

# SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

## FORM 10-K

### Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended February 4, 2001

Commission file number: 1-724

## PHILLIPS-VAN HEUSEN CORPORATION

(Exact name of registrant as specified in its charter)

**DELAWARE**  
(State of incorporation)

**13-1166910**  
(IRS Employer  
Identification No.)

**200 Madison Avenue**

**New York, New York 10016**

(Address of principal executive offices)

**212-381-3500**

(Registrant's telephone number)

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$1.00 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

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

NONE

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for at least 90 days.

Yes  No

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

The aggregate market value of the voting stock of registrant held by nonaffiliates of the registrant as of April 2, 2001 was approximately

\$407,296,000.

Number of shares of Common Stock outstanding as of April 2, 2001:

27,484,549.

#### DOCUMENTS INCORPORATED BY REFERENCE

<u>Document</u>	<u>Location in Form 10-K in which incorporated</u>
Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on June 14, 2001	Part III

\* \* \*

#### SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Forward-looking statements in this Form 10-K report including, without limitation, statements relating to the Company's plans, strategies, objectives, expectations and intentions, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-

looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy, and some of which might not be anticipated, including, without limitation, the following: (i) the Company's plans, strategies, objectives, expectations and intentions are subject to change at any time at the discretion of the Company; (ii) the levels of sales of the Company's apparel and footwear products, both to its wholesale customers and in its retail stores, and the extent of discounts and promotional pricing in which the Company is required to engage, all of which can be affected by weather conditions, changes in the economy, fashion trends and other factors; (iii) the Company's plans and results of operations will be affected by the Company's ability to manage its growth and inventory; (iv) the Company's operations and results could be affected by quota restrictions (which, among other things, could limit the Company's ability to produce products in cost-effective countries that have the labor and technical expertise needed), the availability and cost of raw materials (particularly petroleum-based synthetic fabrics, which are currently in high demand, and leather, the supply of which is threatened by the outbreak of foot and mouth disease impacting European and South American cattle), the Company's ability to adjust timely to changes in trade regulations and the migration and development of manufacturers (which can affect where the Company's products can best be produced), and political and labor instability in the countries where the Company's products are or are planned to be produced; and (v) other risks and uncertainties indicated from time to time in the Company's filings with the Securities and Exchange Commission.

The Company does not undertake any obligation to update publicly any forward-looking statement, including, without limitation, any estimate regarding revenues or earnings, whether as a result of the receipt of new information, future events or otherwise.

## PART I

### Item 1. Business

Unless the context otherwise requires, the term "Company" means Phillips-Van Heusen Corporation ("PVH") and its subsidiaries ("Subsidiaries"). The Company's fiscal year is based on the 52-53 week period ending on the Sunday closest to February 1, and is designated by the calendar year in which the fiscal year commences. The Company derives market share data information used herein from various industry sources.

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#### Overview

The Company is a leading marketer of men's, women's and children's apparel and footwear. Its roster of brands includes *Van Heusen*, (dress shirts and sportswear), *G.H. Bass & Co.* (men's, women's and children's footwear), *Geoffrey Beene* (dress shirts and sportswear), *Izod* (sportswear), *DKNY* (dress shirts), *Arrow* (dress shirts and sportswear), *Kenneth Cole New York* (dress shirts), *Reaction by Kenneth Cole* (dress shirts), *FUBU* (dress shirts), *Regis* by The Van Heusen Company (dress shirts) and *John Henry* (dress shirts).

The Company is brand focused, managing the design, sourcing and manufacturing of substantially all of its products on a brand by brand basis. The Company's products include dress, sport and knit shirts, casual shoes and, to a lesser extent, sweaters, neckwear, furnishings, bottoms, outerwear and leather and canvas accessories. Approximately 27% of the Company's net sales in fiscal 2000 were derived from sales of dress shirts, 27% from sales of footwear and related products and 46% from sales of other apparel goods, primarily branded sportswear. The Company markets its products at the wholesale level through national and regional department store chains and also directly to consumers through its own retail stores, generally located in factory outlet retail malls. The Company also presently markets Bass, Izod and special order Van Heusen products through the Internet on a limited basis. The Company believes that marketing through the wholesale channel is where the Company is able to build brand equity and is its core business, and it views its retail business as a complement to its strong branded positions in the wholesale market.

The Company owns the Van Heusen, Bass and Izod brand trademarks. The Geoffrey Beene brand is licensed for dress shirts and men's and women's sportswear under agreements with Geoffrey Beene, Inc.; the Arrow brand is licensed for men's and boys' dress shirts and sportswear under an agreement with Cluett American Corp.; the DKNY brand is licensed for dress shirts under an agreement with Donna Karan Studio; the John Henry brand is licensed for dress shirts under an agreement with Perry Ellis International; the FUBU brand is licensed for dress shirts and neckwear under an agreement with GTFM, LLC; the Kenneth Cole brands are licensed for dress shirts under an agreement with K.C.P.L., Inc; and Regis by The Van Heusen Company brand is licensed for dress shirts under an agreement with Philbin Enterprises.

The Company's principal brands enjoy national recognition in their respective sectors of the market. In the United States, Van Heusen is the best-selling dress shirt brand and one of the best-selling men's woven sport shirt brands, and Geoffrey Beene is the best-selling designer dress shirt brand. The Company believes that it is the largest supplier of dress shirts, including its branded, designer and private label offerings, in the United States. Izod is one of the best-selling men's sweater brands and one of the best-selling men's basic knit shirts in the United States. Bass is a leading brand of men's, women's and children's casual shoes at the moderate price range in the United States. In addition, the Izod Club brand, which the Company owns and licenses to Oxford Industries, is a leading golf apparel brand in pro shops and resorts.

The Company markets its brands at different price points to various segments of the market, which spreads its appeal to multiple demographic

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sectors and a broad spectrum of consumers. This diversity of the Company's brands is intended to minimize competition among the brands and minimize reliance on any one sector. The Company's products are designed to appeal to relatively stable demographic sectors and generally are not reliant on rapidly changing fashion trends.

Consistent with its strategy of developing its brands, the Company has focused on the wholesale sector -- primarily department stores -- as the key source of distribution for its products. The Company believes that the wholesale channel generally, and department stores specifically, provide the best means of promoting a fully conceptualized image for each of its brands and of securing broad awareness of its products and image. The Company's wholesale customers for its products include May Co., Federated, JC Penney, Belk's, Kohl's, Dillard's and Saks, Inc.

While focused on the wholesale sector, the Company also sells its products directly to consumers in Company-owned stores located primarily in factory outlet retail malls. At the end of fiscal 2000, the Company operated 672 stores. The stores are operated in four brand formats -- Van Heusen, Bass, Izod and Geoffrey Beene. Van Heusen and Bass, followed by Izod, are in the broadest range of malls. Geoffrey Beene stores are located in malls in geographic areas where that brand has greater name recognition. The Company believes its retail presence is an important complement to its strong branded

positions in the wholesale market, facilitating product experimentation, the gathering of market intelligence and effective inventory control.

The Company was incorporated in the State of Delaware in 1976 as the successor to a business begun in 1881, and, with respect to G.H. Bass & Co., a business begun in 1876. The Company's principal executive offices are located at 200 Madison Avenue, New York, New York 10016; its telephone number is (212) 381-3500.

## **Business**

The Company's business is divided into two segments - (i) Apparel and (ii) Footwear and Related Products. The Apparel segment is operated in two groups - Dress Shirts and Sportswear.

### **Apparel**

#### ***Dress Shirts***

The Company's dress shirts currently are marketed principally under the Van Heusen, Geoffrey Beene, DKNY, John Henry, FUBU, Arrow, Kenneth Cole New York, Reaction by Kenneth Cole and Regis by The Van Heusen Company brands. The Van Heusen and Geoffrey Beene brands are the leaders in men's dress shirts in their respective categories, with a combined 2000 unit share in the key United States department store sector of 33%. In addition, the Company markets its dress shirts under the Etienne Aigner brand and through private label programs.

Van Heusen brand dress shirts have provided a strong foundation for the Company for most of its history and now constitute the best-selling dress shirt brand in the United States. The Van Heusen dress shirt is marketed at wholesale in the moderate price range to department stores and specialty

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stores nationwide, including Federated, May Co., JC Penney, Saks, Inc., Belk's and Mervyns.

The Company markets Geoffrey Beene brand men's dress shirts under a license agreement with that designer, which expires in 2003 and which may be extended, at the Company's option (subject to the satisfaction of certain criteria), through 2013. Geoffrey Beene dress shirts are the best-selling designer dress shirts in the United States. Geoffrey Beene dress shirts are sold in the upper moderate price range to department stores and specialty stores nationwide, including Federated, Dayton's, May Co. and Saks, Inc.

The Company markets DKNY brand dress shirts under a license agreement that expires in 2002 and which may be extended, at the Company's option (subject to the satisfaction of certain criteria), through 2007. DKNY brand dress shirts are sold in the better price range to department stores and specialty stores nationwide, including Federated, May Co. and Saks, Inc. DKNY dress shirts are targeted to younger and more contemporary customers. Arrow brand dress shirts are marketed under a license agreement that expires in 2007 and which may be extended, at the Company's option, through 2017. They are sold in the moderate price range to department stores and specialty stores, including Kohl's, Sears and Mervyns. The two Kenneth Cole brands of dress shirts, Kenneth Cole New York and Kenneth Cole Reaction, are marketed under a license agreement that expires in 2005. These shirts are sold in the better price range to department stores and specialty stores, including Federated, Dillard's and Dayton's. John Henry brand dress shirts are marketed under a license agreement that expires in 2002 and which may be extended at the Company's option (subject to the satisfaction of certain criteria) through 2014. They are sold in the moderate price range, primarily to Sears. FUBU brand dress shirts are marketed under a license agreement that expires in 2003 and which may be extended at the Company's option (subject to the satisfaction of certain criteria), through 2009. FUBU brand dress shirts are sold in the better price range to department stores, including Federated and JC Penney. Regis by The Van Heusen Company brand dress shirts are marketed under a license agreement that expires in 2002 and which may be extended, at the Company's option, through 2011. These shirts are sold in the better price range to department stores and specialty stores, including Federated and JC Penney.

Private label programs offer the retailer the ability to create its own line of exclusive merchandise and give the retailer control over distribution of the product. These programs present an opportunity for the Company to leverage its strong design and sourcing expertise. The Company's customers work with the Company's designers to develop shirts in the styles, sizes and cuts which the customers desire to sell in their stores with their particular store names or private labels. Private label programs offer the consumer quality product and offer the retailer the opportunity to enjoy product exclusivity. Private label products, however, generally do not have the same level of consumer recognition as branded products and private label manufacturers do not generally provide retailers with the same breadth of services and in-store sales and promotional support as branded manufacturers. The Company markets private label dress shirts to major national retail chains and department stores, including JC Penney, Sears, May Co. and Federated. The Company believes it is one of the largest marketers of private label dress shirts in the United States.

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### **Sportswear**

The Company's sportswear products are marketed principally under the Van Heusen, Izod, Geoffrey Beene and Arrow brands.

Van Heusen is one of the best-selling men's woven sport shirt brands in the United States. Van Heusen sportswear also includes knit sport shirts and sweaters. Like Van Heusen branded dress shirts, Van Heusen branded sport shirts and sweaters are marketed at wholesale in the moderate price range to department stores and specialty stores nationwide, including JC Penney, Mervyns, May Co., Belk's and Federated. The Company believes that the success of Van Heusen dress shirts in department stores where it is part of the stores' classification offerings supports its presence in the department stores' sportswear classification offerings and presents a significant opportunity for further development.

The product mix targeted for the Company's Van Heusen stores is intended to satisfy the key apparel needs of men from dress furnishings to sportswear and of women for sportswear. Van Heusen stores' merchandising strategy is focused on achieving a classic and/or updated traditional look at principally moderate price points. Target customers represent the broadest spectrum of the American consumer.

Izod occupies a major presence in department stores as a main floor lifestyle classification sportswear brand for all seasons. Izod branded apparel products consist of active inspired men's and women's sportswear, including sweaters, knitwear, slacks, fleecewear and microfiber jackets. Izod men's sweaters and basic knit shirts are among the best-selling products in their categories in the United States. Izod products are marketed in the moderate to upper moderate price range in department stores, including May Co., Federated, JC Penney, Saks, Inc. and Belk's.

The Company's Izod stores offer men's and women's active sportswear. The product assortments cater to an active lifestyle that revolves around the game of golf. In addition, the Company's Izod stores market easy care sportswear for travel, resort inspired casual sportswear and outerwear. All products are marketed in the moderate to upper moderate price category.

Geoffrey Beene brand sportswear is marketed at wholesale under the same license agreement as Geoffrey Beene dress shirts. Products are marketed in the upper moderate price range in department and specialty stores, including Federated and Dayton's, and include men's sport shirts and knit tops.

The Company's Geoffrey Beene stores offer men's and women's apparel and accessories. Men's apparel is comprised of dress shirts and furnishings, as well as casual and dress casual sportswear. The women's product mix is also a combination of casual and dress casual sportswear. The merchandising strategy is focused on an upscale, fashion forward consumer who is prepared to purchase apparel in the upper moderate price range. The Company offers Geoffrey Beene products in its stores under a license agreement which expires in 2002 and is renewable, at the Company's option (subject to the satisfaction of certain criteria), through 2011.

Arrow brand sportswear is marketed at wholesale under the same license agreement as Arrow dress shirts. Products are marketed in the moderate price range to department stores and specialty stores nationwide, including Kohl's

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and Mervyn's. Arrow brand apparel products that the Company markets consist of men's knit and woven tops and sweaters.

The Company's extensive resources in both product development and sourcing have permitted it to successfully market private label sport shirts to major retailers, including Wal-Mart, Target and Sears. The Company also markets private label sport shirts to companies in service industries, including major airlines and food chains. The Company believes it is one of the largest marketers of private label sport shirts in the United States.

#### **Footwear and Related Products**

The Company markets a broad range of updated casual and dress casual shoes and related products for men, women and children under the Bass brand. The brand has a long history of highly recognizable and innovative products. Bass is a leading brand of men's, women's and children's casual shoes in the moderate price range in the United States.

With the continued trend to a more casual workplace, and the recent trend towards traditional and classic footwear, the Company believes Bass is well-positioned to deliver appropriate fashion products that convey G.H. Bass & Co.'s 125 year heritage of creating quality casual and dress casual footwear.

Bass' traditional wholesale customers are department stores and specialty shoe stores throughout the United States, including Federated, May Co., Dillard's, Belk's and Saks, Inc. The Company also markets its Bass footwear internationally to retailers in Europe, Canada, South America, the Middle East, Africa and Asia.

The Company's Bass stores typically carry a modified assortment of Bass footwear from its wholesale line, as well as styles not available in the wholesale line in the moderate price range. The stores also carry apparel and accessories for men, women and children and other complementary products.

#### **Competition**

The apparel industry is highly competitive due to its fashion orientation, its mixture of large and small producers, the flow of domestic and imported merchandise and the wide diversity of retailing methods. Some of the larger branded apparel competitors include Polo/Ralph Lauren, Tommy Hilfiger, Nautica, Perry Ellis, Chaps and Natural Issue. In addition, the Company faces significant competition from retailers, including its own customers, through their private label programs.

The footwear industry is characterized by fragmented competition. Consequently, retailers and consumers have a wide variety of choices regarding brands, style and price. However, over the years, Bass has maintained its important position in the casual footwear market, while extending the brand's offerings in modern, contemporary casual and dress casual styles. Few of its competitors have the overall men's and women's brand recognition of Bass. The Company's primary competitors include Dexter, Timberland, Rockport and Sperry. The Company believes, however, that it has a more extensive line of footwear for both genders and children and in a broader price range than any of its competitors.

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Based on the variety of the apparel and footwear marketed by the Company, the various channels of distribution it has developed, its logistics and sourcing expertise, and the strength of the Company's brands, the Company believes it is particularly well-positioned to compete in the apparel and footwear industries.

#### **Merchandise Design and Product Procurement**

The Company employs separate teams of designers, product line builders and merchandise product development groups for each of its brands, creating a structure that focuses on the brand's special qualities and identity. These designers, product line builders and product developers consider consumer taste, fashion trends and the economic environment when creating a product plan for a particular season for their brand. The Company also employs sourcing specialists for each brand who focus on the manufacturing and sourcing needs of the particular brand. In addition, the Company operates a worldwide network of foreign offices and buying agents for purposes of providing technical support and quality control to those sourcing specialists. The merchandise manufactured by the Company, as well as the vast majority of its sourced products, are planned, designed and sourced through the efforts of its various merchandise/product development and sourcing groups.

The process from initial design to finished product varies greatly, but generally spans nine to 12 months prior to each selling season. Apparel and footwear product lines are developed primarily for two major selling seasons, spring and fall. However, certain Company product lines require more frequent introductions of new merchandise. Raw materials and production commitments are generally made four to 12 months prior to production and quantities are finalized at that time. In addition, sales are monitored regularly at both the retail and wholesale levels and modifications in production can be made both to increase or reduce inventories.

A portion of the Company's dress shirts is manufactured in the Company's domestic apparel manufacturing facility in Alabama as well as Company-owned facilities in Costa Rica and Honduras. However, most of the Company's dress shirts and all of its sportswear are sourced and manufactured to the Company's specifications by independent manufacturers in the Far East, Middle East, Caribbean and the Asian Subcontinent who meet its quality, cost and human rights requirements. Footwear is sourced and manufactured to the Company's specifications by independent manufacturers which meet the Company's quality, cost and human rights requirements, principally located in Italy, the Far East and Brazil.

The Company's foreign offices, located principally in Hong Kong, China, Taiwan, the Philippines, Central America, Mexico and the Asian Subcontinent enable the Company to monitor the quality of the goods manufactured by, and the delivery performance of, its suppliers. The Company continually seeks additional suppliers throughout the world for its sourcing needs and places its orders in a manner designed to limit the risk that a disruption of production at any one facility could cause a serious inventory problem. The Company has not experienced significant production delays or difficulties in importing goods. The Company's purchases from its suppliers are effected through individual purchase orders specifying the price and quantity of the items to be produced. Generally, the Company does not have any long-term, formal

arrangements with any of the suppliers which manufacture its products. No single supplier is critical to the Company's production needs, and the

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Company believes that an ample number of alternative suppliers exist should the Company need to secure additional or replacement production capacity.

The Company purchases raw materials, including fabric, buttons, thread, labels, yarn, piece goods and leather, from domestic and foreign sources based on quality, pricing and availability (including quotas and duties). The Company believes it is one of the largest procurers of shirting fabric worldwide and purchases the majority of its shirting fabric from overseas manufacturers. The Company monitors factors affecting textile production and imports and remains flexible in order to exploit advantages in obtaining materials from different suppliers and different geographic regions. No single supplier of raw materials is critical to the Company's production needs and the Company believes that an ample number of alternative suppliers exist should the Company need to secure additional or replacement raw materials.

Leather hide prices have increased in 2001 due to a potential reduction in supply caused by the foot and mouth disease impacting European and South American cattle. The Company has secured its leather costs through the third quarter of 2001. The Company does not believe that its financial performance for 2001 would be materially adversely effected by increased leather hide prices or a material decrease in leather hide supplies, although there can be no assurances that this will be the case. The foregoing is a forward-looking statement and the Company cannot predict the degree to which supplies or prices of leather hide will be affected by the spread of the disease.

#### **Advertising and Promotion**

The Company advertises primarily in national print media, including fashion, entertainment/human interest, business, men's, women's and sports magazines. The Company continues its efforts in cooperative advertising, as it believes that brand awareness and in-store positioning are further supplemented by the Company's continuation of such a program.

In the Company's retail sector, the Company relies upon local outlet mall developers to promote traffic for their centers. Outlet center developers employ multiple formats, including signage (highway billboards, off-highway directional signs, on-site signage and on-site information centers), print advertising (brochures, newspapers and travel magazines), direct marketing (to tour bus companies and travel agents), radio and television, and special promotions.

#### **Trademarks**

The Company has the exclusive worldwide right to use the Van Heusen, G.H. Bass & Co. and Izod names. In addition, the Company owns the Izod Club name. The Company has registered or applied for registration of these and numerous other trademarks for use on a variety of items of apparel and footwear and related products and owns many foreign trademark registrations. The Company regards its trademarks and other proprietary rights as valuable assets and believes that they have significant value in the marketing of its products.

#### **Licensing**

The Company has multiple and varied licensing agreements under which it licenses the use of its brand names. The Company licenses the Van Heusen name for dress shirts and sportswear throughout the world, excluding the United

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States. The Company also licenses the use of the Van Heusen name around the world for various products, including boy's apparel, pants, sleepwear, eyewear, neckwear, belts, hosiery, outerwear, suits, men's jewelry, small leather goods and 'big and tall' sportswear. The Company licenses the use of the Izod name for boy's sportswear, 'big and tall' sportswear, men's and women's hosiery, eyewear and sleepwear in the United States, and for men's and women's sportswear in Canada. The Company licenses the use of the Izod Club name for men's and women's golf apparel in the United States and Europe, and the G.H. Bass & Co. name for eyewear in the United States. In addition, the Company sublicenses the FUBU and Regis by The Van Heusen Company names for neckwear and the Arrow name for boyswear.

The Company plans to continue expanding its worldwide marketing efforts, utilizing licensing and other strategic partnerships for all its brands. A substantial portion of sales by its domestic licensing partners are made to the Company's largest customers. While the Company has significant control over its licensing partners' products and advertising, it relies on its licensing partners for, among other things, operational and financial control over their businesses. Although the Company believes in most circumstances it could replace existing licensing partners if necessary, its inability to do so for any period of time could adversely affect the Company's revenues both directly from reduced licensing revenue received and indirectly from reduced

sales of the Company's other products. To the extent the equity and awareness of each of the Company's brands grows, the Company expects to gain even greater opportunities to build on its licensing efforts.

#### **Tariffs and Import Restrictions**

A substantial portion of the Company's products is manufactured by contractors located outside the United States. These products are imported and are subject to United States Customs laws, which impose tariffs as well as import quota restrictions for textiles and apparel established by the United States government. In addition, a portion of the Company's apparel products are imported from Central America and Mexico and are therefore eligible for certain duty-advantaged programs commonly known as '9802 Programs' and NAFTA benefits for imports from Mexico. While importation of goods from certain countries from which the Company obtains goods may be subject to embargo by United States Customs authorities if shipments exceed quota limits, the Company closely monitors import quotas and can, in most cases, shift production to contractors located in countries with available quotas. The existence of import quotas has, therefore, not had a material adverse effect on the Company's business.

#### **Employees**

As of February 4, 2001, the Company employed approximately 6,600 persons on a full-time basis and approximately 3,600 persons on a part-time basis. Approximately 4% of the Company's 10,200 employees are represented for the purpose of collective bargaining by four different unions. Additional persons, some represented by these four unions, are employed from time to time based upon the Company's manufacturing schedules and retailing seasonal needs. The Company believes that its relations with its employees are satisfactory.

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#### **Item 2. Properties**

The Company maintains its principal executive offices at 200 Madison Avenue, New York, New York, occupying approximately 138,000 square feet under a lease which expires on May 31, 2014. The Company also maintains administrative offices in

Bridgewater, New Jersey, where the Company occupies a building of approximately 153,000 square feet under a lease which expires on July 30, 2007 and in South Portland, Maine, where the Company occupies a building of approximately 99,000 square feet under a lease which expires on October 1, 2008. The following tables summarize the manufacturing facilities, warehouses, administrative offices and retail stores of the Company:

### Apparel

	<b>Square Feet of Floor Space (000's).</b>		
	<u>Owned</u>	<u>Leased</u>	<u>Total</u>
Manufacturing Facilities	57	144	201
Warehouses and Distribution Centers	1,599	524	2,123
Administrative	16	338	354
Retail Stores	<u>0</u>	<u>1,695</u>	<u>1,695</u>
	<u>1,672</u>	<u>2,701</u>	<u>4,373</u>

### Footwear and Related Products

	<u>Owned</u>	<u>Leased</u>	<u>Total</u>
Warehouses and Distribution Centers	347	0	347
Administrative	20	101	121
Retail Stores	<u>0</u>	<u>1,455</u>	<u>1,455</u>
	<u>367</u>	<u>1,556</u>	<u>1,923</u>

Information with respect to minimum annual rental commitments under leases in which the Company is a lessee is included in the note entitled "Leases" in the Notes to Consolidated Financial Statements included in Item 8 of this report.

### Item 3. Legal Proceedings

The Company is a party to certain litigation which, in management's judgment based in part on the opinion of legal counsel, will not have a material adverse effect on the Company's financial position.

### Item 4. Submission of Matters to a Vote of Security Holders

None.

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## PART II

### Item 5. Market for Registrant's Common Stock and Related Security Holder Matters

Certain information with respect to the market for the Company's common stock, which is listed on the New York Stock Exchange, and related security holder matters appear under the heading "Selected Quarterly Financial Data" on page F-19 and under the heading "Ten Year Financial Summary" on pages F-21 and F-22. As of April 2, 2001, there were 1,216 stockholders of record of the Company's common stock.

### Item 6. Selected Financial Data

Selected Financial Data appears under the heading "Ten Year Financial Summary" on pages F-21 and F-22.

### Item 7. Management's Discussion and Analysis of Financial Condition and

#### Results of Operations

During 2000, the Company continued to execute its strategic plan - the marketing of nationally known brands through multiple channels of distribution - and, as a result, generated significantly improved financial performance measured by sales growth, earnings growth and return on equity, which ultimately increased total shareholder value.

In the Apparel segment, the Company enhanced its position in both the dress shirt and sportswear arenas through the licensing of the Arrow and Kenneth Cole brands in July. The addition of these brands allows the Company to further leverage its strength and expertise in these categories and, at the same time, broaden its distribution in the department store and national chain store channels. Further, effective February 2, 2001, the Company purchased the Van Heusen trademark for Europe and Asia, thereby uniting the brand under one management for the first time. This now provides the framework for the Company to expand the global franchise of the Van Heusen brand.

It was a stellar year for the Apparel segment. This segment recorded a 35% increase in operating income versus the prior year, with each division contributing to that increase. Market share gains were experienced by both dress shirts and sport shirts as strong performances by Izod, Van Heusen, Geoffrey Beene and DKNY were augmented, in the second half of the year, by the addition of Arrow and Kenneth Cole.

While sales growth in the Footwear segment was relatively flat, the benefits of the sourcing realignment and closure, in 1999, of owned manufacturing facilities drove gross margin improvement of 120 basis points in the current year. Overall operating margin, however, was down slightly, as expenses rose as a percent of sales in the absence of sales growth. After a difficult first nine months, the performance of both Bass footwear and apparel improved and fourth quarter sales and profitability were up compared with the prior year. The Bass brand continued to retain its leadership position in the men's dress casual segment of the footwear market and was once again the number one men's dress casual brand in department stores.

The Company continued to generate positive cash flow sufficient to fund its operating and fixed capital needs. The total combined cash outflow of

approximately \$75 million related to the acquisition of the Arrow and Kenneth Cole licenses, as well as the acquisition of the Van Heusen trademark for Europe and Asia. This net cash outflow was funded by the use of invested cash.

As the Company looks forward to 2001 and beyond, the Company is comfortable that its strategy is working and is pleased with its progress and the positive financial results achieved this past year. The Company believes that the positioning of each of its brands within respective channels of distribution and the ability to leverage the Company's infrastructure to service each of its customer bases will continue to drive the Company's future performance. The foregoing are forward-looking statements and there can be no assurances that the Company's strategy will result in performance equaling or exceeding the Company's fiscal 2000 performance. Factors which could affect such performance include inventory problems, aggressive pricing strategies by the Company's competitors, including strategies to increase sales or in reaction to the weakening economy, and the need for the Company to engage in increased price promotion to address the weakening economy.

## Results of Operations

The Company manages and analyzes its operating results by two vertically integrated business segments: (i) Apparel and (ii) Footwear and Related Products.

### Segmented Statements of Income

<i>(In thousands)</i>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net sales - Apparel - Ongoing Businesses	\$ 1,071,029	\$ 804,944	\$ 773,215
Net sales - Apparel - Businesses Exited (1)		<u>80,848</u>	<u>123,648</u>
Net sales - Apparel	1,071,029	885,792	896,863
Net sales - Footwear and Related Products	<u>384,519</u>	<u>385,698</u>	<u>406,222</u>
Total net sales	<u>\$1,455,548</u>	<u>\$1,271,490</u>	<u>\$1,303,085</u>
Operating income - Apparel	\$ 74,935	\$ 55,626	\$ 50,302
Operating income - Footwear and Related Products	<u>17,753</u>	<u>18,687</u>	<u>17,183</u>
Total operating income	<u>92,688</u>	<u>74,313</u>	<u>67,485</u>
Corporate expenses	<u>(22,151)</u>	<u>(26,003)</u>	<u>(24,000)</u>
Income before interest and taxes	<u>70,537</u>	<u>48,310</u>	<u>43,485</u>
Interest expense, net	<u>22,322</u>	<u>22,430</u>	<u>26,112</u>
Income before taxes	<u>48,215</u>	<u>25,880</u>	<u>17,373</u>
Income tax expense	<u>18,115</u>	<u>9,007</u>	<u>4,486</u>
Income before extraordinary item	<u>\$ 30,100</u>	<u>\$ 16,873</u>	<u>\$ 12,887</u>

(1) Includes the Company's Gant and Izod Club businesses which were exited in 1999.

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## Apparel

Net sales of the Apparel segment, excluding sales from exited businesses, increased 33% to \$1,071.0 million in 2000 from \$804.9 million in 1999, which was up 4% from \$773.2 million in 1998. The increase in 2000 was due to the strong performance of the Company's existing sportswear and dress shirt brands coupled with the additional volume associated with the Arrow and Kenneth Cole licenses which were acquired in July 2000. Excluding the Arrow and Kenneth Cole businesses, sales increased 23% in 2000, driven by the strong performances of the Izod, Van Heusen, DKNY and Geoffrey Beene brands. Included in sales is the liquidation of about \$15 million of excess inventories associated with the Arrow acquisition. In addition, 2000 was a 53 week year which resulted in approximately \$16 million of additional sales. Neither of these items will recur next year.

Apparel gross margins improved at all levels in 2000. As planned, the Company's sales mix experienced a significant shift in 2000, as the wholesale businesses grew much faster than the retail businesses. Wholesale channel sales carry lower gross margins than the Company's retail sales and, given the change in sales mix, consolidated gross margin decreased to 32.8% in 2000 from 34.2% in 1999 compared with 33.3% in 1998. Actual gross margin rates for both the wholesale and retail businesses on an individual basis were up in 2000 and in 1999. The financial benefit associated with this channel shift is reflected on the expense side of the Apparel segment, where selling, general and administrative expenses as a percentage of sales declined 210 basis points to 25.8% from 27.9% in 1999, and as compared to 27.7% in 1998. The improvement in the expense ratio is directly attributable to the Company's ability to layer on significant wholesale apparel sales growth without a comparable increase in expenses.

Operating income of the Apparel segment increased 35% in 2000 to \$74.9 million from \$55.6 million in 1999, which was up 11% from \$50.3 million in 1998. In 2000, all of the Company's divisions continued to experience operating income margin improvements, as the operating income margin of the Apparel segment improved to 7.0% in 2000 from 6.3% in 1999 and 5.6% in 1998. This trend is expected to continue into 2001, as the financial benefits associated with the Arrow and Kenneth Cole acquisitions are fully realized. The foregoing is a forward-looking statement and there can be no assurance this will be the case. Factors which could affect this statement include lower than expected sales or sell-through levels of these products due to merchandising decisions by the Company's wholesale customers, product designs and adverse economic and competitive factors.

## Footwear and Related Products

Net sales of the Footwear and Related Products segment was relatively flat in 2000 at \$384.5 million compared with \$385.7 million in 1999, which decreased 5% from \$406.2 million in 1998. Although sales declined slightly in 2000, Bass' fourth quarter sales increased 8% over the prior year due to strong retail sales and an additional week of sales which approximated \$4 million. Sales in 1999 were lower than 1998, as 1998 sales were fueled by high levels of promotional and inventory clearance activity.

Gross margin continued to improve to 39.2% in 2000 from 38.0% in 1999, which was up almost 200 basis points from 36.1% in 1998. The improvement in gross margin is directly attributable to the closure of Bass' two

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manufacturing facilities in 1999, which has enabled the Company to more effectively source footwear product. Selling, general and administrative expenses as a percentage of sales increased to 34.6% in 2000 from 33.2% in 1999 and 31.9% in 1998. The increase was due to the absence of sales growth in 1999 and 2000, which resulted in the lack of expense leverage.

#### **Corporate Expenses**

Corporate expenses were \$22.2 million in 2000, down from \$26.0 million in 1999 and \$24.0 million in 1998. The decreased expense level in 2000 is due to the absence of \$8.5 million of Year 2000 computer conversion costs that were incurred in each of 1999 and 1998. Partially offsetting this decline is an increase in information technology and logistics spending to support the growth of the Company's businesses.

#### **Interest Expense**

Interest expense in 2000 was \$22.3 million compared with \$22.4 million in 1999, which was down from \$26.1 million in 1998. Although interest expense was relatively flat in 2000, it does reflect the benefit of the positive cash flow from operations offset by the acquisition of \$56.8 million of net assets associated with the Arrow and Kenneth Cole licenses at the end of the second quarter. The reduction in 1999 was the result of the receipt of the proceeds from the sale of the Gant trademark early in that year and tight working capital management throughout the year.

#### **Income Taxes**

The income tax expense rate was 37.6% in 2000 compared with 34.8% in 1999, which was up from 25.8% in 1998. The increases in 2000 and 1999 resulted principally from closing Bass' manufacturing operations in Puerto Rico in the third quarter of 1999, which resulted in a higher percentage of pre-tax income being subject to U.S. tax. The full year impact of this closing on the effective tax rate is reflected in 2000 while 1999 had only a partial year effect.

#### **Liquidity and Capital Resources**

Cash provided by operating activities was \$35.4 million in 2000 compared with \$74.0 million in 1999 and \$26.0 million in 1998. The increase in 1999 was due to the benefit from the liquidation of working capital associated with the Company's exiting of its Gant and Izod Club businesses. The Company anticipates cash flow from operations to approximate \$55 to \$60 million in 2001, with the increase driven by improved earnings coupled with relatively flat working capital requirements. The foregoing is a forward-looking statement and may be affected by factors such as the acquisition or licensing of additional brands or the licensing or disposition of existing brands. No such transaction is currently anticipated.

Capital spending in 2000 was \$31.9 million compared with \$31.3 million in 1999 and \$38.2 million in 1998. The higher level of capital spending in 1998 related to the consolidation of all New York office space into a single location. The Company anticipates capital spending in 2001 to approximate \$32 to \$34 million, which it expects to fund from operating cash flow. The foregoing is a forward-looking statement and may be affected by factors such as a decrease in the projected cash flow from operations.

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Total debt as a percentage of total capital was 48.1% at the end of 2000 compared with 50.7% and 54.0% at the end of 1999 and 1998, respectively. The Company believes that its ability to generate positive cash flow, combined with its borrowing capacity under its revolving credit agreement, provides sufficient liquidity for potential investment opportunities that may arise. The foregoing is a forward-looking statement and may be affected by factors such as the size of any acquisition the Company may undertake. The Company does not currently have any understanding regarding any acquisition.

#### **Market Risk**

Financial instruments held by the Company include cash equivalents and long-term debt. Based on the amount of cash equivalents held by the Company at February 4, 2001 and the average net amount of cash equivalents which the Company anticipates holding during 2001, it believes that a change of 100 basis points in interest rates would not have a material effect on the Company's financial position. The long-term debt footnote to the Company's consolidated financial statements outlines the principal amounts, interest rates, fair values and other terms required to evaluate the expected sensitivity of interest rate changes on the fair value of the Company's fixed rate long-term debt.

#### **Seasonality**

The Company's business is seasonal, with higher sales and income in the second half of the year, which coincides with the Company's two peak retail selling seasons: the first running from the start of the back to school and Fall selling seasons beginning in August and continuing through September, and the second being the Christmas selling season beginning with the weekend following Thanksgiving and continuing through the week after Christmas.

Also contributing to the strength of the second half is the high volume of Fall shipments to wholesale customers which are generally more profitable than Spring shipments. A slower Spring selling season at wholesale combines with retail seasonality to make the first quarter weaker than the other quarters.

These trends should be somewhat less pronounced starting in 2001 due to the acquisition of the Arrow and Kenneth Cole licenses, as well as the growth of the Company's Spring sportswear businesses, particularly Izod. The foregoing is a forward-looking statement and may be affected by factors such as the performance of the Company's Arrow, Kenneth Cole and Spring sportswear businesses in the first half of the year.

#### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Information with respect to Quantitative and Qualitative Disclosures About Market Risk appears under the heading "Market Risk" in Item 7.

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#### **Item 8. Financial Statements and Supplementary Data**

See page F-1 for a listing of the consolidated financial statements and supplementary data included in this report.

#### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.



The following table sets forth certain information concerning the Company's Executive Officers:

<u>Name</u>	<u>Position</u>	<u>Age</u>
Bruce J. Klatsky	Chairman and Chief Executive Officer; Director	52
Mark Weber	President and Chief Operating Officer; Director	52
Emanuel Chirico	Executive Vice President and Chief Financial Officer	43
Allen E. Sirkin	Vice Chairman, Dress Shirts	58
Michael J. Blitzer	Vice Chairman, Footwear	51
Francis K. Duane	Vice Chairman, Sportswear	44

Mr. Bruce J. Klatsky has been employed by the Company in various capacities over the last 29 years, and was President of the Company from 1987 to 1998. Mr. Klatsky has served as a director of the Company since 1985 and was named Chief Executive Officer in 1993 and Chairman of the Board of Directors in 1994.

Mr. Mark Weber has been employed by the Company in various capacities over the last 29 years, was named Vice Chairman of the Company in 1995 and was named President and Chief Operating Officer in 1998.

Mr. Emanuel Chirico joined the Company as Vice President and Controller in 1993. Mr. Chirico was named Executive Vice President and Chief Financial Officer in 1998.

Mr. Allen E. Sirkin has been employed by the Company since 1985. He has served as Vice Chairman of the Company since 1995.

Mr. Michael J. Blitzer has been employed by the Company in various capacities since 1980. Mr. Blitzer was named Senior Vice President in 1995 and was named Vice Chairman of the Company in 1998.

Mr. Francis K. Duane was named Vice Chairman of the Company in February, 2001 after serving as President of the Company's Izod division since May 1998. From June 1996 until May 1998, Mr. Duane was President, Worldwide Sales, of Guess Inc. and Executive Vice President of Nautica Enterprises from June 1989 until June 1996.

Additional information required by Item 10 is incorporated herein by reference to the section entitled "Election of Directors" of the Company's proxy statement for the Annual Meeting of Stockholders to be held on June 14, 2001.

#### **Item 11. Executive Compensation**

Information with respect to Executive Compensation is incorporated herein by reference to the sections entitled "Executive Compensation", "Compensation Committee Report on Executive Compensation" and "Performance Graph" of the Company's proxy statement for the Annual Meeting of Stockholders to be held on June 14, 2001.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management**

Information with respect to the Security Ownership of Certain Beneficial Owners and Management is incorporated herein by reference to the section entitled "Security Ownership of Certain Beneficial Owners and Management" of the Company's proxy statement for the Annual Meeting of Stockholders to be held on June 14, 2001.

#### **Item 13. Certain Relationships and Related Transactions**

Information with respect to Certain Relationships and Related Transactions is incorporated herein by reference to the sections entitled "Election of Directors" and "Compensation of Directors" of the Company's proxy statement for the Annual Meeting of Stockholders to be held on June 14, 2001.

**PART IV****Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K**

- (a)(1) See page F-1 for a listing of the consolidated financial statements included in Item 8 of this report.
- (a)(2) See page F-1 for a listing of financial statement schedules submitted as part of this report.
- (a)(3) The following exhibits are included in this report:

**Exhibit****Number**

- |     |  |
|-----|--|
| 3.1 | Certificate of Incorporation (incorporated by reference to Exhibit 5 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 1977).  |
| 3.2 | Amendment to Certificate of Incorporation, filed June 27, 1984 (incorporated by reference to Exhibit 3B to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 1985).   |
| 3.3 | Certificate of Designation of Series A Cumulative Participating Preferred Stock, filed June 10, 1986 (incorporated by reference to Exhibit A of the document filed as Exhibit 3 to the Company's Quarterly Report as filed on Form 10-Q for the period ended May 4, 1986). |
| 3.4 | Amendment to Certificate of Incorporation, filed June 2, 1987 (incorporated by reference to Exhibit 3(c) to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1988).  |
| 3.5 | Amendment to Certificate of Incorporation, filed June 1, 1993 (incorporated by reference to Exhibit 3.5 to the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1994).   |
| 3.6 | Amendment to Certificate of Incorporation, filed June 20, 1996 (incorporated by reference to Exhibit 3.1 to the Company's Report on Form 10-Q for the period ended July 28, 1996).   |
| 3.7 | By-Laws of Phillips-Van Heusen Corporation, as amended through June 18, 1996 (incorporated by reference to Exhibit 3.2 to the Company's Report on Form 10-Q for the period ended July 28, 1996).   |
| 4.1 | Specimen of Common Stock certificate (incorporated by reference to Exhibit 4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1981).  |

- 4.2 Preferred Stock Purchase Rights Agreement (the "Rights Agreement"), dated June 10, 1986 between PVH and The Chase Manhattan Bank, N.A. (incorporated by reference to Exhibit 3 to the Company's Quarterly Report as filed on Form 10-Q for the period ended May 4, 1986).
- 4.3 Amendment to the Rights Agreement, dated March 31, 1987 between PVH and The Chase Manhattan Bank, N.A. (incorporated by reference to Exhibit 4(c) to the Company's Annual Report on Form 10-K for the year ended February 2, 1987).
- 4.4 Supplemental Rights Agreement and Second Amendment to the Rights Agreement, dated as of July 30, 1987, between PVH and The Chase Manhattan Bank, N.A. (incorporated by reference to Exhibit (c)(4) to the Company's Schedule 13E-4, Issuer Tender Offer Statement, dated July 31, 1987).
- 4.5 Third Amendment to Rights Agreement, dated June 30, 1992, from Phillips-Van Heusen Corporation to The Chase Manhattan Bank, N.A. and The Bank of New York (incorporated by reference to Exhibit 4.5 to the Company's report on Form 10-Q for the period ended April 30, 2000).
- 4.6 Notice of extension of the Rights Agreement, dated June 5, 1996, from Phillips-Van Heusen Corporation to The Bank of New York (incorporated by reference to Exhibit 4.13 to the Company's report on Form 10-Q for the period ended April 28, 1996).
- 4.7 Fourth Amendment to Rights Agreement, dated April 25, 2000, from Phillips-Van Heusen Corporation to The Bank of New York (incorporated by reference to Exhibit 4.7 to the Company's report on Form 10-Q for the period ended April 30, 2000).
- 4.8 Credit Agreement, dated as of April 22, 1998, among PVH, the lenders party thereto, The Chase Manhattan Bank, as Administrative Agent and Collateral Agent, and Citicorp USA, Inc., as Documentation Agent (incorporated by reference to Exhibit 4.6 to the Company's report on Form 10-Q for the period ended May 3, 1998).
- 4.9 Amendment No. 1, dated as of November 17, 1998, to the Credit Agreement, dated as of April 22, 1998, among PVH, the group of lenders party thereto, The Chase Manhattan Bank, as Administrative Agent and Collateral Agent, and Citicorp USA, Inc., as Documentation Agent (incorporated by reference to Exhibit 4.7 to the Company's report on Form 10-K for the year ended January 31, 1999).
- 4.10 Consent, Waiver and Amendment No. 2, dated as of February 23, 1999, to the Credit Agreement, dated as of April 22, 1998, among PVH, the group of lenders party thereto, The Chase Manhattan Bank, as Administrative Agent and Collateral Agent, and Citicorp USA, Inc., as Documentation Agent (incorporated by reference to Exhibit 4.8 to the Company's report on Form 10-K for the year ended January 31, 1999).

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- 4.11 Indenture, dated as of April 22, 1998, with PVH as issuer and Union Bank of California, N.A., as Trustee (incorporated by reference to Exhibit 4.7 to the Company's report on Form 10-Q for the period ended May 3, 1998).
- 4.12 Indenture, dated as of November 1, 1993, between PVH and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.01 to the Company's Registration Statement on Form S-3 (Reg. No. 33-50751) filed on October 26, 1993).
- 4.13 Amendment No. 3, dated as of August 23, 2000, to the Credit Agreement, dated as of April 22, 1998, among PVH, the group of lenders party thereto, The Chase Manhattan Bank, as Administrative Agent and Collateral Agent, and Citicorp USA, Inc., as Documentation Agent (incorporated by reference to Exhibit 4.13 to the Company's report on Form 10-Q for the period ended July 30, 2000).
- \*10.1 1987 Stock Option Plan, including all amendments through April 29, 1997 (incorporated by reference to Exhibit 10.1 to the Company's report on Form 10-Q for the period ended May 4, 1997).
- \*10.2 Phillips-Van Heusen Corporation Special Severance Benefit Plan, as amended through April 27, 2000.
- \*10.3 Phillips-Van Heusen Corporation Capital Accumulation Plan (incorporated by reference to the Company's Report on Form 8-K filed on January 16, 1987).
- \*10.4 Phillips-Van Heusen Corporation Amendment to Capital Accumulation Plan (incorporated by reference to Exhibit 10(n) to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 1987).
- \*10.5 Form of Agreement amending Phillips-Van Heusen Corporation Capital Accumulation Plan with respect to individual participants (incorporated by reference to Exhibit 10(1) to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1988).
- \*10.6 Form of Agreement amending Phillips-Van Heusen Corporation Capital Accumulation Plan with respect to individual participants (incorporated by reference to Exhibit 10.8 to the Company's report on Form 10-Q for the period ending October 29, 1995).
- \*10.7 Agreement amending Phillips-Van Heusen Corporation Capital Accumulation Plan with respect to Bruce J. Klatsky (incorporated by reference to Exhibit 10.13 to the

- \*10.8 Phillips-Van Heusen Corporation Supplemental Defined Benefit Plan, dated January 1, 1991, as amended and restated on June 2, 1992 (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1993).
- \*10.9 Phillips-Van Heusen Corporation Supplemental Savings Plan, effective as of January 1, 1991 and amended and restated as of April 29, 1997 (incorporated by reference to Exhibit 10.10 to the Company's report on Form 10-Q for the period ended May 4, 1997).
- \*10.10 Phillips-Van Heusen Corporation 1997 Stock Option Plan, effective as of April 29, 1997, as amended through March 7, 2001.
- \*10.11 Phillips-Van Heusen Corporation Senior Management Bonus Program for fiscal year 1998 (incorporated by reference to Exhibit 10.15 to the Company's report on Form 10-Q for the period ended August 2, 1998).
- \*10.12 Phillips-Van Heusen Corporation Senior Management Bonus Program for fiscal year 1999 (incorporated by reference to Exhibit 10.13 to the Company's report on Form 10-Q for the period ended August 1, 1999).
- \*10.13 Phillips-Van Heusen Corporation Long-Term Incentive Plans for the 21 month period ending February 4, 2001 and the 33 month period ending February 3, 2002 (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2000).
- \*10.14 Phillips-Van Heusen Corporation 2000 Stock Option Plan, effective as of April 27, 2000, as amended through March 7, 2001.
- \*10.15 Phillips-Van Heusen Corporation Performance Incentive Bonus Plan, effective as of March 2, 2000, as amended through March 7, 2001.
- \*10.16 Phillips-Van Heusen Corporation Long-Term Incentive Plan, effective as of January 31, 2000 (incorporated by reference to Exhibit 10.17 to the Company's report on Form 10-Q for the period ended July 30, 2000).

21. Subsidiaries of the Company.

23. Consent of Independent Auditors.

(b) Reports on Form 8-K filed during the fourth quarter of 2000:

None

(c) Exhibits: See (a)(3) above for a listing of the exhibits included as part of this report.

(d) Financial Statement Schedules: See page F-1 for a listing of the financial statement schedules submitted as part of this report.

\* Management contract or compensatory plan or arrangement required to be identified pursuant to Item 14(a) of this report.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

PHILLIPS-VAN HEUSEN CORPORATION

By: /s/ Bruce J. Klatsky

Bruce J. Klatsky

***Chairman, Chief Executive  
Officer and Director***

Date: April 17, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>Bruce J. Klatsky</u>	Chairman, Chief Executive	April 17, 2001
Bruce J. Klatsky	Officer and Director (Principal Executive Officer)	
<u>Mark Weber</u>	President, Chief Operating	April 23, 2001
Mark Weber	Officer and Director	

<u>Emanuel Chirico</u>	Executive Vice President and Chief Financial Officer	April 23, 2001
Emanuel Chirico		
<u>Vincent A. Russo</u>	Vice President and Controller (Principal Accounting Officer)	April 23, 2001
Vincent A. Russo		
<u>Edward H. Cohen</u>	Director	April 23, 2001
Edward H. Cohen		
<u>Joseph B. Fuller</u>	Director	April 16, 2001
Joseph B. Fuller		
<u>Joel H. Goldberg</u>	Director	April 16, 2001
Joel H. Goldberg		
<u>Marc Grosman</u>	Director	April 20, 2001
Marc Grosman		
<u>Dennis F. Hightower</u>	Director	April 16, 2001
Dennis F. Hightower		
<u>Maria Elena Lagomasino</u>	Director	April 16, 2001
Maria Elena Lagomasino		
<u>Harry N.S. Lee</u>	Director	April 17, 2001
Harry N.S. Lee		
<u>Bruce Maggin</u>	Director	April 23, 2001
Bruce Maggin		
<u>Peter J. Solomon</u>	Director	April 23, 2001
Peter J. Solomon		

**FORM 10-K-ITEM 14(a)(1) and 14(a)(2)**

**PHILLIPS-VAN HEUSEN CORPORATION**

**INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES**

14(a)(1)	The following consolidated financial statements and supplementary data are included in Item 8 of this report:	
	Consolidated Income Statements--Years Ended	
	February 4, 2001, January 30, 2000 and January 31, 1999	F-2
	Consolidated Balance Sheets--February 4, 2001 and	
	January 30, 2000	F-3
	Consolidated Statements of Cash Flows--Years Ended	
	February 4, 2001, January 30, 2000 and January 31, 1999	F-4
	Consolidated Statements of Changes in Stockholders'	
	Equity--Years Ended February 4, 2001, January 30, 2000	
	and January 31, 1999	F-5
	Notes to Consolidated Financial Statements	F-6
	Selected Quarterly Financial Data	F-19

14(a)(2) The following consolidated financial statement schedule is included herein:

## Schedule II - Valuation and Qualifying Accounts

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All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

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**PHILLIPS-VAN HEUSEN CORPORATION**  
**CONSOLIDATED INCOME STATEMENTS**  
(In thousands, except per share data)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net sales	\$1,455,548	\$1,271,490	\$1,303,085
Cost of goods sold	<u>950,176</u>	<u>820,464</u>	<u>856,160</u>
Gross profit	505,372	451,026	446,925
Selling, general and administrative expenses	<u>434,835</u>	<u>402,716</u>	<u>403,440</u>
Income before interest, taxes and extraordinary item	70,537	48,310	43,485
Interest expense, net	<u>22,322</u>	<u>22,430</u>	<u>26,112</u>
Income before taxes and extraordinary item	48,215	25,880	17,373
Income tax expense	<u>18,115</u>	<u>9,007</u>	<u>4,486</u>
Income before extraordinary item	30,100	16,873	12,887
Extraordinary loss on debt retirement, net of tax benefit			(1,060)
Net income	<u>\$ 30,100</u>	<u>\$ 16,873</u>	<u>\$ 11,827</u>
Basic and diluted income per share:			
Income before extraordinary item	\$ 1.10	\$ 0.62	\$ 0.47
Extraordinary loss on debt retirement, net of tax benefit			(0.04)
Net income	<u>\$ 1.10</u>	<u>\$ 0.62</u>	<u>\$ 0.43</u>

See notes to consolidated financial statements.

**PHILLIPS-VAN HEUSEN CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share data)

	February 4, <u>2001</u>	January 30, <u>2000</u>
<b>ASSETS</b>		
Current Assets:		
Cash, including cash equivalents of \$17,965 and \$94,543	\$ 20,223	\$ 94,821
Trade receivables, less allowances of \$2,051 and \$2,305	99,439	66,422
Inventories	273,035	222,976
Other, including deferred taxes of \$24,789 and \$23,052	<u>43,684</u>	<u>41,751</u>
Total Current Assets	436,381	425,970
Property, Plant and Equipment	123,595	106,122
Goodwill and other intangible assets	113,217	83,578
Other Assets, including deferred taxes of \$24,199 and \$31,800	<u>51,171</u>	<u>58,078</u>
	<u>\$724,364</u>	<u>\$673,748</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 45,715	\$ 39,858
Accrued expenses	<u>92,380</u>	<u>84,722</u>
Total Current Liabilities	138,095	124,580
Long-Term Debt	248,851	248,784
Other Liabilities	68,857	58,699
Stockholders' Equity:		
Preferred stock, par value \$100 per share; 150,000 shares authorized; no shares outstanding		
Common stock, par value \$1 per share; 100,000,000 shares authorized; shares issued 27,428,108 and 27,289,869	27,428	27,290
Additional capital	118,755	117,697
Retained earnings	<u>122,704</u>	<u>96,698</u>
	268,887	241,685
Less: 24,627 shares of common stock held in treasury as of February 4, 2001-at cost	<u>(326)</u>	
Total Stockholders' Equity	<u>268,561</u>	<u>241,685</u>
	<u>\$724,364</u>	<u>\$673,748</u>

See notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>Operating activities:</b>			
Income before extraordinary item	\$ 30,100	\$ 16,873	\$ 12,887
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	20,051	19,417	25,442
Deferred income taxes	9,885	8,193	3,996
Equity income	(864)	(1,080)	(1,152)
Changes in operating assets and liabilities:			
Receivables	(33,018)	21,616	(9,282)
Inventories	(10,173)	26,931	16,839
Accounts payable and accrued expenses	13,515	5,849	(13,819)
Acquisition of inventory associated with John Henry and Manhattan license agreement		(17,212)	
Other-net	5,893	(6,607)	(8,932)
Net Cash Provided By Operating Activities	<u>35,389</u>	<u>73,980</u>	<u>25,979</u>
<b>Investing activities:</b>			
Acquisition of net assets associated with Arrow and Kenneth Cole license agreements	(56,765)		
Acquisition of worldwide rights to Van Heusen trademark	(18,100)		
Sale of Gant trademark, net of related costs		65,251	
Property, plant and equipment acquired	(31,898)	(31,291)	(38,213)
Net Cash Provided (Used) By Investing Activities	<u>(106,763)</u>	<u>33,960</u>	<u>(38,213)</u>
<b>Financing activities:</b>			
Net proceeds from issuance of 9.5% senior subordinated notes			145,104
Repayment of 7.75% senior notes			(49,286)
Extraordinary loss on debt retirement			(1,631)
Proceeds from revolving line of credit	50,290	41,600	160,600
Payments on revolving line of credit	(50,290)	(61,600)	(240,100)
Exercise of stock options	1,196	16	838
Acquisition of treasury shares	(326)		
Cash dividends	(4,094)	(4,092)	(4,082)
Net Cash Provided (Used) By Financing Activities	<u>(3,224)</u>	<u>(24,076)</u>	<u>11,443</u>
Increase (decrease) in cash	(74,598)	83,864	(791)
Cash at beginning of period	<u>94,821</u>	<u>10,957</u>	<u>11,748</u>
Cash at end of period	<u>\$ 20,223</u>	<u>\$ 94,821</u>	<u>\$ 10,957</u>
See notes to consolidated financial statements.			

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**PHILLIPS-VAN HEUSEN CORPORATION**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(In thousands, except share data)

	<u>Common Stock</u>					
	<u>Shares</u>	\$1 par	Additional	Retained	Treasury	Stockholders'
		<u>Value</u>	<u>Capital</u>	<u>Earnings</u>	<u>Stock</u>	<u>Equity</u>
February 1, 1998	27,179,244	\$27,179	\$116,954	\$ 76,172		\$220,305
Stock options exercised	108,741	109	729			838
Net income				11,827		11,827
Cash dividends				(4,082)		(4,082)
January 31, 1999	27,287,985	27,288	117,683	83,917		228,888
Stock options exercised	1,884	2	14			16
Net income				16,873		16,873
Cash dividends				(4,092)		(4,092)
January 30, 2000	27,289,869	27,290	117,697	96,698		241,685
Stock options exercised	138,239	138	1,058			1,196
Net income				30,100		30,100
Cash dividends				(4,094)		(4,094)
Acquisition of 24,627 treasury shares					\$ (326)	(326)

See notes to consolidated financial statements.

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## PHILLIPS-VAN HEUSEN CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands, except per share data)

#### Summary of Significant Accounting Policies

*Principles of Consolidation* - The consolidated financial statements include the accounts of the Company and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

*Use of Estimates* - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from the estimates.

*Fiscal Year* - Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. Results for fiscal year 2000 represent the 53 weeks ended February 4, 2001. Fiscal years 1999 and 1998 represent the 52 weeks ended January 30, 2000 and January 31, 1999, respectively.

*Cash and Cash Equivalents* - The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*Asset Impairments* - The Company records impairment losses on long-lived assets (including goodwill) when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by the related assets are less than the carrying amounts of those assets.

*Inventories* - Inventories are stated at the lower of cost or market. Cost for certain apparel inventories of \$134,331 (2000) and \$97,358 (1999) is determined using the last-in, first-out method (LIFO). Cost for footwear and other apparel inventories is determined using the first-in, first-out method (FIFO).

*Property, Plant and Equipment* - Depreciation is computed principally by the straight line method over the estimated useful lives of the various classes of property.

*Goodwill and Other Intangible Assets* - Included in goodwill and other intangible assets is goodwill of \$95,117 and \$83,578 in 2000 and 1999, respectively, net of accumulated amortization of \$13,942 and \$11,530 in 2000 and 1999, respectively. Goodwill is amortized principally using the straight line method over 40 years. The increase in goodwill and other intangible assets in 2000 resulted from the acquisition of net assets associated with the Arrow and Kenneth Cole licenses and the acquisition of the rights to the Van Heusen trademark in the areas of the world where the Company did not previously own the trademark, as explained in the note entitled "Acquisitions and Dispositions".

**PHILLIPS-VAN HEUSEN CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**Summary of Significant Accounting Policies (Continued)**

*Contributions from Landlords* - The Company receives contributions from landlords primarily for opening retail stores which the Company leases from the landlords. Such amounts are amortized as a reduction of rent expense over the life of the related lease.

*Fair Value of Financial Instruments* - Using discounted cash flow analyses, the Company estimates that the fair value of all financial instruments approximates their carrying value, except as noted in the note entitled "Long-Term Debt".

*Stock-Based Compensation* - The Company accounts for its stock options under the provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and complies with the disclosure requirements of FASB Statement No. 123, "Accounting for Stock-Based Compensation".

*Advertising* - Advertising costs are expensed as incurred and totalled

\$34,773 (2000), \$26,922 (1999) and \$28,239 (1998).

*Accounting Pronouncement* - In June 1998, the Financial Accounting Standards Board issued FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by FASB Statement No. 138, which establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires an entity to record all derivatives as either assets or liabilities on the balance sheet and measure them at fair value. The Company will adopt this Statement in the first quarter of fiscal 2001. This will not have a material effect on the Company's results of operations or financial position.

**Earnings Per Share**

The Company computed its basic and diluted earnings per share by dividing net income by:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Weighted Average Common Shares Outstanding for Basic Earnings Per Share	27,305,450	27,288,692	27,217,634
Impact of Dilutive Employee Stock Options	<u>110,499</u>	<u>14,103</u>	<u>94,903</u>
Total Shares for Diluted Earnings Per Share	<u>27,415,949</u>	<u>27,302,795</u>	<u>27,312,537</u>

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**PHILLIPS-VAN HEUSEN CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**Income Taxes**

Income taxes consist of:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Federal:			
Current	\$ 7,200		
Deferred	8,324	\$6,870	\$2,867
State, foreign and local:			
Current	1,030	814	1,061
Deferred	<u>1,561</u>	<u>1,323</u>	<u>558</u>
	<u>\$18,115</u>	<u>\$9,007</u>	<u>\$4,486</u>

The deferred tax provision recorded in 1998 excludes \$571 of tax benefit related to the extraordinary loss on debt retirement.

Taxes paid were \$8,248 (2000), \$1,135 (1999) and \$2,197 (1998).

The approximate tax effect of items giving rise to the deferred income tax asset recognized in the Company's balance sheets is as follows:

2000

1999

Depreciation	<b>\$(12,010)</b>	\$(10,555)
Landlord contributions	<b>1,602</b>	2,014
Employee compensation and benefits	<b>15,928</b>	15,498
Tax loss and credit carryforwards	<b>30,276</b>	34,190
Other-net	<b><u>13,192</u></b>	<u>13,705</u>
	<b>\$ 48,988</b>	\$ 54,852

A reconciliation of the statutory Federal income tax to the income tax expense is as follows:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Statutory 35% federal tax	<b>\$16,875</b>	\$ 9,058	\$ 6,081
State, foreign and local income taxes, net of Federal income tax benefit	<b>1,415</b>	1,391	942
Income of Puerto Rico Subsidiaries		(1,874)	(3,303)
Other-net	<b>(175)</b>	<u>432</u>	<u>766</u>
Income tax expense	<b><u>\$18,115</u></b>	<u>\$ 9,007</u>	<u>\$ 4,486</u>

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## PHILLIPS-VAN HEUSEN CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

#### Inventories

Inventories are summarized as follows:

	<u>2000</u>	<u>1999</u>
Raw materials	<b>\$ 12,514</b>	\$ 14,485
Work in process	<b>9,622</b>	11,995
Finished goods	<b><u>250,899</u></b>	<u>196,496</u>
	<b><u>\$273,035</u></b>	<u>\$222,976</u>

Inventories would have been approximately \$5,100 and \$5,600 higher than reported at February 4, 2001 and January 30, 2000, respectively, if the FIFO method of inventory accounting had been used for all apparel. During 1999, certain inventories were reduced, resulting in the liquidation of LIFO inventory layers. The effect of these inventory liquidations was to increase net income by \$750 in 1999.

#### Property, Plant and Equipment

Property, plant and equipment, at cost, are summarized as follows:

	Estimated Useful <u>Lives</u>	<u>2000</u>	<u>1999</u>
Land		<b>\$ 1,139</b>	\$ 1,495
Buildings and building improvements	15-40 years	<b>24,500</b>	25,218
Machinery and equipment, furniture and fixtures and leasehold improvements	3-15 years	<b><u>252,804</u></b>	<u>215,460</u>
		<b>278,443</b>	242,173
Less: Accumulated depreciation and amortization		<b><u>154,848</u></b>	<u>136,051</u>
		<b><u>\$123,595</u></b>	<u>\$106,122</u>

#### Long-Term Debt

Long-term debt is as follows:

	<u>2000</u>	<u>1999</u>
9.5% Senior Subordinated Notes	<b>\$149,379</b>	\$149,321
7.75% Debentures	<b>99,472</b>	99,463

**PHILLIPS-VAN HEUSEN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)****Long-Term Debt (Continued)**

The Company issued \$100,000 of 7.75% Debentures due 2023 on November 15, 1993 with a yield to maturity of 7.80%. Interest is payable semi-annually. Based on current market conditions, the Company estimates that the fair value of these Debentures on February 4, 2001, using discounted cash flow analyses, was approximately \$80,300.

In 1998, the Company refinanced certain debt by entering into a \$325,000 Senior Secured Credit Facility with a group of banks and by issuing \$150,000 of 9.5% Senior Subordinated Notes due May 1, 2008. In connection with this refinancing, the Company paid a yield maintenance premium of \$1,446 and wrote off debt issue costs of \$185. These items were classified as an extraordinary loss, net of tax benefit of \$571, in 1998.

The 9.5% Senior Subordinated Notes have a yield to maturity of 9.58%, and interest is payable semi-annually. Based on current market conditions, the Company estimates that the fair value of these Notes on February 4, 2001, using discounted cash flow analyses, was approximately \$123,500.

The Company's \$325,000 Credit Facility includes a revolving credit facility which allows the Company, at its option, to borrow and repay amounts up to \$325,000. The Facility also includes a letter of credit facility with a sub-limit of \$250,000, provided, however, that the aggregate maximum amount outstanding under both the revolving credit facility and the letter of credit facility is \$325,000. Interest is payable quarterly at a spread over LIBOR or the prime rate, at the Company's option, with the spread based on the Company's credit rating and certain financial ratios. The Facility also provides for payment of a fee on the unutilized portion of the Facility. All outstanding borrowings and letters of credit under this Credit Facility are due April 22, 2003.

In connection with the 7.75% Debentures and the \$325,000 Credit Facility, substantially all of the Company's assets have been pledged as collateral.

The amount outstanding under the letter of credit facility as of February 4, 2001 was \$143,750.

Interest paid was \$23,818 (2000), \$22,647 (1999) and \$23,652 (1998).

There are no scheduled maturities of long-term debt until 2008.

**Stockholders' Equity**

*Preferred Stock Rights* - On June 10, 1986, the Board of Directors declared a distribution of one Right (the "Rights") to purchase Series A Cumulative Participating Preferred Stock, par value \$100 per share, for each outstanding share of common stock. As a result of subsequent stock splits, each outstanding share of common stock now carries with it one-fifth of one Right.

**PHILLIPS-VAN HEUSEN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)****Stockholders' Equity (Continued)**

Under certain circumstances, each Right will entitle the registered holder to acquire from the Company one one-hundredth (1/100) of a share of said Series A Preferred Stock at an exercise price of \$100. The Rights will be exercisable, except in certain circumstances, commencing ten days following a public announcement that (i) a person or group has acquired or obtained the right to acquire 20% or more of the common stock, in a transaction not approved by the Board of Directors or (ii) a person or group has commenced or intends to commence a tender offer for 30% or more of the common stock (the "Distribution Date").

If the Company is the surviving corporation in a merger or other business combination then, under certain circumstances, each holder of a Right will have the right to receive upon exercise the number of shares of common stock having a market value equal to two times the exercise price of the Right.

In the event the Company is not the surviving corporation in a merger or other business combination, or more than 50% of the Company's assets or earning power is sold or transferred, each holder of a Right will have the right to receive upon exercise the number of shares of common stock of the acquiring company having a market value equal to two times the exercise price of the Right.

At any time prior to the close of business on the Distribution Date, the Company may redeem the Rights in whole, but not in part, at a price of \$.05 per Right. The rights are currently scheduled to expire on June 16, 2006.

*Stock Options* - Under the Company's stock option plans, non-qualified and incentive stock options ("ISOs") may be granted. Options are granted with an exercise price equal to the closing price of the common stock on the trading date immediately preceding the date of grant. ISOs and non-qualified options granted have a ten year duration. Depending upon

which plan options have been granted under, options are cumulatively exercisable in either three installments commencing three years after the date of grant or in four installments commencing one year after the date of grant.

Under APB Opinion No. 25, the Company does not recognize compensation expense because the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant. Under FASB Statement No. 123, proforma information regarding net income and earnings per share is required as if the Company had accounted for its employee stock options under the fair value method of that Statement.

For purposes of proforma disclosures, the Company estimated the fair value of stock options granted since 1995 at the date of grant using the Black-Scholes option pricing model, and the estimated fair value of the options is then amortized to expense over the options' vesting period.

The following summarizes the assumptions used to estimate the fair value of stock options granted in each year and certain proforma information:

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## PHILLIPS-VAN HEUSEN CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

#### Stockholders' Equity (Continued)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Risk-free interest rate	<b>6.52%</b>	5.78%	5.56%
Expected option life	<b>7 Years</b>	7 Years	7 Years
Expected volatility	<b>30.0%</b>	28.1%	29.9%
Expected dividends per share	<b>\$ 0.15</b>	\$ 0.15	\$ 0.15
Weighted average estimated fair value per share of options granted	<b>\$ 3.62</b>	\$ 3.50	\$ 4.83
Proforma net income	<b>\$27,601</b>	\$14,789	\$9,994
Proforma basic and diluted net income per share	<b>\$ 1.01</b>	\$ 0.54	\$ 0.37

Other data with respect to stock options follows:

	<u>Shares</u>	<u>Option Price Per Share</u>	<u>Weighted Average Price Per Share</u>
Outstanding at February 1, 1998	2,461,664	\$ 5.94 -	\$31.63
Granted	1,076,928	6.81 -	14.75
Exercised	108,741	5.94 -	12.25
Cancelled	<u>304,278</u>	<u>6.88 -</u>	<u>22.38</u>
Outstanding at January 31, 1999	3,125,573	6.38 -	31.63
Granted	725,750	7.50 -	9.94
Exercised	1,884	8.75 -	8.75
Cancelled	<u>280,992</u>	<u>8.06 -</u>	<u>15.13</u>
Outstanding at January 30, 2000	3,568,447	6.38 -	31.63
Granted	868,900	9.00 -	13.19
Exercised	138,239	6.38 -	10.25
Cancelled	<u>282,105</u>	<u>7.31 -</u>	<u>14.75</u>
Outstanding at February 4, 2001	<b>4,017,003</b>	<b>\$ 6.81 -</b>	<b>\$31.63</b>

Of the outstanding options at February 4, 2001, 1,620,500 shares have an exercise price below \$12.25, 2,394,183 shares have an exercise price from \$12.25 to \$16.50 and 2,320 shares have an exercise price above \$16.50. The weighted average remaining contractual life for all options outstanding at February 4, 2001 is 6.9 years.

Of the outstanding options at February 4, 2001 and January 30, 2000, options covering 1,150,941 and 932,255 shares were exercisable at a weighted average price of \$13.81 and \$12.82, respectively. Stock options available for grant at February 4, 2001 and January 30, 2000 amounted to 2,440,572 and 122,222 shares, respectively.

#### Leases

The Company leases retail stores, manufacturing facilities, warehouses, office space and equipment. The leases generally are renewable and provide for the payment of real estate taxes and certain other occupancy expenses. Retail store leases generally provide for the payment of percentage rentals based on store sales and other costs associated with the leased property.

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## PHILLIPS-VAN HEUSEN CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

#### Leases (Continued)

At February 4, 2001, minimum annual rental commitments under non-cancellable operating leases, including leases for new retail stores which had not begun operating at February 4, 2001, are as follows:

2001	\$ 59,670
2002	47,657
2003	36,435

2004	27,009
2005	17,347
Thereafter	<u>49,682</u>
Total minimum lease payments	<u>\$237,800</u>

Rent expense is as follows:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Minimum	<b>\$60,919</b>	\$59,954	\$61,402
Percentage and other	<u>10,299</u>	<u>9,222</u>	<u>11,139</u>
	<b>\$71,218</b>	<b>\$69,176</b>	<b>\$72,541</b>

#### Retirement and Benefit Plans

The Company has noncontributory, defined benefit pension plans covering substantially all U.S. employees meeting certain age and service requirements. For those vested (after five years of service), the plans provide monthly benefits upon retirement based on career compensation and years of credited service. It is the Company's policy to fund pension cost annually in an amount consistent with Federal law and regulations. The assets of the plans are principally invested in a mix of fixed income and equity investments.

The Company and its domestic subsidiaries also provide certain postretirement health care and life insurance benefits. Employees become eligible for these benefits if they reach retirement age while working for the Company. Retirees contribute to the cost of this plan, which is unfunded.

Following is a reconciliation of the changes in the benefit obligation for each of the last two years:

	<u>Pension Plans</u>		<u>Postretirement Plan</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Beginning of year	<b>\$115,876</b>	\$127,278	<b>\$31,544</b>	\$34,192
Service cost	<b>2,209</b>	2,553	<b>478</b>	463
Interest cost	<b>9,704</b>	8,921	<b>2,633</b>	2,381
Benefit payments	<b>(8,012)</b>	(7,683)	<b>(2,753)</b>	(2,293)
Actuarial (gain) loss	<b>9,254</b>	(15,135)	<b>2,735</b>	(3,292)
Plan amendments	<b>6,136</b>		<b>733</b>	
Plan participants' contributions			<b>120</b>	93
Curtailement gain		<u>(58)</u>		
End of year	<b>\$135,167</b>	<b>\$115,876</b>	<b>\$35,490</b>	<b>\$31,544</b>

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## PHILLIPS-VAN HEUSEN CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

#### Retirement and Benefit Plans - (Continued)

Following is a reconciliation of the fair value of the assets held by the Company's pension plans for each of the last two years:

	<u>2000</u>	<u>1999</u>
Beginning of year	<b>\$144,018</b>	\$134,001
Actual return	<b>(177)</b>	16,801
Benefits paid	<b>(8,012)</b>	(7,683)
Company contributions	<b>772</b>	<u>899</u>
End of year	<b>\$136,601</b>	<b>\$144,018</b>

Net benefit cost recognized in each of the last three years is as follows:

	<u>Pension Plans</u>			<u>Postretirement Plan</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Service cost, including expenses	<b>\$ 2,369</b>	\$ 2,713	\$ 2,388	<b>\$ 478</b>	\$ 463	\$ 415
Interest cost	<b>9,704</b>	8,921	8,357	<b>2,633</b>	2,381	2,306
Amortization of net (gain) loss	<b>(1,243)</b>	140	52	<b>163</b>	448	336
Amortization of transition (asset) obligation	<b>(46)</b>	(63)	(68)	<b>273</b>	273	273
Expected return on plan assets	<b>(12,628)</b>	(11,441)	(10,935)			
Amortization of prior service cost	<b>1,453</b>	<u>437</u>	<u>462</u>	<b>104</b>		
	<b>\$ (391)</b>	<b>\$ 707</b>	<b>\$ 256</b>	<b>\$3,651</b>	<b>\$3,565</b>	<b>\$3,330</b>

Following is a reconciliation of the benefit obligation at the end of each of the last two years to the amounts recognized on the balance sheet:

	<u>Pension</u>		<u>Postretirement</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Benefit obligation at year-end	\$135,167	\$115,876	\$35,490	\$31,544
Unrecognized prior service cost	(5,484)	(800)	(629)	
Unrecognized gains (losses)	(2,010)	21,133	(7,262)	(4,800)
Unrecognized transition asset (obligation)	61	107	(3,278)	(3,551)
Plan assets at fair value	(136,601)	(144,018)		
(Asset) liability recognized on the balance sheet	\$ (8,867)	\$ (7,702)	\$24,321	\$23,193

Included in the above disclosures are certain pension plans with projected and accumulated benefit obligations in excess of plan assets of \$7,629 and \$5,932, respectively, as of February 4, 2001, and \$3,412 and \$2,445, respectively, as of January 30, 2000.

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## PHILLIPS-VAN HEUSEN CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

#### Retirement and Benefit Plans - (Continued)

The health care cost trend rate assumed for 2001 is 8.5% and is assumed to decrease by 0.5% per year through 2008. Thereafter, the rate assumed is 5.0%. If the assumed health care cost trend rate increased or decreased by 1%, the aggregate effect on the service and interest cost components of the net postretirement benefit cost for 2000 and on the postretirement benefit obligation at February 4, 2001 would be as follows:

	<u>1% Increase</u>	<u>1% Decrease</u>
Impact on service and interest cost	\$ 375	\$ (314)
Impact on year-end benefit obligation	\$3,299	\$(3,788)

Significant rate assumptions used in determining the benefit obligations at the end of each year and benefit cost in the following year, were as follows:

	<u>2000</u>	<u>1999</u>
Discount rate	7.75%	8.25%
Rate of increase in compensation levels (applies to pension plans only)	4.25%	4.75%
Long-term rate of return on assets	9.00%	9.00%

The Company has an unfunded supplemental defined benefit plan covering 23 current and retired executives under which the participants will receive a predetermined amount during the 10 years following the attainment of age 65, provided that prior to the termination of employment with the Company, the participant has been in the plan for at least 10 years and has attained age 55. At February 4, 2001 and January 30, 2000, \$11,685 and \$10,484, respectively, are included in other liabilities as the accrued cost of this plan.

The Company has a savings and retirement plan and a supplemental savings plan for the benefit of its eligible employees who elect to participate. The Company matches a portion of employee contributions to the plans. Matching contributions were \$2,608 (2000), \$2,488 (1999) and \$2,222 (1998).

#### Acquisitions and Dispositions

On July 24, 2000, the Company entered into a license to market dress shirts and sportswear under the Arrow brand and acquired the license to market dress shirts under the Kenneth Cole brand. These transactions were accounted for as an acquisition using the purchase method of accounting. In connection with these transactions, the Company acquired \$56,765 of net assets (principally inventory), including \$13,932 of goodwill. The goodwill is being amortized over 17 years.

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## PHILLIPS-VAN HEUSEN CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

#### Acquisitions and Dispositions - (Continued)

If the transactions had occurred on the first day of fiscal 1999 instead of on July 24, 2000, the Company's proforma consolidated results of operations would have been:

	<u>2000</u>	<u>1999</u>
Net sales	\$1,534,528	\$1,411,991
Net income	29,315	11,392
Basic and diluted net income per share	1.07	0.42

Due to operational efficiencies and other cost savings the Company expects to achieve, the Company believes that the proforma consolidated results of operations for 2000 and 1999 are not indicative of the results that would have been achieved if the acquisition had occurred on the first day of fiscal 1999.

Effective February 2, 2001, the Company acquired from Coats Viyella plc the rights to the Van Heusen trademark in parts of the world where the Company did not previously have such rights. The purchase price and related fees were \$18,100. This amount was recorded in goodwill and other intangible assets.

On March 12, 1999, the Company entered into a license agreement to market dress shirts under the John Henry and Manhattan brands. In connection therewith, the Company acquired \$17,212 of inventory from the licensor.

On February 26, 1999, the Company sold the Gant trademark and certain related assets associated with the Company's Gant operations for \$71,000 in cash to Gant Sportswear AB ("Gant"), formerly known as Pyramid Sportswear AB, which was the brand's international licensee. Gant is a wholly-owned subsidiary of Gant AB, in which the Company has a minority interest. Subsequent to February 26, 1999, the Company terminated its Gant operations in order to liquidate Gant's working capital and close the Gant division. The Company completed this process in the fourth quarter of 1999, at which time the Company determined that the proceeds exceeded the costs of exiting the Gant business, including the write-off of related goodwill and other assets, by \$5,767.

On November 3, 1999, the Company announced it had entered into agreements with Oxford Industries, Inc. to license the Izod Club trademark and sell substantially all of the related assets of the Company's Izod Club division. The Company closed its Izod Club division in the fourth quarter of 1999, incurring \$5,667 of expenses, principally for severance pay and other employee termination costs.

The gain on the sale of the Gant assets and the expenses incurred in closing the Izod Club division were included in selling, general and administrative expenses in 1999.

#### Segment Data

The Company manages and analyzes its operating results by its two vertically integrated business segments: (i) Apparel and (ii) Footwear and

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## PHILLIPS-VAN HEUSEN CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

#### Segment Data - (Continued)

Related Products. In identifying its reportable segments, the Company evaluated its operating divisions and product offerings. The Company aggregates the results of its apparel divisions into the Apparel segment, which derives revenues from marketing dresswear, sportswear and accessories, principally under the brand names Van Heusen, Izod, Geoffrey Beene, John Henry, DKNY, FUBU, Regis by The Van Heusen Company, Arrow and Kenneth Cole. The Company's footwear business has been identified as the Footwear and Related Products segment. This segment derives revenues from marketing casual footwear, apparel and accessories under the Bass brand name.

Sales for both segments occur principally in the United States.

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net Sales			
Apparel	<u>\$1,071,029</u>	\$ 885,792	\$ 896,863
Footwear and Related Products	<u>384,519</u>	<u>385,698</u>	<u>406,222</u>
Total Net Sales	<u>\$1,455,548</u>	<u>\$1,271,490</u>	<u>\$1,303,085</u>
Operating Income			
Apparel	<u>\$ 74,935</u>	\$ 55,626	\$ 50,302
Footwear and Related Products	<u>17,753</u>	<u>18,687</u>	<u>17,183</u>
Total Operating Income	<u>92,688</u>	74,313	67,485
Corporate Expenses(1)	<u>(22,151)</u>	(26,003)	(24,000)
Interest Expense, net	<u>(22,322)</u>	<u>(22,430)</u>	<u>(26,112)</u>
Income Before Taxes and Extraordinary Item	<u>\$ 48,215</u>	<u>\$ 25,880</u>	<u>\$ 17,373</u>
Identifiable Assets			
Apparel	<u>\$ 430,868</u>	\$ 313,020	\$ 370,375
Footwear and Related Products	<u>122,180</u>	122,400	127,538
Corporate	<u>171,316</u>	<u>238,328</u>	<u>176,400</u>
	<u>\$ 724,364</u>	<u>\$ 673,748</u>	<u>\$ 674,313</u>
Depreciation and Amortization			
Apparel	<u>\$ 13,258</u>	\$ 11,846	\$ 16,082
Footwear and Related Products	<u>5,370</u>	6,325	8,046
Corporate	<u>1,423</u>	<u>1,246</u>	<u>1,314</u>
	<u>\$ 20,051</u>	<u>\$ 19,417</u>	<u>\$ 25,442</u>
Identifiable Capital Expenditures			
Apparel	<u>\$ 20,041</u>	\$ 20,380	\$ 23,803

Footwear and Related Products  
Corporate

10,147  
1,710  
\$ 31,898

8,383  
2,528  
\$ 31,291

10,113  
4,297  
\$ 38,213

(1) Corporate expenses in each of 1999 and 1998 include \$8,500 of Year 2000 computer conversion costs.

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## PHILLIPS-VAN HEUSEN CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

#### Other Comments

One of the Company's directors, Mr. Harry N.S. Lee, is a director of TAL Apparel Limited, an apparel manufacturer and exporter based in Hong Kong. During 2000, 1999 and 1998, the Company purchased approximately \$2,834, \$13,429 and \$26,700, respectively, of products from TAL Apparel Limited and certain related companies.

The Company is a party to certain litigation which, in management's judgement based in part on the opinion of legal counsel, will not have a material adverse effect on the Company's financial position.

During each of 2000, 1999 and 1998, the Company paid four \$0.0375 per share cash dividends on its common stock.

Certain items in 1999 and 1998 have been reclassified to present them on a basis consistent with 2000.

**PHILLIPS-VAN HEUSEN CORPORATION**  
**SELECTED QUARTERLY FINANCIAL DATA - UNAUDITED**  
(In thousands, except per share data)

	<u>1st Quarter</u>		<u>2nd Quarter</u>		<u>3rd Quarter</u>		<u>4th Quarter</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Net sales	<b>\$310,310</b>	\$289,699	<b>\$327,832</b>	\$316,790	<b>\$443,374</b>	\$368,041	<b>\$374,032</b>	\$296,960
Gross profit	<b>106,243</b>	100,808	<b>116,101</b>	111,784	<b>149,732</b>	128,802	<b>133,296</b>	109,632
Net income (loss)	<b>(1,911)</b>	(4,625)	<b>6,009</b>	3,573	<b>19,440</b>	15,293	<b>6,562</b>	2,632
Basic and diluted net income (loss) per share	<b>(0.07)</b>	(0.17)	<b>0.22</b>	0.13	<b>0.71</b>	0.56	<b>0.24</b>	0.10
Price range of common stock per share								
High	<b>8.31</b>	8.94	<b>10.50</b>	10.63	<b>12.25</b>	10.13	<b>14.07</b>	8.56
Low	<b>5.81</b>	5.38	<b>7.50</b>	8.31	<b>8.38</b>	7.31	<b>11.00</b>	6.81

**REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS**

To the Stockholders and the Board of Directors

Phillips-Van Heusen Corporation

We have audited the accompanying consolidated balance sheets of Phillips-Van Heusen Corporation and subsidiaries as of February 4, 2001 and January 30, 2000, and the related consolidated income statements, changes in stockholders' equity, and cash flows for each of the three years in the period ended February 4, 2001. Our audits also included the financial statement schedule included in Item 14(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Phillips-Van Heusen Corporation and subsidiaries at February 4, 2001 and January 30, 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended February 4, 2001 in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

E&Y SIGNATURE STAMP

New York, New York

March 5, 2001

(In thousands, except per share data, percents and ratios)

	<u>2000(1)</u>	<u>1999</u>	<u>1998</u>	<u>1997(2)</u>	<u>1996(1)</u>
<b>Summary of Operations</b>					
Net sales					
Apparel	\$1,071,029	\$ 885,792	\$ 896,863	\$ 911,047	\$ 897,370
Footwear and Related Products	<u>384,519</u>	<u>385,698</u>	<u>406,222</u>	<u>438,960</u>	<u>462,223</u>
	<u>1,455,548</u>	<u>1,271,490</u>	<u>1,303,085</u>	<u>1,350,007</u>	<u>1,359,593</u>
Cost of goods sold and expenses	<u>1,385,011</u>	<u>1,223,180</u>	<u>1,259,600</u>	<u>1,437,160</u>	<u>1,311,855</u>
Income (loss) before interest, taxes and extraordinary item	<u>70,537</u>	<u>48,310</u>	<u>43,485</u>	<u>(87,153)</u>	<u>47,738</u>
Interest expense, net	<u>22,322</u>	<u>22,430</u>	<u>26,112</u>	<u>20,672</u>	<u>23,164</u>
Income tax expense (benefit)	<u>18,115</u>	<u>9,007</u>	<u>4,486</u>	<u>(41,246)</u>	<u>6,044</u>
Income (loss) before extraordinary item	<u>30,100</u>	<u>16,873</u>	<u>12,887</u>	<u>(66,579)</u>	<u>18,530</u>
Extraordinary loss, net of tax			<u>(1,060)</u>		
Net income (loss)	<u>\$ 30,100</u>	<u>\$ 16,873</u>	<u>\$ 11,827</u>	<u>\$ (66,579)</u>	<u>\$ 18,530</u>
<b>Per Share Statistics</b>					
Basic Earnings Per Share:					
Before extraordinary item	\$ 1.10	\$ 0.62	\$ 0.47	\$ (2.46)	\$ 0.69
Extraordinary loss			<u>(0.04)</u>		
Net income (loss)	<u>\$ 1.10</u>	<u>\$ 0.62</u>	<u>\$ 0.43</u>	<u>\$ (2.46)</u>	<u>\$ 0.69</u>
Diluted Earnings Per Share:					
Before extraordinary item	\$ 1.10	\$ 0.62	\$ 0.47	\$ (2.46)	\$ 0.68
Extraordinary loss			<u>(0.04)</u>		
Net income (loss)	<u>\$ 1.10</u>	<u>\$ 0.62</u>	<u>\$ 0.43</u>	<u>\$ (2.46)</u>	<u>\$ 0.68</u>
Dividends paid per share	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
Stockholders' equity per share	9.80	8.86	8.39	8.11	10.73
<b>Financial Position</b>					
Current assets	\$ 436,381	\$ 425,970	\$ 368,017	\$ 385,018	\$ 362,958
Current liabilities	<u>138,095</u>	<u>124,580</u>	<u>132,686</u>	<u>133,335</u>	<u>122,266</u>
Working capital	<u>298,286</u>	<u>301,390</u>	<u>235,331</u>	<u>251,683</u>	<u>240,692</u>
Total assets	<u>724,364</u>	<u>673,748</u>	<u>674,313</u>	<u>660,459</u>	<u>657,436</u>
Long-term debt	<u>248,851</u>	<u>248,784</u>	<u>248,723</u>	<u>241,004</u>	<u>189,398</u>
Convertible redeemable preferred stock					
Stockholders' equity	<u>268,561</u>	<u>241,685</u>	<u>228,888</u>	<u>220,305</u>	<u>290,158</u>
<b>Other Statistics</b>					
Total debt to total capital (5)	48.1%	50.7%	54.0%	53.0%	43.1%
Net debt to net capital (6)	46.2%	39.0%	53.6%	52.9%	42.9%
Current ratio	3.2	3.4	2.8	2.9	3.0
Average shares outstanding	27,305	27,289	27,218	27,108	27,004

(1) 2000 and 1996 include 53 weeks of operations.

(2) 1997 includes pre-tax charges of \$132,700 for restructuring and other expenses.

(3) 1995 includes pre-tax charges of \$27,000 for restructuring and other expenses.

(4) 1994 includes pre-tax charges of \$7,000 for restructuring and other expenses.

(5) Total capital equals interest-bearing debt, preferred stock and stockholders' equity.

(6) Net debt and net capital are total debt and total capital reduced by invested cash.

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**PHILLIPS-VAN HEUSEN CORPORATION**

**TEN YEAR FINANCIAL SUMMARY (CONTINUED)**

	<u>1995(3)</u>	<u>1994 (4)</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>
<b>Summary of Operations</b>					
Net sales					
Apparel	\$1,006,701	\$ 812,993	\$ 757,452	\$ 709,361	\$ 596,383
Footwear and Related Products	<u>457,427</u>	<u>442,473</u>	<u>394,942</u>	<u>333,204</u>	<u>307,717</u>
	<u>1,464,128</u>	<u>1,255,466</u>	<u>1,152,394</u>	<u>1,042,565</u>	<u>904,100</u>
Cost of goods sold and expenses	<u>1,443,555</u>	<u>1,205,764</u>	<u>1,072,083</u>	<u>972,357</u>	<u>843,367</u>
Income (loss) before interest, taxes and extraordinary item	<u>20,573</u>	<u>49,702</u>	<u>80,311</u>	<u>70,208</u>	<u>60,733</u>
Interest expense, net	<u>23,199</u>	<u>12,793</u>	<u>16,679</u>	<u>15,727</u>	<u>16,686</u>
Income tax expense (benefit)	<u>(2,920)</u>	<u>6,894</u>	<u>20,380</u>	<u>16,600</u>	<u>12,910</u>
Income (loss) before extraordinary item	<u>294</u>	<u>30,015</u>	<u>43,252</u>	<u>37,881</u>	<u>31,137</u>
Extraordinary loss, net of tax			<u>(11,394)</u>		
Net income (loss)	<u>\$ 294</u>	<u>\$ 30,015</u>	<u>\$ 31,858</u>	<u>\$ 37,881</u>	<u>\$ 31,137</u>
<b>Per Share Statistics</b>					
Basic Earnings Per Share:					
Before extraordinary item	\$ 0.01	\$ 1.13	\$ 1.66	\$ 1.50	\$ 1.24
Extraordinary loss			<u>(0.44)</u>		
Net income (loss)	<u>\$ 0.01</u>	<u>\$ 1.13</u>	<u>\$ 1.22</u>	<u>\$ 1.50</u>	<u>\$ 1.24</u>
Diluted Earnings Per Share:					
Before extraordinary item	\$ 0.01	\$ 1.11	\$ 1.60	\$ 1.42	\$ 1.15
Extraordinary loss			<u>(0.42)</u>		
Net income (loss)	<u>\$ 0.01</u>	<u>\$ 1.11</u>	<u>\$ 1.18</u>	<u>\$ 1.42</u>	<u>\$ 1.15</u>
Dividends paid per share	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.1425
Stockholders' equity per share	10.20	10.35	9.33	8.14	4.52
<b>Financial Position</b>					
Current assets	\$ 444,664	\$ 429,670	\$ 418,702	\$ 410,522	\$ 303,143
Current liabilities	<u>183,126</u>	<u>114,033</u>	<u>109,156</u>	<u>115,208</u>	<u>102,976</u>
Working capital	<u>261,538</u>	<u>315,637</u>	<u>309,546</u>	<u>295,314</u>	<u>200,167</u>
Total assets	<u>749,055</u>	<u>596,284</u>	<u>554,771</u>	<u>517,362</u>	<u>398,969</u>



(a) Provisions for doubtful accounts.

(b) Recoveries of doubtful accounts previously written off.

(c) Primarily uncollectible accounts charged against the allowance provided therefor.

## PHILLIPS-VAN HEUSEN CORPORATION

## SPECIAL SEVERANCE BENEFIT PLAN

As Amended as of April 27, 2000

**1. PURPOSE.**

The Plan is intended to induce the Participants to remain in the employ of the Company, notwithstanding any possible concern on their behalf as to the security of their employment with the Company in the event of a Change in Control, and to provide special benefits in recognition of the valuable services heretofore rendered by the Participants to the Company and in consideration of the Participants' remaining in the employ of the Company pursuant to a written contract or the terms of the Plan.

**2. DEFINITIONS.**

Affiliate - Any person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, any other Person.

Board - The Board of Directors of PVH.

Change in Control - A Change in Control shall be deemed to occur upon (i) the election of one of more individuals to the Board which election results in one-third of the directors of PVH consisting of individuals who have not been directors of PVH for at least two years, unless such individuals have been elected as directors or nominated for election as directors by three-fourths of the directors of PVH who have been directors of PVH for at least two years; (ii) the sale by PVH of all or substantially all of its assets to any Person, the

consolidation of PVH with any Person, the merger of PVH with any Person as a result of which merger PVH is not the surviving entity as a publicly held corporation; (iii) the sale or transfer of shares of PVH by PVH and/or any one or more of its stockholders, in one or more transactions, related or unrelated, to one or more Persons under circumstances whereby any Person and its Affiliates shall own, after such sales and transfers, at least one-fourth, but less than one-half, of the shares of PVH having voting power for the election of directors, unless such sale or transfer has been approved in advance by three-fourths of the directors of PVH who have been directors of PVH for at least two years; or (iv) the sale or transfer of shares of PVH by PVH and/or any one or more of its stockholders, in one or more transactions, related or unrelated, to one or more Persons under circumstances whereby any Person and its Affiliates shall own, after such sales and transfers, at least one-half of the shares of PVH having voting power for the election of directors. Nothing contained in this definition shall limit or restrict the right of any director who is a Participant from participating in any discussions or voting on any matter referred to in this definition at any meeting of the Board. In addition to the foregoing and not in limitation thereof, a Change in Control with respect to Bruce Klatsky shall also mean (a) the failure of the Board duly to continue Mr. Klatsky as Chief Executive Officer and Chairman of the Board at all times prior to his retirement as an employee, (b) the appointment by the Board of an officer or the hiring by the Board of an employee with authority equal or superior to the authority of Mr. Klatsky at any time prior to his retirement as an employee, (c) the failure of the Company to compensate Mr. Klatsky at a rate of at least \$750,000 per year and maintain the other terms and conditions of his employment by the Company on no less than substantially the same basis as enjoyed by Mr. Klatsky in connection with his employment by the Company as of April 28, 1993 or (d) any notice to Mr. Klatsky pursuant to Section 8 that the Company intends to terminate the

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Plan or to amend the Plan in any manner which could adversely affect the rights of Mr. Klatsky under the Plan.

Code - The Internal Revenue Code of 1986 as in effect at the time with respect to which such term is used.

Company - PVH and all of the Subsidiaries.

Discharge for Cause - Discharge for Cause shall be deemed to occur only upon a good faith determination by the Board that the termination of the employment by the Company of a Participant is necessary by reason of (i) the commission by such Participant of any act which, if successfully prosecuted by the appropriate authorities, would constitute a felony under state or federal law; (ii) such Participant's embezzlement or intentional misappropriation of any property of the Company; or (iii) such Participant's having divulged, furnished or made accessible to anyone other than the Company, its directors, officers, employees, auditors and legal advisors, otherwise than in the regular course of the business of the Company, any confidential knowledge or information relating to the customers, employees, operations, financial condition, revenues or projections of the Company, other than information in the public domain which has not been improperly disclosed by such Participant. Such determination by the Board may be made only after reasonable written notice to such Participant from a member of the Board setting forth details of the allegations which may constitute Discharge for Cause and after an opportunity for such Participant, together with his counsel, to be heard by the Board.

Effective Marginal Tax Rate - The percentage equal to (i) the product of 1.03 and the highest tax rate set forth in section 1(a) of the Code (currently 39.6%), plus (ii) the highest

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combined marginal state and local income tax rate to which the Participant with respect to whom such term is used shall be subject with respect to compensation income, minus (iii) the product of the tax rate set forth in clause (i) above and the tax rate set forth in clause (ii) above, plus (iv) the highest tax rate set forth in section 3111(b)(6) of the Code (currently 1.45%), plus (v) the highest tax rate set forth in section 4999(a) of the Code (currently 20%).

Parachute Indemnity Amount - The amount determined with respect to a Participant as follows:

- (i) There shall first be determined, after giving effect to the payment of such Participant's Primary Benefit but not to such Participant's Secondary Benefit, the aggregate of such Participant's "excess parachute" payments within the contemplation of section 280G(b)(1) of the Code.

(ii) There shall then be determined the amount of the aggregate taxes imposed upon such "excess parachute payments" by the provisions of section 4999(a) of the Code.

(iii) The amount determined in accordance with the provisions of clause (ii) shall then be multiplied by the fraction the numerator of which shall be one and the denominator of which shall be one minus such Participant's Effective Marginal Tax Rate with respect to the calendar year in which his employment by the Company shall terminate and such product shall be such Participant's Parachute Indemnity Amount.

Participant - Each person designated by the Compensation Committee of the Board who shall be an officer of PVH, an officer of any of the Subsidiaries or any other key

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employee of the Company. Any Participant who shall be a Participant at the time of a Change in Control shall remain a Participant until the earlier to occur of the expiration of two years following a Change in Control or the termination of such Participant's employment with the Company.

Person - An individual, partnership, firm, trust, corporation or other similar entity. When two or more Persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of PVH, such partnership, limited partnership, syndicate or group shall be deemed a "Person" for the purposes of the Plan.

Plan - The Phillips-Van Heusen Corporation Special Severance Benefit Plan.

Primary Benefit - Shall have the meaning accorded thereto in Section 5.

PVH - Phillips-Van Heusen Corporation, a Delaware corporation.

Secondary Benefit - Shall have the meaning accorded thereto in Section 5.

Subsidiary - Any Person of which a majority of the capital stock having voting power for the election of directors or other governing board is owned by PVH and/or one or more of the Subsidiaries.

Any term used in the Plan in the masculine gender shall include the feminine gender.

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### 3. EMPLOYMENT COMMITMENT.

An employee of the Company shall not be designated as a Participant unless (a) such employee enters into an agreement with PVH or a Subsidiary that he will remain in the service of PVH or such Subsidiary for a period, subject to the terms of the Plan, of at least one year from the date of such agreement or (b) such employee is a party to a written contract of employment with PVH or a Subsidiary for a term extending at least one year from the date he is designated as a Participant. Such agreement may provide that the employee shall serve at the pleasure of PVH or such Subsidiary, and at such compensation as PVH or such Subsidiary shall reasonably determine from time to time, but not less than his compensation as in effect on the date of such agreement. Such agreement may also provide that it does not confer upon the employee any right to continue in the employ of PVH or such Subsidiary and that it does not interfere in any way with the right of PVH or such Subsidiary to terminate the employment of the employee at any time.

### 4. RIGHT TO TERMINATE EMPLOYMENT.

Notwithstanding the provisions of any agreement to the contrary, including without limitation an agreement required pursuant to Section 3, in the event of a Change in Control, each Participant shall have the right to terminate voluntarily his employment with the Company, with or without reason, within two years after the occurrence of such Change in Control by giving written notice of termination to PVH.

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### 5. SPECIAL SEVERANCE BENEFITS.

Upon the voluntary termination of employment with the Company by any Participant within two years after the occurrence of a Change in Control, or upon the involuntary termination of employment with the Company of any Participant for any reason other than death or Discharge for Cause within two years after the occurrence of a Change in Control, PVH, or the consolidated, surviving or transferee Person in the event of a consolidation, merger or sale of assets, shall pay to such Participant, in a lump sum immediately subsequent to the date of such termination, in addition to any compensation otherwise owed to such Participant at the time of such termination (under any contract, other plan or otherwise), (a) an amount (the "Primary Benefit") equal to the product of (i) three and (ii) the average annual cash compensation, including salary and bonuses, paid to and/or accrued with respect to such Participant during the two-year period preceding the date of such termination, or such portion of said period as such Participant shall have been employed by the Company, and (b) an amount (the "Secondary Benefit") equal to such Participant's Parachute Indemnity Amount; provided, however, that at the time of the designation of any employee of the Company as a Participant, the Compensation Committee may, in its sole and absolute discretion, by written notice to such Participant, reduce the Primary Benefit with respect to such Participant and thereafter from time to time the Compensation Committee may, in its sole and absolute discretion, by written notice to such Participant, increase the Primary Benefit, but in no event to an amount greater than the Primary Benefit provided for in this Section; provided, further, that at the time an employee of the Company shall be designated as a Participant, the Compensation Committee may, in its sole and absolute discretion, by written notice to such Participant, provide that, if such Participant shall have been an employee of the Company for less than two years preceding the date of his

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termination, the Primary Benefit with respect to such Participant shall be the product of (I) three and (II) such amount as such Participant would have received had he served the Company for at least two years, using such assumptions as to total cash compensation that would have been paid to and/or accrued with respect to such Participant during such two years as the Compensation Committee may provide, or such lesser amount as the Compensation Committee may determine. Upon the voluntary termination of employment with the Company by any Participant within two years

after the occurrence of a Change in Control, or upon the involuntary termination of employment with the Company of any Participant for any reason other than death or Discharge for Cause within two years after the occurrence of a Change in Control, PVH, or the consolidated, surviving or transferee Person in the event of a consolidation, merger or sale of assets, shall also provide, for the period of three years commencing on such termination of employment, medical, dental, life and disability insurance coverage for such Participant and the members of his family which is not less favorable to such Participant than the group medical, dental, life and disability insurance coverage carried by the Company for such Participant and the members of his family either immediately prior to such termination of employment or on the occurrence of such Change in Control, whichever is greater; provided, however, that the obligations set forth in this sentence shall terminate to the extent such Participant obtains comparable medical, dental, life and disability insurance coverage from any other employer during such three-year period, but such Participant shall not have any obligation to seek or accept employment during such three-year period, whether or not any such employment would provide comparable medical, dental, life and disability insurance coverage. All payments made under the Plan to any Participant shall be subject to withholding and to such other deductions as shall at the

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time of such payment be required under any income tax or other law, whether of the United States or any other jurisdiction.

#### 6. ADMINISTRATION.

The Plan shall be administered by the Compensation Committee appointed by the Board, which Committee shall consist of three or more individuals who shall serve at the pleasure of the Board. Subject to the provisions of the Plan, the Compensation Committee shall have the authority to interpret the Plan and to prescribe, amend and rescind rules and regulations relating to it. Any determination by the Compensation Committee in carrying out, administering or construing the Plan (including without limitation the designation of an individual as a Participant) made prior to a Change in Control shall be final and binding for all purposes upon PVH and all other interested Persons and their heirs, successors and personal representatives. The Board may from time to time appoint members of the Compensation Committee in substitution for or in addition to members previously appointed and may fill vacancies, however caused, in the Compensation Committee. The Board shall elect one of the Compensation Committee's members as its Chairman and the Compensation Committee shall hold its meetings at such times and places as it shall deem advisable. A majority of the members of the Compensation Committee shall constitute a quorum. All action by the Compensation Committee shall be taken by a majority of its members present at a meeting. Any action may be taken by a written instrument signed by a majority of the members of the Compensation Committee and action so taken shall be fully effective as if it had been taken by a vote of a majority of the members at a meeting duly called and held. The Board may appoint a Secretary for the Compensation Committee (who, if no other designation shall be made, shall be the Secretary of

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PVH) and the Compensation Committee shall keep minutes of its meetings and shall make rules and regulations for the conduct of its business as it shall deem advisable.

#### 7. COSTS OF ENFORCEMENT.

In the event that, subsequent to a Change in Control, any Participant incurs any costs or expenses, including attorneys fees, in the enforcement of his rights under the Plan, then, unless PVH, or the consolidated, surviving or transferee Person in the event of a consolidation, merger or sale of assets, is wholly successful in defending against the enforcement of such rights, PVH, or such consolidated, surviving or transferee Person, shall promptly pay to such Participant all such costs and expenses.

#### 8. AMENDMENT OR TERMINATION.

The Board may amend or terminate the Plan in whole or in part at any time upon notice to all of the Participants; provided, however, that, subsequent to a Change in Control or during the period of 90 days prior to a Change in Control, no such amendment which could adversely affect the rights of any Participant nor any termination shall become effective until the expiration of two years following a Change in Control; provided further, however, that without limiting Mr. Klatsky's rights under the preceding proviso, no termination of the Plan and no amendment of the Plan in any manner which could adversely affect the rights of Mr. Klatsky under the Plan shall become effective until the expiration of 30 days following a notice to Mr. Klatsky of such termination or amendment.

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#### 9. NOTICES.

Any notice or other communication pursuant to the Plan intended for a Participant shall be deemed given when personally delivered to such Participant or sent to such Participant by registered or certified mail, return receipt requested, at such Participant's address as it appears on the records of the Company, or at such other address as such Participant shall have specified by notice to PVH in the manner herein provided. Any notice or other communication pursuant to the Plan intended for PVH shall be deemed given when personally delivered to the Secretary of PVH or sent to PVH by registered or certified mail, return receipt requested, attention of its Secretary, at 200 Madison Avenue, New York, New York 10016, or at such other address as PVH shall have specified by notice to the Participants in the manner herein provided.

#### 10. GOVERNING LAW.

The Plan shall be governed by the laws of the State of New York.

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## PHILLIPS-VAN HEUSEN CORPORATION

## 1997 STOCK OPTION PLAN

(As Amended Through March 7, 2001)

1. Purpose. The purposes of the 1997 Stock Option Plan (the "Plan") are to induce certain individuals to remain in the employ, or to continue to serve as directors, of Phillips-Van Heusen Corporation (the "Company") and its present and future subsidiary corporations (each a "Subsidiary"), as defined in Section 424(f) of the Internal Revenue Code of 1986, as amended (the "Code"), to attract new individuals to enter into such employment or service and to encourage such individuals to secure or increase on reasonable terms their stock ownership in the Company. The Board of Directors of the Company (the "Board") believes that the granting of stock options (the "Options") under the Plan will promote continuity of management and increased incentive and personal interest in the welfare of the Company by those who are or may become primarily responsible for shaping and carrying out the long range plans of the Company and securing its continued growth and financial success. Options granted hereunder are intended to be either (a) "incentive stock options" (which term, when used herein, shall have the meaning ascribed thereto by the provisions of Section 422(b) of the Code) or (b) options which are not incentive stock options ("non-incentive stock options") or (c) a combination thereof, as determined by the Committee (the "Committee") referred to in Section 5 at the time of the grant thereof.

2. Effective Date of the Plan. The Plan became effective on April 29, 1997.

3. Stock Subject to Plan. 2,500,000 of the authorized but unissued shares of the common stock, \$1.00 par value, of the Company (the "Common Stock") are hereby reserved for issue upon the exercise of Options granted under the Plan; provided, however, that the number of shares so reserved may from time to time be reduced to the extent that a corresponding number of issued and outstanding shares of the Common Stock are purchased by the Company and set aside for issue upon the exercise of Options. If any Options expire or terminate for any reason without having been exercised in full, the unpurchased shares subject thereto shall again be available for the purposes of the Plan.

4. Administration.

A. Except as otherwise provided in paragraph B of Section 4, the Plan shall be administered by the Committee. Subject to the express provisions of the Plan, the Committee shall have complete authority, in its discretion, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective option agreements or certificates (which need not be identical), to determine the individuals (each a "Participant") to whom and the times and the prices at which Options shall be granted, the periods during which each Option shall be exercisable, the number of shares of the Common Stock to be subject to each Option and whether such Option shall be an incentive stock option or a non-incentive stock option and to make all other determinations necessary or advisable for the administration of the Plan. In making such determinations, the Committee may take into account the nature of the services rendered by the respective individuals, their present and potential contributions to the success of the Company and the Subsidiaries and such other factors as the Committee in its discretion shall deem relevant. The Committee's determination

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on the matters referred to in this Section 4 shall be conclusive. Any dispute or disagreement which may arise under or as a result of or with respect to any Option shall be determined by the Committee, in its sole discretion, and any interpretations by the Committee of the terms of any Option shall be final, binding and conclusive.

B. The Chairman of the Board or, if the Chairman is not an executive officer of the Company, the Chief Executive Officer of the Company or other executive officer of the Company designated by the Committee who is also a director (the Chairman, Chief Executive Officer or other designated executive officer being referred to as the "Designated Director") may administer the Plan with respect to employees of the Company or a Subsidiary (i) who are not officers of the Company subject to the provisions of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and (ii) whose compensation is not subject to the provisions of Section 162(m) of the Code. The authority of the Designated Director and Options granted by the Designated Director shall be subject to such terms, conditions, restrictions and limitations as may be imposed by the Board, including, but not limited to, a limit on the aggregate number of shares of Common Stock subject to Options that may be granted in any one calendar year by the Designated Director to all such employees of the Company and its Subsidiaries and a maximum number of shares that may be subject to Options granted under the Plan in any one calendar year to any single employee by the Designated Director. Unless and until the Board shall take further action, the maximum number of shares of Common Stock that may be subject to Options granted under the Plan, the Company's 2000 Stock Option Plan and any other stock option plan then in effect in any one calendar year by the Designated Director shall be 100,000 in the aggregate and the maximum number of shares of Common Stock that may be subject to Options granted under the Plan, the Company's 2000 Stock Option Plan and any other stock option plan then in effect in any one calendar year by the Designated Director to any single employee shall be 5,000 in the aggregate. Any actions duly taken by the Designated Director with respect to the grant of Options to such employees shall be deemed to have been taken by the Committee for purposes of the Plan.

5. Committee. The Committee shall consist of two or more members of the Board. It is intended that all of the members of the Committee shall be "non-employee directors" within the meaning of Rule 16b-3(b)(3) promulgated under the Exchange Act, and "outside directors" within the contemplation of Section 162(m)(4)(C)(i) of the Code. The Committee shall be appointed annually by the Board, which may at any time and from time to time remove any members of the Committee, with or without cause, appoint additional members to the Committee and fill vacancies, however caused, in the Committee. A majority of the members of the Committee shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members present at a meeting duly called and held, except that the Committee may delegate to any one of its members the authority of the Committee with respect to the grant of Options to any person who shall not be an officer and/or director of the Company and who is not, and in the judgment of the Committee may not be reasonably expected to become, a "covered employee" within the meaning of Section 162(m)(3) of the Code. Any decision or determination of the Committee reduced to writing and signed by all of the members of the Committee (or by the member(s) of the Committee to whom authority has been delegated) shall be fully as effective as if it had been made at a meeting duly called and held.

6. Eligibility. An Option may be granted only to a key employee of the Company or a Subsidiary or to a director of the Company or a Subsidiary who is not an employee of the Company or a Subsidiary.

7. Option Prices.

A. The initial per share option price of any Option shall be the price determined by the Committee, but not less than the fair market value of a share of the Common Stock on the date of grant; provided, however, that, in the case of a Participant who owns more than 10% of the total combined voting power of the Common Stock at the time an Option which is an incentive stock option is granted to him or her, the initial per share option price shall not be less than 110% of the fair market value of a share of the Common Stock on the date of grant.

B. For all purposes of the Plan, the fair market value of a share of the Common Stock on any date shall be equal to (i) the closing sale price of the Common Stock on the New York Stock Exchange on the business day preceding such date or (ii) if there is no sale of the Common Stock on such Exchange on such business day, the average of the bid and asked prices on such Exchange at the close of the market on such business day.

8. Option Term. Participants shall be granted Options for such term as the Committee shall determine, not in excess of ten years from the date of the granting thereof; provided, however, that, in the case of a Participant who owns more than 10% of the total combined voting power of the Common Stock at the time an Option which is an incentive stock option is granted to him or her, the term with respect to such Option shall not be in excess of five years from the date of the granting thereof.

9. Limitations on Amount of Options Granted.

A. The aggregate fair market value of the shares of the Common Stock for which any Participant may be granted incentive stock options which are exercisable for the first time in any calendar year (whether under the terms of the Plan or any other stock option plan of the Company) shall not exceed \$100,000.

B. No Participant shall, during any fiscal year of the Company, be granted Options under the Plan to purchase more than 100,000 shares of the Common Stock.

10. Exercise of Options.

A. Except as otherwise determined by the Committee at the time of grant, a Participant may not exercise an Option during the period commencing on the date of the granting of such Option to him or her and ending on the day next preceding the third anniversary of such date. Except as otherwise determined by the Committee at the time of grant, a Participant may (i) during the period commencing on the third anniversary of the date of the granting of an Option to him or her and ending on the day next preceding the fourth anniversary of such date, exercise such Option with respect to one-third of the shares granted thereby, (ii) during the period commencing on such fourth anniversary and ending on the day next preceding the fifth anniversary of the date of the granting of such Option, exercise such Option with respect to

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two-thirds of the shares granted thereby, and (iii) during the period commencing on such fifth anniversary, exercise such Option with respect to all of the shares granted thereby.

B. Except as hereinbefore otherwise set forth, an Option may be exercised either in whole at any time or in part from time to time.

C. An Option may be exercised only by a written notice of intent to exercise such Option with respect to a specific number of shares of the Common Stock and payment to the Company of the amount of the option price for the number of shares of the Common Stock so specified; provided, however, that, if the Committee shall in its sole discretion so determine at the time of the grant of any Option, all or any portion of such payment may be made in kind by the delivery of shares of the Common Stock having a fair market value equal to the portion of the option price so paid; provided, further, however, that no portion of such payment may be made by delivering shares of the Common Stock acquired upon the exercise of an Option if such shares shall not have been held by the Participant for at least six months; provided, further, however, that, subject to the requirements of Regulation T (as in effect from time to time) promulgated under the Exchange Act, the Committee may implement procedures to allow a broker chosen by a Participant to make payment of all or any portion of the option price payable upon the exercise of an Option and receive, on behalf of such Participant, all or any portion of the shares of the Common Stock issuable upon such exercise.

D. The Board may, in its discretion, permit any Option to be exercised, in whole or in part, prior to the time when it would otherwise be exercisable.

E. I. Notwithstanding the provisions of paragraph A of this Section 10, in the event that a Change in Control shall occur, then, each Option theretofore granted to any Participant which shall not have theretofore expired or otherwise been cancelled or become unexercisable shall become immediately exercisable in full. For the purposes of this paragraph E, a "Change in Control" shall be deemed to occur upon (a) the election of one or more individuals to the Board which election results in one-third of the directors of the Company consisting of individuals who have not been directors of the Company for at least two years, unless such individuals have been elected as directors or nominated for election by the stockholders as directors by at least three-fourths of the directors of the Company who have been directors of the Company for at least two years, (b) the sale by the Company of all or substantially all of its assets to any Person, the consolidation of the Company with any Person, the merger of the Company with any Person as a result of which merger the Company is not the surviving entity as a publicly held corporation, (c) the sale or transfer of shares of the Company by the Company and/or any one or more of its stockholders, in one or more transactions, related or unrelated, to one or more Persons under circumstances whereby any Person and its Affiliates shall own, after such sales and transfers, at least one-fourth, but less than one-half, of the shares of the Company having voting power for the election of directors, unless such sale or transfer has been approved in advance by at least three-fourths of the directors of the Company who have been directors of the Company for at least two years, or (d) the sale or transfer of shares of the Company by the Company and/or any one or more of its stockholders, in one or more transactions, related or unrelated, to one or more Persons under circumstances whereby any Person and its Affiliates shall own, after such sales and transfers, at least one-half of the shares of the Company having voting power for the election of directors. For the purposes of this division I, (1) the term "Affiliate" shall mean any Person that directly, or indirectly through one

or more intermediaries, controls, or is controlled by, or is under common control with, any other Person, (2) the term "Person" shall mean any individual, partnership, firm, trust, corporation or other similar entity and (3) when two or more Persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of the Company, such partnership, limited partnership, syndicate or group shall be deemed a "Person".

II. In the event that a Change of Control shall occur, then, from and after the time of such event, neither the provisions of this paragraph E nor any of the rights of any Participant thereunder shall be modified or amended in any way.

F. Notwithstanding any other provision of the Plan to the contrary, including, but not limited to, the provisions of paragraph D of Section 10, if any Participant shall have effected a Hardship Withdrawal from a 401(k) Plan maintained by the Company and/or one or more of the Subsidiaries, then, during the period of one year commencing on the date of such Hardship Withdrawal, such Participant may not exercise any Option using cash. For the purpose of this paragraph F, a "Hardship Withdrawal" shall mean a distribution to a Participant provided for in Reg. § 1.401(k)-1(d)(1)(ii) promulgated under Section 401(k)(2)(B)(i)(IV) of the Code or an analogous provision of the Puerto Rico Internal Revenue Code of 1994, as amended (the "Puerto Rico Code") and the regulations promulgated thereunder, and a "401(k) Plan" shall mean a plan which is a "qualified plan" within the contemplation of Section 401(a) of the Code or an analogous provision of the Puerto Rico Code which contains a "qualified cash or deferred arrangement" within the contemplation of Section 401(k)(2) of the Code or an analogous provision of the Puerto Rico Code.

11. Transferability. No Option shall be assignable or transferable except by will and/or by the laws of descent and distribution and, during the life of any Participant, each Option granted to him or her may be exercised only by him or her.

12. Termination of Employment or Service. In the event a Participant leaves the employ, or ceases to serve as a director, of the Company and the Subsidiaries, whether voluntarily or otherwise but other than by reason of his or her death or retirement, each Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall, to the extent exercisable on the date of such termination of employment or service and not theretofore exercised, terminate upon the earlier to occur of the expiration of 30 days after the date of such Participant's termination of employment or cessation of service and the date of termination specified in such Option. Notwithstanding the foregoing, if a Participant is terminated for cause (as defined herein), each Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall, to the extent not theretofore exercised, terminate forthwith. In the event a Participant leaves the employ, or ceases to serve as a director, of the Company and the Subsidiaries by reason of his or her retirement, each Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall become immediately exercisable in full and shall, to the extent not theretofore exercised, terminate upon the earlier to occur of the expiration of three years after the date of such retirement and the date of termination specified in such Option. In the event a Participant's employment, or service as a director, with the Company and the Subsidiaries terminates by reason of his or her death, each Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall become immediately exercisable in full and shall, to the extent not theretofore exercised, terminate upon the earlier to occur of the expiration

of three months after the date of the qualification of a representative of his or her estate and the date of termination specified in such Option. For purposes of the foregoing, (a) the term "cause" shall mean: (i) the commission by the Participant of any act or omission that would constitute a crime under federal, state or equivalent foreign law, (ii) the commission by the Participant of any act of moral turpitude, (iii) fraud, dishonesty or other acts or omissions that result in a breach of any fiduciary or other material duty to the Company and/or the Subsidiaries, or (iv) continued alcohol or other substance abuse that renders the Participant incapable of performing his or her material duties to the satisfaction of the Company and/or the Subsidiaries and (b) the term "retirement" shall mean (i) the termination of a Participant's employment with the Company and all of the Subsidiaries (A) other than for cause or by reason of his or her death and (B) on or after the earlier to occur of (I) the first day of the calendar month in which his or her 65th birthday shall occur and (II) the date on which he or she shall have both attained his or her 55th birthday and completed 10 years of employment with the Company and/or the Subsidiaries or (ii) the termination of a Participant's service as a director with the Company and all of the Subsidiaries (A) other than for cause or by reason of his or her death and (B) on or after the first day of the calendar month in which his or her 65th birthday shall occur.

13. Adjustment of Number of Shares. In the event that a dividend shall be declared upon the Common Stock payable in shares of the Common Stock, the number of shares of the Common Stock then subject to any Option and the number of shares of the Common Stock reserved for issuance in accordance with the provisions of the Plan but not yet covered by an Option and the number of shares set forth in paragraph B of Section 9 shall be adjusted by adding to each share the number of shares which would be distributable thereon if such shares had been outstanding on the date fixed for determining the stockholders entitled to receive such stock dividend. In the event that the outstanding shares of the Common Stock shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation, whether through reorganization, recapitalization, stock

split-up, combination of shares, sale of assets, merger or consolidation in which the Company is the surviving corporation, then, there shall be substituted for each share of the Common Stock then subject to any Option and for each share of the Common Stock reserved for issuance in accordance with the provisions of the Plan but not yet covered by an Option and for each share of the Common Stock referred to in paragraph B of Section 9, the number and kind of shares of stock or other securities into which each outstanding share of the Common Stock shall be so changed or for which each such share shall be exchanged. In the event that there shall be any change, other than as specified in this Section 13, in the number or kind of outstanding shares of the Common Stock, or of any stock or other securities into which the Common Stock shall have been changed, or for which it shall have been exchanged, then, if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the number or kind of shares then subject to any Option and the number or kind of shares reserved for issuance in accordance with the provisions of the Plan but not yet covered by an Option and the number or kind of shares referred to in paragraph B of Section 9, such adjustment shall be made by the Committee and shall be effective and binding for all purposes of the Plan and of each stock option agreement or certificate entered into in accordance with the provisions of the Plan. In the case of any substitution or adjustment in accordance with the provisions of this Section 13, the option price in each stock option agreement or certificate for each share covered thereby prior to such substitution or adjustment shall be the option price for all shares of stock or other securities which shall have been substituted for such share or to which such share shall have been adjusted in accordance with the provisions of this Section 13. No adjustment or substitution provided for

in this Section 13 shall require the Company to sell a fractional share under any stock option agreement or certificate. In the event of the dissolution or liquidation of the Company, or a merger, reorganization or consolidation in which the Company is not the surviving corporation, then, except as otherwise provided in the second sentence of this Section 13, each Option, to the extent not theretofore exercised, shall terminate forthwith.

14. Purchase for Investment, Withholding and Waivers. Unless the shares to be issued upon the exercise of an Option by a Participant shall be registered prior to the issuance thereof under the Securities Act of 1933, as amended, such Participant will, as a condition of the Company's obligation to issue such shares, be required to give a representation in writing that he or she is acquiring such shares for his or her own account as an investment and not with a view to, or for sale in connection with, the distribution of any thereof. In the event of the death of a Participant, a condition of exercising any Option shall be the delivery to the Company of such tax waivers and other documents as the Committee shall determine. In the case of each

non-incentive stock option, a condition of exercising the same shall be the entry by the person exercising the same into such arrangements with the Company with respect to withholding as the Committee may determine.

15. No Stockholder Status. Neither any Participant nor his or her legal representatives, legatees or distributees shall be or be deemed to be the holder of any share of the Common Stock covered by an Option unless and until a certificate for such share has been issued. Upon payment of the purchase price thereof, a share issued upon exercise of an Option shall be fully paid and non-assessable.

16. No Restrictions on Corporate Acts. Neither the existence of the Plan nor any Option shall in any way affect the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding whether of a similar character or otherwise.

17. No Employment Right. Neither the existence of the Plan nor the grant of any Option shall require the Company or any Subsidiary to continue any Participant in the employ of the Company or such Subsidiary.

18. Termination and Amendment of the Plan. The Board may at any time terminate the Plan or make such modifications of the Plan as it shall deem advisable; provided, however, that the Board may not without further approval of the holders of a majority of the shares of the Common Stock present in person or by proxy at any special or annual meeting of the stockholders, increase the number of shares as to which Options may be granted under the Plan (as adjusted in accordance with the provisions of Section 13), or change the class of persons eligible to participate in the Plan, or change the manner of determining the option prices. Except as otherwise provided in Section 13, no termination or amendment of the Plan may, without the consent of the Participant to whom any Option shall theretofore have been granted, adversely affect the rights of such Participant under such Option. The Committee may not, without further approval of the holders of a majority of the shares of the Common Stock present in person or by

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proxy at any special or annual meeting of the stockholders, amend any outstanding Option to reduce the option price, or cancel any outstanding Option and contemporaneously award a new Option to the same optionee for substantially the same number of shares at a lower option price.

19. Expiration and Termination of the Plan. The Plan shall terminate on April 28, 2007 or at such earlier time as the Board may determine. Options may be granted under the Plan at any time and from time to time prior to its termination. Any Option outstanding under the Plan at the time of the termination of the Plan shall remain in effect until such Option shall have been exercised or shall have expired in accordance with its terms.

#### 20. Options for Outside Directors.

A. A director of the Company who is not an employee of the Company or a Subsidiary (an "Outside Director") shall be eligible to receive, in addition to any other Option which he or she may receive pursuant to Section 6, an annual Option. Except as otherwise provided in this Section 20, each such Option shall be subject to all of the terms and conditions of the Plan.

B. I. At the first meeting of the Board immediately following each Annual Meeting of the Stockholders of the Company, each Outside Director shall be granted an Option, which shall be a non-incentive stock option, to purchase 8,000 shares of the Common Stock. Notwithstanding the foregoing, an Outside Director may not receive a grant under this Section 20 for any year if and to the extent such Outside Director receives a grant of options to purchase Common Stock under any other Company stock option plan then in effect solely for his or her services as a director of the Company for such year and the aggregate number of shares of Common Stock issuable upon the exercise of all such options granted for such year would exceed 8,000.

II. The initial per share option price of each Option granted to an Outside Director shall under this Section 20 be equal to the fair market value of a share of the Common Stock on the date of grant.

III. The term of each Option granted to an Outside Director shall be ten years from the date of the granting thereof.

IV. All or any portion of the payment required upon the exercise of an Option granted to an Outside Director may be made in kind by the delivery of shares of the Common Stock having a fair market value equal to the portion of the option price so paid.

C. The provisions of this Section 20 may not be amended except by the vote of a majority of the members of the Board and by the vote of a majority of the members of the Board who are not Outside Directors.



## PHILLIPS-VAN HEUSEN CORPORATION

## 2000 STOCK OPTION PLAN

(As Amended Through March 7, 2001)

1. Purpose. The purposes of the 2000 Stock Option Plan (the "Plan") are to induce certain individuals to remain in the employ, or to continue to serve as directors of, or consultants or advisors to, Phillips-Van Heusen Corporation (the "Company") and its present and future subsidiary corporations (each a "Subsidiary"), as defined in Section 424(f) of the Internal Revenue Code of 1986, as amended (the "Code"), to attract new individuals to enter into such employment or service and to encourage such individuals to secure or increase on reasonable terms their stock ownership in the Company. The Board of Directors of the Company (the "Board") believes that the granting of stock options (the "Options") under the Plan will promote continuity of management and increased incentive and personal interest in the welfare of the Company by those who are or may become primarily responsible for shaping and carrying out the long range plans of the Company and securing its continued growth and financial success. Options granted hereunder are intended to be either (i) "incentive stock options" (which term, when used herein, shall have the meaning ascribed thereto by the provisions of Section 422(b) of the Code) or (ii) options which are not incentive stock options ("non-qualified stock options") or (iii) a combination thereof, as determined by the Committee (the "Committee") referred to in Section 5 at the time of the grant thereof.

2. Effective Date of the Plan. The Plan became effective on April 27, 2000.

3. Stock Subject to Plan. 3,000,000 of the authorized but unissued shares of the common stock, \$1.00 par value, of the Company (the "Common Stock") are hereby reserved for issue upon the exercise of Options granted under the Plan; provided, however, that the number of shares so reserved may from time to time be reduced to the extent that a corresponding number of issued and outstanding shares of the Common Stock are purchased by the Company and set aside for issue upon the exercise of Options. If any Options expire or terminate for any reason without having been exercised in full, the unpurchased shares subject thereto shall again be available for the purposes of the Plan.

4. Administration.

(a) Except as otherwise provided in Section 4(b), the Plan shall be administered by the Committee. Subject to the express provisions of the Plan, the Committee shall have complete authority, in its discretion, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective option agreements or certificates (which need not be identical), to determine the individuals (each a "Participant") to whom and the times and the prices at which Options shall be granted, the periods during which each Option shall be exercisable, the number of shares of the Common Stock to be subject to each Option and whether such Option shall be an incentive stock option or a non-qualified stock option and to make all other determinations necessary or advisable for the administration of the Plan. In making such determinations, the Committee may

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take into account the nature of the services rendered by the respective individuals, their present and potential contributions to the success of the Company and the Subsidiaries and such other factors as the Committee in its discretion shall deem relevant. The Committee's determination on the matters referred to in this Section 4 shall be conclusive. Any dispute or disagreement which may arise under or as a result of or with respect to any Option shall be determined by the Committee, in its sole discretion, and any interpretations by the Committee of the terms of any Option shall be final, binding and conclusive.

(b) The Chairman of the Board or, if the Chairman is not an executive officer of the Company, the Chief Executive Officer of the Company or other executive officer of the Company designated by the Committee who is also a director (the Chairman, Chief Executive Officer or other designated executive officer being referred to as the "Designated Director") may administer the Plan with respect to employees of the Company or a Subsidiary (i) who are not officers of the Company subject to the provisions of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and (ii) whose compensation is not subject to the provisions of Section 162(m) of the Code. The authority of the Designated Director and Options granted by the Designated Director shall be subject to such terms, conditions, restrictions and limitations as may be imposed by the Board, including, but not limited to, a limit on the aggregate number of shares of Common Stock subject to Options that may be granted in any one calendar year by the Designated Director to all such employees of the Company and its Subsidiaries and a maximum number of shares that may be subject to Options granted under the Plan in any one calendar year to any single employee by the Designated Director. Unless and until the Board shall take further action, the maximum number of shares of Common Stock that may be subject to Options granted under the Plan, the Company's 1997 Stock Option Plan and any other stock option plan then in effect in any one calendar year by the Designated Director shall be 100,000 in the aggregate and the maximum number of shares of Common Stock that may be subject to Options granted under the Plan, the Company's 1997 Stock Option Plan and any other stock option plan then in effect in any one calendar year by the Designated Director to any single employee shall be 5,000 in the aggregate. Any actions duly taken by the Designated Director with respect to the grant of Options to such employees shall be deemed to have been taken by the Committee for purposes of the Plan.

5. Committee. The Committee shall consist of two or more members of the Board. It is intended that all of the members of the Committee shall be "non-employee directors" within the meaning of Rule 16b-3(b)(3) promulgated under the Exchange Act, and "outside directors" within the contemplation of Section 162(m)(4)(C)(i) of the Code. The Committee shall be appointed annually by the Board, which may at any time and from time to time remove any members of the Committee, with or without cause, appoint additional members to the Committee and fill vacancies, however caused, in the Committee. A majority of the members of the Committee shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members present at a meeting duly called and held, except that the Committee may delegate to any one of its members the authority of the Committee with respect to the grant of Options to any person who shall not be an officer and/or director of the Company and who is not, and in the judgment of the Committee may not be reasonably expected to become, a "covered employee" within the meaning of Section 162(m)(3) of the Code. Any decision or determination of the Committee reduced to writing and signed by all of the members of the

Committee (or by the member(s) of the Committee to whom authority has been delegated) shall be fully as effective as if it had been made at a meeting duly called and held.

6. Eligibility. An Option may be granted only to a key employee of the Company or a Subsidiary or to a director of the Company or a Subsidiary who is not an employee of the Company or a Subsidiary or to an independent consultant or advisor who renders services to the Company or a Subsidiary.

7. Option Prices.

(a) The initial per share option price of any Option shall be the price determined by the Committee, but not less than the fair market value of a share of the Common Stock on the date of grant; provided, however, that, in the case of a Participant who owns more than 10% of the total combined voting power of the Common Stock at the time an Option which is an incentive stock option is granted to him or her, the initial per share option price shall not be less than 110% of the fair market value of a share of the Common Stock on the date of grant.

(b) For all purposes of the Plan, the fair market value of a share of the Common Stock on any date shall be equal to (i) the closing sale price of the Common Stock on the New York Stock Exchange on the business day preceding such date or (ii) if there is no sale of the Common Stock on such Exchange on such business day, the average of the bid and asked prices on such Exchange at the close of the market on such business day.

8. Option Term. Participants shall be granted Options for such term as the Committee shall determine, not in excess of 10 years from the date of the granting thereof; provided, however, that, in the case of a Participant who owns more than 10% of the total combined voting power of the Common Stock at the time an Option which is an incentive stock option is granted to him or her, the term with respect to such Option shall not be in excess of five years from the date of the granting thereof.

9. Limitations on Amount of Options Granted.

(a) The aggregate fair market value of the shares of the Common Stock for which any Participant may be granted incentive stock options which are exercisable for the first time in any calendar year (whether under the terms of the Plan or any other stock option plan of the Company) shall not exceed \$100,000.

(b) No Participant shall, during any fiscal year of the Company, be granted Options under the Plan to purchase more than 500,000 shares of the Common Stock.

10. Exercise of Options.

(a) Except as otherwise determined by the Committee at the time of grant, a Participant may not exercise an Option during the period commencing on the date of the grant of such Option to him or her and ending on the day immediately preceding the first anniversary of such date. Except as otherwise determined by the Committee at the time of grant, a Participant may (i) during the period commencing on the first anniversary of the date of the grant of an Option to him or her and ending on the day immediately preceding the second anniversary of

such date, exercise such Option with respect to one-quarter of the shares granted thereby, (ii) during the period commencing on the second anniversary of the date of such grant and ending on the day immediately preceding the third anniversary of the date of such grant, exercise such Option with respect to one-half of the shares granted thereby, (iii) during the period commencing on the third anniversary of the date of such grant and ending on the day immediately preceding the fourth anniversary of such date, exercise such Option with respect to three-quarters of the shares granted thereby and (iv) during the period commencing on the fourth anniversary of the date of such grant and ending at the time the Option expires pursuant to the terms hereof, exercise such Option with respect to all of the shares granted thereby.

(b) Except as hereinbefore otherwise set forth, an Option may be exercised either in whole at any time or in part from time to time.

(c) An Option may be exercised only by a written notice of intent to exercise such Option with respect to a specific number of shares of the Common Stock and payment to the Company of the amount of the option price for the number of shares of the Common Stock so specified; provided, however, that, if the Committee shall in its sole discretion so determine at the time of the grant of any Option, all or any portion of such payment may be made in kind by the delivery of shares of the Common Stock having a fair market value equal to the portion of the option price so paid; provided further, however, that no portion of such payment may be made by delivering shares of the Common Stock acquired upon the exercise of an Option if such shares shall not have been held by the Participant for at least six months; and provided further, however, that, subject to the requirements of Regulation T (as in effect from time to time) promulgated under the Exchange Act, the Committee may implement procedures to allow a broker chosen by a Participant to make payment of all or any portion of the option price payable upon the exercise of an Option and receive, on behalf of such Participant, all or any portion of the shares of the Common Stock issuable upon such exercise.

(d) The Committee may, in its discretion, permit any Option to be exercised, in whole or in part, prior to the time when it would otherwise be exercisable.

(e) (1) Notwithstanding the provisions of Section 10(a) or the last sentence of Section 13, in the event that a Change in Control shall occur, then, each Option theretofore granted to any Participant which shall not have theretofore expired or otherwise been cancelled or become unexercisable shall become immediately exercisable in full. For the purposes of this Section 10(e), a "Change in Control" shall be deemed to occur upon (i) the election of one or more individuals to the Board which election results in one-third of the directors of the Company consisting of individuals who have not been directors of the Company for at least two years, unless such individuals have been elected as directors or nominated for election by the stockholders as directors by at least three-fourths of the directors of the Company who have been directors of the Company for at least two years, (ii) the sale by the Company of all or substantially all of its assets to any Person, the consolidation of the Company with any Person, the merger of the Company with any Person as a result of which merger the Company is not the surviving entity as a publicly held corporation, (iii) the sale or transfer of shares of the Company by the Company and/or any one or more of its stockholders, in one or more transactions, related or

unrelated, to one or more Persons under circumstances whereby any Person and its Affiliates shall own, after such sales and transfers, at least one-fourth, but less

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than one-half, of the shares of the Company having voting power for the election of directors, unless such sale or transfer has been approved in advance by at least three-fourths of the directors of the Company who have been directors of the Company for at least two years, (iv) the sale or transfer of shares of the Company by the Company and/or any one or more of its stockholders, in one or more transactions, related or unrelated, to one or more Persons under circumstances whereby any Person and its Affiliates shall own, after such sales and transfers, at least one-half of the shares of the Company having voting power for the election of directors or (v) as defined in the Participant's employment agreement, if any, with the Company or a Subsidiary. For the purposes of this paragraph (1), (i) the term "Affiliate" shall mean any Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, any other Person, (ii) the term "Person" shall mean any individual, partnership, firm, trust, corporation or other similar entity and (iii) when two or more Persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of the Company, such partnership, limited partnership, syndicate or group shall be deemed a "Person."

(2) In the event that a Change of Control shall occur, then, from and after the time of such event, neither the provisions of this Section 10(e) nor any of the rights of any Participant thereunder shall be modified or amended in any way.

(f) Notwithstanding any other provision of the Plan to the contrary, including, but not limited to, the provisions of Section 10(d), if any Participant shall have effected a Hardship Withdrawal from a 401(k) Plan maintained by the Company and/or one or more of the Subsidiaries, then, during the period of one year commencing on the date of such Hardship Withdrawal, such Participant may not exercise any Option using cash. For the purpose of this Section 10(f), a "Hardship Withdrawal" shall mean a distribution to a Participant provided for in Reg. § 1.401(k)-1(d)(1)(ii) promulgated under Section 401(k)(2)(B)(i)(IV) of the Code or an analogous provision of the Puerto Rico Internal Revenue Code of 1994, as amended (the "Puerto Rico Code") and the regulations promulgated thereunder, and a "401(k) Plan" shall mean a plan which is a "qualified plan" within the contemplation of Section 401(a) of the Code or an analogous provision of the Puerto Rico Code which contains a "qualified cash or deferred arrangement" within the contemplation of Section 401(k)(2) of the Code or an analogous provision of the Puerto Rico Code.

11. Transferability. (a) Except as otherwise provided in Section 11(b), no Option shall be assignable or transferable except by will and/or by the laws of descent and distribution and, during the life of any Participant, each Option granted to such Participant may be exercised only by him or her.

(b) A Participant may, with the prior approval of the Committee, transfer for no consideration an Option which is a non-qualified stock option to or for the benefit of the Participant's Immediate Family, a trust for the exclusive benefit of the Participant's Immediate Family or to a partnership or limited liability company for one or more members of the Participant's Immediate Family, subject to such limits as the Committee may establish, and the transferee shall remain subject to all the terms and conditions applicable to the Option prior to such transfer. The term "Immediate Family" shall mean the Participant's children, stepchildren, grandchildren, parents, stepparents, grandparents, spouse, former spouse, siblings, nieces,

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nephews, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships or any person sharing the Participant's household (other than a tenant or employee).

12. Termination of Employment or Service. In the event a Participant leaves the employ or service, or ceases to serve as a director, of the Company and the Subsidiaries, whether voluntarily or otherwise but other than by reason of his or her death or, in the case of Participant who shall be an employee or director, retirement, each Option theretofore granted to him or her which shall not have been exercisable prior to the date of the termination of his or her employment or service shall terminate immediately. Each other Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall, to the extent exercisable on the date of such termination of employment or service and not theretofore exercised, terminate upon the earlier to occur of the expiration of 30 days after the date of such Participant's termination of employment or cessation of service and the date of termination specified in such Option. Notwithstanding the foregoing, if a Participant is terminated for cause (as defined herein), each Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall, to the extent not theretofore exercised, terminate forthwith. In the event a Participant leaves the employ, or ceases to serve as a director, of the Company and the Subsidiaries by reason of his or her retirement, each Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall become immediately exercisable in full and shall, to the extent not theretofore exercised, terminate upon the earlier to occur of the expiration of three years after the date of such retirement and the date of termination specified in such Option. In the event a Participant's employment or service with the Company and the Subsidiaries terminates by reason of his or her death, each Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall become immediately exercisable in full and shall, to the extent not theretofore exercised, terminate upon the earlier to occur of the expiration of three months after the date of the qualification of a representative of his or her estate and the date of termination specified in such Option. For purposes of the foregoing, (a) the term "cause" shall mean: (i) the commission by the Participant of any act or omission that would constitute a crime under federal, state or equivalent foreign law, (ii) the commission by the Participant of any act of moral turpitude, (iii) fraud, dishonesty or other acts or omissions that result in a breach of any fiduciary or other material duty to the Company and/or the Subsidiaries, (iv) continued substance abuse that renders the Participant incapable of performing his or her material duties to the satisfaction of the Company and/or the Subsidiaries, or (v) as defined in the Participant's employment agreement, if any, with the Company or a Subsidiary and (b) the term "retirement" shall mean (I) the termination of a Participant's employment with the Company and all of the Subsidiaries (x) other than for cause or by reason of his or her death and (y) on or after the earlier to occur of (1) the first day of the calendar month in which his or her 65th birthday shall occur and (2) the date on which he or she shall have both attained his or her 55th birthday and completed 10 years of employment with the Company and/or the Subsidiaries or (II) the termination of a Participant's service as a director with the Company and all of the Subsidiaries (x) other than for cause or by reason of his or her death and (y) on or after the first day of the calendar month in which his or her 65th birthday shall occur.

13. Adjustment of Number of Shares. In the event that a dividend shall be declared upon the Common Stock payable in shares of the Common Stock, the number of shares of the

Common Stock then subject to any Option and the number of shares of the Common Stock reserved for issuance in accordance with the provisions of the Plan but not yet covered by an Option and the number of shares set forth in Section 9(b) shall be adjusted by adding to each share the number of shares which would be distributable thereon if such shares had been outstanding on the date fixed for determining the stockholders entitled to receive such stock dividend. In the event that the outstanding shares of the Common Stock shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, sale of assets, merger or consolidation in which the Company is the surviving corporation, then, there shall be substituted for each share of the Common Stock then subject to any Option and for each share of the Common Stock reserved for issuance in accordance with the provisions of the Plan but not yet covered by an Option and for each share of the Common Stock referred to in Section 9(b), the number and kind of shares of stock or other securities into which each outstanding share of the Common Stock shall be so changed or for which each such share shall be exchanged. In the event that there shall be any change, other than as specified in this Section 13, in the number or kind of outstanding shares of the Common Stock, or of any stock or other securities into which the Common Stock shall have been changed, or for which it shall have been exchanged, then, if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the number or kind of shares then subject to any Option and the number or kind of shares reserved for issuance in accordance with the provisions of the Plan but not yet covered by an Option and the number or kind of shares referred to in Section 9(b), such adjustment shall be made by the Committee and shall be effective and binding for all purposes of the Plan and of each stock option agreement or certificate entered into in accordance with the provisions of the Plan. In the case of any substitution or adjustment in accordance with the provisions of this Section 13, the option price in each stock option agreement or certificate for each share covered thereby prior to such substitution or adjustment shall be the option price for all shares of stock or other securities which shall have been substituted for such share or to which such share shall have been adjusted in accordance with the provisions of this Section 13. No adjustment or substitution provided for in this Section 13 shall require the Company to sell a fractional share under any stock option agreement or certificate. In the event of the dissolution or liquidation of the Company, or a merger, reorganization or consolidation in which the Company is not the surviving corporation, then, except as otherwise provided in Section 10(e) and the second sentence of this Section 13, each Option, to the extent not theretofore exercised, shall terminate forthwith.

14. Purchase for Investment, Withholding and Waivers. Unless the shares to be issued upon the exercise of an Option by a Participant shall be registered prior to the issuance thereof under the Securities Act of 1933, as amended, such Participant will, as a condition of the Company's obligation to issue such shares, be required to give a representation in writing that he or she is acquiring such shares for his or her own account as an investment and not with a view to, or for sale in connection with, the distribution of any thereof. In the event of the death of a Participant, a condition of exercising any Option shall be the delivery to the Company of such tax waivers and other documents as the Committee shall determine. In the case of each non-qualified stock option, a condition of exercising the same shall be the entry by the person exercising the same into such arrangements with the Company with respect to withholding as the Committee may determine.

15. No Stockholder Status. Neither any Participant nor his or her legal representatives, legatees or distributees shall be or be deemed to be the holder of any share of the Common Stock covered by an Option unless and until a certificate for such share has been issued. Upon payment of the purchase price thereof, a share issued upon exercise of an Option shall be fully paid and non-assessable.

16. No Restrictions on Corporate Acts. Neither the existence of the Plan nor any Option shall in any way affect the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding whether of a similar character or otherwise.

17. No Employment Right. Neither the existence of the Plan nor the grant of any Option shall require the Company or any Subsidiary to continue any Participant in the employ or service of the Company or such Subsidiary.

18. Termination and Amendment of the Plan. The Board may at any time terminate the Plan or make such modifications of the Plan as it shall deem advisable; provided, however, that the Board may not without further approval of the holders of a majority of the shares of the Common Stock present in person or by proxy at any special or annual meeting of the stockholders, increase the number of shares as to which Options may be granted under the Plan (as adjusted in accordance with the provisions of Section 13), or change the class of persons eligible to participate in the Plan, or change the manner of determining the option prices. Except as otherwise provided in Section 13, no termination or amendment of the Plan may, without the consent of the Participant to whom any Option shall theretofore have been granted, adversely affect the rights of such Participant under such Option. The Committee may not, without further approval of the holders of a majority of the shares of the Common Stock present in person or by proxy at any special or annual meeting of the stockholders, amend any outstanding Option to reduce the option price, or cancel any outstanding Option and contemporaneously award a new Option to the same optionee for substantially the same number of shares at a lower option price.

19. Expiration and Termination of the Plan. The Plan shall terminate on April 27, 2010 or at such earlier time as the Board may determine. Options may be granted under the Plan at any time and from time to time prior to its termination. Any Option outstanding under the Plan at the time of the termination of the Plan shall remain in effect until such Option shall have been exercised or shall have expired in accordance with its terms.

20. Options for Outside Directors.

(a) A director of the Company who is not an employee of the Company or a Subsidiary (an "Outside Director") shall be eligible to receive, in addition to any other Option which he or she may receive pursuant to Section 6, an annual Option. Except as otherwise provided in this Section 20, each such Option shall be subject to all of the terms and conditions of the Plan.

(b) (i) At the first meeting of the Board immediately following each Annual Meeting of the Stockholders of the Company, each Outside Director shall be granted an Option, which shall be a non-qualified stock option, to purchase 8,000 shares of the Common Stock. Notwithstanding the foregoing, an Outside Director may not receive a grant under this Section 20 for any year if and to the extent such Outside Director receives a grant of options to purchase Common Stock under any other Company stock option plan then in effect solely for his or her services as a director of the Company for such year and the aggregate number of shares of Common Stock issuable upon the exercise of all such options granted for such year would exceed 8,000.

(ii) The initial per share option price of each Option granted to an Outside Director shall under this Section 20 be equal to the fair market value of a share of the Common Stock on the date of grant.

(iii) The term of each Option granted to an Outside Director shall be ten years from the date of the granting thereof.

(iv) All or any portion of the payment required upon the exercise of an Option granted to an Outside Director may be made in kind by the delivery of shares of the Common Stock having a fair market value equal to the portion of the option price so paid; provided, however, that no portion of such payment may be made by delivering shares of the Common Stock acquired upon the exercise of an Option if such shares shall not have been held by such Outside Director for at least six months; and provided further, however, that, subject to the requirements of Regulation T (as in effect from time to time) promulgated under the Exchange Act, the Committee may implement procedures to allow a broker chosen by such Outside Director to make payment of all or any portion of the option price payable upon the exercise of an Option and receive, on behalf of such Outside Director, all or any portion of the shares of the Common Stock issuable upon such exercise.

(c) The provisions of this Section 20 may not be amended except by the vote of a majority of the members of the Board and by the vote of a majority of the members of the Board who are not Outside Directors.

**PHILLIPS-VAN HEUSEN CORPORATION**  
**PERFORMANCE INCENTIVE BONUS PLAN**  
**(As amended through March 7, 2001)**

1. Purpose. The purposes of the Plan are to induce certain senior executive employees of the Company and its Subsidiaries to remain in the employ of the Company and its Subsidiaries, to attract new individuals to enter into such employ and to provide such persons with additional incentive to promote the success of the business of the Company and its Subsidiaries.

2. Definitions.

(a) Defined Terms. The following words as used in the Plan shall have the meanings ascribed to each below.

"Board" means the Board of Directors of the Company.

"Cause" means (i) the commission by the Participant of any act or omission that would constitute a crime under federal, state or equivalent foreign law, (ii) the commission by the Participant of any act of moral turpitude, (iii) fraud, dishonesty or other acts or omissions that result in a breach of any fiduciary or other material duty to the Company and/or the Subsidiaries, (iv) continued substance abuse that renders the Participant incapable of performing his or her material duties to the satisfaction of the Company and/or the Subsidiaries, or (v) as defined in the Participant's employment agreement (or other document or documents evidencing the terms of the Participant's employment), if any, with the Company or a Subsidiary.

"Code" means the Internal Revenue Code of 1986, as in effect at the time with respect to which such term is used.

"Committee" means the committee of the Board that the Board shall designate from time to time to administer the Plan or any subcommittee thereof.

"Company" means Phillips-Van Heusen Corporation, a Delaware corporation.

"Fiscal Year" means each fiscal year of the Company, as set forth in the Company's books and records.

"Participant" means each senior executive officer of the Company or a Subsidiary selected by the Committee to be a participant under the Plan, as provided herein.

"Plan" means the Phillips-Van Heusen Corporation Performance Incentive Bonus Plan, as set forth herein and as may be amended from time to time.

"Subsidiary" has the meaning ascribed to such term in section 424(f) of the Code.

(b) Interpretation.

(i) The definitions of terms defined herein shall apply equally to both the singular and plural forms of the defined terms.

(ii) Any pronoun shall include the corresponding masculine, feminine and neuter forms, as the context may require.

(iii) All references herein to Sections shall be deemed to be references to Sections of the Plan unless the context shall otherwise require.

(iv) The headings of the Sections are included for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of the Plan.

3. Committee. The Plan shall be administered by the Compensation Committee of the Board or such other committee of the Board that the Board shall designate from time to time. The Committee shall consist of two or more members of the Board each of whom it is intended would be "outside directors" within the meaning of section 162(m)(4)(C) of the Code. The Committee shall be appointed annually by the Board. The Board may, at any time, from time to time, remove any members of the Committee, with or without cause, appoint additional directors as members of the Committee and fill vacancies on the Committees, however created. A majority of the members of the Committee shall constitute a quorum. All determinations of the Committee shall be made by a majority vote of its members at a meeting duly called and held.

4. Administration.

(a) Subject to the express provisions of the Plan, the Committee shall have complete authority to administer and interpret the Plan. The Committee shall establish the performance objectives for any Fiscal Year in accordance with Section 5 hereof and certify whether such performance objectives have been attained. Any determination made by the Committee under the Plan shall be final and conclusive. The Committee in its sole discretion shall resolve any dispute or disagreement that may arise hereunder or as a result of or in connection with any action taken hereunder. The Committee may employ such legal counsel, consultants and agents (including counsel or agents who are employees of the Company or a Subsidiary) as it may deem desirable for the administration of the Plan and may rely upon any opinion received from any such counsel or consultant or agent and any computation received from such consultant or agent. The Company shall pay all expenses incurred in the administration of the Plan, including, without limitation, for the engagement of any counsel, consultant or agent. No member or former member of the Board or the Committee shall be liable for any act, omission, interpretation, construction or determination made in connection with the Plan other than as a result of such individual's willful misconduct.

(b) The Chief Executive Officer of the Company may administer the Plan with respect to employees of the Company or a Subsidiary whose compensation is not, and is reasonably not expected to become, subject to the provisions of Section 162(m) of the Code, subject to such conditions, restrictions and limitations as may be imposed by the Committee. Any actions duly taken by the Chief Executive Officer with respect to the administration of the

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Plan and the qualification for and payment of bonuses to employees shall be deemed to have been taken by the Committee for purposes of the Plan.

#### 5. Determination of Participation, Performance Criteria and Bonuses.

(a) Participation and Performance Criteria. The Committee shall determine who the Participants for each Fiscal Year will be and establish the performance objective or objectives that must be satisfied in order for a Participant to be eligible to receive a bonus for such Fiscal Year, within 90 days of the commencement of such Fiscal Year. Notwithstanding the foregoing, if a person whose compensation is not, and is reasonably not expected to become, subject to the provisions of Section 162(m) of the Code, becomes employed by the Company and/or one or more of its Subsidiaries more than 90 days after a Fiscal Year commences or the Committee determines that a senior executive employee of the Company and/or one or more of its Subsidiaries whose compensation is not, and is reasonably not expected to become, subject to the provisions of Section 162(m) of the Code should become a Participant after such 90-day period has ended, the Committee shall establish the performance objective or objectives that must be satisfied in order for a Participant to receive a bonus for such Fiscal Year at the time such determination is made.

(b) Performance Objectives. Performance objectives shall be based upon the achievement of earnings targets, with respect to (i) the Company, for Participants with corporate responsibilities and (ii) a Subsidiary or a division or business unit of the Company or a Subsidiary, for Participants who are responsible for a Subsidiary, division or business unit. For Participants with responsibility for more than one Subsidiary, division or business unit, performance objectives shall be established for each such Subsidiary, division and business unit for which he has responsibility, in each case, as established by the Committee. The Committee shall establish three earnings targets for each Fiscal Year for the Company and, to the extent necessary, due to the responsibilities of a Participant, each Subsidiary, division and business unit. The three targets shall consist of a threshold level (below which no bonus shall be payable), a plan level and a maximum level (above which no additional bonus shall be payable).

#### (c) Bonus Percentages.

(i) At the time that the Committee determines the Participants and establishes the performance criteria with respect to a Fiscal Year, it shall determine the bonus percentage payable to each Participant with respect to such Fiscal Year if the applicable threshold, plan or maximum level of earnings is attained. The bonus percentages represent the percentage of a Participant's base salary that he shall be entitled to receive as a bonus if the corresponding earnings are attained. There shall be no limit to the minimum or maximum bonus percentages that may be established for any Fiscal Year, bonus percentages may differ from Participant to Participant in any Fiscal Year and a Participant's bonus percentages may change from year to year, but with respect to each Participant for each Fiscal Year, the bonus percentage for attaining the maximum level of earnings shall exceed the bonus percentage for attaining the plan level of earnings which, in turn, shall exceed the bonus percentage for attaining the threshold level of earnings. In determining the bonus percentage for each Participant, the Committee may take into account the nature of the services rendered by such Participant, his past, present and potential contribution to the Company and its Subsidiaries, his seniority with the

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Company or any of its Subsidiaries and such other factors as the Committee, in its discretion, shall deem relevant.

(ii) If a threshold, plan or maximum level of earnings is achieved, each applicable Participant shall receive a bonus equal to his base salary as of the last day of the applicable Fiscal Year times the applicable assigned bonus percentage. If the level of earnings achieved falls between two of the target levels, then each applicable Participant shall receive a bonus equal to his base salary as of the last day of the applicable Fiscal Year times a percentage that is on a straight line interpolation between the bonus percentages for the two target levels. If a maximum level of earnings is exceeded, each applicable Participant shall receive a bonus equal to his base salary as of the last day of the applicable Fiscal Year times the bonus percentage assigned to the maximum level of earnings.

(d) Termination of Employment During Fiscal Year. If a Participant's employment terminates during a Fiscal Year he was determined to be a Participant by reason of his death or disability and for no other reason, such Participant or his estate shall receive the bonus, if any, which would otherwise have been payable to such Participant for such Fiscal Year pro rated to the portion of such Fiscal Year actually worked by such Participant. Any such bonus shall be paid promptly after it is determined to be payable.

(e) Determination of Bonuses. The Committee shall determine whether any earnings targets were achieved for a Fiscal Year, which Participants shall have earned bonuses as the result thereof, and the bonus percentage such Participants are entitled to no later than the end of the first quarter of the Fiscal Year immediately subsequent to the Fiscal Year with respect to which the bonuses were earned.

(f) Absolute Maximum Bonus. Notwithstanding any other provision in the Plan to the contrary, the maximum bonus that may be paid to any Participant under the Plan with respect to any Fiscal Year may not exceed \$3,000,000.

#### 6. Payment.

(a) Timing. Payment of any bonus to a Participant shall be made within 30 days following the Compensation Committee's determination pursuant to Section 5 that the applicable targets for the preceding Fiscal Year were achieved, the bonus was earned and what bonus percentage the Participant is entitled to.

(b) Forfeiture. Except as otherwise set forth in Section 5(d), in order to remain eligible to receive a bonus, a Participant must be employed by the Company on the day of payment or must have died, become disabled, retired under the Company's retirement plan or have been discharged without cause prior to payment.

(c) Form of Payment. All bonuses payable under the Plan, if any, shall be payable in cash. All amounts hereunder shall be paid solely from the general assets of the Company. The Company shall not maintain any separate fund to provide any benefits hereunder, and each Participant shall be solely an unsecured creditor of the Company with respect thereto.

## 7. General Provisions of the Plan.

(a) Effective Date. The Plan became effective on March 2, 2000, subject to the ratification of the Plan by the Company's stockholders.

(b) Term of the Plan. The Plan shall be effective with respect to Fiscal Years 2000 through 2004 and shall terminate upon the payment of all bonuses, if any, earned with respect to Fiscal Year 2004, unless the holders of a majority of the shares of the Company's Common Stock present in person or by proxy at any special or annual meeting of the stockholders of the Company occurring on or prior to the date of the 2004 Annual Meeting of Stockholders shall approve the continuation of the Plan.

(c) Eligibility. Participation in the Plan with respect to any Fiscal Year shall be available only to persons (i) who are senior executive employees of the Company and/or one or more of its Subsidiaries on the date of the Committee's determination of performance criteria for such Fiscal Year pursuant to Section 5(a) hereof or (ii) subject to Section 5(a), who thereafter become employed by the Company and/or one or more of its Subsidiaries or who are thereafter otherwise determined by the Committee to be Participants.

(d) Amendment and Termination. Notwithstanding Section 8(b), the Board or the Committee may at any time amend, suspend, discontinue or terminate the Plan as it deems advisable; provided, however, that no such action shall be effective without approval by the holders of a majority of the shares of the Company's Common Stock present in person or by proxy at any special or annual meeting of the Company's stockholders, to the extent such approval is necessary to continue to qualify the amounts payable hereunder to "covered employees" (within the meaning of section 162(m) of the Code) as deductible under section 162(m) of the Code.

(e) Designation of Beneficiary. Each Participant may designate a beneficiary or beneficiaries (which beneficiary may be an entity other than a natural person) to receive any payments which may be made following the Participant's death. Such designation may be changed or canceled at any time without the consent of any such beneficiary. Any such designation, change or cancellation must be made in a form approved by the Committee and shall not be effective until received by the Committee. If no beneficiary has been named, or the designated beneficiary or beneficiaries shall have predeceased the Participant, the beneficiary shall be the Participant's spouse or, if no spouse survives the Participant, the Participant's estate. If a Participant designates more than one beneficiary, the rights of such beneficiaries shall be payable in equal shares, unless the Participant has designated otherwise.

(f) Withholding. Any amount payable to a Participant or a beneficiary under this Plan shall be subject to any applicable Federal, state and local income and employment taxes and any other amounts that the Company or a Subsidiary is required at law to deduct and withhold from such payment.

8. No Right of Continued Employment. Neither the existence nor any term of the Plan shall be construed as conferring upon any Participant any right to continue in the employment of the Company or any of its Subsidiaries, nor shall participation herein for any Fiscal Year confer

upon any Participant any right to participate in the Plan with respect to any subsequent Fiscal Year.

9. No Limitation on Corporate Actions. Nothing contained in the Plan shall be construed to prevent the Company or any Subsidiary from taking any corporate action, which is deemed by it to be appropriate or in its best interest, whether or not, such action would have an adverse effect on any awards made under the Plan. No employee, beneficiary or other person shall have any claim against the Company or any Subsidiary as a result of any such action.

## 10. Miscellaneous.

(a) Nonalienation of Benefits. Except as expressly provided herein, no Participant or beneficiary shall have the power or right to transfer, anticipate, or otherwise encumber the Participant's interest under the Plan. The Company's obligations under this Plan are not assignable or transferable except to (i) a corporation or other entity which acquires all or substantially all of the Company's assets or (ii) any corporation or other entity into which the Company may be merged or consolidated. The provisions of the Plan shall inure to the benefit of each Participant and the Participant's beneficiaries, heirs, executors, administrators or successors in interest.

(b) Severability. If any provision of this Plan is held unenforceable, the remainder of the Plan shall continue in full force and effect without regard to such unenforceable provision and shall be applied as though the unenforceable provision were not contained in the Plan.

(c) Governing Law. The Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the conflict of law principles thereof.

## SUBSIDIARIES OF THE REGISTRANT

The following table lists all of the subsidiaries of the Company and the jurisdiction of incorporation of each subsidiary. Each subsidiary does business under its corporate name indicated in the table.

<u>Name</u>	<u>State or Other Jurisdiction of Incorporation</u>
G. H. Bass Franchises Inc.	Delaware
Caribe M&I Ltd.	Cayman Islands
GHB (Far East) Limited	Hong Kong
Phillips-Van Heusen (Far East) Ltd.	Hong Kong
Confecciones Imperio, S.A.	Costa Rica
Camisas Modernas, S.A.	Guatemala
PVH Retail Corp.	Delaware
The IZOD Corporation	Pennsylvania
Phillips-Van Heusen Puerto Rico LLC	Delaware
BassNet, Inc.	Delaware
izod.com inc.	Delaware
ROPA PVH MEXICANA, CAMISAS Y DISEÑOS, S.A. DE C.V.	Mexico
G.H. Bass Caribbean LLC	Delaware
PVH Wholesale Corp.	Delaware
CD Group Inc.	Delaware
PVHCareerApparel.com, Inc.	Delaware
C.A.T. Industrial, S.A. DE C.V.	Honduras

**Consent of Independent Auditors**

We consent to the incorporation by reference in

- (i) Post-Effective Amendment No. 2 to the Registration Statement (Form S-8, No. 2-73803), which relates to the Phillips-Van Heusen Corporation Employee Savings and Retirement Plan,
- (ii) Registration Statement (Form S-8, No. 33-50841) and Registration Statement (Form S-8, No. 33-59602), each of which relate to the Phillips- Van Heusen Corporation Associates Investment Plan for Residents of the Commonwealth of Puerto Rico,
- (iii) Registration Statement (Form S-8, No. 33-59101), which relates to the Voluntary Investment Plan of Phillips-Van Heusen Corporation (Crystal Brands Division),
- (iv) Post-Effective Amendment No. 4 to Registration Statement (Form S-8, No. 2-72959), Post Effective Amendment No. 6 to Registration Statement (Form S-8, No. 2-64564), and Post Effective Amendment No. 13 to Registration Statement (Form S-8, No. 2-47910), each of which relate to the 1973 Employee's Stock Option Plan of Phillips-Van Heusen Corporation,
- (v) Registration Statement (Form S-8, No. 33-38698), Post-Effective Amendment No. 1 to Registration Statement (Form S-8, No. 33-24057) and Registration Statement (Form S-8, No. 33-60793), each of which relate to the Phillips-Van Heusen Corporation 1987 Stock Option Plan,
- (vi) Registration Statement (Form S-8, No. 333-29765) which relates to the Phillips-Van Heusen Corporation 1997 Stock Option Plan
- (vii) Registration Statement (Form S-4, No. 333-57203), which relates to the 9.5% Senior Subordinated Notes due 2008, and
- (viii) Registration Statement (Form S-8, No. 333-41068) which relates to the Phillips-Van Heusen Corporation 2000 Stock Option Plan.

of Phillips-Van Heusen Corporation and in the related Prospectuses of our report dated March 5, 2001, with respect to the consolidated financial statements and our report included in the preceding paragraph with respect to the financial statement schedule of Phillips-Van Heusen Corporation included in this Annual Report (Form 10-K) for the year ended February 4, 2001.

ERNST & YOUNG LLP

New York, New York

April 8, 2001