mr. Boitano, Ms. Gebhardt and Mr. Hyatt terminated when their employment with the Company ceased.

2015 LTIP

Awards under the 2015 LTIP represent the right to receive cash or, at the discretion of the Compensation Committee, shares of the Company s common stock in lieu of cash, or a combination of cash and shares, upon the achievement of certain performance goals for each year in a three-year period and/or for the cumulative period. The performance period for the 2015 LTIP is fiscal years 2015 through 2017. The Compensation Committee determined performance measures and threshold, target and maximum goals for each performance measure under the 2015 LTIP. Opportunities for participants under the 2015 LTIP are based on (1) a specified adjusted EBITDA performance measure (2015 LTIP EBITDA) for 80% of LTIP target opportunity, and (2) a non-retail revenue performance measure (Non-Retail Revenue) for 20% of LTIP target opportunity, in each case, with specific independent target opportunities for each fiscal year as well as the three-year cumulative period.

The definition of 2015 LTIP EBITDA is substantially the same as the definition of 2017 AIP EBITDA (as defined above). Non-Retail Revenue is defined as revenue reported on our external financial statements excluding the revenue generated from brick & mortar retail.

During fiscal year 2015, the Company concluded that no payments to participants under the 2015 LTIP are likely to occur because none of the performance goals established in connection with the 2015 LTIP are likely to be achieved. Accordingly, the Company ceased recording expense and reversed the prior expense recognized in connection with the 2015 LTIP. As the threshold performance level was not met for fiscal year 2017 or for the cumulative three-year period, there were no payouts earned under the 2015 LTIP in fiscal year 2017.

The participation in the 2015 LTIP of Mr. Boitano, Ms. Gebhardt and Mr. Hyatt terminated when their employment with the Company ceased.

Other Compensation Elements

New Hire Awards

We provide sign-on, first year minimum, retention and other bonuses where determined necessary or appropriate, such as to attract top executive talent from other companies or reward key executives and in recognition of their expected future contributions to the Company. Executives we recruit often have unrealized value in the form of unvested equity and other forgone compensation opportunities. Sign-on awards are an effective means of attracting high-performing executives by offering them a way to offset compensation these executives may lose when they leave a former company to join Lands End.

In connection with Mr. Griffith s recruitment, we awarded Mr. Griffith certain equity awards and guaranteed a portion of his fiscal year 2017 bonus, as further described under *Employment Arrangements Jerome S. Griffith* below. In connection with Mr. Gray s recruitment, we awarded Mr. Gray certain equity awards, provided a sign-on bonus and guaranteed a portion of his fiscal year 2017 bonus, as further described under *Employment Agreements Peter L. Gray* below. In connection with the recruitment of Ms. Hong, we awarded Ms. Hong an equity award and provided a sign-on bonus. The Compensation Committee, in making these new hire awards, considered the qualifications and experience of the individual, and the market for their services, as well as the factors discussed above.

Co-Interim CEO Compensation in 2017

In connection with their increased duties and responsibilities as Co-Interim Chief Executive Officers from September 23, 2016 to March 6, 2017, each of Mr. Gooch and Mr. Boitano received (1) a monthly cash service

Table of Contents

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. Mr. Boitano s RSUs vested upon termination of his employment in July 2017. Mr. Gooch s RSUs vested as to 50% of the RSUs on December 19, 2017 and will vest as to the remainder of the RSUs on December 19, 2018 (or vest in full if he is earlier terminated without cause by the Company). In addition, on March 27, 2017, in recognition of Mr. Gooch s individual contributions and performance as Co-Interim Chief Executive Officer during fiscal year 2016, the Compensation Committee approved the award to Mr. Gooch of a cash special retention bonus in the amount of $312,500 payable on or about April 16, 2017 (which was initially subject to a repayment obligation in the event his employment ended under certain circumstances, prior to February 2, 2018).

Perquisites and Other Personal Benefits

Lands End provides its named executive officers with certain limited perquisites and other personal benefits that the Compensation Committee deems reasonable and consistent with Lands End s overall compensation program or necessary to achieve certain executive hire and retention objectives. For fiscal year 2017, these perquisites included Mr. Gooch s and Mr. Gray s benefits described below, the opportunity for each named executive officer to receive an annual physical examination at the Company s expense, which is intended to promote proactive management of executive health, and the opportunity to receive the same discounts on Lands End merchandise that are extended to all Lands End employees and directors.

The original terms of Mr. Gooch s employment letter provided for commuting benefits for travel between Mr. Gooch s current primary state of residence and Lands End headquarters through the 12-month anniversary of his start date. To incent Mr. Gooch to continue his service with the Company, during fiscal year 2016, the Compensation Committee approved an amendment to Mr. Gooch s employment letter that (1) clarified that Mr. Gooch s commuting benefits include temporary corporate housing and that all such commuting benefits are provided on a tax grossed-up basis; and (2) provided for the extension through August 31, 2017 of the commuting and housing benefits.

Mr. Gray s employment letter provided that the Company would reimburse him for certain commuting expenses. This arrangement ceased at the end of fiscal year 2017.

Retirement Plan

The Lands End, Inc. Retirement Plan allows participants to contribute towards retirement (including catch-up contributions) on a pre-tax basis, subject to Internal Revenue Service annual contribution limits. The plan allows Roth-after-tax contributions as well as pre-tax contributions of up to 75% of eligible compensation (or the limit determined by the Internal Revenue Service). Lands End also makes matching contributions to the plan in an amount equal to 50% of the participant s first 6% of contributions starting the quarter following one year of service by the participant.

Severance Benefits

We provide severance benefits to our named executive officers pursuant to executive severance agreements each has entered into with Lands End. The executive severance agreements help us attract and retain executives in a talent marketplace where severance provisions are commonly offered, while protecting the Company s interests through non-disclosure, non-solicitation and non-competition restrictions. Under the executive severance agreement, subject to the executive s execution of a release of claims against the Company and its affiliates, severance benefits are provided for involuntary termination by Lands End without Cause (as defined in each executive s agreement) or termination by the executive officer for Good Reason (as defined in each executive s agreement). See *Potential Payments upon Termination of Employment* below for additional details on the terms, conditions and benefits received under a qualifying termination under the executive severance agreements.

Table of Contents

Awards under an annual or a long-term incentive program are payable in the event of a termination of employment as a result of death or disability during a performance period if certain conditions are met. See *Potential Payments upon Termination of Employment* below for additional information.

Under the 2014 Stock Plan and the 2017 Stock Plan (the Stock Plans), following a Change in Control (as defined in the Stock Plans) involving the Company, any non-vested portion of a participant 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 participant s resignation for Good Reason (each as defined in the Stock Plans). This type of treatment of equity following a Change in Control is referred to as a double trigger change-in-control provision and is intended to provide the participant with reasonable assurance regarding previously awarded compensation in the event of a Change in Control and subsequent termination of employment.

Executive Compensation Recovery Provisions

Lands End s annual and long-term incentive programs for fiscal year 2017 contain executive compensation recovery provisions. The relevant provisions provide that Lands End will seek reimbursement from participating executives if Lands End s financial statements or approved financial measures are subject to restatement due to error or misconduct, to the extent permitted by law.

Deductibility of Executive Compensation

In setting an executive s compensation package, the Compensation Committee has taken into account Section 162(m) of the Code, which provided that compensation in excess of $1 million paid to certain executive officers is not deductible unless it is performance-based and paid under a program that meets certain other legal requirements. Although a significant portion of each named executive officer s compensation may be intended, where appropriate, to qualify for deductibility under Section 162(m), in approving compensation that may not be deductible, the Compensation Committee may, among other things, determine that failing to meet its objectives to attract, retain, and motivate senior executives creates more risk for the Company than the financial impact of losing the tax deduction. Accordingly, certain compensation paid by the Company may not be deductible because such compensation exceeds the limitations or does not meet the performance-based or other requirements for deductibility under Section 162(m). The exemption from 162(m) s deduction limit for performance-based compensation has been repealed for tax years beginning after December 31, 2017. Consequently, compensation paid to our covered executive officers in excess of $1 million will not be deductible unless it qualifies for transition relief applicable to certain arrangement in place as of November 2, 2017.

Compensation Committee Role in Executive Compensation Decisions

The Compensation Committee is appointed by the Board to fulfill the Board s responsibilities relating to the compensation of our Chief Executive Officer and our other senior executives. The Compensation Committee has overall responsibility for approving and evaluating all compensation plans and our policies and programs as they affect the Company s senior executives. For additional information regarding the role of our Compensation Committee, see *Corporate Governance Committees of the Board Compensation Committee.* In fulfilling its responsibilities, the Compensation Committee may retain compensation consultants to assist in structuring and evaluating executive compensation. The Compensation Committee has the sole authority to retain and terminate all compensation consultants and has the sole authority to approve the consultant s fees and the terms and conditions of the consultant s retention. The Compensation Committee also has authority to obtain advice and assistance from internal and external legal, accounting, and other advisors.

Table of Contents

Role of Consultants, Advisors, and Management in Executive Compensation Decisions

The Compensation Committee has retained F.W. Cook as its independent compensation consultant. F.W. Cook reports directly to the Compensation Committee and the Compensation Committee has the sole authority to retain or dismiss the consultant.

F.W. Cook is expected to assist the Compensation Committee and work on its behalf on matters related to the Compensation Committee s purposes and responsibilities as set forth in the Compensation Committee charter. F.W. Cook periodically advises the Compensation Committee as to trends in executive compensation and also provides specialized studies or advice as requested with respect to executive compensation issues. In fiscal year 2017, F.W. Cook advised the Compensation Committee and the Board with respect to CEO compensation and benefits, conducted a competitive compensation review of our senior executives, conducted a review of the Company s peer group, provided an update of compensation trends and regulatory developments, analyzed the Company s use of various compensation elements, provided assistance with the review and design of the Company s incentive compensation programs and assisted in the preparation of the Company s public filings with regard to executive compensation. Representatives of F.W. Cook attend Compensation Committee meetings in person or by telephone as requested, and during fiscal year 2017, regularly attended Compensation Committee meetings.

The Compensation Committee assessed the independence of F.W. Cook, including reviewing information received from F.W. Cook that addressed factors relevant to SEC and the Nasdaq Stock Market listing rules regarding conflicts of interest and independence and considers F.W. Cook to be independent under the applicable standards.

The Compensation Committee also received advice and considered the recommendations of Mr. Griffith, Mr. Gooch, Ms. Ritchie and the Company s then general counsel in fiscal year 2017 regarding the forms and the amounts of compensation for the Company s employees, including the named executive officers, and regarding our compensation programs generally. No member of management was present during any Compensation Committee deliberations or voting with respect to his or her specific compensation.

Compensation Committee Report

The Compensation Committee reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management of the Company. Based on the review and discussions noted above, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company s Annual Report on Form 10-K for the fiscal year ended February 2, 2018 and in this Proxy Statement.

Compensation Committee

Robert Galvin, Chair

Elizabeth Leykum

Josephine Linden

Compensation Committee Interlocks and Insider Participation

During fiscal year 2017, none of the members of the Compensation Committee was or is a current or former officer or employee of the Company, and no executive officer of the Company served or serves on the compensation committee (or other board committee performing equivalent functions) or on the board of directors of any company that employed or employs any member of the Compensation Committee. In addition, no executive officer of the Company served or serves on the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of any company one of whose executive officers serves on our Board.

Table of Contents

Summary Compensation Table

The following table sets forth information concerning the total compensation paid to each person who served as a principal executive officer or a principal financial officer of the Company during fiscal year 2017, our three other most highly compensated executive officers for fiscal year 2017 who were executive officers at the end of the fiscal year, and two additional individuals who would have been one of the three other most highly compensated executive officers but for the fact they were not serving as executive officers at the end of the fiscal year (collectively, the named executive officers). Fiscal year 2017 included 53 weeks, and accordingly all figures reflect amounts that are slightly higher than would have been the case in a 52-week year, on which basis annual compensation is determined. Total compensation for the 2016 and 2015 fiscal years is provided only if such person was a named executive officer in either of those years.

Name and Principal Position	Year	Salary	Bonus[(a)]	Stock Awards[(b)]	Option Awards[(b)(c)]	Non-Equity Incentive Plan Compensation[(d)]	All Other Compensation[(e)]	Total
Jerome S. Griffith *Chief Executive Officer and President*	**2017**	$ 876,923		$ 3,079,400	$ 2,497,062	$ 657,692	$ 84,165	$ 7,195,242
James F. Gooch* *Executive Vice President, Chief Operating Officer, Chief Financial Officer and Treasurer*	**2017**	$ 647,404	$ 331,935	$ 412,502		$ 364,165	$ 84,243	$ 1,840,249
	2016	$ 625,000	$ 236,565	$ 462,500			$ 110,593	$ 1,434,658
Joseph M. Boitano* *Former Executive Vice President, Chief Merchandising and Design Officer***	**2017**	$ 224,615	$ 19,435	$ 215,007			$ 290,254	$ 749,311
	2016	$ 430,000	$ 61,565	$ 365,000			$ 7,442	$ 864,007
Peter L. Gray *Executive Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary*	**2017**	$ 375,000	$ 100,000	$ 750,002	$ 499,973	$ 210,938	$ 19,414	$ 1,955,327
Gill Hong *Executive Vice President, Chief Merchandising Officer and Head of International*	**2017**	$ 86,538	$ 100,000	$ 99,986		$ 48,678	$ 14,749	$ 349,951
Kelly Ritchie *Senior Vice President, Employee and Customer Services*	**2017**	$ 398,308		$ 191,993		$ 149,365	$ 10,803	$ 750,469
	2016	$ 384,000	$	$ 192,000			$ 7,950	$ 583,950
	2015	$ 387,089	87,500	$ 91,480			$ 7,570	$ 564,639

Rebecca L. Gebhardt	**2017**	$ 307,385		$ 200,010	$ 137,954	$ 645,349
*Former Executive Vice President, Chief Marketing Officer***	**2016**	$ 381,731		$ 175,000	$ 5,712	$ 562,443
Scott D. Hyatt	**2017**	$ 95,192			$ 487,726	$ 582,918
*Former Executive Vice President, Chief Supply Chain Officer***	**2016**	$ 550,000	$	$ 275,000	$ 9,219	$ 834,219
	2015	$ 327,885	125,000	$ 137,500		$ 590,385

* Each of Mr. Gooch and Mr. Boitano also served as our Co-Interim Chief Executive Officer from September 23, 2016 to March 6, 2017.

Table of Contents

** Mr. Hyatt ceased serving as our Executive Vice President, Chief Supply Chain Officer on March 31, 2017, Mr. Boitano ceased serving as our Executive Vice President, Chief Merchandising and Design Officer on July 31, 2017 and Ms. Gebhardt ceased serving as our Executive Vice President, Chief Marketing Officer on November 1, 2017.

(a) With respect to fiscal year 2017 amounts: (i) for Mr. Gooch, represents (1) a retention award paid on April 16, 2017 in the amount of $312,500 and (2) Co-Interim Chief Executive Officer cash service bonus payments of $19,435; (ii) for Mr. Boitano, represents his Co-Interim Chief Executive Officer cash service bonus payments; and (iii) for Mr. Gray and Ms. Hong, represents sign-on bonus in connection with commencing employment.

(b) The amounts shown in the Stock Awards and Option Awards columns represent the aggregate grant date fair value of the equity awards, computed in accordance with ASC 718, and not the actual amounts that might be paid to or realized by the named executed officers. ASC 718 fair value amount as of the grant date for restricted stock units and stock options generally is spread over the number of months of service required for the grant to vest. The vesting of options awards and for restricted stock units is discussed in the footnotes to the Grants of Plan-Based Awards for Fiscal 2017 and Outstanding Equity Awards at 2017 Fiscal Year End tables below.

(c) The fair value of each stock option award is estimated as of the date of grant using a Black-Scholes valuation model. Additional information regarding the assumptions used to estimate the fair value of all stock option awards is included in Note 5 to Consolidated Financial Statements contained in our Annual Report on Form 10-K for fiscal 2017.

(d) Fiscal 2017 amounts represent incentive payment earned pursuant to the Company s Annual Incentive Plan.

(e) With respect to fiscal year 2017 amounts: (i) for Mr. Griffith, comprised of $37,806 in legal fees reimbursed by the Company, $29,451 related to relocation, $14,228 in tax gross-up related to relocation benefits, $2,680 for executive physical examination benefit; (ii) for Mr. Gooch, includes $16,460 for reimbursement of commuting expenses, $15,300 for housing, $7,000 for expenses related to movement of household items to his Wisconsin residence and $37,403 in tax gross-up payments related to the foregoing amounts; (iii) for Mr. Boitano, includes $244,808 in salary continuation payments made pursuant to the terms of his severance agreement, $36,538 in payment of his unused vacation, and $1,800 in health benefits continuation; (iv) for Mr. Gray, comprised of $19,414 for reimbursement of commuting expenses; (v) for Ms. Hong, comprised of $14,749 related to relocation; (vi) for Ms. Ritchie, includes $2,680 for executive physical examination benefit; (vii) for Ms. Gebhardt, includes $105,654 in salary continuation payments made pursuant to the terms of her severance agreement, $24,442 in payment of her unused vacation and $3,108 in health benefits continuation; and (viii) for Mr. Hyatt, includes $465,385 in salary continuation payments made pursuant to the terms of his severance agreement, $10,577 in payment of his unused vacation and $8,274 in health benefits continuation. In addition, for the following named executive officer, the amount includes the Company s matching contributions under the Lands End, Inc. Retirement Plan, as follows: Mr. Gooch, $8,080; Mr. Boitano, $7,108; Ms. Ritchie, $8,123; Ms. Gebhardt, $4,750; and Mr. Hyatt, $3,490.

Table of Contents

Grants of Plan-Based Awards

The following table sets forth the awards granted to our named executive officers in fiscal year 2017 under the Company s incentive plans.

Name	Plan or Award	Grant Date for Equity-Based Awards	Approval Date for Equity-Based Awards	Estimated Future Payouts Under Non-Equity Incentive Plan Awards*			All Other Stock Awards: Number of Shares of Stock or Units (#) **(e)	All Other Option Awards: Number of Securities Underlying Options (#)(e)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards(f)
				Threshold	Target	Maximum				
Jerome S. Griffith	(a)			$ 87,692	$ 876,923	$ 1,753,846				
	(b)			$ 95,000	$ 950,000	$ 1,900,000				
	(c)	3/6/17	12/16/16				117,647			$ 2,129,411
	(c)	3/6/17	12/16/16					294,118	$ 18.10	$ 2,497,062
	(d)	5/1/17	4/10/17				39,337			$ 949,989
James F. Gooch	(a)			$ 48,555	$ 485,553	$ 971,106				
	(b)			$ 31,250	$ 312,500	$ 625,000				
	(d)	2/1/17	2/1/17				6,579			$ 100,001
	(d)	5/1/17	4/10/17				12,940			$ 312,501
Joseph M. Boitano	(a)			$ 14,600	$ 146,000	$ 292,000				
	(b)			$ 21,500	$ 215,000	$ 430,000				
	(d)	5/1/17	4/10/17				8,903			$ 215,007
Peter L. Gray	(a)			$ 28,125	$ 281,250	$ 562,500				
	(b)			$ 25,000	$ 250,000	$ 500,000				
	(d)	5/8/17	4/21/17				22,727			$ 499,994
	(d)	5/8/17	4/21/17					49,017	$ 22.00	$ 499,973
	(d)	5/8/17	4/21/17				11,364			$ 250,008
Gill Hong	(a)			$ 6,490	$ 64,904	$ 129,808				
	(d)	12/7/17	11/1/17				6,578			$ 99,986
Kelly Ritchie	(a)			$ 19,915	$ 199,154	$ 398,308				
	(b)			$ 19,200	$ 192,000	$ 384,000				
	(d)	5/1/17	4/10/17				7,950			$ 191,993
Rebecca L.	(a)			$ 19,980	$ 199,800	$ 399,600				

Gebhardt								
	(b)			$ 20,000	$ 200,000	$ 400,000		
	(d)	5/1/17	4/10/17				8,282	$ 200,010
Scott D. Hyatt	(a)			$ 6,188	$ 61,875	$ 123,750		

* Reflects estimated potential payout amounts as of the time of grant. The non-equity plan-based awards issued to Mr. Boitano, Ms. Gebhardt and Mr. Hyatt in fiscal year 2016 and reflected in this table were forfeited when their employment with the Company ceased.

** The RSU awards granted to Mr. Boitano and Ms. Gebhardt in fiscal year 2016 and reflected in this table were forfeited when their employment with the Company ceased.

(a) Award under the Company s Annual Incentive Plan. Actual cash amounts earned under the plan are disclosed in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

(b) Award under the Company s Long-Term Incentive Program for fiscal 2017, pursuant to which cash payouts will be made subject to the satisfaction of performance criteria to be satisfied in each of the three fiscal years in the period from fiscal 2017 through fiscal 2019 (25% for each year), and for the cumulative period (25%), and continued employment through the performance period and on the payment date. The threshold achievement represents 10% of target and maximum achievement represents 200% of target. Performance for fiscal 2017 was satisfied at the target level.

(c) Inducement grant outside of our stockholder approved stock plans in accordance with Nasdaq Listing Rule 5635(c)(4), in connection with commencement of employment.

(d) Award under the Company s 2014 Stock Incentive Plan.

(e) Stock option awards vest in four equal annual installments on each of the first four anniversaries of the date of grant, provided that the recipient remains employed by the Company on each such date. The vesting and exercisability of the options is accelerated under certain circumstances. See Potential Payments upon Termination of Employment. Restricted stock unit awards vest on the first, second and third anniversaries of the date of grant, as to 25%, 25% and 50% respectively, other than the

Table of Contents

following grants: Mr. Griffith s March 6, 2017 RSUs vest 25% on each of the first four anniversaries of the date of grant; Mr. Gooch s February 1, 2017 RSUs vest on May 1, 2018; and Mr. Gray s (i) May 8, 2017 RSUs for 11,364 shares vest as to 25%, 25% and 50% on each of May 1, 2018, May 1, 2019 and May 1, 2020, respectively, and (ii) May 8, 2017 RSUs for 22,727 shares vest 25% on each of the first four anniversaries of the date of grant.

(f) The Grant Date Value of Stock and Option Awards represent the aggregate grant date fair value of the equity awards, computed in accordance with ASC 718, and not the actual amounts that might be paid to or realized by the named executed officers. ASC 718 fair value amount as of the grant date for restricted stock units and stock options generally is spread over the number of months of service required for the grant to vest. The grant date fair value of restricted stock units is the closing price of the Company s common stock on the date of grant and for stock options was computed in accordance with Black-Scholes and was determined to be $8.49 on March 6, 2017, in the case of Mr. Griffith and $10.20 on May 8, 2017, in the case of Mr. Gray.

Outstanding Equity Awards at 2017 Fiscal Year End

The following table sets forth information regarding the outstanding equity awards held by the named executive officers as of February 2, 2018, the last trading day of Lands End common stock in fiscal year 2017.

	Option Awards	**Stock Awards**						
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable (a)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)(b)**	**Market Value of Shares or Units of Stock That Have Not Vested($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(c)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(c)**
Jerome S. Griffith		294,118	$ 18.10	3/6/27	117,647	$ 1,917,646		
					39,337	$ 641,193		
James F. Gooch					11,965	$ 195,030	1,475	$ 24,050
					9,559	$ 155,808		
					4,225	$ 68,868		
					6,579	$ 107,238		
					12,940	$ 210,922		
Joseph M. Boitano *								
Peter L. Gray		49,017	$ 22.00	5/8/27	22,727	$ 370,450		
					11,364	$ 185,233		
Gill Hong					6,578	$ 107,221		
Kelly Ritchie					3,067	$ 49,992		
					5,872	$ 95,714		
					7,950	$ 129,585		

Rebecca L. Gebhardt *
Scott D. Hyatt *

* All unvested RSU awards held by Messrs. Boitano and Hyatt, and Ms. Gebhardt were forfeited when their employment with the Company ceased, other than Mr. Boitano s award made on December 19, 2016, which accelerated in accordance with its terms.

(a) Represent time-based stock options, which vest as to 25% of the amount granted on each of the first four anniversaries of the date of grant, which was March 6, 2017 and May 8, 2017, respectively for Mr. Griffith and Mr. Gray.

(b) Represents time-based RSUs, which vest as follows: Mr. Griffith s RSUs for 117,647 vest as to approximately 29,412 shares on each of March 6, 2018, March 6, 2019, March 6, 2020 and as to 29,411 shares on March 6, 2021; Mr. Griffith s RSUs for 39,337 shares vest as to approximately 9,834 shares on each of May 1, 2018 and May 1, 2019, and as to 19,669 shares on May 1, 2020; Mr. Gooch s RSUs for 11,965 vest as to approximately 3,988 shares on January 27, 2019 and approximately 7,977 shares on January 27, 2020; Mr. Gooch s RSUs for 9,559 shares vests as to approximately 3,186 shares on May 2, 2018 and 6,373 shares on May 2, 2019; Mr. Gooch s RSUs for 4,225 shares vest in full on December 19, 2018; Mr. Gooch s RSUs for 6,579 shares vest in full on May 1, 2018; Mr. Gooch s RSUs for 12,940 shares vest as to 3,235 shares on each of May 1, 2018 and May 1, 2019, and as to 6,470 shares on May 1, 2020; Mr. Gray s RSUs for 22,727 shares vest as to approximately 5,681 shares on each of May 8, 2018, May 8, 2019, May 8, 2020 and as to 5,684 shares on May 8, 2021; Mr. Gray s RSUs for 11,364 shares vests as to 2,841 shares on each of May 1, 2018 and May 1, 2019 and as to 5,682 shares on May 1, 2020; Ms. Hong s RSUs for 6,578 shares vest as to approximately 1,644 shares on each of December 7, 2018 and December 7, 2019 and as to 3,290 shares on December 7, 2020; Ms. Ritchie s RSUs for 3,067 shares vest in full on May 1, 2018; Ms. Ritchie s RSUs for 5,872 shares vest as to approximately 1,958 shares on May 2, 2018 and 3,914 shares on May 2, 2019; and Ms. Ritchie s RSUs for 7,950 shares vest as to approximately 1,988 shares on each of May 1, 2018 and May 1, 2019 and as to 3,974 shares on May 1, 2020.

(c) Represents performance-based RSUs awarded at commencement of employment which were to vest based on fiscal year 2017 financial performance goals and cumulative fiscal year 2016 and fiscal year 2017 performance goals. The performance criteria were not met and the RSUs terminated unvested following the conclusion of fiscal year 2017.

Option Exercises and Stock Vested

None of our named executive officers exercised any Lands End stock options during fiscal year 2017. The following table provides information for each of our named executive officers regarding vesting of RSU awards during fiscal year 2017.

	Stock Awards	
Name	**Number of Shares Acquired on Vesting (#)(a)**	**Value Realized on Vesting ($)(b)**
Jerome S. Griffith		
James F. Gooch	11,400	$ 232,856
Joseph M. Boitano	10,643	$ 166,806
Peter L. Gray		
Gill Hong		
Kelly Ritchie	8,669	$ 168,559
Rebecca L. Gebhardt	7,863	$ 152,935
Scott D. Hyatt		

(a) The numbers shown include RSUs withheld by the Company to satisfy tax obligations associated with vesting.
(b) Represents the fair market value of the shares of stock on the vesting date.

Employment Arrangements

Certain components of the compensation paid to our named executive officers reflected in the Summary Compensation Table and the Grants of Plan-Based Awards table are based on our named executive officers employment letters or arrangements that provide for their employment with Lands End. Set forth below are summary descriptions of the key terms of compensation for each named executive officer that impacted their compensation in fiscal year 2017. For a discussion of the severance payments and other benefits payable in connection with a qualifying termination of employment under each named executive officer s executive severance agreement (other than Mr. Boitano, Ms. Gebhardt and Mr. Hyatt), see *Potential Payments upon Termination of Employment* below.

Jerome S. Griffith

Mr. Griffith s employment letter provides Mr. Griffith with, among other things, the following: (1) a minimum annual base salary of $950,000; (2) a target bonus opportunity under the AIP equal to 100% of his annual base salary (which AIP bonus amount for fiscal year 2017, was to equal the greater of (a) the AIP bonus actually earned for such year and (b) $475,000); (3) a target LTIP opportunity equal to at least 200% of his annual base salary; (4) an inducement sign-on grant of 117,647 RSUs (the sign-on RSUs) and an inducement sign-on grant of options to purchase 294,118 shares of our common stock (the sign-on stock options) with an exercise price equal to $18.10, the fair market value of a share of Company common stock on the grant date, March 6, 2017; in each case which will vest 25% per year on each of the first four anniversaries of Mr. Griffith 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. Griffith 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) temporary corporate housing in the Madison, Wisconsin area prior to relocation; and (6) relocation benefits pursuant to the Company s standard relocation policy, as he obtained permanent housing in Madison, Wisconsin.

James F. Gooch

Mr. Gooch s employment letter, as amended, provides Mr. Gooch with the following compensation: (1) a minimum annual base salary of $625,000; (2) a target bonus opportunity under the AIP equal to 75% of his annual base salary; (3) a target LTIP award opportunity equal to at least 100% of his annual base salary; (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% will vest on December 19, 2018, subject to continued employment (or vest earlier if Mr. Gooch s employment is terminated without Cause by the Company).

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, was to equal the greater of (a) the AIP bonus actually earned for such year and (b) $187,500); (3) a target LTIP 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.

Table of Contents

Gill Hong

Ms. Hong s employment letter provides Ms. Hong with the following: (1) an annual base salary of $450,000; (2) a target bonus opportunity under the AIP equal to 75% of her annual base salary, and with respect to fiscal year 2018, a bonus equal the greater of (a) the AIP bonus actually earned for such year and (b) $168,750; (3) a target LTIP opportunity equal to 100% of her annual base salary beginning in fiscal year 2018; (4) a sign-on grant of RSUs with a grant date value equal to $100,000 (the sign-on RSUs), which will vest as to 25% per year on each of the first two anniversaries and as to 50% on the third anniversary of the date of grant, subject to her continued employment; (5) a sign-on cash bonus of $100,000; and (6) relocation benefits pursuant to the Company s relocation policy.

Kelly Ritchie

Ms. Ritchie serves as Senior Vice President, Employee and Customer Services of the Company with an annual base salary of $384,000. She is eligible for an AIP target award of 50% of her base salary and a long-term incentive award target opportunity of 100% of her base salary.

Joseph M. Boitano

Mr. Boitano s employment letter provided for an annual base salary of $430,000, an AIP target award of 65% of his base salary and a long-term incentive award with a target opportunity of 100% of his base salary. In connection with his service as Co-Interim Chief Executive Officer from September 23, 2016 to March 6, 2017, Mr. Boitano 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, which provided for vesting in two equal installments on December 19, 2017 and December 10, 2018 and vested in full, in accordance with the terms of the award, upon the termination of his employment in August 2017.

Mr. Boitano s employment terminated on July 31, 2017. In connection with his departure, in addition to the vesting noted in the prior paragraph, Mr. Boitano is entitled to receive the payments and benefits under and subject to his executive severance agreement with the Company upon a termination of employment by the Company without Cause (as defined in the agreement), specifically, (1) salary continuation for 12 months at an annual rate of $430,000, (2) continued health insurance coverage for up to 12 months, (3) 12 months of outplacement services, and (4) a lump sum payment equal to unused vacation pay.

Rebecca L. Gebhardt

Ms. Gebhardt s employment letter provided for a base salary and AIP target award associated with a prior position. As Executive Vice President, Chief Marketing Officer of the Company her annual base salary was $400,000 and she was eligible for an AIP target award of 65% of her base salary and a long-term incentive award target opportunity of 100% of her base salary. Ms. Gebhardt s employment terminated on November 1, 2017. In connection with her departure, Ms. Gebhardt is entitled to receive the payments and benefits under and subject to her executive severance agreement with the Company upon a termination of employment by the Company without Cause (as defined in the agreement), specifically, (1) salary continuation for 12 months at an annual rate of $400,000, (2) continued health insurance coverage for up to 12 months, (3) 12 months of outplacement services, and (4) a lump sum payment equal to unused vacation pay.

Scott D. Hyatt

Mr. Hyatt served as Executive Vice President and Chief Supply Chain Officer of the Company with an annual base salary of $550,000. Effective March 31, 2017, Mr. Hyatt resigned as an officer and as an employee of the Company. In connection with his departure, Mr. Hyatt was entitled to receive the payments and benefits under and subject to his executive severance agreement with the Company upon a termination of employment by the Company without Cause (as defined in the agreement), specifically, (1) salary continuation for 12 months at an annual rate of $550,000, (2) continued health insurance coverage for up to 12 months, (3) 12 months of outplacement services, and (4) a lump sum payment equal to unused vacation pay.

Table of Contents

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 amounts shown under *Summary Table of Potential Payments upon Termination of Employment* below assume that each named executive officer was terminated effective as of February 2, 2018, the last business day of fiscal year 2017. Therefore, the tables include amounts earned through such time and are estimates of the amounts which would have been paid to each named executive officer upon his or her involuntary termination by Lands End without Cause (as defined in the agreement) or termination by the executive officer for Good Reason (as defined in the agreement). 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 other than Messrs. Boitano and Hyatt, and Ms. Gebhardt would be entitled to upon termination of employment. See *Employment Arrangements Joseph M. Boitano* , *Rebecca Gebhardt* and *Scott D. Hyatt* above for details concerning the compensation and benefits that each of Mr. Boitano, Ms. Gebhardt and Mr. Hyatt is entitled to receive in connection with their departure from the Company.

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. Ms. Hong s executive severance agreement provides that if she is terminated without cause or resigns for good reason within two years of commencing employment, she will be entitled to 24 months of salary continuation; thereafter she would be entitled to 12 months of salary continuation. 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, 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.

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, except as prohibited by law. In the event of death or disability, the named executive officer will be entitled to a pro-rated 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.

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 LTIP, except as prohibited by law. In the event of death or disability, he or she will be entitled to a pro-rated payment through the termination date if performance under the LTIP, as of the termination date, equals or exceeds the applicable performance targets and the named executive officer was a participant in the 2015 LTIP, 2016 LTIP or the 2017 LTIP (as the case may be) for at least 12 months of the performance period.

2014 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. 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-rated 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-rated basis through the date of termination. While no awards had been made under the 2017 Stock Plan as of February 2, 2018, the 2017 Stock Plan has substantially similar provisions.

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. The RSUs awarded to Mr. Gooch in December 2016 will vest in full if his employment is terminated without Cause by the Company.

2014 Stock Plan Change in Control Provision. The 2014 Stock Plan, which governs the RSU awards discussed above, provides 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. While no awards had been made under the 2017 Stock Plan as of February 2, 2018, the 2017 Stock Plan has substantially similar provisions.

Table of Contents

Potential Payments upon Termination of Employment

The tables below summarize the potential payouts to the named executive officers (other than Mr. Boitano, Ms. Gebhardt and Mr. Hyatt) for the termination events described above. The amounts shown in the following tables assume that the termination of employment occurred on February 2, 2018.

	Severance Pay[(a)]	Bonus Payment[(b)]	Continuation Medical/ Welfare Benefits[(c)]	Unused Vacation	Outplacement	Accelerated Vesting[(d)]	Total
Jerome S. Griffith							
Termination for Good Reason	$ 3,800,000	$ 950,000	$ 19,792		$ 8,000	$ 1,917,646	$ 6,695,438
Termination without Cause	$ 3,800,000	$ 950,000	$ 19,792		$ 8,000	$ 1,917,646	$ 6,695,438
Termination with Cause							
Voluntary Termination							
Termination due to Disability						$ 1,917,646	$ 1,917,646
Termination due to Retirement							
Termination due to Death						$ 1,917,646	$ 1,917,646
Termination after Change in Control	$ 4,750,000	$ 950,000	$ 24,740		$ 8,000	$ 2,558,839	$ 8,291,579

	Severance Pay[(a)]	Bonus Payment[(b)]	Continuation Medical/ Welfare Benefits[(c)]	Unused Vacation	Outplacement	Accelerated Vesting[(d)]	Total
James F. Gooch							
Termination for Good Reason	$ 640,000		$ 14,543	$ 33,231	$ 8,000	$ 504,387	$ 1,200,161
Termination without Cause	$ 640,000		$ 14,543	$ 33,231	$ 8,000	$ 504,387	$ 1,200,161
Termination with Cause							
Voluntary Termination							
Termination due to Disability						$ 651,854	$ 651,854
Termination due to Retirement							
Termination due to Death						$ 651,854	$ 651,854
Termination after Change in Control	$ 640,000		$ 14,543	$ 33,231	$ 8,000	$ 737,877	$ 1,433,651

	Outplacement	Total

	Severance Pay[(a)]	Bonus Payment[(b)]	Continuation Medical/ Welfare Benefits[(c)]	Unused Vacation		Accelerated Vesting[(d)]	
Peter L. Gray							
Termination for Good Reason	$875,000	$ 375,000	$ 14,543	$ 28,846	$ 8,000	$ 370,450	$ 1,671,839
Termination without Cause	$875,000	$ 375,000	$ 14,543	$ 28,846	$ 8,000	$ 370,450	$ 1,671,839
Termination with Cause							
Voluntary Termination							
Termination due to Disability						$ 370,450	$ 370,450
Termination due to Retirement							
Termination due to Death						$ 370,450	$ 370,450
Termination after Change in Control	$ 1,750,000	$ 375,000	$ 29,087	$ 28,846	$ 8,000	$ 555,683	$ 2,746,616

Table of Contents

	Severance Pay[a]	Bonus Payment[b]	Continuation Medical/ Welfare Benefits[c]	Unused Vacation	Outplacement	Accelerated Vesting[d]	Total
Gill Hong							
Termination for Good Reason	$ 900,000		$ 9,896	$ 34,615	$ 8,000		$ 952,511
Termination without Cause	$ 900,000		$ 9,896	$ 34,615	$ 8,000		$ 952,911
Termination with Cause							
Voluntary Termination							
Termination due to Disability							
Termination due to Retirement							
Termination due to Death							
Termination after Change in Control	$ 900,000		$ 9,896	$ 34,615	$ 8,000	$ 107,221	$ 1,059,733

	Severance Pay[a]	Bonus Payment[b]	Continuation Medical/ Welfare Benefits[c]	Unused Vacation	Outplacement	Accelerated Vesting[d]	Total
Kelly Ritchie							
Termination for Good Reason	$ 394,000		$ 9,896	$ 37,885	$ 8,000		$ 449,781
Termination without Cause	$ 394,000		$ 9,896	$ 37,885	$ 8,000		$ 449,781
Termination with Cause							
Voluntary Termination							
Termination due to Disability						$ 102,008	$ 102,008
Termination due to Retirement							
Termination due to Death						$ 102,008	$ 102,008
Termination after Change in Control	$ 394,000		$ 9,896	$ 37,885	$ 8,000	$ 275,291	$ 725,072

(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) These amounts represent the continuation of the health and welfare benefits in which each named executive officer was enrolled on February 2, 2018, assuming that the officer continues to participate in these plans for 12 months thereafter.
(d) The amounts shown are based on the value of a share of the Company s common stock of $16.30, the closing price per share on February 2, 2018. With respect to the amounts shown as a result of a Termination after Change

in Control, assumes the named executive officer s employment is terminated on February 2, 2018 within 18 months following a Change in Control (as defined in the 2014 Stock Plan) 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.

Table of Contents

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 2017:

- the median of the annual total compensation of our employees (other than our CEO) was $23,073; and

- the annual total annualized compensation of the CEO for purposes of determining the CEO pay ratio was $7,355,097.

Based on this information, for fiscal year 2017, 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 319 to 1. Mr. Griffith commenced employment with the Company in March 2017. As a result, included in Mr. Griffith s 2017 total compensation are what the Company expects to be one-time components of compensation in connection with his commencement of employment, including new hire inducement RSU and non-qualified option grants, relocation expenses and reimbursement of attorney fees, which one-time new hire compensation elements in the aggregate totaled $4,707,958. Excluding these one-time new hire compensation elements for fiscal year 2017, Mr. Griffith s annual total compensation would be $2,647,139 and the ratio of the annual total compensation of Mr. Griffith to the median total compensation of all employees would be 115 to 1.

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:

We determined that, as of January 20, 2018, our employee population for purposes of determining our median employee consisted of approximately 4,927 individuals globally (4,308 employees in the United States, 272 employees in Germany and 347 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 226 employees, comprised of 216 employees in Japan and 10 employees in France) from the identification of the median employee, as permitted by the *de minimis* exemption under SEC rules.

Mr. Griffith began as CEO on March 6, 2017 and served all but 37 days as the CEO during fiscal year 2017. His annualized wages, rather than combining the compensation provided to each person who served as CEO or interim CEO during fiscal year 2017, were used to determine CEO total compensation, as permitted by SEC rules.

Mr. Griffith s annualized compensation in this pay ratio disclosure differs from that in the Summary Compensation Table in that the compensation reflected in the Pay Ratio annualized his base pay compensation and non-equity incentive compensation. All other aspects of his compensation, such as relocation and other executive perquisites, are consistently reflected.

We selected January 20, 2018, as the date upon which we would identify the median employee . We picked January 20, 2018 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 actual base salary or base wages and any overtime paid, using wages as reported on Form W-2 for 2017 (or the equivalent for non-U.S. employees), along with any bonus paid, during 2017. There were 20 employees who commenced employment between December 31, 2017 and the determination date of January 20, 2018. These employees were included in identifying the median employee but their compensation pursuant to the foregoing methodology was $0.

We used the currency exchange rate in effect in January 2018 for the United Kingdom and Germany to convert foreign wages to U.S. dollars. The median employee was a part-time, non-benefitted employee.

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 2017.

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. ADVISORY VOTE ON THE FREQUENCY OF HOLDING FUTURE VOTES REGARDING THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

We are providing our stockholders with the opportunity to vote, on a non-binding advisory basis, for their preference as to how frequently we should seek future advisory votes on the compensation of our named executive officers as disclosed in accordance with the compensation disclosure rules of the SEC, which we refer to as an advisory vote on executive compensation . By voting with respect to this Item 3, stockholders may indicate whether they would prefer that we conduct future advisory votes on executive compensation once every one, two, or three years. Stockholders also may, if they wish, abstain from casting a vote on this proposal.

Our Board has determined that an annual advisory vote on executive compensation will allow our stockholders to provide timely, direct input on the Company s executive compensation philosophy, policies, and practices as disclosed in the proxy statement each year. The Board believes that an annual vote is therefore consistent with the Company s efforts to engage in a dialogue with our stockholders on executive compensation and corporate governance matters. We currently hold a stockholder advisory vote on executive compensation yearly.

The Company recognizes that the stockholders may have different views as to the best approach for the Company, and therefore we look forward to hearing from our stockholders as to their preferences on the frequency of an advisory vote on executive compensation.

This vote is advisory and not binding on the Company or our Board in any way.

The proxy card provides stockholders with the opportunity to choose among four options (holding the vote every one, two or three years, or abstaining) and, therefore, stockholders will not be voting to approve or disapprove the recommendation of the Board.

THE BOARD RECOMMENDS THAT YOU VOTE TO HOLD AN ADVISORY VOTE ON EXECUTIVE COMPENSATION EVERY YEAR.

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 February 1, 2019. 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 2018.

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 2017	Fiscal Year 2016
Audit Fees[1]	$ 1,279,312	$ 1,350,819
Audit-Related Fees		
Tax Fees[2]	124,800	33,900
All Other Fees		
Total	$ 1,404,112	$ 1,384,719

(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.

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 and in the event the engagement for services was within the annual fee estimate but not specifically approved. 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, audit-related and tax 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.

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 & Touche LLP, 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 the audited financial statements of Lands End, Inc. for the fiscal year ended February 2, 2018 with management and Deloitte. 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 2, 2018.

Audit Committee

John T. McClain, Chair

Robert Galvin
Josephine Linden
Jignesh Patel

44

Table of Contents

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.

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

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.

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 January 27, 2017. 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. The summary of the agreements is qualified in its entirety by reference to the full text of the applicable agreements filed as exhibits to our SEC reports.

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 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 Sears, Roebuck and Co. (Sears Roebuck), a subsidiary of Sears Holdings, are party to a master lease agreement and a master sublease agreement 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 agreement, 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. The length of the term of each lease was determined separately for each Lands End Shop at Sears we operate. Most of the leases had an initial term of four to six years from the date of the Separation, although a portion of the leases have shorter terms. Of the 49 leases that otherwise would have expired in fiscal year 2017, 35 have been renewed for one year. As of February 2, 2018, we leased 174 Lands End Shops at Sears, and our lease for 94 locations will expire on January 31, 2019 and our lease for 80 locations will expire on January 31, 2020. Sears Roebuck or one of its affiliates have certain rights to relocate our leased premises within the building in which such premises are located, subject to certain limitations, including our right to terminate the applicable lease by written notice within 30 days of receiving notice of relocation if we are not satisfied with the new premises. In the event of such relocation, Sears Roebuck or one of its affiliates will pay our reasonable moving expenses. Sears Roebuck may terminate without liability the lease with respect to a particular Lands End Shop if the overall Sears store in which such Lands End Shop is located is closed or sold, subject to Sears Roebuck providing at least 90 days prior written notice. We are not permitted to assign or sublease the leased premises. On February 1, 2018, Sears Operations, LLC and the Company entered into a Master Sublease Agreement (the 2018 Master Sublease) which governs certain leases that expired under the initial sublease. The terms of the 2018 Master Sublease are substantially identical as the master sublease entered into at the time of the Separation. The Company operated 174 Lands End Shops at Sears on February 2, 2018, compared to 216 Lands End Shops at Sears on January 27, 2017. The estimated total rent (assuming no early terminations or renewals) for the Lands End Shops at Sears locations is expected to be approximately $16.8 million in fiscal year 2018 and $8.4 million in fiscal year 2019.

Lands End Shops at Sears Retail Operations Agreement

Lands End and 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. Lands End s existing field management oversees Lands End Shops at Sears and Lands End Inlet store operations. 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.

Shop Your Way Retail Establishment Agreement

Lands End and SHMC are party to a Shop Your Way retail establishment agreement that governs our participation in the Shop Your Way program. Under this agreement, SHMC issues rewards points to Shop Your Way members when they purchase program-eligible merchandise and services from us and we accept rewards points redemptions from members as full or partial payment for eligible merchandise and services purchased from us. We pay 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 pay 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 will 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 are permitted to engage in promotional, marketing, loyalty or other similar activities outside the Shop Your Way program so long as such activities do not conflict with, and are not promoted in the aggregate more prominently or comprehensively than, the Shop Your Way program. Each party is obligated to indemnify the other against third-party claims, including relating to negligence, recklessness or willful misconduct, breach of agreement, fraud, acts or omissions requested by the other party, or intellectual property violating or infringing the rights of a third party.

The agreement, as amended to date, expired on April 4, 2018, and the parties are currently discussing a further extension. Either party may terminate the agreement for a material breach that is not cured within 30 days of receipt of notice by the breaching party and SHMC may terminate the agreement for cause if Lands End fails to accept certain complying changes to the program or if a prohibited stockholding change of Lands End occurs.

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 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 Agreements

Lands End and Sears Holdings Global Sourcing, Ltd. (SHGS), a wholly owned subsidiary of Sears Holdings, were parties to a buying agency agreement (the SHGS Agreement) pursuant to which SHGS provided 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. SHGS received a fee equal to a certain percentage of the price of goods sourced with the assistance of SHGS. We were required to pay annual minimum commissions to SHGS during the term of the agreement. The initial term of the buying agency agreement ended on January 31, 2016 and the extended term of the agreement expired as of March 31, 2016.

Table of Contents

Effective July 11, 2016, the Company entered into a successor buying agency agreement with International Sourcing & Logistics, a subsidiary of Sears Holdings, under terms that are consistent with the description of the SHGS Agreement herein, which has been amended to provide different lower minimum purchase commitment and lower commission structures and extended to expire June 30, 2020.

Lands End is obligated to indemnify SHGS from liabilities for third-party claims arising from the buying agency agreement, except to the extent that the claims are found to have resulted from SHMC s negligence or breach of the agreement. SHGS is obligated to indemnify Lands End from liabilities for third-party claims that result from SHGS s negligence or from infringement of an SHGS copyright or trade secret, except to the extent that the claims are found to have resulted from Lands End s negligence, breach of the agreement, or, with respect to infringement claims, from Lands End s unauthorized use or distribution of the property.

Subject to certain exceptions, the buying agency agreement provides that neither party will be liable to the other for any special, indirect, incidental or consequential damages. SHGS s sole liability for any errors and omissions in the services under the buying agency agreement is limited to the aggregate commissions it received under the agreement during the six months prior to the date the claim arose.

Lands End Business Outfitters Sales

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

Term Loan Facility

During fourth quarter 2016 and the first quarter of 2017, affiliates of ESL Investments, Inc. acquired, in the aggregate, a $14.7 million principal amount interest in a third-party lender s rights and obligations in the Company s senior secured term loan facility that was entered into in connection with the Separation, and earned an aggregate of approximately $158,000 in interest under the facility in fiscal year 2017. The position was divested during the second quarter of 2017.

Call Center Services

SHMC contracted with Lands End to have Lands End provide certain call center services in support of the Shop Your Way program in exchange for certain fees based on the types of services provided. These fees include charges for handling inbound and outbound phone calls, certain email and regular mail contacts, personnel training fees, online chat engagement and setup and execution of certain outbound call programs. The agreement expired on April 30, 2017.

Each party is obligated to indemnify the other against third-party claims arising out of a party s negligence or willful misconduct, breach of the agreement, infringement of intellectual property or breach of law and related claims and legal proceedings.

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.

Each party is obligated to indemnify the other against third-party claims including those arising out of injury to person or property, hiring and employment disputes, breach of the agreement or of law and related claims and legal proceedings. This agreement continues until terminated by either party with 30 days prior written notice to the other party. Upon termination, SHMC will refund to Lands End any pro-rated monthly fees collected.

Table of Contents

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). Under the separation and distribution agreement, Lands End also is obligated to indemnify Sears Holdings for all liabilities relating to any Lands End-branded gift card. 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. The parties may agree to discontinue redeeming each other s gift cards, provided that consumer notices will be posted for a period of time prior to discontinuance.

Fiscal 2017 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 $47.2 million in fiscal year 2017. Total expenses charged by Sears Holdings to the Company for general corporate services, including for sourcing, Shop Your Way and shared services, were $11.5 million in fiscal year 2017. 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, uniform revenue, credit card revenue, royalty income and gift card expense, were $3.4 million in fiscal year 2017. During fiscal year 2017, Sears Holdings and its subsidiaries also paid the Company approximately $1.4 million 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.

2019 Annual Meeting of Stockholders

Procedures for Submitting Stockholder Proposals

If you would like to include a stockholder proposal in the proxy statement for our 2019 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 December 7, 2018. However, if the date of our 2019 Annual Meeting changes by more than 30 days from the date that is the first anniversary of our 2018 Annual Meeting, then the deadline is a reasonable time before we begin to print and mail proxy materials for the 2019 Annual Meeting.

If you would like to submit a stockholder proposal for our 2019 annual meeting of stockholders (2019 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 2018 Annual Meeting. However, if the date of the 2019 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 2018 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 2019 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 2017, other than a Form 4 for Robert Bowman reporting one transaction, which was due on August 15, 2017 and filed on August 22, 2017.

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 2, 2018, 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*.

Other Matters

The Company knows of no other matters to be submitted to the stockholders at the Annual Meeting. If any other matters properly come before the meeting, the persons named in the accompanying proxy will vote the shares they represent in accordance with the recommendation of the Board of Directors.

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

Table of Contents

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Comparison of the three months ended June 30, 2017 to the three months ended June 30, 2018 and the six months ended June 30, 2017 to the six months ended June 30, 2018.

Revenue

Revenue decreased 8% from $22.0 million for the three months ended June 30, 2017 to $20.2 million in the same period in 2018. Revenue decreased 9% from $46.4 million for the six months ended June 30, 2017 to $42.1 million in the same period in 2018. These decreases were due primarily to fewer accounts and pay-for-call service and platform revenues from reseller partners like DexYP, and larger advertiser budget reductions for our pay-for-call services.

We expect our revenues to be lower in the near term compared to the most recent quarters with fewer small business accounts on our local leads platform and reduced demand for calls from our call advertising customers.

Under one of our primary contracts with YP, we generate revenues from our local leads platform to sell call advertising and/or search marketing packages through their existing sales channels, which are then fulfilled by us across our distribution network. We are paid account fees and agency fees for our products in the form of a percentage of the cost of every call or click delivered to their advertisers. We also have a separate pay-for-call relationship with YP, through which we charge an agreed-upon price for qualified calls or leads from our network. These agreements expire December 31, 2018. The local leads platform arrangement provides YP flexibility to migrate active accounts to itself or a third-party provider prior to the end of an advertiser contract and provides YP with certain termination rights upon four-months prior notice. We expect YP may decrease the number of new advertiser accounts with us and may elect to migrate certain active accounts to itself or a third-party provider which would result in fewer small business accounts and related revenues, as well as reduced contribution and profitability. YP’s small business account base utilizing our platform has declined, and to the extent declines occur in their business, their small business accounts may spend fewer dollars on our pay-for-call services. We expect YP and local leads platform advertisers in future periods will comprise lower total revenues compared to previous periods and YP as a percentage of our total revenue may also comprise a smaller percentage of our total revenue. In 2017, Dex Media, Inc. (“Dex”) acquired YP Holdings, which is the parent company of YP. We have separate partner reseller arrangements with Dex for pay-for-call and call analytics services. Dex may spend more dollars on our pay-for-call and call analytics services in the near term compared to previous periods as they pilot some of our service offerings. It is undetermined whether these service offerings Dex is piloting with us will continue prospectively at or near current levels or at all. YP including Dex (collectively “DexYP”) is our largest reseller partner and was responsible for 22% of our total revenues for the three and six months ended June 30, 2017 and was responsible for 22% and 20% of our total revenues for the three and six months ended June 30, 2018, respectively. We also have a separate distribution partner agreement with YP. There can be no assurance that our business with DexYP in the future will continue at or near current revenue and contribution levels, that we will be able to renew and extend the contracts, and if renewed, the contracts may be on less favorable terms to us, any of which could have a material adverse effect on our future operating results.

We also have arrangements with advertising agencies, such as Resolution Media and OMD Digital, who act on an advertiser’s behalf and may represent more than one advertiser that utilizes our products and services. Our primary arrangement with Resolution Media is for pay-for-call services whereby we charge an agreed-upon price for qualified calls or leads from our network and call analytic services. Resolution Media accounted for less than 10% of total revenues and 14% of total revenues for the three months

21

ended June 30, 2017 and 2018, respectively, and 10% and 17% of total revenues for the six months ended June 30, 2017 and 2018, respectively, of which the majority related to a single advertiser, State Farm. State Farm, who utilizes our services through Resolution Media and OMD Digital, accounted for 16% and 19% of total revenues for the three months ended June 30, 2017 and 2018, respectively, and 17% and 23% for the six months ended June 30, 2017 and 2018, respectively. Resolution Media and OMD Digital place insertion orders for our services on behalf of State Farm for campaigns which are generally for a set period of time and/or budget level. We expect in the near to intermediate term campaign spend levels related to State Farm to be lower compared to previous quarters, which will result in lower total revenues and contribution.

We have revenue concentrations with other certain large customers including reseller partners and advertising agencies. Many of these customers are not subject to long term contracts with us or may have contracts with near term expiration dates and are able to reduce or cease advertising spend at any time and for any reason. Reseller partners purchase various advertising and marketing services from us, as well as provide us with a large number of advertisers. A loss of reseller partners or a decrease in revenue from these resellers could adversely affect our business. In some cases, we engage with advertisers through advertising agencies, who act on behalf of the advertisers. Advertising agencies, such as Resolution Media and OMD Digital, may place insertion orders with us on behalf of advertisers (including State Farm) for particular advertising campaigns, which are typically short term and subject to a specified dollar amount and are not obligated to commit beyond the campaign governed by a particular insertion order and may also cancel the campaign prior to completion. Advertising agencies also have relationships with many different providers, each of whom may be running portions of the advertising campaign. We have call advertising arrangements with certain large customers which provide flexibility around financial commitments, termination rights, indemnification, and security obligations. Our large customers may vary spend levels and there can be no assurances that our large customers will continue to spend at levels similar to prior quarters. If any of our largest customers are acquired, such acquisition may impact its advertising spending or budget with us, including due to rebranding, change in advertising agency, or change in media tactics. A significant reduction in advertising spending or budgets by our largest customers, or the loss of one or more of these customers, if not replaced by new customers or an increase in business from existing customers, would have a material adverse effect on our future operating results.

We believe that our future revenue growth will depend on, among other factors, our ability to attract new advertisers, compete effectively, maximize our sales efforts, demonstrate a positive return on investment for advertisers, successfully improve existing products and services, and develop successful new products and services. If we are unable to generate adequate revenue growth and to manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability. For additional discussion of trends and other factors in our business, refer to Industry and Market Factors in Item 2 of this Quarterly Report on Form 10-Q.

Expenses

Expenses were as follows (in thousands):

	Six months ended June 30,				Three months ended June 30,			
	2017	% of revenue	2018	% of revenue	2017	% of revenue	2018	% of revenue
Service costs	$25,773	56 %	$24,207	57 %	$12,175	55 %	$11,384	56 %
Sales and marketing	8,463	18 %	6,945	17 %	3,471	16 %	3,335	16 %
Product development	9,553	20 %	7,521	18 %	4,283	20 %	3,873	19 %
General and administrative	7,424	16 %	5,513	13 %	3,394	15 %	2,543	13 %

$51,213	110 %	$44,186	105 %	$23,323	106 %	$21,135	104 %

We record stock-based compensation expense under the fair value method. Stock-based compensation expense was included in the following operating expense categories as follows (in thousands):

	Six Months Ended June 30,		Three Months Ended June 30,	
	2017	2018	2017	2018
Service costs	$255	$230	$130	$102
Sales and marketing	469	286	63	72
Product development	298	182	207	91
General and administrative	1,316	935	581	417
Total stock-based compensation	$2,338	$1,633	$981	$682

See Note 4. Stock-based Compensation Plans of the Notes to Condensed Consolidated Financial Statements as well as our Critical Accounting Policies for additional information about stock-based compensation.

Service Costs. Service costs decreased 6% from $12.2 million for the three months ended June 30, 2017 to $11.4 million in the same period in 2018. As a percentage of revenues, service costs were relatively flat at 55% and 56% for the three months ended June 30, 2017 and 2018, respectively. The decrease in dollars was primarily due to an aggregate decrease in communication and network costs, outside service provider costs, and facility related costs totaling $704,000. The increase as a percentage of revenue in 2018 was in part the result of our local leads platform comprising a lower percentage of revenue compared to the 2017 period. Our local leads platform revenues have a lower service cost as a percentage of revenue relative to our overall service cost percentage.

Service costs decreased 6% from $25.8 million for the six months ended June 30, 2017 to $24.2 million in the same period in 2018. As a percentage of revenues, service costs were relatively flat at 56% and 57% for the six months ended June 30, 2017 and 2018, respectively. The decrease in dollars was primarily due to an aggregate decrease in communication and network costs, personnel and outside service provider costs, and facility related costs totaling $1.5 million. The increase as a percentage of revenue in 2018 was in part the result of our local leads platform comprising a lower percentage of revenue compared to the 2017 period.

We expect that user acquisition costs and revenue shares to distribution partners are likely to increase prospectively given the competitive landscape for distribution partners. To the extent that payments to pay-for-call, or cost-per-action distribution partners make up a larger percentage of future operations, or the addition or renewal of existing distribution partner agreements are on terms less favorable to us, we expect that service costs will increase as a percentage of revenue. To the extent of revenue declines in these areas, we expect revenue shares to distribution partners to decrease in absolute dollars. Our other sources of revenues, such as our local leads platform have no corresponding distribution partner payments and accordingly have a lower service cost as a percentage of revenue relative to our overall service cost percentage. In addition, advertisers from whom we generate a portion of our call advertising revenues through our local leads platform generally have lower service costs as a percentage of revenue relative to our overall service cost percentage. To the extent our local leads platform makes up a smaller percentage of our future operations, we expect that service costs will increase as a percentage of revenue. We expect in the near and intermediate term for service costs as a percentage of revenue and in absolute dollars to be relatively stable to modestly higher relative to the most recent quarterly periods. We also expect service costs in absolute dollars to increase over the longer term in connection with any revenue increase and expansion in our communication and network infrastructure.

Sales and Marketing. Sales and marketing expenses decreased 4% from $3.5 million for the three months ended June 30, 2017 to $3.3 million in the same period in 2018. The decrease was primarily due to an aggregate decrease in outside service provider costs and facility related costs totaling $134,000. As a percentage of revenue, sales and marketing expenses were 16% for both the three months ended June 30, 2017 and 2018.

Sales and marketing expenses decreased 18% from $8.5 million for the six months ended June 30, 2017 to $6.9 million in the same period in 2018. The net decrease in dollars was primarily attributable to an aggregate decrease in personnel costs, which included $307,000 of employee separation related costs in the 2017 period, stock-based compensation, outside service provider costs, and facility related costs totaling $1.4 million. As a percentage of revenue, sales and marketing expenses were relatively flat at 18% and 17% for the six months ended June 30, 2017 and 2018, respectively.

We expect some volatility in sales and marketing expenses based on the timing of marketing initiatives but expect sales and marketing expenses in the near and intermediate term to be relatively stable in absolute dollars relative to the most recent quarterly periods. We expect that sales and marketing expenses will increase in connection with any revenue increase to the extent that we also increase our marketing activities and correspondingly could increase as a percentage of revenue.

Product Development. Product development expenses decreased 10% from $4.3 million for the three months ended June 30, 2017 to $3.9 million in the same period in 2018. As a percentage of revenue, product development expenses were relatively flat at 20% and 19% for the three months ended June 30, 2017 and 2018, respectively. The net decrease in dollars was primarily due to an aggregate decrease in stock-based compensation and facility related costs totaling $354,000.

Product development expenses decreased 21% from $9.6 million for the six months ended June 30, 2017 to $7.5 million in the same period in 2018. As a percentage of revenue, product development expenses were 20% and 18% for the six months ended June 30, 2017 and 2018, respectively. The net decrease in dollars and percentage of revenue was primarily due to an aggregate decrease in personnel and outside service provider costs, which included $358,000 of employee separation related costs in the 2017 period, stock-based compensation, and facility related costs totaling $2.0 million.

We expect product development expenditures to be relatively stable in the near and intermediate term in absolute dollars relative to our most recent quarterly periods. In the longer term, to the extent our revenues increase, we expect that product development expenses will increase in absolute dollars as we increase the number of personnel and consultants to enhance our service offerings.

General and Administrative. General and administrative expenses decreased 25% from $3.4 million for the three months ended June 30, 2017 to $2.5 million in the same period in 2018. As a percentage of revenue, general and administrative expenses were 15% and 13% for the three months ended June 30, 2017 and 2018, respectively. The net decrease in dollars and percentage of revenue was primarily due to an aggregate decrease in personnel and outside service provider costs, stock-based compensation, professional fees, and bad debt expense totaling $725,000.

General and administrative expenses decreased 26% from $7.4 million for the six months ended June 30, 2017 to $5.5 million in the same period in 2018. As a percentage of revenue, general and administrative expenses were 16% and 13% for the six months ended June 30, 2017 and 2018, respectively. The net decrease in dollars and percentage of revenue were primarily due to a decrease in personnel and outside service provider costs, stock-based compensation, professional fees, and bad debt expense totaling $1.7 million.

We expect our general and administrative expenses to be stable to modestly higher in the near and intermediate terms relative to our most recent quarterly periods. We expect that our general and administrative expenses will be stable to modestly higher in the longer term to the extent that we expand our operations, and incur additional costs in connection with being a public company, including expenses related to professional fees and insurance, and as a result of stock-based compensation expense. We also expect fluctuations in our general and administrative expenses to the extent the recognition timing of stock compensation is impacted by market conditions relating to our stock price.

Income Taxes. Income tax expense for the three months ended June 30, 2017 and 2018 was $13,000 and $10,000, respectively, and for the six months ended June 30, 2017 and 2018 was $25,000 and $21,000, respectively. Income tax expense consisted of state income taxes for all periods. The effective tax rate differed from the expected tax rate of 34% and 21% for 2017 and 2018, respectively, due to a full valuation allowance and to a lesser extent due to state income taxes, non-deductible stock-based compensation related to incentive stock options recorded under the fair-value method, federal research and development credits, and other non-deductible amounts.

Net Loss. Net loss was ($1.3) million and ($4.8) million in the three and six months ended June 30, 2017, respectively, and was ($658,000) and ($1.6) million in the same periods in 2018, respectively. The reduction in loss was primarily attributable to the effect of fewer personnel and lower overall operating costs in 2018, which were partially offset by lower revenues.

Liquidity and Capital Resources

As of June 30, 2018, we had cash and cash equivalents of $76.8 million and we had current and long term contractual obligations of $14.2 million, of which $10.7 million is for rent under our facility leases.

Cash provided by operating activities for the six months ended June 30, 2018 of approximately $1.7 million consisted primarily of a net loss of $1.6 million, adjusted for non-cash items of $2.8 million, which primarily includes depreciation and amortization, allowance for doubtful accounts and advertiser credits, and stock-based compensation, and approximately $496,000 provided by working capital and other activities.

Cash used in operating activities for the six months ended June 30, 2017 of approximately $624,000 consisted primarily of a net loss of $4.8 million, adjusted for non-cash items of $4.3 million, which primarily includes depreciation and amortization, allowance for doubtful accounts and advertiser credits, and stock-based compensation, and approximately $156,000 used in working capital and other activities.

With respect to a significant portion of our call-based advertising services, the amount payable to our distribution partners is calculated at the end of a calendar month, with a payment period following the delivery of the phone calls or other actions. These services constituted a significant portion of revenues for the three and six months ended

June 30, 2017 and 2018. We generally receive payment from advertisers in close proximity to the timing of the corresponding payments to the distribution partners who provide calls, other delivery actions, or placement for the listings. In certain cases, payments to distribution partners are paid in advance. We have no corresponding payments to distribution partners related to our local leads platform.

Nearly all of our reseller partner arrangements, including our arrangements with resellers such as DexYP, CDK Global, hibu Inc., and Web.com, are billed on a monthly basis following the month of our phone call or other action delivery. This payment structure results in our advancement of monies to the distribution partners who have provided the corresponding calls, other delivery actions, or placements of the listings. For these services, reseller partner payments are generally received two to four weeks or longer following payment to the distribution partners. We also have payment arrangements with advertising agencies such as Resolution Media and OMD Digital whereby we receive payment after the agency's advertiser pays the agency, which is generally between 60 and 120 days or longer, following the delivery of services. We expect that in the future periods, if the amounts from our reseller partner and agency arrangements account for a greater percentage of our operating activity, working capital requirements will increase as a result.

For the six months ended and as of June 30, 2018, amounts from these partners and agencies totaled 49% of total revenue and $9.0 million in net accounts receivable. Based on the timing of payments, we generally have this level of amounts in outstanding accounts receivable at any given time from these partners and advertising agencies. A single advertiser, State Farm, who represented the majority of the revenue and accounts receivable generated by Resolution Media and OMD Digital, accounted for 23% of total revenues and 37% of accounts receivable for the six months ended and as of June 30, 2018, respectively. We expect in the near to intermediate term campaign spend levels related to State Farm to be lower compared to previous quarters, which will result in lower total revenues and contribution. Net accounts receivable balances outstanding as of June 30, 2018 from DexYP totaled $2.5 million.

We have revenue concentrations with certain large advertisers including reseller partners and advertising agencies. Many of these customers are not subject to long term contracts with us or have contracts with near term expiration dates and are generally able to reduce or cease advertising spending at any time and for any reason. Reseller partners purchase various advertising and marketing services, as well as provide us with a large number of advertisers. This could have a material adverse effect on our results of operations and financial condition. There can be no assurances that these partners or other advertisers will not experience financial difficulty, curtail operations, reduce or eliminate spend budgets, change marketing strategies or agency affiliations, be acquired by parent companies with alternative media tactics, delay payments or otherwise forfeit balances owed.

Cash used in investing activities for the six months ended June 30, 2018 of approximately $1.6 million was primarily attributable to purchases for property and equipment of $1.0 million and a $575,000 certificate of deposit. Cash used in investing activities for the six months ended June 30, 2017 of approximately $912,000 was primarily attributable to purchases for property and equipment.

We expect property and equipment purchases in the near and intermediate term to be modestly higher compared to our most recent periods. We expect any increase to our operations to have a corresponding increase in expenditures for our systems and personnel. We expect our expenditures for product development initiatives will be stable to modestly higher in the near and intermediate term and increase in the longer term in absolute dollars with any acceleration in development activities and as we increase the number of personnel and consultants to enhance our service offerings. In the intermediate to long term, we also expect to increase the number of personnel supporting our sales, marketing and related growth initiatives.

Cash used in financing activities for the six months ended June 30, 2018 of approximately $27.5 million was primarily attributable to a common stock cash dividend payment in the amount of $21.9 million and the repurchase of 2.3 million shares of Class B common stock in the amount of $5.7 million, offset by proceeds from employee stock option exercises and the employee stock purchase plan of $71,000. Cash provided by financing activities for the six months ended June 30, 2017 of approximately $15,000 was primarily attributable to proceeds from the employee stock purchase plan.

The following table summarizes our contractual obligations as of June 30, 2018, and the effect these obligations are expected to have on our liquidity and cash flows in future periods (in thousands).

	Total	Less than 1 year	1-3 years	4-5 years	Thereafter
Contractual Obligations:					
Operating leases	$10,701	$ 1,455	$3,041	$3,226	$ 2,979
Other contractual obligations	3,472	2,983	485	4	—
Total contractual obligations (1)	$14,173	$ 4,438	$3,526	$3,230	$ 2,979

(1) Our tax contingencies of $1.1 million are not included due to their uncertainty.

We anticipate that we will need to invest working capital towards the development of our overall operations and to fund any losses from operations, and we expect that capital expenditures may increase in future periods, particularly with any increase in our operating activities. We may also pursue a significant number of acquisitions. As a result, we could experience a reduction of our cash balances or the incurrence of debt.

During the three months ended June 30, 2018, we provided a bank letter of credit to the lessor of our office space in Seattle, Washington in the amount of $575,000, which we fully collateralized with a certificate of deposit to the issuing bank. The letter of credit will be reduced by $100,000 annually starting in April 2019.

In November 2014, our board of directors authorized a new share repurchase program (the “2014 Repurchase Program”) which supersedes and replaces any prior repurchase programs. Under the 2014 Repurchase Program, we are authorized to repurchase up to 3 million shares of our Class B common stock in the aggregate through open market and privately negotiated transactions, at such times and in such amounts as we deem appropriate. Repurchases may also be made under a Rule 10b5-1 plan, which would permit shares to be repurchased when we might otherwise be precluded from doing so under insider trading laws. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability, and other market conditions. The 2014 Repurchase Program does not have an expiration date and may be expanded, limited or terminated at any time without prior notice. We have made no repurchases under the 2014 Repurchase Program for the six months ended June 30, 2017 and 2018. In May 2018, the Company repurchased approximately 2.3 million shares of its Class B common stock for approximately $5.7 million from a former member of the Company's board of directors. The Company's board of directors approved the repurchase transaction and the Company retired these shares during the three months ended June 30, 2018.

In December 2017, we declared a special cash dividend in the amount of $0.50 per share on our Class A and B common stock and recorded a Dividends Payable of $21.9 million in our consolidated balance sheet at December 31, 2017. We paid the total dividend of $21.9 million in the first quarter of 2018. Our ability to pay dividends is dependent upon a variety of factors, including our financial results, liquidity and financial condition and capital requirements. There is no assurance that we will pay dividends in the future.

Based on our operating plans we believe that our resources will be sufficient to fund our operations for at least twelve months as well as potential strategic initiatives, which could include acquisitions. Additional equity and debt financing may be needed to support our acquisition strategy, our long-term obligations and our company's needs. There can be no assurance that, if we needed additional funds, financing arrangements would be available in amounts or on terms acceptable to us, if at all. Failure to generate sufficient revenue or raise additional capital could have a material adverse effect on our ability to continue as a going concern and to achieve our intended business objectives.

Critical Accounting Policies

The policies below are critical to our business operations and the understanding of our results of operations. In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of our results.

Our condensed consolidated financial statements have been prepared using accounting principles generally accepted in the United States for interim financial information. The preparation of these condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and the related disclosures of contingent assets and liabilities. We base our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our critical accounting policies relate to the following matters and are described below:

- Revenue;
- Stock-based compensation;
- Allowance for doubtful accounts and advertiser credits; and
- Provision for income taxes.

Revenue

We generate the majority of our revenues from advertisers for our performance based advertising services, which include the use of our call analytics technology and pay-for-call advertising products and services. Our revenue also consists of payments from our reseller partners for use of our local leads platform and marketing services, which they offer to their small business customers. Customers typically receive the benefit of our services as they are performed and substantially all of our revenue is recognized over time as the services are performed. We adopted ASC Topic 606, Revenue from Contracts with Customers, (ASC 606) on January 1, 2018 using the modified retrospective approach for all contracts not completed as of the date of initial application, referred to as open contracts. Therefore, the comparative information has not been adjusted and continues to be reported under ASC 605.

We generate revenue from our call analytics technology platform when advertisers pay us a fee for each call or call related data element they receive from calls including call-based ads we distribute through our sources of call distribution or for each phone number tracked based on a pre-negotiated rate. For our call marketplace services, advertisers or advertising service providers are charged on a pay-for-call or cost-per-action basis. For pay-for-call advertising, we generate revenue upon delivery of qualified and reported phone calls or other action to our advertisers or advertising service providers' listing, which occurs when a mobile, online or offline user makes a phone call, clicks, or completes a specified action on any of their advertisements after it has been placed by us or by our distribution partners. Each qualified phone call or specified action on an advertisement listing represents a completed transaction. For cost-per-action services, we generate revenue when a user makes a phone call from our advertiser's listing or is redirected from one of our websites or a third-party website in our distribution network to an advertiser website and completes the specified action.

We generate revenue from reseller partners utilizing our local leads platform and are paid account fees and/or agency fees for our products in the form of a percentage of the cost of every call or click delivered to advertisers. The reseller partners engage the advertisers and are the principal for the transaction, and we, in certain instances, are only financially liable to the publishers in our capacity as a collection agency for the amount collected from the advertisers. We recognize revenue for these fees under the net revenue recognition method. In limited arrangements resellers pay us a fee for fulfilling an advertiser’s campaign in its distribution network and we act as the principal and recognize revenue for these fees under the gross revenue recognition method.

We have entered into agreements with various third-party distribution partners in order to expand our distribution network, which includes third-party mobile and online search engines and applications, mobile carriers, directories, destination sites, shopping engines, internet domains or web sites, other targeted web-based content, and offline sources. These partners provide distribution for pay-for-call advertisement listings, which contain all tracking numbers and/or URL strings. We generally pay distribution partners based on a percentage of revenue or a fixed amount per phone call or other action on these listings. We act as the principal, and we are responsible for providing customer and administrative services to the advertiser. The revenue derived from advertisers who receive paid introductions through us as supplied by distribution partners is reported gross based upon the amounts received from the advertiser. We also recognize revenue for certain agency or reseller contracts with advertisers under the net revenue recognition method. Under these specific agreements, we purchase listings on behalf of advertisers from our distribution network. We are paid account fees and also agency fees based on the total amount of the purchase made on behalf of these advertisers. Under these agreements, our advertisers are primarily responsible for choosing the publisher and determining pricing, and we, in certain instances, are only financially liable to the publisher for the amount collected from our advertisers. This creates a sequential liability for media purchases made on behalf of advertisers. In certain instances, the web publishers engage the advertisers directly and we are paid an agency fee based on the total amount of the purchase made by the advertiser. In limited arrangements, resellers pay us a fee for fulfilling an advertiser’s campaign in our distribution network and we act as the primary obligor. We recognize revenue for these fees under the gross revenue recognition method.

For arrangements that include multiple performance obligations, the transaction price from the arrangement is allocated to each respective performance obligation based on its relative standalone selling price and recognized when revenue recognition criteria for each performance obligation are met. The standalone selling price for each performance obligation is established based on the sales price at which we would sell a promised good or service separately to a customer or the estimated standalone selling price.

In certain cases, we record revenue based on available and reported preliminary information from third parties. Collection on the related receivables may vary from reported information based upon third-party refinement of the estimated and reported amounts owed that occurs subsequent to period ends.

Stock-Based Compensation

FASB ASC 718, Compensation – Stock Compensation requires the measurement and recognition of compensation for all stock-based awards made to employees, non-employees and directors including stock options, restricted stock issuances, and restricted stock units be based on estimated fair values. We measure stock-based compensation cost at the grant date based on the fair value of the award and recognize it as expense over the vesting or service period, as applicable, of the stock-based award using the straight-line method. We account for forfeitures as they occur.

We generally use the Black-Scholes option pricing model as our method of valuation for stock-based awards with time- based vesting. Our determination of the fair value of stock-based awards on the date of grant using an option pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to the expected life of the award, our expected stock price, volatility over the term of the award and actual and projected exercise behaviors.

Although the fair value of stock-based awards is determined in accordance with FASB ASC 718, Compensation – Stock Compensation, the assumptions used in calculating fair value of stock-based awards and the use of the Black-Scholes option pricing model is highly subjective, and other reasonable assumptions could provide differing results. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. See Note 4 Stock-based Compensation Plans in the Condensed Notes to Consolidated Financial Statements for additional information.

Allowance for Doubtful Accounts and Advertiser Credits

Accounts receivable balances are presented net of allowance for doubtful accounts. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our accounts receivable. We determine our allowance based on analysis of historical bad debts, advertiser concentrations, advertiser creditworthiness and current economic trends. We review the allowance for collectability on a quarterly basis. Account balances are written off against the allowance after all reasonable means of collection have been exhausted and the potential recovery is considered remote. If the financial condition of our advertisers were to deteriorate, resulting in an impairment of their ability to make payments, or if we underestimated the allowances required, additional allowances may be required which would result in increased general and administrative expenses in the period such determination was made.

We determine our allowance for advertiser credits and adjustments based upon our analysis of historical credits. Material differences may result in the amount and timing of our revenue for any period if our management made different judgments and estimates.

Provision for Income Taxes

We are subject to income taxes in the U.S. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. We utilize the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax law is recognized in results of operations in the period that includes the enactment date. Uncertain tax positions as of June 30, 2018 were $1.1 million.

Recent Accounting Pronouncement Not Yet Effective

For discussion regarding recent accounting pronouncements not yet effective, see Note 2. Significant Accounting Policies of the notes to our condensed consolidated financial statements.

Web site

Our web site, www.marchex.com, provides access, without charge, to our annual report on Form 10-K as amended, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such materials are electronically filed with the Securities and Exchange Commission. To view these filings, please go to our web site and click on “Investor Relations” and then click on “SEC Filings.” Investors and others should note that we announce material financial information to our investors using our investor relations website, press releases, SEC filings, and public conference calls and webcasts. We also use the following social media channels as a means of disclosing information about us, our services, and other matters, and for complying with our disclosure obligations under Regulation FD:

- Marchex Twitter Account (https://twitter.com/marchex)
- Marchex Company Blog (http://www.marchex.com/blog)
- Marchex LinkedIn Account (http://linkedin.com/company/marchex)

The information we post through these social media channels may be deemed material. Accordingly, investors should monitor the above account and the blog, in addition to following our investor relations website, press releases, SEC filings, and public conference calls and webcasts. This list may be updated from time to time. The information we post through these channels is not a part of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our exposure to market risk is limited to foreign currency and interest income sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because the majority of our investments are in short-term, money market funds. We also have an investment in a certificate of deposit. We place our investments with high-quality financial institutions. Due to the nature of our short-term investments, we believe that we are not subject to any material market risk exposure. We do not have any material foreign currency or other derivative financial instruments. The effect of changes in foreign currency exchange rates on our operating results was not material.

28

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and our principal financial officer, of the effectiveness of our “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934). Based on this evaluation, our principal executive officer and our principal financial officer have concluded that, as of the date of the evaluation, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

During the three months ended June 30, 2018, no change was made to our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, cannot provide absolute assurance of achieving the desired control objectives.

In addition, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are not a party to any material legal proceedings. From time to time, however, we may be subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of intellectual property rights, and a variety of claims arising in connection with our products and services.

Item 1A. Risk Factors

Set forth below and elsewhere in this report and in other documents we file with the SEC are risks and uncertainties that could cause our actual results to materially differ from the results contemplated by the forward-looking statements contained in this report and in other documents we file with the SEC. Some of the risk factors were previously disclosed in our December 31, 2017 Annual Report on Form 10-K as amended. They have been updated to include information as of August 6, 2018.

An investment in our Class B common stock involves various risks, including those mentioned below and those that are discussed from time to time in our other periodic filings with the SEC. Investors should carefully consider these risks, along with the other information contained in this report, before making an investment decision regarding our stock. There may be additional risks of which we are currently unaware, or which we currently consider immaterial. All of these risks could have a material adverse effect on our business, financial condition, results of operations, and the value of our stock.

Risks Relating to Our Company

We have largely incurred net losses since our inception, and we may incur net losses in the foreseeable future.

We had an accumulated deficit of $255.1 million as of June 30, 2018. Our net expenses may increase based on the initiatives we undertake which for instance, may include increasing our sales and marketing activities, hiring additional personnel, incurring additional costs as a result of being a public company, acquiring additional businesses and making additional equity grants to our employees. This may result in the reduction of our cash balances or the incurrence of debt.

We have in the past and may in the future find it advisable to take measures to streamline operations and reduce expenses, including, without limitation, reducing our workforce or discontinuing certain products or businesses. Such measures may place significant strains on our management and employees, and could impair our development, marketing, sales, and customer support efforts. We may also incur liabilities from these measures. Such effects from streamlining could have a negative impact on our business and financial results.

We believe that our future revenue growth will depend on, among other factors, our ability to attract new advertisers, compete effectively, maximize our sales efforts, demonstrate a positive return on investment for advertisers, successfully improve existing products and services, and develop successful new products and services. If we are unable to generate adequate revenue growth and to manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability.

We are dependent on certain distribution partners, for distribution of our services, and we derive a significant amount of our total revenue through these distribution partners. A loss of distribution partners or a decrease in revenue from certain distribution partners could adversely affect our business.

A relatively small number of distribution partners currently deliver a significant percentage of calls and traffic to our advertisers. There was no distribution partner paid more than 10% of total revenues for the for the six months ended June 30, 2018. Our existing agreements with many of our larger distribution partners permit either company to terminate without penalty on short notice and are primarily structured on a variable-payment basis, under which we make payments based on a specified percentage of revenue or based on the number of paid phone calls or click-throughs. We intend to continue devoting resources in support of our larger distribution partners, but there are no guarantees that these relationships will remain in place over the short-or long-term. In addition, we cannot be assured that any of these distribution partners will continue to generate current levels of revenue for us or that we will be able to maintain the applicable variable payment terms at their current levels. A loss of any of these distribution partners or a decrease in revenue or contribution due to lower calls and traffic or less favorable variable payment terms from any one of these distribution relationships could have a material adverse effect on our business, financial condition and results of operations. Companies distributing advertising through mobile or online internet have experienced, and will likely continue to experience, consolidation. This consolidation has reduced the number of partners that control the mobile and online advertising outlets with the most user calls and traffic. According to the comScore qSearch analysis of the U.S. desktop search marketplace for June 2018, Oath and Microsoft accounted for 11.4% and 24.1%, respectively, of the core search market in the United States and Google accounted for 63.5%. As a result, the larger distribution partners have greater control over determining the market terms of distribution, including placement of call and click-based advertisements and cost of placement. In addition, many participants in the performance-based advertising and search marketing industries control significant portions of mobile and online traffic that they deliver to advertisers. We do not believe, for example, that Google, Microsoft, and Oath are as reliant as we are on a third-party distribution network to deliver their services. This gives these companies a significant advantage over us in delivering their services, and with a lesser degree of risk.

We rely on certain advertiser reseller partners and agencies, including DexYP, Resolution Media, OMD Digital, CDK Global, hibu Inc., and Web.com for the purchase of various advertising and marketing services, as well as to provide us with a large number of advertisers. A loss of certain advertiser reseller partners and agencies or a decrease in revenue from these reseller partners and agencies could adversely affect our business. Such advertisers are subject to varying terms and conditions, which may result in claims or credit risks to us.

We benefit from the established relationships and national sales teams that certain of our reseller partners, who are leading reseller partners of advertisers and advertising agencies, have in place throughout the U.S. and international markets. These advertiser reseller partners and agencies refer or bring advertisers to us for the purchase of various advertising products and services. We derive a sizeable portion of our total revenue through these advertiser reseller partners and agencies. Additionally, these advertiser reseller partners and agencies may decide to operate the advertising services we perform internally with their own teams and technology. A loss of certain advertiser reseller partners and agencies or a decrease in revenue from these clients could adversely affect our business.

Under one of our primary contracts with YP, we generate revenues from our local leads platform. We also have separate pay-for-call services arrangement with YP. These agreements expire December 31, 2018. The local leads platform arrangement provides YP flexibility to migrate active accounts to itself or a third-party provider prior to the end of an advertiser contract and provides YP with certain termination rights upon four-months prior notice. We expect YP may decrease the number of new advertiser accounts with us and may elect to migrate certain active accounts to itself or a third-party provider which would result in fewer small business accounts and related revenues, as well as reduced contribution and profitability. YP’s small business account base utilizing our platform has declined, and to the extent declines occur in their business, their small business accounts may spend fewer dollars on our pay-for-call services. We expect YP and local leads platform advertisers in future periods will comprise lower total revenues compared to previous periods and YP as a percentage of our total revenue may also comprise a smaller percentage of our total revenue. In 2017, Dex Media, Inc. (“Dex”) acquired YP Holdings, LLC (“YP Holdings”), which is the parent company of YP. We have separate reseller partner arrangements with Dex for pay-for-call and call analytics services. YP including Dex (collectively “DexYP”) is our largest reseller partner and was responsible for 20% of our total revenues for the six months ended June 30, 2018. It is possible that this acquisition may result in changes to our relationship and arrangements with DexYP including changes that may result in a significant reduction in the paid account fees and agency fees that we receive from DexYP. We also have a separate distribution partner agreement with YP. There can be no assurance that our business with DexYP in the future will continue at or near current revenue and contribution levels, that we will be able to renew and extend the contracts, and if renewed, the contracts may be on less favorable terms to us, any of which could have a material adverse effect on our future operating results.

We also have arrangements with advertising agencies, such as Resolution Media and OMD Digital, who act on an advertiser's behalf and may represent more than one advertiser that utilizes our products and services. Our primary arrangements with Resolution Media and OMD Digital are for pay-for-call services whereby we charge an agreed-upon price for qualified calls or leads from our network and call analytic services. Resolution Media and OMD Digital accounted for 17% and less than 10% of total revenues, respectively, for the six months ended June 30, 2018.

These reseller partners and agencies may in certain cases be subject to negotiated terms and conditions separate from those applied to advertising clients. In some cases, the applicable contract terms may be the result of legacy or industry association documentation or simply customized advertising solutions for large reseller partners and agencies. In any case, as a consequence of such varying terms and conditions, we may be subject to claims or credit risks that we may otherwise mitigate more efficiently across our automated advertiser management platform.

These claims and risks may vary depending on the nature of the aggregated client base. Among other claims, we may be subject to disputes based on third-party tracking information or analysis. We may also be subject to differing credit profiles and risks based on the agency relationship associated with these advertisers. For such advertisers, payment may be made on an invoice basis. In some limited circumstances, we may also have accepted individual advertiser payment liability in place of liability of the advertising agency or media advisor.

We received approximately 52% and 51% of our revenue from our five largest customers for the year ended December 31, 2017 and the six months ended June 30, 2018, respectively, and the loss of one or more of these customers could adversely impact our results of operations and financial condition.

Our five largest customers accounted for approximately 52% and 51% of our total revenues for the year ended December 31, 2017 and the six months ended June 30, 2018, respectively. DexYP was responsible for 20% of our total revenues for the six months ended June 30, 2018.

We have arrangements with Resolution Media and OMD Digital, who act as agents on advertisers' behalf, for pay-for-call services whereby we charge an agreed upon price for qualified calls or leads from our network and call analytic services. A single advertiser, State Farm who utilizes our services primarily through Resolution Media and OMD Digital, accounted for 23% of total revenues for the six months ended June 30, 2018. We expect in the near to intermediate term campaign spend levels related to State Farm to be lower compared to previous quarters, which will result in lower total revenues and contribution.

Many of our other large customers, including reseller partners, and advertising agencies are not subject to long term contracts with us or have contracts with near term expiration dates, and are able to reduce or cease advertising spend at any time and for any reason. Reseller partners purchase various advertising and marketing services from us, as well as provide us with a large number of advertisers. A loss of reseller partners or a decrease in revenue from these resellers could adversely affect our business. In some cases, we engage with advertisers through advertising agencies, who act on behalf of the advertisers. Advertising agencies, such as Resolution Media and OMD Digital, may place insertion orders with us on behalf of advertisers (including State Farm) for particular advertising campaigns, which are typically short term and subject to a specified dollar amount, and are not obligated to commit beyond the campaign governed by a particular insertion order and may also cancel the campaign prior to completion. Advertising agencies also have relationships with many different providers, each of whom may be running portions of the advertising campaign. We have call advertising arrangements with certain large customers, which provide flexibility around financial commitments, termination rights, indemnification, and security obligations. Our large customers may vary spend levels and there can be no assurances that our large customers will continue to spend at levels similar to prior quarters. If any of our largest customers are acquired, such acquisition may impact its advertising spending or budget with us, including due to rebranding, change in advertising agency, or change in media tactics. A significant reduction in advertising spending or budgets by our largest customers, or the loss of one or more of these customers, if not replaced by new customers or an increase in business from existing customers, would have a material adverse effect on our future operating results.

Our large customers have substantial negotiating leverage, which may require that we agree to terms and conditions that may have an adverse effect on our business.

Our large customers have substantial purchasing power and leverage in negotiating contractual arrangements with us. These customers may seek for us to develop additional features, may require penalties for failure to deliver such features, may seek discounted product or service pricing, and may seek more favorable contractual terms. As we sell more products and services to this class of customer, we may be required to agree to such terms and conditions. Such large customers also have substantial leverage in negotiating resolution of any disagreements or disputes that may arise. Any of the foregoing factors could result in a material adverse effect on our business, financial condition and results of operations.

If some of our customers experience financial distress or suffer disruptions in their business, their weakened financial position could negatively affect our own financial position and results.

We have a diverse customer base and, at any given time, one or more customers may experience financial distress, file for bankruptcy protection, go out of business, or suffer disruptions in their business. If a customer with whom we do a substantial amount of business experiences financial difficulty or suffers disruptions in their business, it could delay or jeopardize the collection of accounts receivable, result in significant reductions in services provided by us and may have a material adverse effect on our results of operations and liquidity.

We may incur liabilities for the activities of our advertisers, reseller partners, distribution partners and other users of our services, which could adversely affect our business.

Many of our advertisement distribution processes are automated. In some cases, advertisers or reseller partners use our online tools and account management systems to create and submit advertiser listings, and in other cases, we create and submit advertising listings on behalf of our advertisers or reseller partners using the distribution partners' user interface. Although we monitor our distribution partners on an ongoing basis primarily for traffic quality, these partners control the distribution of the advertiser listings provided in the user interface submissions.

We have a large number of distribution partners who display our advertiser listings on their networks. Our advertiser listings are delivered to our distribution partners in an automated fashion through the distribution partners' user interface. Our distribution partners are contractually required to use the listings created by our advertiser customers in accordance with applicable laws and regulations and in conformity with the publication restrictions in our agreements, which are intended to promote the quality and validity of the traffic provided to our advertisers. Nonetheless, we do not operationally control or manage these distribution partners or third parties they may contract with and any breach of these agreements on the part of any distribution partner or its affiliates could result in liability for our business. These agreements include indemnification obligations on the part of our distribution partners, but there is no guarantee that we would be able to collect against offending distribution partners or their affiliates in the event of a claim under these indemnification provisions. Alternatively, we may incur substantial costs as part of our indemnification obligations to distribution partners for liability they may incur as a result of displaying content we have provided them. Any costs incurred as a result of activities of our distribution partners and their third-party partners could have a material adverse effect on our business, operating results and financial condition.

We do not conduct a manual editorial review of a substantial number of the advertiser listings directly submitted by advertisers or reseller partners online, nor do we manually review the display of the vast majority of the advertiser listings by our distribution partners submitted to us by the distribution partners' user interface. Likewise, in cases where we provide editorial or value-added services for our large reseller partners or agencies, such as ad creation and optimization for local advertisers or landing pages and micro-sites for pay-for-call customers, we rely on the content and information provided to us by these agents on behalf of their individual advertisers. We do not investigate the individual business activities of these advertisers other than the information provided to us or in some cases review of advertiser websites. We may not successfully avoid liability for unlawful activities carried out by our advertisers or reseller partners and other users of our services or unpermitted uses of our advertiser listings by distribution partners and their affiliates.

Our potential liability for unlawful activities of our advertisers and other users of our services or unpermitted uses of our advertiser listings and advertising services and platform by distribution partners and reseller partners and agencies could require us to implement measures to reduce our exposure to such liability, which may require us, among other things, to spend substantial resources, to discontinue certain service offerings or to terminate certain distribution partner relationships. For example, as a result of the actions of advertisers in our network, we may be subject to private or governmental actions relating to a wide variety of issues, such as privacy, gambling, promotions, and intellectual property ownership and infringement. Under agreements with certain of our larger distribution partners, we may be required to indemnify these distribution partners against liabilities or losses resulting from the content of our advertiser listings, or resulting from third-party intellectual property infringement claims. Although our advertisers agree to indemnify us with respect to claims arising from these listings, we may not be able to recover all or any of the liabilities or losses incurred by us as a result of the activities of our advertisers.

Our insurance policies may not provide coverage for liability arising out of activities of users of our services. In addition, our reliance on some content and information provided to us by our large advertiser reseller partners and agencies may expose us to liability not covered by our insurance policies. Furthermore, we may not be able to obtain or maintain adequate insurance coverage to reduce or limit the liabilities associated with our businesses. Any costs incurred as a result of such liability or asserted liability could have a material adverse effect on our business, operating results and financial condition. Our insurance policies may not provide coverage for liability arising out of activities of users of our services. In addition, our reliance on some content and information provided to us by our large advertiser reseller partners and agencies may expose us to liability not covered by our insurance policies.

Furthermore, we may not be able to obtain or maintain adequate insurance coverage to reduce or limit the liabilities associated with our businesses. Any costs incurred as a result of such liability or asserted liability could have a material adverse effect on our business, operating results and financial condition.

If we do not maintain and grow a critical mass of advertisers and distribution partners, the value of our services could be adversely affected.

Our success depends, in large part, on the maintenance and growth of a critical mass of advertisers and distribution partners and a continued interest in our call analytics, pay-for-call, performance-based advertising, and search marketing services. Advertisers will generally seek the most competitive return on investment from advertising and marketing services. Distribution partners will also seek the most favorable payment terms available in the market. Advertisers and distribution partners may change providers or the volume of business with a provider, unless the product and terms are competitive. In this environment, we must compete to acquire and maintain our network of advertisers and distribution partners. If our business is unable to maintain and grow our base of advertisers, our current distribution partners may be discouraged from continuing to work with us, and this may create obstacles for us to enter into agreements with new distribution partners. Our business also depends in part on certain of our large reseller partners and agencies to grow their base of advertisers as these advertisers become increasingly important to our business and our ability to attract additional distribution partners and opportunities. Similarly, if our distribution network does not grow and does not continue to improve over time, current and prospective advertisers and reseller partners and agencies may reduce or terminate this portion of their business with us. Any decline in the number of advertisers and distribution partners could adversely affect the value of our services.

The mobile advertising market may develop more slowly than expected, which could harm our business.

If the market for mobile marketing and advertising develops more slowly than we expect, our business could suffer. Our future success is highly dependent on the commitment of advertisers and marketers to mobile communications as an advertising and marketing medium, the willingness of our potential advertisers to outsource their mobile advertising and marketing needs, and our ability to sell our mobile advertising services to reseller partners and agencies. The mobile advertising and marketing market is rapidly evolving. Businesses, including current and potential advertisers, may find mobile advertising or marketing to be less effective than traditional advertising media or marketing methods or other technologies for promoting their products and services. As a result, the future demand and market acceptance for mobile marketing and advertising is uncertain. Many of our current or potential advertisers may have little or no experience using mobile communications for advertising or marketing purposes and have allocated only a limited portion of their advertising or marketing budgets to mobile communications advertising or marketing, and there is no certainty that they will allocate more funds in the future, if any. Funds to these types of campaigns may fluctuate greatly as different agencies and advertisers test and refine their overall marketing strategies to include mobile advertising and analytics tools. The adoption rate and budget commitments may vary from period to period as agencies and advertisers determine the appropriate mix of media and lead sources in short and long term campaigns.

We are dependent upon the quality of mobile, online, offline and other traffic sources in our network to provide value to our advertisers and the advertisers of our reseller partners and agencies, and any failure in our quality control could have a material adverse effect on the value of our services to our advertisers and adversely affect our revenues.

We utilize certain monitoring processes with respect to the quality of the mobile, online, offline and other traffic sources that we deliver to our advertisers. Among the factors we seek to monitor are sources and causes of low quality phone calls such as unwanted telemarketer calls or other actions such as non-human processes, including robots or robocallers, spiders or other software, the mechanical automation of calling, and other types of invalid calls, call fraud, or call spam, the purpose of which is something other than to view the underlying content. Additionally, we also seek to identify other indicators which may suggest that a user may not be targeted by or desirable to our advertisers. Even with such monitoring in place, there is a risk that a certain amount of low quality mobile, online, offline and other traffic or traffic that is deemed to be less valuable by our advertisers will be delivered to such advertisers, which may be detrimental to those relationships. We have regularly refunded fees that our advertisers had paid to us which were attributed to low quality mobile, online, offline and other traffic. If we are unable to stop or reduce low quality phone calls and internet traffic, these refunds may increase. Low quality mobile, online, offline and other traffic may further prevent us from growing our base of advertisers and cause us to lose relationships with existing advertisers, or become the target of litigation, both of which would adversely affect our revenues.

We depend on being able to secure enough phone numbers to support our advertisers and other users of our services and any obstacles that we face which prevent us from meeting this demand could adversely affect our business.

We utilize phone numbers as part of a number of information and analytic services to advertisers, such as our call analytics, call tracking, and pay-for-call services. Our services that utilize phone numbers are designed to enable advertisers and other users of our services to utilize mobile, online and offline advertising and to help measure the effectiveness of mobile, online and offline advertising campaigns. We secure a majority of our phone numbers through telecommunication carriers that we have contracted with and a smaller number through the 800 Service Management System, and such telecommunication carriers provide the underlying telephone service. Our telecommunications carriers and telephone number acquisition process are subject to the rules and guidelines established by the Federal Communications Commission. Furthermore, to the extent we offer call recording and pay-for-call services, we may be directly subject to certain telecommunications-related regulations. The Federal Communications Commission and our telecommunication carriers may change the rules and guidelines for securing phone numbers or change the requirements for retaining the phone numbers we have already secured. As a result, we may not be able to secure or retain sufficient phone numbers needed for our services. We may also be limited in the number of available telecommunications carriers or vendors to provide such phone numbers to us in the event of any industry consolidations.

Our automated voice and mobile advertising-based technologies are heavily reliant on vendors.

Certain voice and mobile advertising-based products are heavily reliant on vendors. The free directory product that we provide relies on technology provided by third-party vendors that include voice recognition software and business, government and residence data listings. We cannot guarantee that the technology, data and services provided by our third-party vendors will be of sufficient quality to meet the demands of our customers and partners. Further, we cannot guarantee that the technologies, data and services will be available to us in the future on acceptable terms, if at all. Any perception by our customers or partners that our voice and mobile advertising-based products are incomplete or not of sufficient quality could lead to a loss in confidence by our customers or partners, which in turn could lead to a decline in revenues. If we are unable to continue maintaining, advancing and improving our voice and mobile advertising-based products, our operating results may be adversely affected.

Our business strategy is evolving and may involve pursuing new lines of business or strategic transactions and investments, some of which may not be successful.

Our industry is undergoing significant change and our business strategy is continuing to evolve to meet these changes. In order to profitably grow our business, we may need to expand into new lines of business beyond our current focus of providing call analytics and advertising products and services, which may involve pursuing strategic transactions, including potential acquisitions of, or investments in, related or unrelated businesses. In addition, we may seek divestitures of existing businesses or assets. There can be no assurance that we will be successful with our efforts to evolve our business strategy and we could suffer significant losses as a result, which could have a material adverse effect on our business, financial condition and results of operations.

Our acquisitions could divert management’s attention, cause ownership dilution to our stockholders, cause our earnings to decrease and be difficult to integrate.

Our business strategy includes identifying, structuring, completing and integrating acquisitions. Acquisitions involve a high degree of risk. We may also be unable to find a sufficient number of attractive opportunities to meet our objectives which include revenue growth, profitability and competitive market share. Our acquired companies may have histories of net losses and may expect net losses for the foreseeable future. Acquisitions are accompanied by a number of risks that could harm our business, operating results and financial condition:

- We could experience a substantial strain on our resources, including time and money, and we may not be successful;
- Our management's attention could be diverted from our ongoing business concerns;
- We may seek to enter new markets where we have no or limited experience or where competitors may have stronger market positions;
- While integrating new companies, we may lose key executives or other employees of these companies;
- We may issue shares of our Class B common stock as consideration for acquisitions which may result in ownership dilution to our stockholders;
- Acquisitions of certain companies may result in us pursuing a diversified operating or holding company

structure to allow us to focus on running diverse businesses independently, but in such event we may not realize the anticipated strategic benefits;

- We could fail to successfully integrate our financial and management controls, technology, reporting systems and procedures, or adequately expand, train and manage our workforce;
- We could experience customer dissatisfaction or performance problems with an acquired company or technology;
- We could become subject to unknown or underestimated liabilities of an acquired entity or incur unexpected expenses or losses from such acquisitions, including litigation;
- We could incur possible impairment charges related to goodwill or other intangible assets resulting from acquisitions or other unanticipated events or circumstances, any of which could harm our business; and
- We may be exposed to investigations and/or audits by federal, state or other taxing authorities.

Consequently, we might not be successful in integrating any acquired businesses, products or technologies, and might not achieve anticipated revenue and cost benefits.

We may decide to dispose of assets or a business that may no longer help us meet our objectives.

If we decide to sell assets or a business, we may encounter difficulty in finding buyers or alternative exit strategies on acceptable terms in a timely manner, which could delay the achievement of our strategic objectives. We may also dispose of a business at a price or on terms that are less desirable than we had anticipated. In addition, we may experience greater disruption to our remaining business than expected, and the impact of the divestiture on our revenue may be larger than projected.

Our international operations and any expansion subjects us to additional risks and uncertainties and we may not be successful with our international operations.

We have limited operations, through our international subsidiaries, in other countries. We have international subsidiaries in Canada, Ireland, and the United Kingdom. Any international expansion presents unique challenges and risks. Compliance with complex foreign and U.S. laws and regulations that apply to our international operations increases our cost of doing business in international jurisdictions and could interfere with our ability to offer our products and services to one or more countries or expose us or our employees to fines and penalties. We may also have to offer our products and services in a modified format which may not be as compelling to certain customers, and we are subject to increased foreign currency exchange rate risks and our international operations and any expansion will require additional management attention and resources. We cannot assure you that we will be successful in our international operations. There are risks inherent in conducting business in international markets, including:

- the need to localize our products and services to foreign customers’ preferences and customs, including the possibility of storing data locally if customers require;
- difficulties in managing operations due to language barriers, distance, staffing and cultural differences;
- application of foreign laws and regulations to us, in particular data and privacy regulations in Europe and other international jurisdictions, including the EU General Data Protection Regulation which went into full force and effect in May 2018 and which supersedes the current EU data protection regulation, which continue to change and impose significantly more liability and product limitations on service providers in our industry;
- compliance with anti-bribery laws, such as the Foreign Corrupt Practices Act and the UK Anti-Bribery Act;
- tariffs and other trade barriers;
- fluctuations in currency exchange rates;
- establishing local offices, sales channels, management systems and infrastructures;
- reduced protection for intellectual property rights in some countries;
- changes in foreign political and economic conditions;

- compliance with the laws of numerous taxing jurisdictions, both foreign and domestic;
- foreign exchange controls that might prevent us from repatriating cash earned outside the United States;
- the complexity and potentially adverse tax consequences of U.S. tax laws as they relate to our international

36

operations;

- increased costs to establish and maintain effective controls at foreign locations; and
- overall higher costs of doing business internationally.

Our failure to address these risks adequately could materially and adversely affect our business, revenue, results of operations and financial condition.

We may be subject to intellectual property claims, which could adversely affect our financial condition and ability to use certain critical technologies, divert our resources and management attention from our business operations and create uncertainty about ownership of technology essential to our business.

Our success depends, in part, on our ability to operate without infringing on the intellectual property rights of others. There can be no guarantee that any of our intellectual property will not be challenged by third parties. We may be subject to patent infringement claims or other intellectual property infringement claims, and claims of copyright infringement with respect to certain of our websites that would be costly to defend and could limit our ability to use certain critical technologies. Our call advertising business increases the potential intellectual property infringement claims we may be subject to, particularly in light of the large number of patents which have been issued (or are pending) in the telecommunications field over the last several decades, both in the U.S. and internationally.

We believe that a consolidation of patent portfolios by major technology companies and independent asset holding companies will increase the chances of aggressive assertions of patent and other intellectual property claims. Within the technology telecommunications and online sectors, among other related sectors, we have witnessed various claim holders and alleged rights holders pursue business strategies devoted to extracting settlements or license fees for a wide range of basic and commonly accepted methods and practices. We may be subject to those intellectual property claims in the ordinary course of our business. Also, our partners and customers may also find that they are subject to similar claims, in which case we may be included in any related process or dispute settlement. Any patent or other intellectual property litigation could negatively impact our business by diverting resources and management attention from other aspects of the business and adding uncertainty as to the ownership of technology, services and property that we view as proprietary and essential to our business. In addition, a successful claim of patent infringement against us and our failure or inability to license the infringed or similar technology on reasonable terms, or at all, could prevent us from using critical technologies which could have a material adverse effect on our business.

We may need additional funding to meet our obligations and to pursue our business strategy. Additional funding may not be available to us and our financial condition could therefore be adversely affected.

We may require additional funding to meet our ongoing obligations and to pursue our business strategy, which may include the selective acquisition of businesses and technologies. In addition, we have incurred and we may incur certain obligations in the future. There can be no assurance that, if we were to need additional funds to meet these obligations, additional financing arrangements would be available in amounts or on terms acceptable to us, if at all. Furthermore, if adequate additional funds are not available, we will be required to delay, reduce the scope of, or eliminate material parts of the implementation of our business strategy, including potential additional acquisitions or internally-developed businesses.

The loss of our senior management, including other key personnel, could harm our current and future operations and prospects.

We are heavily dependent upon the continued services of members of our senior management team and other key personnel. Each member of our senior management team and other key personnel are at-will employees and may voluntarily terminate his or her employment with us at any time with minimal notice. Following any termination of employment, each of these employees would only be subject to a twelve-month non-competition and non-solicitation obligation with respect to our customers and employees under our standard confidentiality agreement. The loss of the services of any member of our senior management, including other key personnel, for any reason, or any conflict among our senior management or other key personnel, could harm our current and future operations and prospects.

We have experienced turnover in certain senior executives, and the duties and responsibilities of the chief executive officer are performed by the Office of the CEO consisting of Michael Arends, Ethan Caldwell and Russell Horowitz and subject to oversight by our Chairman, Anne Devereux-Mills. We are assessing our current and future senior leadership needs, although we may not be successful in finding or hiring suitable additional senior leadership.

Additional turnover at the senior management level may create instability within the Company and our employees may decide to terminate their employment, which could further impede the maintenance of our day to day operations. Such instability could impede our ability to implement fully our business plan and growth strategy, which would harm our business and prospects.

We may have difficulty retaining current personnel as well as attracting and retaining additional qualified, experienced, highly skilled personnel, which could adversely affect the implementation of our business plan.

Our performance is largely dependent upon the talents and efforts of highly skilled individuals. In order to fully implement our business plan, we will need to retain our current qualified personnel, as well as attract and retain additional qualified personnel. Thus, our success will, in significant part, depend upon our retention of current personnel as well as the efforts of personnel not yet identified and upon our ability to attract and retain highly skilled managerial, engineering, sales and marketing personnel. We are also dependent on managerial and technical personnel to the extent they may have knowledge or information about our businesses and technical systems that may not be known by our other personnel. There can be no assurance that we will be able to attract and retain necessary personnel. The failure to hire and retain such personnel could adversely affect the implementation of our business plan.

If we are unable to obtain and maintain adequate insurance, our financial condition could be adversely affected in the event of uninsured or inadequately insured loss or damage. Our ability to effectively recruit and retain qualified officers and directors may also be adversely affected if we experience difficulty in maintaining adequate directors' and officers' liability insurance.

We may not be able to obtain and maintain insurance policies on terms affordable to us that would adequately insure our business and property against damage, loss or claims by third parties. To the extent our business or property suffers any damages, losses or claims by third parties that are not covered or adequately covered by insurance, our financial condition may be materially adversely affected. We currently have directors' and officers' liability insurance. If we are unable to maintain sufficient insurance as a public company to cover liability claims made against our officers and directors, we may not be able to retain or recruit qualified officers and directors to manage our company, which could have a material adverse effect on our operations.

It may be difficult for us to retain or attract qualified officers and directors, which could adversely affect our business and our ability to maintain the listing of our Class B common stock on the NASDAQ Global Select Market.

We may be unable to attract and retain qualified officers, directors and members of board committees required to provide for our effective management as a result of changes in the rules and regulations which govern publicly-held companies, including, but not limited to, certifications from executive officers and requirements for financial experts on boards of directors. The perceived increased personal risk associated with these changes may deter qualified individuals from accepting these roles. Further, applicable rules and regulations of the Securities and Exchange Commission and the NASDAQ Stock Market heighten the requirements for board or committee membership, particularly with respect to an individual's independence from the corporation and level of experience in finance and accounting matters. We may have difficulty attracting and retaining directors with the requisite qualifications. If we are unable to attract and retain qualified officers and directors, our business and our ability to maintain the listing of our shares of Class B common stock on the NASDAQ Global Select Market could be adversely affected.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud, which could harm our brand and operating results.

Effective internal controls are necessary for us to provide reliable and accurate financial reports and effectively prevent fraud. We have devoted significant resources and time to comply with the internal control over financial reporting requirements of the Sarbanes-Oxley Act of 2002. In addition, Section 404 under the Sarbanes-Oxley Act of 2002 requires that we assess and our auditors attest to the effectiveness of our controls over financial reporting. Our current and future compliance with the annual internal control report requirement will depend on the effectiveness of our financial reporting and data systems and controls across our operating subsidiaries. We expect these systems and controls to become increasingly complex to the extent that we integrate acquisitions and our business grows. To effectively manage this growth, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. We cannot be certain that these measures will ensure that we design, implement and maintain adequate controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation or operation, could harm our operating results or cause us to fail to meet our financial reporting obligations. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock and our access to capital.

The Tax Cuts and Jobs Act of 2017 could adversely affect our business and financial condition.

On December 22, 2017, the U.S. government enacted comprehensive Federal tax legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 (the “Tax Act”). The Tax Act, among other changes, makes a U.S. federal net operating loss less valuable as an asset due to a new flat U.S. federal corporate income tax rate of 21%, replacing a graduated rate with a maximum income tax rate of 35%, effective January 1, 2018 and the elimination of the corporate alternative minimum tax for taxable years beginning after December 31, 2017. The alternative minimum tax credit carryforward is refundable for any taxable year beginning after 2017 and before 2022 in an amount equal to 50% (100% in the case of taxable years beginning in 2021) of the excess of the minimum tax credit for the taxable year over the amount of the credit allowable for the year against regular tax liability. Net operating losses arising in taxable years beginning after December 31, 2017 are limited in use to offset eighty percent of taxable income, without the ability to carryback such net operating losses, but with an indefinite carryforward of such losses (instead of the former 2-year carryback and 20-year carryforward for net operating losses arising in taxable years beginning before December 31, 2017). The amount of the net interest expense deduction is generally limited to (a) 30% of adjusted taxable income, calculated without regard to depreciation, amortization or depletion, effective for tax years beginning after December 31, 2017 and before January 1, 2022 and (b) 30% of net interest expense exceeding earnings before income taxes (reduced by depreciation, amortization and depletion), effective for tax years beginning after January 1, 2022. Disallowed amounts may be carried forward indefinitely, subject to ownership change limitations. We continue to examine the impact this tax reform legislation may have on our business. Notwithstanding the reduction in the corporate income tax rate, the overall impact of the Tax Act is uncertain and our business and financial condition could be adversely affected.

We may experience unforeseen liabilities arising out of third-party domain names included in our distribution network, which could negatively impact our financial results.

We display pay-for-call listings on third-party domain names and third-party websites that are part of our distribution network, which could subject us to a wide variety of civil claims including intellectual property ownership and infringement. The potential violation of third-party intellectual property rights and potential causes of action under consumer protection laws may subject us to unforeseen liabilities including injunctions and judgments for money damages.

We may face risks related to litigation that could result in significant legal expenses and settlement or damage awards.

From time to time, we are subject to claims and litigation, which could seriously harm our business and require us to incur significant costs.

We are generally obliged, to the extent permitted by law, to indemnify our current and former directors and officers who are named as defendants in these types of lawsuits. Defending against litigation may require significant attention and resources of management. Regardless of the outcome, such litigation could result in significant legal expenses.

If we are a party to material litigation and if the defenses we claim are ultimately unsuccessful, or if we are unable to achieve a favorable settlement, we could be liable for large damage awards that could have a material adverse effect on our business and consolidated financial statements.

Risks Relating to Our Business and Our Industry

If we are unable to compete in the highly competitive performance-based advertising and search marketing industries, we may experience reduced demand for our products and services.

We operate in a highly competitive and changing environment. We principally compete with other companies which offer services in the following areas:

- sales to advertisers of call analytics and call tracking;
- sales to advertisers of pay-for-call services;
- delivery of pay-for-call advertising to end users or customers of advertisers through mobile and online destination websites or other offline distribution outlets;
- services and outsourcing of technologies that allow advertisers to manage their advertising campaigns across multiple networks and track the success of these campaigns;
- aggregation or optimization of online advertising for distribution through mobile and online search engines and applications, product shopping engines, directories, websites or other offline outlets;
- provision of local and vertical websites containing information designed to attract users and help consumers make better, more informed local decisions, while providing targeted advertising inventory for advertisers; and
- local search sales training.

Although we currently pursue a strategy that allows us to potentially partner with all relevant companies in the industry, there are certain companies in the industry that may not wish to partner with us. Despite the fact that we currently work with several of our potential competitors, there are no guarantees that these companies will continue to work with us in the future.

We currently or potentially compete with leading search engines and digital advertising networks such as Google, Microsoft, and Oath. We also compete with call analytics technology providers such as Twilio, Telemetrics, Invoca, DialogTech and Convirza. As we continue to advance our data analytics technologies, we anticipate facing increased competition from companies providing more broad advertising solutions, such as data management companies like Datalogix. We also face competition on the call supply side, where competing mobile advertising companies like GroundTruth look to outbid, partner with or otherwise secure sources of call supply we utilize. Many of these actual or perceived competitors also currently or may in the future have business relationships with us, particularly in distribution. However, such companies may terminate their relationships with us. Furthermore, our competitors may be able to secure agreements with us on more favorable terms, which could reduce the usage of our services, increase the amount payable to our distribution partners, reduce total revenue and thereby have a material adverse effect on our business, operating results and financial condition. We expect competition to intensify in the future because current and new competitors can enter our market with little difficulty. The barriers to entering our market are relatively low. Further, if the consolidation trend continues among the larger media and search engine companies with greater brand recognition, the share of the market remaining for smaller search marketing services providers could decrease, even though the number of smaller providers could continue to increase. These factors could adversely affect our competitive position. Some of our competitors, as well as potential entrants into our market, may be better positioned to succeed in this market. They may have:

- longer operating histories;
- more management experience;
- an employee base with more extensive experience;
- better geographic coverage;
- larger customer bases;
- greater brand recognition; and
- significantly greater financial, marketing and other resources.

Currently, and in the future, as the use of the internet and other mobile and online services increases, there will likely be larger, more well-established and well-financed entities that acquire companies and/or invest in or form joint ventures in categories or countries of interest to us, all of which could adversely impact our business. Any of these trends could increase competition and reduce the demand for any of our services.

We face competition from traditional media companies, and we may not be included in the advertising budgets of large advertisers, which could harm our operating results.

In addition to digital/online companies, we face competition from companies that offer traditional media advertising opportunities. Most large advertisers have set advertising budgets, a very small portion of which is allocated to mobile or internet advertising. We expect that large advertisers will continue to focus most of their advertising efforts on traditional media. If we fail to convince these companies to spend a portion of their advertising budgets with us, or if our existing advertisers reduce the amount they spend on our programs, our operating results would be harmed.

If we are not able to respond to the rapid technological change characteristic of our industry, our products and services may cease to be competitive.

The market for our products and services is characterized by rapid change in business models and technological infrastructure, and we will need to constantly adapt to changing markets and technologies to provide new and competitive products and services. If we are unable to ensure that our users, advertisers, reseller partners, and distribution partners have a high-quality experience with our products and services, then they may become dissatisfied and move to competitors' products and services. Accordingly, our future success will depend, in part, upon our ability to develop and offer competitive products and services for both our target market and for applications in new markets. We may not, however, be able to successfully do so, and our competitors may develop innovations that render our products and services obsolete or uncompetitive.

Our technical systems are vulnerable to interruption and damage that may be costly and time-consuming to resolve and may harm our business and reputation.

A disaster could interrupt our services for an indeterminate length of time and severely damage our business, prospects, financial condition and results of operations. Our systems and operations are vulnerable to damage or interruption from:

- fire;
- floods;
- network failure;
- hardware failure;
- software failure;
- power loss;
- telecommunications failures;
- break-ins;
- terrorism, war or sabotage;
- computer viruses;
- denial of service attacks;
- penetration of our network by unauthorized computer users and "hackers" and other similar events;
- natural disasters, including, but not limited to, hurricanes, tornadoes, and earthquakes; and
- other unanticipated problems.

We may not have developed or implemented adequate protections or safeguards to overcome any of these events. We also may not have anticipated or addressed many of the potential events that could threaten or undermine our technology network. Any of these occurrences could cause material interruptions or delays in our business, result in the loss of data or render us unable to provide services to our customers. In addition, if a person is able to circumvent our security measures, he or she could destroy or misappropriate valuable information, including sensitive customer information, or disrupt our operations. We have deployed firewall hardware intended to thwart hacker attacks. Although we maintain property insurance and business interruption insurance, our insurance may not be adequate to compensate us for all losses that may occur as a result of a catastrophic system failure or other loss, and our insurers may not be able or may decline to do so for a variety of reasons. If we fail to address these issues in a timely manner, we may lose the confidence of our advertisers, reseller partners, and distribution partners, our revenue may decline and our business could suffer. In addition, as we expand our service offerings and enter into new business areas, we may be required to significantly modify and expand our software and technology platform. If we fail to accomplish these tasks in a timely manner, our business and reputation will likely suffer. Furthermore, some of these events could disrupt the economy and/or our customers' business activities and in turn materially affect our operating results.

Cybersecurity risks could adversely affect our business and disrupt our operations.

The threats to network and data security are increasingly diverse and sophisticated. Despite our efforts and processes to prevent breaches, our devices, as well as our servers, computer systems, and those of third parties that we use in our operations are vulnerable to cybersecurity risks, including cyber-attacks such as viruses and worms, phishing attacks, denial-of-service attacks, physical or electronic break-ins, employee theft or misuse, and similar disruptions from unauthorized tampering with our servers and computer systems or those of third parties that we use in our operations, which could lead to interruptions, delays, loss of critical data, unauthorized access to user data, and loss of customer confidence. In addition, we may be the target of email scams that attempt to acquire personal information or Company assets. Despite our efforts to create security barriers to such threats, we may not be able to entirely mitigate these risks. Any cyber-attack that attempts to obtain our or our users' data and assets, disrupt our service, or otherwise access our systems, or those of third parties we use, if successful, could adversely affect our business, operating results, and financial condition, be expensive to remedy, and damage our reputation. In addition, any such breaches may result in negative publicity, adversely affect our brand, decrease demand for our products and services, and adversely affect our operating results and financial condition.

We rely on third-party technology, platforms, carriers, communications providers, and server and hardware providers, and a failure of service by these providers could adversely affect our business and reputation.

We rely upon third-party colocation providers to host our main servers. If these providers are unable to handle current or higher volumes of use, experience any interruption in operations or cease operations for any reason or if we are unable to agree on satisfactory terms for continued hosting relationships, we would be forced to enter into a relationship with other service providers or assume hosting responsibilities ourselves. If we are forced to switch hosting facilities, we may not be successful in finding an alternative service provider on acceptable terms or in hosting the computer servers ourselves. We may also be limited in our remedies against these providers in the event of a failure of service. In the past, we have experienced short-term outages in the service maintained by one of our colocation providers.

We also rely on a select group of third-party providers for components of our technology platform and support for our call-based and advertising services, such as hardware and software providers, telecommunications carriers and Voice over Internet Protocol (VoIP) providers, credit card processors and domain name registrars. As a result, key operational resources of our business are concentrated with a limited number of third-party providers. A failure or limitation of service or available capacity by any of these third-party providers could adversely affect our business and reputation. Furthermore, if any of these significant providers are unable to provide the levels of service and dedicated resources over time that we required in our business, we may not be able to replace certain of these providers in a manner that is efficient, cost-effective or satisfactory to our customers, and as a result our business could be materially and adversely affected. Short term or repeat problems with any of these service providers could provide an interruption of service or service quality impairment to significant customers, which could also impact materially our revenue in any period due to credits or potential loss of significant customers.

If our security measures, including those of our vendors or partners, are breached or are perceived as not being secure, we may lose advertisers, reseller partners and distribution partners and as a result we may incur significant legal and financial exposure and suffer an adverse effect on our business.

We store and transmit data and information about our advertisers, reseller partners, distribution partners and their respective users. We also work with vendors and partners who may come into contact with certain data, such as carriers, colocation and data storage facilities and distribution partners referring callers. We deploy security measures to protect this data and information, as do third parties we utilize to assist in data and information storage. Our security measures and those of the third parties we partner with to assist in data and information storage, as well as to assist in the delivery of services to our advertisers, may suffer breaches. Security breaches of our data storage systems or our third-party colocation and technology providers we utilize to store data and information relating to our advertisers, reseller partners, distribution partners and their respective users could expose us to significant potential liability. Similarly, security breaches of our vendors and partners, or ineffective data security by our vendors or partners, may result in similar significant liability. In addition, security breaches, actual or perceived, could result in legal liability, government fines, and the loss of advertisers, reseller partners and distribution partners that could potentially have an adverse effect on our business.

We may not be able to protect our intellectual property rights, which could result in our competitors marketing competing products and services utilizing our intellectual property and could adversely affect our competitive position.

Our success and ability to compete effectively are substantially dependent upon our internally developed and acquired technology and data resources, which we protect through a combination of copyright, trade secret, and patent and trademark law. To date, we have had issued or have applications pending for the following patents:

- U.S. Patent Number 7,668,950 entitled “Automatically Updating Performance-Based Online Advertising System and Method” was issued February 23, 2010.
- U.S. Patent Number 8,442,862 entitled “Method and System for Tracking Telephone Calls” was issued on May 14, 2013 and a corresponding divisional Patent Application Number 13/294,436 was filed November 11, 2011.
- U.S. Patent Number 6,822,663 entitled “Transform Rule Generator for Web-Based Markup Languages” was issued November 23, 2004.
- U.S. Patent Number 8,583,571 entitled “Facility for Reconciliation of Business Records Using Genetic Algorithms” was issued November 12, 2013.
- U.S. Patent Number 8,433,048 entitled “System and Method to Direct Telephone Calls to Advertisers” was issued April 30, 2013.
- U.S. Patent Number 8,259,915 entitled “System and Method to Analyze Calls to Advertised Telephone Numbers” was issued September 4, 2012 and its continuation Patent Number 8,788,344 was issued July 22, 2014.
- U.S. Patent Number 8,630,393 entitled “System and Method for Blocking Telephone Calls” was issued January 14, 2014.
- U.S. Patent Number 7,212,615 entitled “Criteria Based Marketing For Telephone Directory Assistance” was issued May 1, 2007 and owned by Jingle Networks, which we acquired in 2011.
- U.S. Patent Number 7,702,084 entitled “Toll-Free Directory Assistance With Preferred Advertisement Listing” was issued April 20, 2010.
- U.S. Patent Number 7,961,861 entitled “Telephone Search Supported By Response Location Advertising” was issued June 14, 2011.
- U.S. Patent Number 9,367,846 entitled “Telephone Search Supported By Advertising Based On Past History Of Requests” was issued June 14, 2016.
- U.S. Patent Number 8,175,231 entitled “Toll-Free Directory Assistance With Automatic Selection Of An Advertisement From A Category” issued May 8, 2012.
- U.S. Patent Number 8,107,602 entitled “Directory Assistance With Data Processing Station” was issued January 31, 2012.
- U.S. Patent Number 8,929,522 entitled “System and Method to Customize a Connection Interface for Multimodal Connection to a Telephone Number” was issued January 16, 2015.
- U.S. Patent Number 8,634,520 entitled “Call Tracking System Utilizing an Automated Filtering Function” was issued January 21, 2014.
- U.S. Patent Number 8,671,020 entitled “Call Tracking System Utilizing a Pooling Algorithm” was issued March 11, 2014.
- U.S. Patent Number 8,687,782 entitled “Call Tracking System Utilizing a Sampling Algorithm” was issued April 1, 2014.
- U.S. Patent Application Number 13/865,966 entitled “Correlated Consumer Telephone Numbers and User Identifiers for Advertising Retargeting” was filed April 18, 2013, claiming priority to U.S. Provisional Patent Application Number 61/801,893 entitled “Cross-Channel Targeting Using Historical Online and Call Data” filed March 15, 2013, and its continuation Patent Application Number 15/019,826 entitled “Cross-Channel Correlation of Consumer Telephone Numbers and User Identifiers” was filed February 9, 2016.
- U.S. Patent Number 9,118,751 entitled “System and Method for Analyzing and Classifying Calls without Transcription” was issued August 25, 2015, its continuation Patent Number 9,614,962 was issued April 4, 2017, and

its continuation Patent Application Number 15/475,456 was filed March 31, 2017.

- U.S. Patent Number 9,263,038 entitled "System and Method for Analyzing and Classifying Calls Without Transcription via Keyword Spotting" was issued February 16, 2016.
- U.S. Patent Number 9,484,026 entitled "System and Method for Analyzing and Classifying Calls Without Transcription via Keyword Spotting" was issued November 1, 2016, and its continuation Patent Application Number 15/339,619 was filed October 31, 2016.
- U.S. Patent Number 9,232,052 entitled "Analyzing Voice Characteristics to Detect Fraudulent Call Activity and Take Corrective Action Without Using Recording, Transcription or Caller ID" was issued January 5, 2016, and its continuation Patent Number 9,596,356 entitled "Analyzing Voice Characteristics to Detect Fraudulent Call Activity and Take Corrective Action Without Using Recording, Transcription or Caller ID" was issued March 14, 2017.
- U.S. Patent Application Number 14/550,089 entitled "Identifying Call Characteristics to Detect Fraudulent Call Activity and Take Corrective Action Without Using Recording, Transcription or Caller ID" was filed November 21, 2014.
- U.S. Patent Application Number 14/714,141 entitled "Call Analytics for Mobile Advertising" was filed May 15, 2015.
- U.S. Patent Number 9,485,354 entitled "Identifying Call Features and Associations to Detect Call Traffic Pumping and Take Corrective Action" was issued November 1, 2016, and its continuation Patent Application Number 15/339,682 was filed October 31, 2016.
- U.S. Patent Application Number 15/840,155 entitled "Source Agnostic Correlation of Consumer Telephone Numbers and User Identifiers" was filed December 13, 2017.
- U.S. Patent Application Number 15/965,690 entitled "Automatic Speech Recognition (ASR) Model Training" was filed April 27, 2018 claiming priority to U.S. Provisional Patent Application Number 62/491,223 entitled "System and Method for Training an Automatic Speech Recognition (ASR) Model" filed April 27, 2017.

In the future, additional patent applications may be filed with respect to internally developed or acquired technologies. Our industry is highly competitive and many individuals and companies have sought to patent processes in the industry. We may decide not to protect certain intellectual properties or business methods which may later turn out to be significant to us. In addition, the patent process takes several years and involves considerable expense. Further, patent applications and patent positions in our industry are highly uncertain and involve complex legal and factual questions due in part to the number of competing technologies. As a result, we may not be able to successfully prosecute these patent applications, in whole or in part, or any additional patent filings that we may make in the future. We also depend on our trademarks, trade names and domain names. We may not be able to adequately protect our technology and data resources. In addition, intellectual property laws vary from country to country, and it may be more difficult to protect our intellectual property in some foreign jurisdictions in which we may plan to enter. If we fail to obtain and maintain patent or other intellectual property protection for our technology, our competitors could market competing products and services utilizing our technology.

Despite our efforts to protect our proprietary rights, unauthorized parties domestically and internationally may attempt to copy or otherwise obtain and use our services, technology and other intellectual property. We cannot be certain that the steps we have taken will prevent any misappropriation or confusion among consumers and advertisers. If we are unable to protect our intellectual property rights from unauthorized use, our competitive position could be adversely affected.

We may be involved in lawsuits to protect or enforce our patents, which could be expensive and time consuming.

We may initiate patent litigation against third parties to protect or enforce our patent rights, and we may be sued by others seeking to invalidate our patents or prevent the issuance of future patents. We may also become subject to interference proceedings conducted in the patent and trademark offices of various countries to determine the priority of inventions. The defense and prosecution, if necessary, of intellectual property suits, interference proceedings and related legal and administrative proceedings is costly and may divert our technical and management personnel from their normal responsibilities. We may not prevail in any of these suits. An adverse determination of any litigation or defense proceedings could put our patents at risk of being invalidated or interpreted narrowly and could put our patent applications at risk of not being issued.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, during the course of this kind of litigation, there could be public announcements of the results of hearings, motions or other interim

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proceedings or developments in the litigation. If securities analysts or investors perceive these results to be negative, it could have an adverse effect on the trading price of our Class B common stock.

Our quarterly results of operations might fluctuate due to seasonality, which could adversely affect our growth rate and in turn the market price of our securities.

Our quarterly results have fluctuated in the past and may fluctuate in the future due to seasonal fluctuations in the level of mobile and internet usage and seasonal purchasing cycles of many advertisers. Our experience has shown that during the spring and summer months, mobile and internet usage is generally lower than during other times of the year and during the latter part of the fourth quarter of the calendar year we generally experience lower call volume and reduced demand for calls from our call advertising customers. The extent to which usage and call volume may decrease during these off-peak periods is difficult to predict. Prolonged or severe decreases in usage and call volume during these periods may adversely affect our growth rate and results, and in turn, the market price of our securities. Historically, we have seen this trend generally reversing in the first quarter of the calendar year with increased mobile and internet usage and often new budgets at the beginning of the year for many of our customers with fiscal years ending December 31. However, there can be no assurances such seasonal trends will consistently repeat each year. The current business environment and our industry has generally both resulted in, and we may continue to see, many advertisers and reseller partners reducing advertising and marketing services budgets or adjusting such budgets throughout the year, changing marketing strategies or agency affiliations, or advertisers being acquired by parent companies with alternative media initiatives, which we expect will impact our quarterly results of operations in addition to the typical seasonality seen in our industry.

We are susceptible to general economic conditions, and a downturn in advertising and marketing spending by advertisers could adversely affect our operating results.

Our operating results will be subject to fluctuations based on general economic conditions, in particular those conditions that impact advertiser-consumer transactions. Deterioration in economic conditions could cause decreases in or delays in advertising spending and reduce and/or negatively impact our short-term ability to grow our revenues. Further, any decreased collectability of accounts receivable or early termination of agreements due to deterioration in economic conditions could negatively impact our results of operations.

We depend on the growth of mobile technologies, the internet and the internet infrastructure for our future growth and any decrease in growth or anticipated growth in mobile and internet usage could adversely affect our business prospects.

Our future revenue and profits, if any, depend upon the continued widespread use of mobile technologies and the internet as an effective commercial and business medium. Factors which could reduce the widespread use of mobile technologies (including mobile devices, in particular) and the internet include:

- possible disruptions or other damage to the mobile, internet or telecommunications infrastructure and networks;
- failure of the individual networking infrastructures of our advertisers, reseller partners, and distribution partners to alleviate potential overloading and delayed response times;
- a decision by advertisers and consumers to spend more of their marketing dollars on offline programs;
- increased governmental regulation and taxation; and
- actual or perceived lack of data security or privacy protection.

In particular, concerns over the security of online transactions and the privacy of users, including the risk of identity theft, may inhibit the growth of internet usage, including commercial transactions. In order for the mobile and online commerce market to develop successfully, we and other market participants must be able to transmit confidential information, including credit card information, securely over public networks. Any decrease in anticipated mobile and internet growth and usage could have a material adverse effect on our business prospects.

We are exposed to risks associated with credit card fraud and credit payment, and we may continue to suffer losses as a result of fraudulent data or payment failure by advertisers.

We have suffered losses and may continue to suffer losses as a result of payments made with fraudulent credit card data. Our failure to control fraudulent credit card transactions could reduce our net revenue and gross margin and negatively impact our standing with applicable credit card authorization agencies. In addition, under limited circumstances, we extend credit to advertisers who may default on their accounts payable to us or fraudulently "charge-back" amounts on their credit cards for services that have already been delivered by us.

Regulation of E-Commerce, Online Tracking, Online Data Collection, and Use of the internet may adversely affect our business and operating results.

Mobile and online search, e-commerce and related businesses face uncertainty related to new or future government regulation at the federal, state, and international levels regarding e-commerce, online tracking, online data collection, and use of the internet. Due to the rapid growth and widespread use of the internet, state and federal legislatures (both domestically and abroad) have enacted and may continue to enact various laws and regulations relating to the internet. Individual states may also enact consumer protection laws that are more restrictive than the ones that already exist.

Furthermore, the application of existing laws and regulations to companies that engage in e-commerce, or otherwise interact with the internet remains somewhat unclear. For example, as a result of the actions of advertisers in our network, we may be subject to existing laws and regulations relating to a wide variety of issues such as consumer privacy, gambling, sweepstakes, advertising, promotions, defamation, pricing, taxation, financial market regulation, quality of products and services, computer trespass, spyware, adware, child protection and intellectual property ownership and infringement. In addition, it is not clear whether existing laws that require licenses or permits for certain of our advertisers' lines of business apply to us, including those related to insurance and securities brokerage, law offices and pharmacies. Existing federal, state, and foreign laws that may affect the growth and profitability of our business include, among others:

- The Digital Millennium Copyright Act (DMCA) provides protection from copyright liability for online service providers that list or link to third-party websites. We currently qualify for the safe harbor under the DMCA; however, if it were determined that we did not meet the safe harbor requirements, we could be exposed to copyright infringement litigation, which could be costly and time-consuming.
- The Children's Online Privacy Protection Act (COPPA) restricts the online collection of personal information about children and the use of that information. The Federal Trade Commission (FTC) has the authority to impose fines and penalties upon website operators and online service providers that do not comply with the law. We do not currently offer any websites or online services "directed to children," nor do we knowingly collect personal information from children.
- The Protection of Children from Sexual Predators Act requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances.
- The Controlling the Assault of Non-Solicited Pornography and Marketing (CAN SPAM) Act of 2003 establishes requirements for those who send commercial e-mails, spells out penalties for entities that transmit noncompliant commercial e-mail and/or whose products are advertised in noncompliant commercial e-mail and gives consumers the right to opt-out of receiving commercial e-mails. The majority of the states also have adopted similar statutes governing the transmission of commercial e-mail. The FTC and the states, as applicable, are authorized to enforce the CAN-SPAM Act and the state-specific statutes, respectively. CAN-SPAM gives the Department of Justice the authority to enforce its criminal sanctions. Other federal and state agencies can enforce the law against organizations under their jurisdiction, and companies that provide internet access may sue violators as well.
- The Electronic Communications Privacy Act prevents private entities from disclosing internet subscriber records and the contents of electronic communications, subject to certain exceptions.
- The Computer Fraud and Abuse Act and other federal and state laws protect computer users from unauthorized computer access/hacking, and other actions by third parties which may be viewed as a violation of privacy. Courts may apply each of these laws in unintended and unexpected ways. As a company that provides services over the internet as well as call recording and call tracking services, we may be subject to an action brought under any of these or future laws.
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Among the types of legislation currently being considered at the federal and state levels are consumer laws regulating for the use of certain types of software applications or downloads and the use of "cookies." These proposed laws are intended to target specific types of software applications often referred to as "spyware," "invasiveware" or "adware," and may also cover certain applications currently used in the online advertising industry to serve and distribute advertisements. In addition, the FTC has sought inquiry regarding the implementation of a "do-not-track" requirement. Federal legislation is also expected to be introduced that would regulate "online behavioral advertising" practices. If passed, these laws would impose new obligations for companies that use such software applications or technologies. At least one state already has enacted a law, which went into effect in January 2014, regarding online tracking.

Many internet services are automated, and companies such as ours may be unknowing conduits for illegal or prohibited materials. It is possible that some courts may impose a strict liability standard or require such companies to monitor their customers' conduct. Although we would not be responsible or involved in any way in such illegal conduct, it is possible that we would somehow be held responsible for the actions of our advertisers or distribution partners.

We may also be subject to costs and liabilities with respect to privacy issues. Several companies have incurred penalties for failing to abide by the representations made in their public-facing privacy policies. In addition, several states have passed laws that require businesses to implement and maintain reasonable security procedures and practices to protect sensitive personal information and to provide notice to consumers in the event of a security breach. Further, it is anticipated that additional federal and state privacy-related legislation will be enacted. Such legislation could negatively affect our business. In addition, foreign countries may enact laws that could negatively impact our business and/or may prosecute us for violating existing laws. Such laws might include EU member country conforming legislation under applicable EU Privacy, eCommerce, Data Protection Directives (and similar legislation in other countries where we may have operations), and the recently enacted EU General Data Protection Regulation, which went into full effect in May 2018 and which supersedes the current EU data protection regulation, which is directly applicable to all member states and which is expected to result in substantial changes to our compliance obligations and a significant increase in potential administrative fines for non-compliance. Any costs incurred in addressing foreign laws could negatively affect the viability of our business. Our exposure to this risk will increase to the extent we expand our operations internationally.

Federal, state, and foreign regulation of telecommunications may adversely affect our business and operating results.

We provide information and analytics services to certain advertisers and reseller partners that may include information services. In connection therewith, we obtain certain telecommunications products and services from carriers in order to deliver these packages of information and analytic services.

Telecommunications laws and regulations (and interpretations thereof) are evolving in response to rapid changes in the telecommunications industry. If our carrier partners were to be subject to any changes in applicable law or regulation (or interpretations thereof), or additional taxes or surcharges, then we in turn may be subject to increased costs for their products and services or receive products and services that may be of less value to our customers, which in turn could adversely affect our business and operating results. Furthermore, our call recording and pay-for-call services may directly subject us to certain telecommunications-related regulations. Finally, in the event that any federal or state regulators were to expand the scope of applicable laws and regulations or their application to include certain end users and information service providers, then our business and operating results could also be adversely affected. The following existing and possible future federal and state laws could impact the growth and profitability of our business:

- The Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the "Act"), and the regulations promulgated by the Federal Communications Commission under Title II of the Act, may impose federal licensing, reporting and other regulatory obligations on the Company. To the extent we contract with and use the networks of voice over IP service providers, new legislation or FCC regulation in this area could restrict our business, prevent us from offering service or increase our cost of doing business. There are an increasing number of regulations and rulings that specifically address access to commerce and communications services on the internet, including IP telephony. We are unable to predict the impact, if any, that future legislation, legal decisions or regulations concerning voice services offered via the internet may have on our business, financial condition, and results of operations.

- The U.S. Congress, the FCC, state legislatures or state agencies may target, among other things, access or settlement charges, imposing taxes related to internet communications, imposing tariffs or other regulations based on encryption concerns, or the characteristics and quality of products and services that we may offer. Any new laws or regulations concerning these or other areas of our business could restrict our growth or increase our cost of doing business.
- The FCC has initiated a proceeding regarding the regulation of broadband services. The increasing growth of the broadband IP telephony market and popularity of broadband IP telephony products and services heighten the risk that the FCC or other legislative bodies will seek to regulate broadband IP telephony and the internet. In addition, large, established telecommunication companies may devote substantial lobbying efforts to influence the regulation of the broadband IP telephony market, which may be contrary to our interests.
- There is risk that a regulatory agency will require us to conform to rules that are unsuitable for IP communications technologies or rules that cannot be complied with due to the nature and efficiencies of IP routing, or are unnecessary

or unreasonable in light of the manner in which we offer voice-related services such as call recording and pay-for-call services to our customers.

- Federal and state telemarketing laws including the Telephone Consumer Protection Act, the Telemarketing Sales Rule, the Telemarketing Consumer Fraud and Abuse Prevention Act and the rules and regulations promulgated thereunder.
- Laws affecting telephone call recording and data protection, such as consent and personal data statutes. Under the federal Wiretap Act, at least one party taking part in a call must be notified if the call is being recorded. Under this law, and most state laws, there is nothing illegal about one of the parties to a telephone call recording the conversation. However, several states (i.e., California, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, Montana, Nevada, New Hampshire, Pennsylvania and Washington) require that all parties consent when one party wants to record a telephone conversation. The telephone recording laws in other states, like federal law, require only one party to be aware of the recording. A Wiretap Act violation is a Class D felony; the maximum authorized penalties for a violation of section 2511(1) of the Wiretap Act are imprisonment of not more than five years and a fine under Title 18. Authorized fines are typically not more than $250,000 for individuals or $500,000 for an organization, unless there is a substantial loss. State laws impose similar penalties.
- The Communications Assistance for Law Enforcement Act may require that we undertake material modifications to our platforms and processes to permit wiretapping and other access for law enforcement personnel.
- Under various Orders of the Federal Communications Commission, we may be required to make material retroactive and prospective contributions to funds intended to support Universal Service, Telecommunications Relay Service, Local Number Portability, the North American Numbering Plan and the budget of the Federal Communications Commission.
- Laws in most states of the United States of America may require registration or licensing of one or more of our subsidiaries, and may impose additional taxes, fees or telecommunications surcharges on the provision of our services which we may not be able to pass through to customers.
- Our international operations may expose us to telecommunications regulations in the countries where we are operating and these regulations could negatively affect the viability of our business in those regions.

State and local governments may in the future be permitted to levy additional taxes on internet access and electronic commerce transactions, which could result in a decrease in the level of usage of our services. In addition, we may be required to pay additional income, sales, or other taxes.

The federal government has placed a ban for now on state and local governments' imposition of new taxes on internet access or electronic commerce transactions through the Internet Tax Freedom Act. The proposed Marketplace Fairness Act, if enacted into law, would allow states to require online and other out of state merchants to collect and remit sales and use tax on products and services that they may sell. Additionally, a June 2018 U.S. Supreme Court decision held that states can require remote sellers to collect state and local sales taxes. An increase in taxes may make electronic commerce transactions less attractive for advertisers and businesses, which could result in a decrease in the level of usage of our services. Furthermore, from time to time, various state, federal and other jurisdictional tax authorities undertake reviews of us and our filings. In evaluating the exposure associated with various tax filing positions, we may on occasion accrue charges for probable exposures. We cannot predict the outcome of any of these reviews.

Risks Relating to Ownership of our Class B common stock

Our Class B common stock prices have been and are likely to continue to be highly volatile.

The trading prices of our Class B common stock have been and are likely to continue to be highly volatile and subject to wide fluctuations and has more recently declined significantly. Our stock prices may fluctuate in response to a number of events and factors, which may be the result of our business strategy or events beyond our control, including:

- actual or anticipated fluctuations in our operating results;
- developments concerning proprietary rights, including patents, by us or a competitor;
- announcements by us or our competitors of significant contracts, acquisitions, financings, commercial relationships, joint ventures or capital commitments;
- loss of senior management or other key personnel;

- registration of additional shares of Class B common stock in connection with acquisitions;
- lawsuits initiated against us or lawsuits initiated by us;
- announcements of acquisitions or technical innovations;
- potential loss or reduced contributions from distribution partners, reseller partners and agencies, or advertisers;
- significant volatility in the market price and trading volume of technology companies in general and of companies in the digital advertising industry in particular;
- changes in growth or earnings estimates or recommendations by analysts;
- changes in the market valuations of similar companies;
- changes in our industry and the overall economic environment;
- volume of shares of Class B common stock available for public sale, including upon conversion of Class A common stock or upon exercise of stock options;
- Class B common stock repurchases under our share repurchase program;
- sales and purchases of stock by us or by our stockholders, including sales by certain of our executive officers and directors pursuant to written pre-determined selling and purchase plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”);
- short sales, hedging and other derivative transactions on shares of our Class B common stock; and
- an adverse impact on us from any of the other risks cited n this Risk Factors section.

In addition, the stock market in general, and the NASDAQ Global Select Market and the market for mobile and online commerce companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the listed companies. These broad market and industry factors may seriously harm the market price of our Class B common stock, regardless of our operating performance. In the past, following periods of volatility in the market, securities class action litigation has often been instituted against these companies.

Litigation against us, whether or not judgment is entered against us, could result in substantial costs and potentially economic loss, and a diversion of our management’s attention and resources, any of which could seriously harm our financial condition. Additionally, there can be no assurance that an active trading market of our Class B common stock will be sustained.

If securities analysts do not continue to publish research or publish negative research about our business, our stock price and trading volume could decline.

The trading market for our Class B common stock depends in part on the research and reports that securities analysts publish about us or our business. If one or more of the analysts who covers us downgrades our stock or publishes negative research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, we could lose visibility in the market for our stock and demand for our stock could decrease, which could cause our stock price or trading volume to decline.

Our founders control the outcome of stockholder voting, and there may be an adverse effect on the price of our Class B common stock due to the disparate voting rights of our Class A common stock and our Class B common stock.

As of June 30, 2018, Russell C. Horowitz and Ethan A. Caldwell, two of our founders, beneficially owned 100% of the outstanding shares of our Class A common stock, which shares represented 77% of the combined voting power of all outstanding shares of our capital stock. These founders together controlled 78% of the combined voting power of all outstanding shares of our capital stock as of June 30, 2018. The holders of our Class A common stock and Class B common stock have identical rights except that the holders of our Class B common stock are entitled to one vote per share, while holders of our Class A common stock are entitled to twenty-five votes per share on all matters to be voted on by stockholders. This concentration of control could be disadvantageous to our other stockholders with interests different from those of these founders. This difference in the voting rights of our Class A common stock and Class B common stock could adversely affect the price of our Class B common stock to the extent that investors or any potential future purchaser of our shares of Class B common stock give greater value to the superior voting rights of our Class A common stock. Further, as long as these founders have a controlling interest, they will continue to be able to elect all or a majority of our board of directors and generally be able to determine the outcome of all corporate actions requiring stockholder approval. As a result, these founders will be in a position to continue to control all fundamental matters affecting our company, including any merger involving, sale of substantially all of the assets of, or change in control of, our company. The ability of these founders to control our company may result in our Class B common stock trading at a price lower than the price at which such stock would trade if these founders did not have a controlling interest in us. This control may deter or prevent a third-party from acquiring us which could adversely affect the market price of our Class B common stock.

Anti-takeover provisions may limit the ability of another party to acquire us, which could cause our stock price to decline.

Our certificate of incorporation, as amended, our by-laws and Delaware law contain provisions that could discourage, delay or prevent a third-party from acquiring us, even if doing so may be beneficial to our stockholders. In addition, these provisions could limit the price investors would be willing to pay in the future for shares of our Class B common stock. The following are examples of such provisions in our certificate of incorporation, as amended, or our by-laws:

- the authorized number of our directors can be changed only by a resolution of our board of directors;
- advance notice is required for proposals that can be acted upon at stockholder meetings;
- there are limitations on who may call stockholder meetings; and
- our board of directors is authorized, without prior stockholder approval, to create and issue “blank check” preferred stock.

We are also subject to Section 203 of the Delaware General Corporation Law, which provides, subject to enumerated exceptions, that if a person acquires 15% or more of our voting stock, the person is an “interested stockholder” and may not engage in “business combinations” with us for a period of three years from the time the person acquired 15% or more of our voting stock. The application of Section 203 of the Delaware General Corporation Law could have the effect of delaying or preventing a change of control of our company.

We may not pay dividends on our Class B common stock in the future.

Under Delaware law, dividends to stockholders may be made only from the surplus of a company, or, in certain situations, from the net profits for the current fiscal year or the fiscal year before which the dividend is declared. We recently declared and paid a special dividend. Special dividends generally result in a reduction in stock price with the dividend distributed. In addition, we paid a quarterly dividend on our Class B common stock from November 2006 through May 2015. Our ability to pay dividends is dependent upon a variety of factors, including our financial results, liquidity and financial condition and capital requirements. There is no assurance that we will pay dividends in the future. Furthermore, the payment by us of special dividends or dividends in general may have an impact on our stock price.

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

During the three months ended June 30, 2018, share repurchase activity was as follows:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of	Maximum number of shares (or approximate dollar value)

			publicly announced plans or programs	that may yet be purchased under the plans or programs (1)
Class B Common Shares:				
May 1, 2018 – May 31, 2018 (2)	2,334,411	$ 2.43	—	1,319,128
Total Class B Common Shares	2,334,411	$ 2.43	—	1,319,128

(1) In November 2014, we established a 2014 share repurchase program, which supersedes and replaces any prior repurchase programs, and authorized the Company to repurchase up to 3 million shares in the aggregate of the Company's Class B common stock. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability, and other market conditions.

(2) Shares of Class B common stock purchased from a former member of the Company's board of directors.

50

Item 4. Mine Safety Disclosures

Not applicable.

51

Item 6. Exhibits

Exhibit Number	Description
10.1	Stock Repurchase Agreement, dated May 31, 2018, between Marchex, Inc. and Nicolas Hanauer (filed with the Registrant's Current Report on Form 8-K filed with the SEC on June 1, 2018 and incorporated herein by reference).
†31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
†31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
††32	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
†101.INS	XBRL Instance Document.
†101.SCH	XBRL Taxonomy Extension Schema Document.
†101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
†101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
†101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
†101.PRE	XBRL Taxonomy Presentation Linkbase Document.

† Filed herewith.
†† Furnished herewith.

SIGNATURE

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

	MARCHEX, INC.	
Date: August 6, 2018	By:	/s/ MICHAEL A. ARENDS
	Name:	Michael A. Arends
	Title:	Chief Financial Officer and member of the Office of the CEO (Principal Financial and Accounting Officer)

53