

FORM 10-K

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

For the fiscal year ended January 30, 1994 Commission file number: 1-724

PHILLIPS-VAN HEUSEN CORPORATION  
(Exact name of registrant as specified in its charter)

DELAWARE 13-1166910  
(State of incorporation) (IRS Employer  
Identification No.)

1290 Avenue of the Americas  
New York, New York 10104  
(Address of principal executive offices)

212-541-5200  
(Registrant's telephone number)

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

Title of Each Class	Name of Each Exchange on Which Registered
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 X 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 19, 1994 was approximately  
\$834,000,000.

Number of shares of Common Stock outstanding as of April 19, 1994:  
26,545,480.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Location in Form 10-K in which incorporated
Registrant's 1993 Annual Report to Stockholders for the Fiscal Year Ended January 30, 1994	Parts I and II
Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on June 14, 1994	Part III

PART I

Item 1. Business

General Overview

Phillips-Van Heusen Corporation (the "Company") is a vertically  
integrated manufacturer, marketer and retailer of men's and women's apparel  
and men's, women's and children's footwear. The Company's products include  
shirts, sweaters and shoes and, to a lesser extent, neckwear, furnishings,  
bottoms, outerwear and leather and canvas accessories. The Company's  
principal brand names are "Van Heusen", the best-selling dress shirt brand in  
the United States; "Bass", the leading casual shoe brand in the United States;  
and "Geoffrey Beene", the best-selling designer dress shirt label in the  
United States. The Company is also a leading manufacturer and distributor of  
private label shirts and sweaters.

The Company is primarily engaged in the manufacture and procurement (both  
domestically and overseas) of its products and the marketing and distribution  
of its products through four apparel divisions and one footwear division, each  
of which has both a wholesale and retail component. The Company's goals are  
to design, manufacture and source products which offer consumers "value", thus  
satisfying the consumers' desire for fashion, quality and fair prices, and to  
market those products to reach the broadest spectrum of consumers possible.

Wholesale distribution consists of the marketing and sale of the Company's products to major department stores, specialty and independent retailers, chain stores and catalog merchants, as well as its own retail stores. The Company's wholesale customers for branded and designer apparel include May Co., Federated, Dayton Hudson, JCPenney, Macy's, Younkers and Mercantile. Wholesale customers for its private label shirts include JCPenney, Bloomingdale's, Lord & Taylor, Lands' End, Sears and Target, while the wholesale customers of the Company's private label sweater and golf apparel division include Lands' End, JCPenney, May Co., L.L. Bean, Federated and Sears. G.H. Bass & Co. ("Bass"), the Company's footwear division, counts May Co., Dillard's, Federated, Macy's and Dayton Hudson as its principal wholesale customers. In fiscal 1993, no one customer accounted for more than 10% of the Company's sales.

Through its retail operations, the Company sells its products directly to consumers in 780 Company-owned stores operated in five different formats located primarily in manufacturers' outlet malls. The Company plans to open 101 stores in fiscal 1994 (net of store closings).

The Company believes that its recent success has been due in large part to its strategy of developing multiple channels of distribution for its branded, designer and private label merchandise. These channels include an increasing number of Company-owned outlet stores as well as the Company's traditional wholesale customers. These diverse channels have enabled the Company to strengthen the competitive position of its brands and to extend its brands into new product lines. In addition, the Company's outlet stores have created additional opportunities for the Company both to sell its products, thereby providing the Company with the means to achieve full absorption of factory overhead, which results in low-cost and efficient production, and to control the distribution of any excess production. The Company also believes that the continued development of its product design, manufacturing and sourcing organizations, enhancement and expansion of the use of its inventory management and electronic data interchange systems and refinement of its promotional and advertising activities will result in further strengthening of its brand images, decreased risks of excess production and more efficient utilization of its production facilities and outside suppliers.

The Company has experienced substantial growth in sales and earnings per share over the past seven years. The Company's growth has occurred despite a difficult business environment in the apparel and footwear industries as well as in the general economy. The Company's growth is attributable primarily to the acquisition of Bass in 1987 and the growth in the number of the Company's retail stores from 214 immediately after the acquisition of Bass to 780 at the end of fiscal 1993. Over the same period, the Company's "Van Heusen" shirt brand has increased its share of the United States men's dress shirt market from 7.0% to 10.5% according to research conducted by MRCA Information Services ("MRCA") based on unit sales. Including its branded, designer and private label offerings, the Company believes its overall share of the United States men's dress shirt market is the largest of any single company.

The Company was incorporated in the State of Delaware in 1976 as the successor to a business begun in 1881, and, with respect to Bass, a business begun in 1876. The Company's principal executive offices are located at 1290 Avenue of the Americas, New York, New York 10104; its telephone number is (212) 541-5200.

#### Retail Development

The decision to develop and expand its own retail operations, concurrent with the growth of the manufacturers' outlet retailing industry, has permitted the Company to position itself as a major value-oriented retailer. The Company's retail operations have enabled it to increase sales by offering its products in geographic markets where they were not previously widely available, selling to consumers who favor value-oriented retailers and selling products bearing its brand names and designer labels that are not marketed to its traditional wholesale customers. As a consequence of these increased sales, the Company has improved its overall corporate profit margins and improved cash flow. In addition, by providing direct contact with the consumer, the Company's stores allow it better and more directly to monitor consumer trends and sales of its products and showcase or test market new products.

Critical to the Company's vertically integrated strategy was the choice of manufacturers' ("factory") outlet centers as the venue to pursue its retailing business. Manufacturers' outlet centers, usually located in tourist/vacation areas or on major highways to these areas, provide a large customer base with significant disposable income and a positive attitude toward shopping and a base of business in locations that limit conflict with the Company's traditional wholesale customers. The development of manufacturers' outlet centers is a key component to the success of the Company. The success of a new outlet mall is heavily dependent on its location and the attraction of a well known group of tenants and, therefore, the Company actively cooperates with developers in the site and tenant selection processes. The Company believes that as a result of its strong presence and success in manufacturers' outlet retailing, developers seek and welcome the Company's input into such processes.

The increased demand for the Company's products as a result of sales through Company-owned stores permits the Company to run its factories at higher levels of productivity, thereby lowering overall production costs and increasing the ability of the Company to provide continuous employment for its employees. The Company's stores also provide the opportunity to liquidate excess and out-of-date inventory and factory "seconds", thereby substantially reducing the need to sell such merchandise to discounters or jobbers at severely marked down prices. The ability to control the sale of such merchandise also prevents the damage to the image of the Company's brands which can result when they are sold by discounters with inferior presentation

and advertising.

The Company has developed a retail component for each marketing division, which has enhanced the Company's ability to reach a broad array of consumers for its branded, designer and private label products. At the same time, it has allowed the Company to expand its brands to other compatible products not carried in its regular wholesale lines. The Company's success in expanding the types of products available under its brand names and designer labels has led to an increase in the product lines available in its store formats and has enabled the Company to offer in its stores additional products which are not available in the Company's traditional wholesale product lines. For example, the Company now offers men's and women's sportswear and accessories in 58 of its Bass stores. Also, the Company opened 14 stores offering Geoffrey Beene women's wear late in the summer of 1993. In addition, the Company plans to expand on its initial offering of a line of Bass Kids apparel merchandise in 1994.

The Company's retail formats are managed to allow each to enjoy its own focus without infringing on the other formats, thereby enabling all formats to co-exist in one outlet center. Thus, even though Van Heusen, Windsor Shirt and Geoffrey Beene stores each carry the same type of men's apparel products, each targets and markets to a different consumer base: Van Heusen - the American brand, moderate price and moderate fashion consumer; Windsor Shirt - the better traditional consumer; and Geoffrey Beene - the better fashion forward consumer. In addition, all aspects of each retail format - store design, presentation, sales personnel, packaging, product and price - reinforce the Company's focus on value-oriented retailing to that particular store format's target consumer.

The Company's retail stores show a high level of profitability resulting from low overhead and staffing costs, low rental and common area maintenance charges, short-term leases enabling exit from poorly performing stores, the elimination of accounts receivable carrying costs as all sales are for cash or on third party credit cards, high inventory turnover rates and low fixturing costs. Stores in each of the Company's formats are typically profitable within the year of opening. This is in contrast to traditional mall stores which typically undergo a significant start-up period before becoming profitable. Immediate cash flow generation is an important advantage of outlet mall stores over traditional mall stores, as is the ability to build and open stores in a comparatively short period of time.

#### Acquisitions

The Company intends to pursue acquisitions which would enable it to offer quality brand name products which are marketable through both traditional retailers and outlet stores designed around the brand names. The Company believes that opportunities exist to acquire companies which produce products with distinctive images which, due to distribution or other problems, are not gaining full access to the target consumer. The Company further believes that it can improve the distribution of such products by marketing through a multi-channel distribution operation. The ability of the Company to acquire product lines which can be marketed through new outlet store formats and carry a recognized brand name which can be readily expanded into additional product lines would provide the Company with the opportunity to increase its presence in and its share of sales from outlet malls. While no such acquisition is immediately contemplated, the Company is continuously reviewing and considering possible acquisitions.

#### Wholesale Operations

While much of the Company's focus has been on developing the retail aspect of its business, it has also placed significant emphasis on strengthening its wholesale distribution operations. The Company merged the manufacturing, warehousing, distribution, administrative and finance functions of its shirt divisions in 1985. In 1990, the Company merged the administrative and finance functions of its knitwear division with those of the shirt divisions. In 1992, the Company's Bass wholesale division was merged into this group to take advantage of the synergies between these businesses. The Company believes that this consolidation has achieved economies of scale and resulted in stronger operational support for each of the wholesale divisions, while allowing each division to retain its distinctive marketing identity.

In order to provide its customers with products covering a full range of price points and styles, the Company has designed new branded and designer dress shirts. For example, the Company developed the "Editions" sub-brand under the "Van Heusen" label to cover the price point just above typical private label shirts and created its "Cezani" line of designer shirts to fill the niche for an all-cotton, upper moderate priced, designer dress shirt. The Company also markets Bass dress shirts which are designed as a traditionally styled American line. In addition, the Company has strengthened its private label operations by increasing its design staff, developing additional private label offerings and focusing on high volume accounts. The Company believes that by expanding its product offerings, it enables its wholesale customers to market to consumers brand name, designer and private label dress shirts at various price points.

In 1993, the Company continued to expand usage of the PVH Pulse System. This quick response system uses an electronic data interchange system which provides a computer link between the Company and its wholesale customers that enables both the customer and the Company to track sales, inventory and shipments. Use of the system also reduces the amount of time it takes a customer to determine its inventory needs and order replenishment merchandise and for the Company to respond to the customer's order.

The Company believes that these efforts have helped strengthen its relationships with its traditional wholesale customers, at the same time as

the Company has enhanced the image and increased the exposure of its products.

#### Design, Manufacturing and Sourcing

Integral to the success of the Company's growth strategy was the development of a dependable and flexible design, manufacturing and sourcing program. The Company formed PVH International ("PVH-I") to develop, design and administer the manufacture and distribution of its "retail only" apparel products. PVH-I's design and product development personnel are divided into groups, each group having responsibility for one of the Company's apparel store formats. This enables the PVH-I designers, working with the retail buyers, to develop products consistent with the image of their respective store formats. Sourcing operations are consolidated to provide for efficient use of the Company's resources and to achieve economies of scale. By bringing these services "in-house", the Company is able to realize certain cost savings and maintain control of the production of "retail only" products from conception through in-store delivery.

Once product design is complete, PVH-I sources the product and tracks it through state-of-the-art management information systems. These systems enable the Company to quickly respond to its customers' needs and monitor all other aspects of inventory management. In addition, PVH-I monitors production and the quality and timely distribution of the Company's products manufactured by outside suppliers.

#### Apparel Business

The marketing of the Company's apparel products is conducted through four separate divisions: Van Heusen; Designer; Private Label Dress and Sport Shirts; and Knitwear. Substantially all of the Company's apparel, including traditional wholesale products and the additional products available only in the Company's retail stores, is designed "in-house." Approximately 35% of the wholesale apparel products are manufactured in the Company's facilities in the United States, Puerto Rico and the Caribbean Basin. The remaining products are sourced through contractors throughout the world, but primarily in the Far East.

#### Van Heusen

The Van Heusen Company division markets branded apparel, consisting of men's traditional dress shirts and men's woven and knit sport shirts, in the moderate to better price range. Van Heusen markets its products at wholesale to major department stores and men's specialty stores nationwide, including May Co., Younkers, JCPenney and Mercantile.

"Van Heusen" is the best-selling men's dress shirt brand in the United States, according to research conducted by MRCA based on unit sales. "Van Heusen's" share of the dress shirt market has risen through the years and has increased from 7.0% in 1987 to 10.5% in 1993. The growth in sales of "Van Heusen" shirts is the result of continued sales to traditional customers, the commencement of sales of "Van Heusen" branded shirts to JCPenney in June 1990 and the overall growth in the number of Van Heusen outlet stores. In addition to the "Van Heusen" label, branded products are marketed under the sub-brands "417", "Hennessy", "Players", "Over Easy", "Corporate Casuals", "Winter-weights" and "Editions."

Van Heusen outlet stores offer a full collection of first quality men's traditional, classic and contemporary dress furnishings (including dress shirts, belts, hosiery and neckwear), men's sportswear (including sports shirts, sweaters and bottoms) and ladies sportswear (including coordinates and separates) and men's and women's activewear. Other than men's dress shirts, sport shirts and sweaters, such apparel is not marketed or produced for sale to the Van Heusen division's wholesale customers.

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

#### Designer

The Designer Group division markets at wholesale men's designer label dress shirts in the upper moderate to better price range to major department stores and men's specialty stores nationwide, including Dayton Hudson, Federated, Macy's and May Co.

The Designer Group primarily manufactures its shirts under the "Geoffrey Beene" label through a licensing agreement with that designer, but also markets dress shirts under the "Etienne Aigner" label and dress shirts and neckwear under the Company-owned "Cezani" label. During 1993, this division began selling a line of "Bass" label dress shirts. "Geoffrey Beene" shirts are the best-selling men's designer dress shirts in the United States, according to MRCA research.

The Company opened its first Geoffrey Beene stores in November 1990 and has continuously expanded this format nationwide since that time. Geoffrey Beene stores offer a distinctive collection of men's "Geoffrey Beene" labelled designer products, including dress and sport shirts, neckwear, furnishings, outerwear, bottoms and sportswear. As with Van Heusen outlet stores, the products sold in Geoffrey Beene stores, other than "Geoffrey Beene" dress shirts, consist of products which are not also sold through the Company's wholesale distribution channels.

Through their product mix, the Geoffrey Beene stores seek to meet the full needs of men's wardrobes (excluding suits) from dress furnishings to

casual wear. The merchandising strategy is focused on an upscale, fashion forward consumer in the upper moderate price range.

During 1993, the Company began offering Geoffrey Beene women's wear in 14 of its stores. Stores offering these products carry a full line of women's casual apparel bearing the designer's name. The Company plans to continue expanding this product offering in the future.

#### Private Label Dress and Sport Shirts

The Pickwick Company division markets at wholesale men's dress and sport shirts under private labels to major national retail chains, department stores and catalog merchants, including JCPenney, Bloomingdale's, Lord & Taylor, Lands' End, Sears and Target. The Company believes that The Pickwick Company is one of the largest marketers of private label shirts in the United States. Career Apparel, a division of The Pickwick Company, markets shirts to companies in service industries, including major airlines and food chains.

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. Each of The Pickwick 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. The dress shirts that The Pickwick Company designs with and for its customers fall within both the traditional and designer dress shirt categories. Private label programs offer the consumer quality product and offer the retailer the opportunity to enjoy higher margins. Private label products, however, do not have the same level of consumer recognition as branded products and private label manufacturers do not generally provide retailers with the same services and support as branded manufacturers.

In February 1990, the Company acquired Windsor Shirt Company, a private label retail company. Prior thereto, Windsor Shirt had been a significant customer of The Pickwick Company.

The Company believes that Windsor Shirt fills a niche currently missing in outlet retailing. Prior to the acquisition, Windsor Shirt operated traditional men's dress shirt stores, primarily in regional malls and strip centers. Since the acquisition, the Company has closed the Windsor Shirt stores in regional malls, strip centers and other unprofitable locations, and has focused on developing this format in a manufacturers' outlet venue. In addition, the Company has totally reconfigured the stores and upgraded the quality and improved the presentation of the products sold in its stores. Windsor Shirt stores now offer a full line of men's traditional and fashionable apparel, including dress shirts, neckwear, bottoms, sportswear, hosiery and accessories.

The Windsor Shirt target customer is a professional male who desires updated traditional merchandise at value prices, although its products also appeal to a broad spectrum of consumers. The Windsor Shirt merchandising strategy focuses on offering an assortment of traditional and fashionable styles of men's dress furnishings and sportswear. Through attention to design and construction details, the Company seeks to ensure that the merchandise offered will be consistent in fashion and quality. The stores offer merchandise in the upper moderate price ranges.

#### Knitwear

The Company's Somerset division is a leading manufacturer and marketer of primarily men's private label sweaters and golf apparel. Somerset markets its products at wholesale to traditional department and specialty stores, national retail chains and catalog merchants, including Lands' End, JCPenney, May Co., L.L. Bean, Federated and Sears.

In 1993, Somerset conducted highly-successful launches of Geoffrey Beene sweaters and Van Heusen Players golf apparel. In the prior year, Somerset successfully introduced Van Heusen branded sweaters. The marketing of these branded products, combined with completing a 1992 restructuring which included a transfer of its sweater production to lower cost facilities, has improved Somerset's operating margins in 1993.

Somerset also markets its products through the Company's own sweater and knitwear outlet stores called "Cape Isle Knitters." Cape Isle Knitters stores offer a select line of men's and women's knitwear products, including sweaters and knit tops, both being complemented with pants and shorts, and hosiery.

The merchandising strategy for Cape Isle Knitters stores is focused on achieving an updated traditional look which emphasizes easy to understand

fashion and styling. Emphasis is also placed on natural product and timeless appeal. Stores offer merchandise in the moderate to upper moderate price range.

#### Competition in the Apparel Industry

The apparel industry is highly competitive due to its fashion orientation, its mix of large and small producers, the flow of imported merchandise and the wide diversity of retailing methods. Competition has been exacerbated by the recent consolidations and closings of major department store groups. Based on the variety of the apparel marketed by the Company and the various channels of distribution it has developed, the Company believes it is well-positioned in the industry, although the Company has many diverse competitors in both manufacturing and retailing.

The Company's apparel wholesale divisions experience competition in branded, designer and private label products. Some of the larger competitors include: Bidermann Industries ("Arrow" brand); Salant Corporation ("Perry Ellis" and "John Henry" brands); Warnaco ("Hathaway" and "Christian Dior" brands); Smart Shirt (private label shirt division of Kellwood); Capital Mercury (private label shirts); Oxford Industries (private label shirts); and VF Corporation ("Jantzen" branded sweaters). While several apparel manufacturers currently operate outlet stores, management believes that none offers a similar selection of product in the variety of formats offered by the Company.

#### Footwear Business

The Company's footwear business, conducted through its G.H. Bass & Co. division, consists of the manufacture and marketing of a full line of traditional men's, women's and children's casual shoes under the "Bass" brand name in the moderate to better price range. Various sub-brands are utilized, the most important ones being "Weejun", "Sunjun" and "Compass." "Bass" is the leading brand of casual shoes in the United States, according to research conducted by Footwear Market Insights ("FMI") based on pairs of shoes sold. FMI's research shows Bass with a 6.0% share of the casual shoe market.

Bass' traditional wholesale customers are major department stores and specialty shoe stores throughout the United States, including Federated, May Co., Dillard's, Macy's and Dayton Hudson. In 1992, Bass began marketing its footwear internationally and is now selling footwear to leading retailers in Europe, Mexico, Canada, South America and the Far East.

All of the Company's footwear is designed "in-house." Approximately 33% of the Bass wholesale footwear products are manufactured in the Company's facilities in the United States, Puerto Rico and the Dominican Republic, with the remainder being sourced through manufacturers primarily located in the Far East and Brazil.

Bass Retail operates stores located primarily in manufacturers' outlet malls; these stores typically carry an assortment of "Bass" shoes, in the moderate to upper moderate price range, as well as complementary products not sold by Bass to its traditional wholesale customers. In addition, the Company has expanded many of its Bass retail stores to sell Bass apparel and accessories consistent with the Bass "lifestyle." As these stores have enjoyed a strong period of initial success, the Company plans to continue expanding the offering of Bass apparel into stores which currently offer footwear only. To a lesser extent, the Bass Retail division operates "image" stores, located primarily in large upscale regional malls, typically offering a narrower assortment of "Bass" shoes than that carried in Bass Retail outlet stores.

Bass' merchandising strategy is focused on achieving an American classic look which emphasizes classic and traditional footwear design. The stores emphasize the design interpretation "The Look That Never Wears Out" in creating an image for its products.

In 1994, the Company plans to expand on its initial offering of a line of Bass Kids apparel merchandise.

#### Competition in the Shoe Industry

The shoe 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 traditional casual footwear market. Bass does not compete directly in fashion footwear or performance athletic footwear. In the casual footwear market, the Company's primary competitors include Dexter, Rockport, Timberland, Sperry and Sebago. The Company believes, however, that it manufactures a more extensive line of footwear for both genders and in a broader price range than any of its competitors.

Currently, Bass Retail outlet stores have few direct footwear competitors. Dexter, and to an even lesser extent Timberland, are the most prominent casual footwear companies that are competing in the outlet environment. However, multi-branded outlet footwear retailers, such as Bannister and Little Red Shoe Store, compete on price and assortment.

#### Merchandise Design, Manufacturing and Product Procurement

Approximately 35% of the Company's wholesale apparel products and 33% of its wholesale footwear products are manufactured in Company-owned facilities while the remainder is directly sourced by the Company through suppliers located world-wide. All of the apparel and footwear merchandise manufactured by the Company as well as the vast majority of its sourced products are

planned and designed through the efforts of its various merchandise/product development groups. These groups consist of designers, product line builders and merchants who consider consumer taste, fashion, history and the economic environment when creating a product plan for a particular season. The Company's growing retail presence has, in addition, provided a direct means to gauge consumer preferences which enables the Company to forecast consumer desires more accurately. The Company's apparel and footwear retail buying groups work closely with their wholesale counterparts to be certain that each product classification within the Company's retail stores provides an adequate array of merchandise to satisfy consumer demand.

Apparel and footwear product lines are developed primarily for two major selling seasons, spring and fall. However, certain of the Company's product lines require more frequent introductions of new merchandise, and some of the Company's more fashionable product lines have as many as two to four supplemental offerings.

The process from initial design to finished product varies greatly, but generally spans nine to 12 months prior to each selling season. 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 availability. The Company's substantial efforts in the area of quick response to sales trends (through the development of the PVH Pulse System) maximize its inventory flexibility and minimize production overruns.

Shirts and sweaters are manufactured in the Company's domestic apparel manufacturing facilities in Alabama, Arkansas and Puerto Rico. The Company also operates facilities in Costa Rica, Guatemala and Honduras. Additionally, the Company contracts for apparel merchandise with vendors principally in the Far East, Middle East and Caribbean areas which meet its quality and cost requirements. Footwear is manufactured in the Company's factories located in Maine, Puerto Rico and the Dominican Republic. In addition, the Company contracts for footwear merchandise which meet its requirements from overseas vendors, principally in Brazil and the Far East.

The Company's foreign offices, located principally in Hong Kong, Korea, Taiwan, Singapore and Brazil, 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 to limit the risk that a disruption of production at any one facility could cause a serious inventory problem. The Company has experienced no significant production delays or difficulties in importing goods. However, from time to time the Company has incurred added costs by shipping goods by air freight in order for it to meet certain delivery commitments to its customers. The Company's purchases from its suppliers are effected through individual purchase orders specifying the price and quantity of the items to be produced. The Company does not have any long-term, formal arrangements with any of the suppliers which manufacture its products. The Company believes that it is the largest customer of many of its manufacturing suppliers and considers its relations with its suppliers to be satisfactory. No single supplier 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 production capacity.

The Company purchases raw materials, including shirting fabric, buttons, thread, labels, yarn, piece goods and leather, from domestic and foreign sources based on quality, pricing (including quotas and duties) and availability factors. The Company believes it is one of the largest procurers of shirting fabric world-wide and purchases the majority of its shirting fabric from overseas manufacturers, due, at least in part, to decreased domestic production. 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. Rawhide leather for Bass' footwear products is procured mainly from domestic suppliers. The leather used in Bass shoes is a by-product of beef production and its availability has remained stable over the past several years as a result of the stability of the beef market. Bass monitors the leather market and makes purchases on the spot market or through blanket contracts with suppliers as price trends dictate. 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.

The Company's PVH-I division serves as the apparel design and sourcing center for all of the apparel retail operations. PVH-I has developed merchandising organizations (both designers and administrators) dedicated to each apparel store format to develop and plan the apparel products which are sold in the Company's stores but which are not marketed by the wholesale arm of that division.

#### Advertising and Promotion

The Company has used national advertising to communicate the Company's marketing message since the 1920's. The Company believes that this effort has helped create strong brand awareness and a high recognition factor among American consumers and has contributed to the overall success of the Company. The Company advertises primarily in national print media including fashion, entertainment/human interest, business, men's, women's and sports magazines. Brand awareness is further supplemented by the Company's co-op advertising program through which the Company and individual retailers combine their efforts and share the cost of store radio, television and newspaper advertisements and in-store advertising and promotional events featuring the Company's branded products.

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 right to use the "Van Heusen" name in North, Central and South America as well as the Philippines, and the exclusive worldwide right to use "Bass" for footwear. The Company has registered or applied for registration of a multitude of other trademarks for use on a variety of items of apparel and footwear and apparel and footwear-related products and owns many foreign trademark registrations. It presently has pending a number of applications for additional 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 is licensing the "Van Heusen" name for apparel products in Canada and in most of the South and Central American countries. In the United States, the Company currently licenses the use of the "Van Heusen" name for various products that it does not manufacture or procure, including boy's apparel, sleepwear, eyeglasses, neckwear and other accessories and is exploring the possibility of licensing the name for use on other products. The Company also has a licensing and distribution agreement for "Bass" footwear in Japan.

## Retail Stores

As of January 30, 1994, the Company operated 780 stores in five different formats: Van Heusen, Bass, Geoffrey Beene, Windsor Shirt and Cape Isle Knitters. The Company's stores are located primarily in manufacturers' outlet malls, except for the Bass Retail "image" stores. Store layouts and designs differ among the five retail formats in order to maximize the effectiveness of the product and pricing strategy directed toward each format's specific target customer.

Historically, the geographic dispersment of the Company's retail stores has been focused in the northeast and southeast regions of the United States. As outlet mall retailing in these areas is maturing, it is the Company's intent to focus on opening new stores throughout other regions of the United States. Primary emphasis will be on the western part of the United States, although the Company will continue to "back-fill" stores in outlet malls in the northeastern and southeastern parts of the United States.

Manufacturers' outlet malls are a growing segment of the retail industry, and the Company is a leading operator of outlet mall stores. Other branded apparel manufacturers who have entered the outlet mall sector include Ralph Lauren, Liz Claiborne, Bugle Boy, Gant, Izod, J. Crew, Jockey, Donna Karan, Leslie Fay, Jones New York, Nautica, Tommy Hilfiger, Calvin Klein and Anne Klein.

The following table sets forth the number of openings and closings of the Company's retail stores by fiscal year since 1989 and the number of stores operated at the end of each fiscal year:

	Fiscal 1993	Fiscal 1992	Fiscal 1991	Fiscal 1990(1)	Fiscal 1989
Store openings: . . . . .	126	116	126	166	93
Store closings: . . . . .	51	47	40	40	33
Total stores operated at year end: . .	780	705	636	550	424

(1) Includes 46 Windsor Shirt stores acquired during fiscal 1990.

The Company plans to add an additional 101 stores in fiscal 1994 (net of store closings). To meet this growth goal, the Company must be able to open multiple stores in new malls, "back-fill" its store formats in a sufficient number of existing outlet malls and/or develop new store formats. The primary short-term source of the Company's retail expansion will be the opening of multiple store formats in new malls. There are currently approximately 40 new malls (including mall additions) scheduled to open in 1994 and the Company intends to feature several store formats in almost all of them. A large portion of the retail expansion will come from these new malls and existing mall expansions. In addition, retail expansion will come from "back-filling", which entails adding one or more of the Company's store formats to malls in which the Company already operates stores in one or more other formats. Future growth will also come from the development of new store formats, such as the Geoffrey Beene stores offering casual apparel for women which opened late in the summer of 1993. The addition of these, as well as any other new formats will provide the Company with the opportunity to increase the number of stores the Company operates in existing and new malls. Performance of all stores is reviewed on a regular basis, and poorly performing stores are closed when appropriate.

The Company maintains a real estate department which works with the store planning and design department in opening new stores. The real estate department locates appropriate sites based on information regarding area demographics, model store size, available lease arrangements and projected volume and operating returns. In preparation for opening, the store planning and design department coordinates interior plans with landlords, division heads, contractors and developers. As construction is completed, a project manager supervises fixture installation as well as ensures the quality workmanship demanded by the Company. Field management then begins the merchandising process. All of these efforts culminate with the opening of each new store.

The retail distribution strategy has evolved to allow the Company the opportunity to market directly to consumers while limiting the disruption of sales to the Company's traditional wholesale customers by locating primarily in manufacturers' outlet malls in locations such as tourist destination areas. As a leading outlet retailer, the Company has the ability to secure favorable lease terms and locations for its stores.

The Company's plans with respect to expansion are frequently reviewed and revised in light of changing conditions. It is possible that not all of the plans described above will be completed and that other projects may be added.

#### Tariffs and Import Restrictions

A substantial portion of the Company's products are 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 established by the Department of Commerce. However, a significant portion of the Company's apparel products are imported from its Caribbean Basin manufacturing facilities and are therefore eligible for certain duty-advantaged programs commonly known as "807 Programs." 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 or to domestic manufacturing facilities. The existence of import quotas has, therefore, not had a material effect on the Company's business.

#### Employees

The Company currently employs approximately 10,200 persons on a full-time basis and approximately 2,900 persons on a part-time basis. Of the approximately 13,100 persons employed by the Company, 66% are employed in the apparel business, 32% are employed in the footwear business and 2% are corporate employees. Approximately 4% of the Company's total employees are represented for the purpose of collective bargaining with three different unions. Additional persons, some represented by these three 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.

Item 2. Properties

The Company maintains its principal executive offices at 1290 Avenue of the Americas, New York, New York, occupying approximately 80,000 square feet under a sub-lease which expires on December 30, 1998. The Company also maintains an administrative facility 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. The following tables summarize the other manufacturing facilities, warehouses and distribution centers, administrative offices and retail stores of the Company:

Apparel Business

	Square Feet of Floor Space (000's)		
	Owned	Leased	Total
Manufacturing Facilities . . . . .	276	329	605
Warehouses and Distribution Centers. . . . .	815	568	1,383
Administrative . . . . .	0	65	65
Retail Stores. . . . .	0	1,619	1,619
	1,091	2,581	3,672

Footwear Business

	Owned			Leased			Total		
	Owned	Leased	Total	Owned	Leased	Total	Owned	Leased	Total
Manufacturing Facilities . . . . .	274	115	389						
Warehouses and Distribution Centers. . . . .	127	184	311						
Administrative . . . . .	20	138	158						
Retail Stores. . . . .	9	1,138	1,147						
	430	1,575	2,005						

Leases for these apparel and footwear facilities have expiration dates through December 2003. Information with respect to minimum annual rental commitments under leases in which the Company is a lessee is incorporated herein by reference to the note entitled "Leases" in the Notes to Consolidated Financial Statements incorporated by reference in Item 8 of this report.

Item 3. Legal Proceedings

The Company is a party to certain litigation which, in the Company's judgment based 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.

## Executive Officers of the Registrant

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

Name	Position	Age
Lawrence S. Phillips	Chairman of the Board of Directors	67
Bruce J. Klatsky	President; Chief Executive Officer; Director	45
Irwin W. Winter	Vice President, Finance; Chief Financial Officer; Director	60
Walter T. Rossi	Chairman, PVH Retail Group	51
Allen E. Sirkin	Chairman, The PVH Apparel Group	51
Mark Weber	Vice President; President of PVH International	45

Mr. Lawrence S. Phillips has been employed by the Company in various capacities over the last 46 years, and has been Chairman of the Company for more than the past five years. Mr. Phillips has served as a director of the Company since 1951.

Mr. Bruce J. Klatsky has been employed by the Company in various capacities over the last 22 years, and has been President of the Company since 1987. Mr. Klatsky has served as a director of the Company since 1985 and was named Chief Executive Officer in June of 1993.

Mr. Irwin W. Winter joined the Company in July 1987 as Vice President, Finance and Chief Financial Officer. Mr. Winter has served as a director of the Company since 1987.

Mr. Walter T. Rossi joined the Company in November of 1992 as Chairman, PVH Retail Group. For more than the last five years prior to joining the Company, he served as Chairman and CEO of Mervyn's, a division of Dayton Hudson.

Mr. Allen E. Sirkin has been employed by the Company since 1985. From 1988 to 1990, he was President of The Van Heusen Company and The Designer Group. He has served as Chairman, The PVH Apparel Group since 1990.

Mr. Mark Weber has been employed by the Company in various capacities over the last 22 years, and has been Vice President of the Company since 1988 and President of PVH International since 1989.

PART II

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

Information with respect to the market for the Company's common stock and related security holder matters which appears under the heading "Selected Quarterly Financial Data" in the 1993 Annual Report to Stockholders, is incorporated herein by reference.

Item 6. Selected Financial Data

Selected Financial Data which appears under the heading "Seven Year Financial Summary" in the 1993 Annual Report to Stockholders, is incorporated herein by reference.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations which appears under the heading "Financial Review" in the 1993 Annual Report to Stockholders, is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements, which appear in the 1993 Annual Report to Stockholders, are incorporated herein by reference.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The 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, 1994.

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, 1994.

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, 1994.

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, 1994.

PART IV

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

(a)(1) The following consolidated financial statements are incorporated by reference in Item 8 of this report:

Consolidated Statements of Income--Years Ended January 30, 1994,  
January 31, 1993 and February 2, 1992  
Consolidated Balance Sheets--January 30, 1994 and January 31, 1993  
Consolidated Statements of Cash Flows--Years Ended January 30, 1994,  
January 31, 1993 and February 2, 1992  
Consolidated Statements of Changes in Common Stockholders' Equity--  
Years Ended January 30, 1994, January 31, 1993 and February 2, 1992  
Notes to Consolidated Financial Statements

(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 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).
- 3.4 Amendment to Certificate of Incorporation, filed September 4, 1992.
- 3.5 Amendment to Certificate of Incorporation, filed June 1, 1993.
- 3.6 By-Laws of PVH (incorporated by reference to Exhibit 6 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 1977).
- 3.7 Amendment to Section 4 of Article II of the By-Laws of PVH (incorporated by reference to Exhibit 28.3 to the Company's Report on Form 8-K filed on September 5, 1987).
- 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).

Exhibit  
Number

- 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 Credit Agreement, dated as of December 16, 1993, among PVH, Bankers Trust Company, The Chase Manhattan Bank, N.A., Citibank, N.A., The Bank of New York, Chemical Bank and Philadelphia National Bank, and Bankers Trust Company, as agent.
- 4.6 Note Agreement, dated October 1, 1992, among PVH, The Equitable Life Assurance Society of the United States, Equitable Variable Life Insurance Company, Unum Life Insurance Company of America, Nationwide Life Insurance Company, Employers Life Insurance Company of Wausau and Lutheran Brotherhood (incorporated by reference to Exhibit 4.21 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1993).
- 4.7 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).
- 10.1 Sublease, dated as of August 5, 1987, between Telemundo Group, Inc. and PVH (incorporated by reference to Exhibit 28.2 to the Company's Report on Form 8-K filed on September 5, 1987).
- \* 10.2 1987 Stock Option Plan, including all amendments through March 30, 1993.
- \* 10.3 1973 Employees' Stock Option Plan (incorporated by reference to Exhibit 1 to the Company's Registration Statement on Form S-8 (Reg. No. 2-72959) filed on July 15, 1981).
- \* 10.4 Supplement to 1973 Employees' Stock Option Plan (incorporated by reference to the Company's Prospectus filed pursuant to Rule 424(c) to the Registration Statement on Form S-8 (Reg. No. 2-72959) filed on March 31, 1982).
- \* 10.5 Phillips-Van Heusen Corporation Special Severance Benefit Plan (incorporated by reference to the Company's Report on Form 8-K filed on January 16, 1987).
- \* 10.6 Phillips-Van Heusen Corporation Capital Accumulation Plan (incorporated by reference to the Company's Report on Form 8-K filed on January 16, 1987).
- \* 10.7 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).
- \* 10.8 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).
- \* 10.9 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).

Exhibit  
Number

\* 10.10 Phillips-Van Heusen Corporation Supplemental Savings Plan, dated as of January 1, 1991 and amended and restated as of January 1, 1992 (incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 1992).

11. Statement re: Computation of Earnings Per Share.

13. Sections of the 1993 Annual Report to Stockholders for the fiscal year ended January 30, 1994 which are included in Parts I and II of this Form 10-K. These sections are Selected Quarterly Financial Data, Seven Year Financial Summary, Financial Review and the consolidated financial statements.

21. Subsidiaries of the Company.

24. Consent of Independent Auditors.

(b) The Company filed no reports on Form 8-K during the fourth quarter of the fiscal year ended January 30, 1994.

(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.

(e) The Company agrees to furnish to the Commission upon request a copy of each agreement with respect to long-term debt where the total amount of securities authorized thereunder does not exceed 10% of the total consolidated assets of the Company.

\* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 14(c) of this report.

PHILLIPS-VAN HEUSEN CORPORATION

INDEX TO FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statement schedules of Phillips-Van Heusen Corporation and subsidiaries are included herein:

Schedule II	-	Amounts Receivable from Related Parties and Underwriters, Promoters and Employees Other Than Related Parties . . . . .	F-2
Schedule VIII	-	Valuation and Qualifying Accounts. . . . .	F-3
Schedule IX	-	Short-Term Borrowings. . . . .	F-6
Schedule X	-	Supplementary Income Statement Information . . . .	F-7

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.

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

Bruce J. Klatsky  
 By:.....  
 Bruce J. Klatsky  
 President, Chief Executive  
 Officer and Director

Date: April 19, 1994

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.

Signature	Title	Date
Lawrence S. Phillips Lawrence S. Phillips	Chairman of the Board of Directors	April 19, 1994
Bruce J. Klatsky Bruce J. Klatsky	President, Chief Executive Officer and Director (Principal Executive Officer)	April 19, 1994
Irwin W. Winter Irwin W. Winter	Vice President, Finance and Director (Principal Financial Officer)	April 19, 1994
Emanuel Chirico Emanuel Chirico	Vice President and Controller (Principal Accounting Officer)	April 19, 1994
Edward H. Cohen Edward H. Cohen	Director	April 19, 1994
Estelle Ellis Estelle Ellis	Director	April 19, 1994
Joseph B. Fuller Joseph B. Fuller	Director	April 19, 1994
Maria Elena Lagomasino Maria Elena Lagomasino	Director	April 19, 1994
Bruce Maggin Bruce Maggin	Director	April 19, 1994
Ellis E. Meredith Ellis E. Meredith	Director	April 19, 1994
Steven L. Osterweis Steven L. Osterweis	Director	April 19, 1994
William S. Scolnick William S. Scolnick	Director	April 19, 1994
Peter J. Solomon Peter J. Solomon	Director	April 19, 1994

## 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:.....

Bruce J. Klatsky  
President, Chief Executive  
Officer and Director

Date: April , 1994

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.

Signature	Title	Date
Lawrence S. Phillips	Chairman of the Board of Directors	April , 1994
Bruce J. Klatsky	President, Chief Executive Officer and Director (Principal Executive Officer)	April , 1994
Irwin W. Winter	Vice President, Finance and Director (Principal Financial Officer)	April , 1994
Emanuel Chirico	Vice President and Controller (Principal Accounting Officer)	April , 1994
Edward H. Cohen	Director	April , 1994
Estelle Ellis	Director	April , 1994
Joseph B. Fuller	Director	April , 1994
Maria Elena Lagomasino	Director	April , 1994
Bruce Maggin	Director	April , 1994
Ellis E. Meredith	Director	April , 1994
Steven L. Osterweis	Director	April , 1994
William S. Scolnick	Director	April , 1994
Peter J. Solomon	Director	April , 1994

## SCHEDULE II

PHILLIPS-VAN HEUSEN CORPORATION

AMOUNTS RECEIVABLE FROM RELATED PARTIES  
AND UNDERWRITERS, PROMOTERS AND EMPLOYEES OTHER  
THAN RELATED PARTIES

Column A	Column B	Column C	Column D	Column E
Name of Debtor	Balance at Beginning of Period	Additions	Deductions Amounts Collected	Balance at End of Period Current Non Current
Year ended January 30, 1994:				
Note Receivable:				
Paul A. Rubin (a)	\$ 236,965	\$ -	\$ 236,965	\$ -
Bruce J. Klatsky (b)	\$ -	\$ 278,351	\$ -	\$ 278,351
Year ended January 31, 1993:				
Note Receivable:				
Paul A. Rubin (a)	\$ -	\$ 240,000	\$ 3,035	\$ 236,965
Year ended February 2, 1992:	\$ -	\$ -	\$ -	\$ -

(a) -- Promissory note with interest at 9.75%, which was repaid in full during 1993.

(b) -- Promissory note with interest at 7.50%, due July 31, 1994.

PHILLIPS-VAN HEUSEN CORPORATION  
 VALUATION AND QUALIFYING ACCOUNTS  
 Year Ended January 30, 1994

Column A Description	Column B Balance at Beginning of Period	Charged to Costs and Expense	Column C Additions Charged to Other Accounts	Column D Deductions	Column E Balance at End of Period
Allowances deducted from asset accounts:					
Allowance for discounts . . . . .	\$ 19,000	\$ -	\$ -	\$ 19,000(a)	\$ -
Allowance for doubtful accounts. . . . .	2,311,500	79,228(b)	224,594(c)	444,255(d)	2,171,067
	\$ 2,330,500	\$ 79,228	\$224,594	\$463,255	\$2,171,067

- (a) Allowance reversed since no discounts were given to customers in 1993.
- (b) Provisions for doubtful accounts.
- (c) Recoveries of doubtful accounts previously written off.
- (d) Primarily uncollectible accounts charged against the allowance provided therefor.

PHILLIPS-VAN HEUSEN CORPORATION  
 VALUATION AND QUALIFYING ACCOUNTS  
 Year Ended January 31, 1993

Column A Description	Column B Balance at Beginning of Period	Charged to Costs and Expense	Column C Additions Charged to Other Accounts	Column D Deductions	Column E Balance at End of Period
Allowances deducted from asset accounts:					
Allowance for discounts . . . . .	\$ 7,500	\$ 21,245(a)	\$ -	\$ 9,745(b)	\$ 19,000
Allowance for doubtful accounts. . . . .	2,269,500	859,385(c)	96,074(d)	913,459(e)	2,311,500
	\$ 2,277,000	\$ 880,630	\$ 96,074	\$ 923,204	\$2,330,500

- (a) Provision for discounts, deducted from gross sales.
- (b) Cash discounts allowed to customers.
- (c) Provisions for doubtful accounts.
- (d) Recoveries of doubtful accounts previously written off.
- (e) Primarily uncollectible accounts charged against the allowance provided therefor.

PHILLIPS-VAN HEUSEN CORPORATION  
 VALUATION AND QUALIFYING ACCOUNTS  
 Year Ended February 2, 1992

Column A Description	Column B Balance at Beginning of Period	Charged to Costs and Expense	Column C Additions Charged to Other Accounts	Column D Deductions	Column E Balance at End of Period
Allowances deducted from asset accounts:					
Allowance for discounts . . . . .	\$ 40,000	\$ 19,390(a)	\$ -	\$ 51,890(b)	\$ 7,500
Allowance for doubtful accounts. . . . .	2,113,000	901,369(c)	9,886(d)	754,755(e)	2,269,500
	\$ 2,153,000	\$ 920,759	\$ 9,886	\$ 806,645	\$ 2,277,000

- (a) Provision for discounts, deducted from gross sales.
- (b) Cash discounts allowed to customers.
- (c) Provisions for doubtful accounts.
- (d) Recoveries of doubtful accounts previously written off.
- (e) Primarily uncollectible accounts charged against the allowance provided therefor.

PHILLIPS-VAN HEUSEN CORPORATION

SHORT-TERM BORROWINGS

Column A	Column B	Column C	Column D	Column E	Column F
Category of Aggregate Short-Term Borrowing	Balance At End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period(a)	Weighted Average Interest Rate During the Period(b)
Year ended January 30, 1994:					
Revolving Credit Facility . . . . \$	-	-	\$41,600,000	\$ 7,211,000	4.80%
Year ended January 31, 1993:					
Revolving Credit Facility . . . . \$	-	-	\$80,100,000	\$35,271,000	5.34%
Year ended February 2, 1992:					
Revolving Credit Facility . . . .	\$ 2,200,000	6.19%	\$69,400,000	\$33,336,000	7.46%

(a) The average amount outstanding during the period was computed on a daily basis.

(b) The weighted average interest rate during the period was computed by dividing the actual interest expense by the average revolving credit balance outstanding.

PHILLIPS-VAN HEUSEN CORPORATION  
 SUPPLEMENTARY INCOME STATEMENT INFORMATION

Column A	Column B		
Item (a)	Charged to	Costs and	Expenses
	1993	1992	1991
Advertising costs . . . . .	\$15,614,645	\$13,791,282	\$13,040,837

(a) Amounts for other items are not presented as such amounts are less than 1% of net sales.

## EXHIBIT 11

## PHILLIPS-VAN HEUSEN CORPORATION

COMPUTATION OF EARNINGS PER COMMON SHARE  
(In thousands, except per share amounts)

	1993	1992	1991
Primary:			
Earnings before extraordinary loss. . . . .	\$ 43,252	\$37,881	\$31,137
Extraordinary loss, net of tax. . . . .	(11,394)	-	-
Net Income. . . . .	31,858	37,881	31,137
Preferred stock dividend. . . . .	-	2,138	8,190
Net income, common shares. . . . .	\$ 31,858	\$35,743	\$22,947
Common shares and common share equivalents:			
Weighted average number of shares outstanding. . . . .	26,142	23,766	18,552
Shares issuable upon exercise of dilutive common stock options, net of shares assumed to be repurchased (at the average period market price) out of proceeds obtained therefrom . . . . .	964	1,487	1,345
Total common shares and common share equivalents . . . . .	27,106	25,253	19,897
Income per common share and common share equivalents before extraordinary loss. . . . .			
Extraordinary loss per common share and common share equivalents. . . . .	\$ 1.60	\$ 1.42	\$ 1.15
Extraordinary loss per common share and common share equivalents. . . . .	(0.42)	-	-
Net income per common share and common share equivalents . . . . .	\$ 1.18	\$ 1.42	\$ 1.15
Fully diluted:			
Net Income. . . . .	\$ 31,858	\$37,881	\$31,137
Total common shares and common share equivalents (see above). . . . .	27,106	25,253	19,897
Additional shares issuable upon conversion of redeemable preferred stock. . . . .	-	1,314	5,200
and the exercise of dilutive common stock options, net of shares assumed to be repurchased (at the greater of average period or period end market price) . . . . .	18	26	214
Total common shares and common share equivalents assuming full dilution . . . . .	27,124	26,593	25,311
Net income per common share and common share equivalents. . . . .	(1)	(1)	(1)

(1) Amounts not shown since results are either not materially different from primary net income per common share or are anti-dilutive.

## SUBSIDIARIES OF THE REGISTRANT

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

Name	State or Other Jurisdiction of Incorporation
G. H. Bass Franchises Inc.	Delaware
G. H. Bass Caribbean Inc.	Delaware
Caribe M&I Ltd.	Cayman Islands
GHB (Far East) Limited	Hong Kong
Van Heusen Transportation Corporation	Delaware
Tejidos De Coamo, Inc.	Delaware
Envoy Pacific Limited	Hong Kong
Towell Import & Export Limited	Hong Kong
Abese Limited	Hong Kong
Confecciones Imperio, S.A.	Costa Rica
Camisas Modernas, S.A.	Guatemala
G. H. Bass Comercio Exportacao Ltda.	Brazil
Windsor Shirt Company	Pennsylvania

## Consent of Independent Auditors

We consent to the incorporation by reference in this Annual Report on Form 10-K of Phillips-Van Heusen Corporation of our report dated March 17, 1994, included in the Annual Report to Stockholders of Phillips-Van Heusen Corporation.

Our audits also included the financial statement schedules of Phillips-Van Heusen Corporation listed in Item 14(a). These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth herein.

We also consent to the incorporation by reference in the Registration Statement (Form S-3 No. 33-46770), Registration Statement (Form S-8 No. 33-59602), Registration Statement (Form S-8 No. 33-38698), Post-Effective amendment No. 1 to the Registration Statement (Form S-8 No. 33-24057), Post-Effective amendment No. 2 to the Registration Statement (Form S-8 No. 2-73803), Post-Effective amendment No. 4 to the Registration Statement (Form S-8 No. 2-72959), Post-Effective amendment No. 6 to the Registration Statement (Form S-8 No. 2-64564), and Post-Effective amendment No. 13 to the Registration Statement (Form S-8 No. 2-47910), of Phillips-Van Heusen Corporation and in the related Prospectuses of our report dated March 17, 1994, with respect to the consolidated financial statements and schedules of Phillips-Van Heusen Corporation included in this Form 10-K for the year ended January 30, 1994.

ERNST &amp; YOUNG

New York, New York  
April 26, 1994

CERTIFICATE ELIMINATING REFERENCE  
TO  
SERIES B CUMULATIVE CONVERTIBLE PREFERRED STOCK  
FROM  
CERTIFICATE OF INCORPORATION  
OF  
PHILLIPS-VAN HEUSEN CORPORATION  
(Pursuant to Section 151(g) of the  
General Corporation Law of the State of Delaware)

The undersigned, in order to eliminate reference to the Series B Cumulative Convertible Preferred Stock from the Certificate of Incorporation of Phillips-Van Heusen Corporation, pursuant to Section 151(g) of the General Corporation Law of the State of Delaware, do hereby certify as follows:

FIRST: The name of the corporation is Phillips-Van Heusen Corporation (the "Corporation").

SECOND: This certificate relates to the "Certificate of Designation of Series B Cumulative Convertible Preferred Stock of Phillips-Van Heusen Corporation" filed with the Secretary of State of Delaware on July 30, 1987, which sets forth a resolution adopted by the Corporation's Board of Directors providing for the designation, amount, voting powers, preferences and relative, participating, optional and other special rights of the Series B Cumulative Convertible Stock.

THIRD: The Board of Directors of the Corporation has adopted the following resolutions:

RESOLVED, that none of the authorized shares of the Series B Cumulative Convertible Preferred Stock of the Corporation (the "Series B Preferred Stock"), designated pursuant to the "Certificate of Designation of Series B Cumulative Convertible Preferred Stock of Phillips-Van Heusen Corporation" filed with the Secretary of State of Delaware on July 30, 1987, are outstanding.

RESOLVED, that no additional shares of the Series B Preferred Stock will be issued subject to the aforementioned Certificate of Designation; and

RESOLVED, that each of the appropriate officers of the Corporation be, and each of them hereby is, authorized, directed and empowered to execute, deliver, certify and file, on behalf and in the name of the Corporation, a certificate stating forth these resolutions with the Secretary of State of Delaware pursuant to Section 151(g) of the General Corporation Law of the State of Delaware for the purpose of eliminating from the Corporation's certificate of incorporation all reference to the Series B Preferred Stock.

In WITNESS WHEREOF, the undersigned have executed this Certificate and affirm, under penalties of perjury, that this instrument is the act and deed of the Corporation, and the facts stated herein are true.

Dated this 4th day of September, 1992.

Vice President

Attest:

Secretary

CERTIFICATE OF AMENDMENT  
OF THE  
CERTIFICATE OF INCORPORATION  
OF  
PHILLIPS-VAN HEUSEN CORPORATION

Under Section 242 of the  
General Corporation Law of the State of Delaware

The undersigned, President and Secretary, respectively, of  
PHILLIPS-VAN HEUSEN CORPORATION (the "Corporation"), a  
corporation organized and existing under and by virtue of the  
General Corporation Law of the State of Delaware, do hereby  
certify as follows:

FIRST: Part A of Article FOURTH of the Certificate of  
Incorporation of the Corporation shall be amended to read:

"The total number of shares of all classes of  
stock which the Corporation shall have authority to  
issue is 100,150,000. 150,000 of said shares shall be  
of the par value of \$100 each and shall be designated  
Preferred Stock and 100,000,000 of said shares shall be  
of the par value of \$1 each and shall be designated  
Common Stock."

SECOND: Such amendment has been duly approved in accordance  
with the provisions of Section 242 of the General Corporation Law  
by the Board of Directors of the Corporation and by a majority of  
the outstanding common stock of the Corporation (the only  
outstanding stock entitled to vote thereon).

IN WITNESS WHEREOF, the undersigned have executed this  
Certificate and affirm, under penalties of perjury, that the  
instrument is the act or deed of the undersigned and the facts  
stated herein are true.

Dated this 1st day of June, 1993.

Bruce J. Klatsky, President

ATTEST:

Pamela N. Hootkin, Secretary

CREDIT AGREEMENT

among

PHILLIPS-VAN HEUSEN CORPORATION,

VARIOUS BANKS,

and

BANKERS TRUST COMPANY,  
as AGENT

Dated as of December 16, 1993

\$250,000,000

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CREDIT AGREEMENT, dated as of December 16, 1993, among PHILLIPS-VAN HEUSEN CORPORATION (the "Borrower"), a Delaware corporation, the financial institutions listed from time to time on Schedule I hereto (each a "Bank" and, collectively, the "Banks") and BANKERS TRUST COMPANY, acting in the manner and to the extent described in Section 11 (in such capacity, the "Agent").

W I T N E S S E T H :

WHEREAS, subject to and upon the terms and conditions herein set forth, the Banks are willing to make available the credit facility provided for herein;

NOW, THEREFORE, IT IS AGREED:

SECTION 1. Amount and Terms of Loans.

1.01 Commitments. (a) Subject to and upon the terms and conditions herein set forth, each Bank severally agrees to make a loan or loans (each a "Revolving Loan" and, collectively, the "Revolving Loans") to the Borrower, which Revolving Loans (i) shall be made at any time and from time to time on and after the Effective Date and prior to the Maturity Date, (ii) may, at the option of the Borrower, be incurred and maintained as, and/or converted into, Base Rate Loans, CD Rate Loans or Eurodollar Loans, provided that all Revolving Loans made by all Banks pursuant to the same Borrowing shall, unless otherwise specifically provided herein, consist entirely of Revolving Loans of the same Type, (iii) may be repaid and reborrowed in accordance with the provisions hereof and (iv) after giving effect to any Borrowing and the use of the proceeds thereof, shall not exceed for any Bank at any time outstanding the Revolving Commitment of such Bank at such time. Notwithstanding the foregoing, the sum of (x) the aggregate outstanding principal amount of all Revolving Loans outstanding at any time, plus (y) the aggregate outstanding principal amount of all Competitive Bid Loans outstanding at such time, shall not exceed the Available Total Revolving Commitment.

(b) Subject to and upon the terms and conditions herein set forth, each Bank severally agrees that the Borrower may incur a loan or loans (each a "Competitive Bid Loan" and collectively, the "Competitive Bid Loans") pursuant

to a Competitive Bid Borrowing from time to time on and after the Effective Date and prior to the date which is the third Business Day preceding the date which is seven days prior to the Maturity Date; provided that after giving effect to any Competitive Bid Borrowing and the use of the proceeds thereof, the aggregate outstanding principal amount of Competitive Bid Loans will not exceed either (x) \$50,000,000 or (y) when combined with the aggregate outstanding principal amount of all Revolving Loans then outstanding, the Available Total Revolving Commitment at such time. Within the foregoing limits and subject to the conditions set out in Section 1.04, Competitive Bid Loans may be repaid and reborrowed in accordance with the provisions hereof.

1.02 Minimum Amount of Each Borrowing. The aggregate principal amount of each Borrowing of Revolving Loans shall not be less than \$3,000,000 for Fixed Rate Loans (and, if greater, shall be in an integral multiple of \$500,000) and \$1,000,000 for Base Rate Loans (and, if greater, shall be in an integral multiple of \$500,000). More than one Borrowing may be incurred on any date.

1.03 Notice of Borrowing of Revolving Loans. (a) Whenever the Borrower desires to incur Revolving Loans hereunder it shall give the Agent at its Notice Office (x) prior to 12:00 Noon (New York time) at least three Business Days' prior written notice (or telephonic notice promptly confirmed in writing) of each Borrowing of Revolving Loans constituting Eurodollar Loans, (y) prior to 12:00 Noon (New York time) at least two Business Days' prior written notice (or telephonic notice promptly confirmed in writing) of each Borrowing of Revolving Loans constituting CD Rate Loans and (z) prior to 12:00 Noon (New York time) at least one Business Day's prior written notice (or telephonic notice promptly confirmed in writing) of each Borrowing of Revolving Loans constituting Base Rate Loans; provided that in the case of a Borrowing of Base Rate Loans the aggregate principal amount of which is \$2,000,000 or less, such notice shall be effective for a Borrowing on the date of delivery thereof if given prior to 12:00 Noon (New York time) on such day. Each such notice (each, a "Notice of Borrowing") shall be in the form of Exhibit A-1, shall be irrevocable and shall specify (i) the aggregate principal amount of the Revolving Loans to be made pursuant to such Borrowing, (ii) the date of Borrowing (which shall be a Business Day) and (iii) whether the respective Borrowing shall consist of Base Rate Loans, CD Rate Loans or Eurodollar Loans and, if CD Rate Loans or Eurodollar Loans, the Interest Period to be initially applicable thereto. The Agent shall promptly give each Bank written notice (or

telephonic notice promptly confirmed in writing) of each proposed Borrowing of Revolving Loans, of such Bank's proportionate share thereof and of the other matters covered by the Notice of Borrowing.

(b) Without in any way limiting the obligation of the Borrower to confirm in writing any notice it may give hereunder by telephone, the Agent may act prior to receipt of written confirmation without liability upon the basis of such telephonic notice, believed by the Agent in good faith to be from the Chairman, the Chief Financial Officer, the Treasurer or an Assistant Treasurer of the Borrower, or from any other person designated in writing to the Agent by the Chief Financial Officer of the Borrower as a person entitled to give telephonic notices under this Agreement on behalf of the Borrower. In each such case the Borrower hereby waives the right to dispute the Agent's record of the terms of any such telephonic notice.

1.04 Competitive Bid Borrowings. (a) Whenever the Borrower desires to incur a Competitive Bid Borrowing, it shall deliver to the Bid Agent at the Bid Agent's Notice Office (or, if the Bid Agent is the Borrower, the Agent at its Notice Office, and to each of the Bidder Banks) prior to 11:00 A.M. (New York time) at least four Business Days prior to the date of such proposed Competitive Bid Borrowing, a written notice (a "Notice of Competitive Bid Borrowing"), which notice shall be in the form of Exhibit A-2 and shall specify in each case (i) the date (which shall be a Business Day) and the aggregate amount of the proposed Competitive Bid Borrowing, (ii) the maturity date for repayment of each Competitive Bid Loan to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than one day after the date of such Competitive Bid Borrowing or later than the earlier to occur of (x) 360 days after the date of such Competitive Bid Borrowing and (y) the third Business Day preceding the Maturity Date), (iii) the interest payment date or dates relating thereto, (iv) whether the proposed Competitive Bid Borrowing is to be an Absolute Rate Borrowing or a Spread Borrowing, and if a Spread Borrowing, the Interest Rate Basis applicable thereto, and (v) any other terms to be applicable to such Competitive Bid Borrowing. The Bid Agent (if other than the Borrower) shall promptly notify each Bidder Bank of each such request for a Competitive Bid Borrowing received by it from the Borrower by telecopying to each such Bidder Bank a copy of the related Notice of Competitive Bid Borrowing.

(b) Each Bidder Bank shall, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Competitive Bid Loans to the Borrower as part of such proposed Competitive Bid Borrowing at a rate or rates of interest specified by such Bidder Bank in its sole discretion and determined by such Bidder Bank independently of each other Bidder Bank, by notifying the Bid Agent (which, if other than the Borrower, shall give prompt notice thereof to the Borrower) before 10:00 A.M. (New York time) on the date (the "Reply Date") which (x) in the case of an Absolute Rate Borrowing, is one Business Day before and (y) in the case of a Spread Borrowing, is three Business Days before the date of such proposed Competitive Bid Borrowing, of the minimum amount and maximum amount of each Competitive Bid Loan which such Bidder Bank would be willing to make as part of such proposed Competitive Bid Borrowing (which amounts may, subject to the proviso to the first sentence of Section 1.01(b), exceed such Bank's Revolving Commitment), the rate or rates of interest therefor and such Bidder Bank's lending office with respect to such Competitive Bid Loan; provided, that if the Bid Agent (if other than the Borrower) in its capacity as a Bidder Bank shall, in its sole discretion, elect to make any such offer, it shall notify the Borrower of such offer before 9:30 A.M. (New York time) on the Reply Date. Any Bidder Bank not giving the Bid Agent the notice specified in the preceding sentence shall not be obligated to, and shall not, make any Competitive Bid Loan as part of such Competitive Bid Borrowing.

(c) The Borrower shall, in turn, before 11:00 A.M. (New York time) on the Reply Date, either:

(i) cancel such Competitive Bid Borrowing by giving the Bid Agent (or, if the Bid Agent is the Borrower, the Agent and the Bidder Banks) notice to such effect, or

(ii) accept one or more of the offers made by any Bidder Bank or Bidder Banks by giving notice (in writing or by telephone confirmed in writing) to the Bid Agent (or, if the Bid Agent is the Borrower, to the Agent and the Bidder Banks) of the amount of each Competitive Bid Loan (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to the Borrower by the Bid Agent (if other than the Borrower) on behalf of such Bidder Banks (or, if the Bid Agent is the Borrower, by each such Bidder Bank) for such Competitive Bid Borrowing) to be made by each Bidder Bank as part of such Competitive Bid

Borrowing, and reject any remaining offers made by Bidder Banks by giving the Bid Agent (or, if the Bid Agent is the Borrower, the Bidder Banks) notice to that effect; provided that (x) acceptance of offers may only be made on the basis of ascending Absolute Rates (in the case of an Absolute Rate Borrowing) or Spreads (in the case of a Spread Borrowing), in each case commencing with the lowest rate so offered and (y) if offers are made by two or more Bidder Banks at the same rate and acceptance of all such equal offers would result in a greater principal amount of Competitive Bid Loans being accepted than the aggregate principal amount requested by the Borrower, the Borrower shall accept such offers pro rata from such Bidder Banks (on the basis of the maximum amounts of such offers) unless any such Bidder Bank's pro rata share would be less than the minimum amount specified by such Bidder Bank in its offer, in which case the Borrower shall have the right to accept one or more such equal offers in their entirety and reject the other equal offer or offers or to allocate acceptance among all such equal offers (but giving effect to the minimum and maximum amounts specified for each such offer), as the Borrower may elect in its sole discretion.

(d) If the Borrower notifies the Bid Agent (or, if the Bid Agent is the Borrower, the Agent and the Bidder Banks) that such Competitive Bid Borrowing is cancelled, or if the Borrower fails to make any notification of cancellation or acceptance by 11:00 A.M. (New York time) on the Reply Date, such Competitive Bid Borrowing shall not be made.

(e) If the Borrower accepts one or more of the offers made by any Bidder Bank or Bidder Banks, the Bid Agent shall promptly notify (x) each Bidder Bank that has made an offer of the date and aggregate amount of such Competitive Bid Borrowing and whether or not any offer or offers made by such Bidder Bank have been accepted by the Borrower, (y) each Bidder Bank that is to make a Competitive Bid Loan as part of such Competitive Bid Borrowing, of the amount of each Competitive Bid Loan to be made by such Bidder Bank as part of such Competitive Bid Borrowing and (z) the Agent, of all of the terms of each such Competitive Bid Borrowing.

1.05 Disbursement of Funds. (a) No later than 12:00 Noon (New York time) on the date of each Borrowing, each Bank will make available its pro rata portion, if any,

of each Borrowing requested to be made on such date in the manner provided below.

(b) Each Bank shall make available all amounts it is to fund under any Borrowing in Dollars and immediately available funds to the Agent at its Payment Office and the Agent will make available to the Borrower by depositing to its account at its Payment Office the aggregate of the amounts so made available in Dollars and the type of funds received. Unless the Agent shall have been notified by any Bank prior to the date of any such Borrowing that such Bank does not intend to make available to the Agent its portion of the Borrowing or Borrowings to be made on such date, the Agent may assume that such Bank has made such amount available to the Agent on such date of Borrowing, and the Agent, in reliance upon such assumption, may (in its sole discretion and without any obligation to do so) make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Agent by such Bank and the Agent has made available same to the Borrower, the Agent shall be entitled to recover such corresponding amount from such Bank. If such Bank does not pay such corresponding amount forthwith upon the Agent's demand therefor, the Agent shall promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Agent. The Agent shall also be entitled to recover from such Bank or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Agent to the Borrower to the date such corresponding amount is recovered by the Agent, at a rate per annum equal to (x) if paid by such Bank, the overnight Federal Funds Rate or (y) if paid by the Borrower, the then applicable rate of interest, calculated in accordance with Section 1.09, for the Loans involved.

(c) Nothing in this Section 1.05 shall be deemed to relieve any Bank from its obligation to fulfill its commitments hereunder or to prejudice any rights which the Borrower may have against any Bank as a result of any default by such Bank hereunder.

1.06 Notes; Register. (a) The Borrower's obligation to pay the principal of, and interest on, the Revolving Loans made by each Bank shall, except as provided in Sections 1.14 and 12.04, be evidenced by a promissory note duly executed and delivered by the Borrower substantially in the form of Exhibit B with blanks appropriately completed in

conformity herewith (each a "Note" and collectively the "Notes").

(b) The Note issued to each Bank shall (i) be payable to the order of such Bank and be dated the Effective Date, (ii) be in a stated principal amount equal to the Revolving Commitment of such Bank and be payable in the principal amount of the Revolving Loans evidenced thereby, (iii) mature on the Maturity Date, (iv) bear interest as provided in the appropriate clause of Section 1.09 in respect of the Base Rate Loans, CD Rate Loans and Eurodollar Loans, as the case may be, evidenced thereby and (v) be entitled to the benefits of this Agreement and the other Credit Documents.

(c) Each Bank will note on its internal records the amount of each Loan made by it and each payment in respect thereof and will prior to any transfer of its Notes endorse on the reverse side thereof the outstanding principal amount of Revolving Loans evidenced thereby. Failure to make any such notation or any error in any such notation shall not affect the Borrower's obligations in respect of such Revolving Loans.

(d) The Agent shall maintain at its Payment Office a register for the recordation of the names and addresses of the Banks, the Commitments of the Banks from time to time, and the principal amount of the Revolving Loans and Competitive Bid Loans owing to each Bank from time to time together with the maturity and interest rates applicable to each such Competitive Bid Loan, and other terms applicable thereto (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error. The Register shall be available for inspection by the Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice.

1.07 Conversions. The Borrower shall have the option to convert on any Business Day all or a portion equal to at least (x) in the case of a conversion into Base Rate Loans, \$1,000,000 (and, if greater, an integral multiple of \$500,000) and (y) in the case of a conversion into Fixed Rate Loans, \$3,000,000 (and, if greater, an integral multiple of \$500,000), of the outstanding principal amount of Revolving Loans of one Type into a Borrowing or Borrowings of another Type; provided that (i) except as otherwise provided in Section 1.11(b), Fixed Rate Loans may be converted into Loans of another Type only on the last day of an Interest Period applicable thereto and no partial conversion of Revolving Loans shall reduce the outstanding principal amount of Fixed

Rate Loans made pursuant to a single Borrowing to less than \$3,000,000 and (ii) Revolving Loans may only be converted into Fixed Rate Loans if no Default or Event of Default is in existence on the date of the conversion. Each such conversion shall be effected by the Borrower by giving the Agent at its Notice Office prior to 12:00 Noon (New York time) at least three Business Days' prior written notice (or telephonic notice promptly confirmed in writing) (each a "Notice of Conversion") specifying the Revolving Loans to be so converted, the Type of Revolving Loans to be converted into and, if to be converted into Fixed Rate Loans, the Interest Period to be initially applicable thereto. The Agent shall give each Bank notice as promptly as practicable of any such proposed conversion. Upon any such conversion the proceeds thereof will be deemed to be applied directly on the day of such conversion to prepay the outstanding principal amount of the Revolving Loans being converted.

1.08 Pro Rata Borrowings. All Borrowings of Revolving Loans under this Agreement shall be loaned by the Banks pro rata on the basis of their Revolving Percentages. It is understood that no Bank shall be responsible for any default by any other Bank in its obligation to make Loans hereunder and that each Bank shall be obligated to make the Loans provided to be made by it hereunder, regardless of the failure of any other Bank to fulfill its commitments hereunder.

1.09 Interest. (a) The unpaid principal amount of each Base Rate Loan shall bear interest from the date of the Borrowing thereof until maturity (whether by acceleration or otherwise) at a rate per annum which shall be the Applicable Base Rate Margin plus the Base Rate in effect from time to time.

(b) The unpaid principal amount of each Eurodollar Loan shall bear interest from the date of the Borrowing thereof until maturity (whether by acceleration or otherwise) at a rate per annum which shall at all times be the Applicable Eurodollar Margin plus the relevant Eurodollar Rate.

(c) The unpaid principal amount of each CD Rate Loan shall bear interest from the date of the Borrowing thereof until maturity (whether by acceleration or otherwise) at a rate per annum which shall at all times be the Applicable CD Rate Margin plus the relevant Fixed CD Rate.

(d) The unpaid principal amount of each Competitive Bid Loan shall bear interest from the date the proceeds

thereof are made available to the Borrower until maturity (whether by acceleration or otherwise) at the rate or rates per annum specified by the Bidder Bank or Bidder Banks, as the case may be, pursuant to Section 1.04(b) and accepted by the Borrower pursuant to Section 1.04(c).

(e) Overdue principal and, to the extent permitted by law, overdue interest in respect of each Loan shall bear interest at a rate per annum equal to the Base Rate in effect from time to time plus the sum of (i) 2% and (ii) the Applicable Base Rate Margin; provided that no Loan shall bear interest after maturity (whether by acceleration or otherwise) at a rate per annum less than 2% in excess of the rate of interest applicable thereto at maturity.

(f) Interest on each Loan shall accrue from and including the date of any Borrowing to but excluding the date of any repayment thereof and shall be payable (i) in respect of each Base Rate Loan, quarterly in arrears on the last Business Day of each January, April, July and October, (ii) in respect of any Competitive Bid Loan, at such times as specified in the Notice of Competitive Bid Borrowing relating thereto, (iii) in respect of each Fixed Rate Loan, on the last day of each Interest Period applicable thereto and, in the case of an Interest Period in excess of three months, on each date occurring at three-month intervals after the first day of such Interest Period and (iv) in respect of each Loan, on any prepayment (on the amount prepaid), at maturity (whether by acceleration or otherwise) and, after such maturity, on demand.

(g) All computations of interest hereunder shall be made in accordance with Section 12.07(b).

(h) The Agent, upon determining the interest rate for any Borrowing of Fixed Rate Loans for any Interest Period, shall promptly notify the Borrower and the Banks thereof. Each such determination shall, absent manifest error, be final and conclusive and binding on all parties hereto.

1.10 Interest Periods. At the time the Borrower gives a Notice of Competitive Bid Borrowing in respect of the making of a Competitive Bid Borrowing or at the time it gives a Notice of Borrowing or Notice of Conversion in respect of the making of, or conversion into, a Borrowing of Fixed Rate Loans (in the case of the initial Interest Period applicable thereto) or prior to 12:00 Noon (New York time) on the third Business Day prior to the expiration of an Interest Period

applicable to a Borrowing of Fixed Rate Loans, it shall have the right to elect by giving the Agent written notice (or telephonic notice promptly confirmed in writing) the Interest Period applicable to such Borrowing, which Interest Period shall, at the option of the Borrower, be (x) in the case of Fixed Rate Loans constituting CD Rate Loans, a 30, 60, 90 or 180 day period, (y) in the case of Fixed Rate Loans constituting Eurodollar Loans, a one, two, three or six month period and (z) in the case of a Competitive Bid Loan, subject to availability, a period of one to 360 days as elected by the Borrower in the related Notice of Competitive Bid Borrowing. Notwithstanding anything to the contrary contained above:

(i) the initial Interest Period for any Borrowing of Fixed Rate Loans shall commence on the date of such Borrowing (including the date of any conversion from a Borrowing of another Type of Loan) and each Interest Period occurring thereafter in respect of such Borrowing shall commence on the day on which the next preceding Interest Period expires;

(ii) if any Interest Period relating to a Borrowing of Eurodollar Loans begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of such calendar month;

(iii) if any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day, provided that if any Interest Period in respect of Eurodollar Loans would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day; and

(iv) no Interest Period shall extend beyond the Maturity Date.

Notwithstanding the foregoing, if a Default or Event of Default is in existence at the time any Interest Period in respect of any Fixed Rate Loans is to expire, such Fixed Rate Loans may not be continued as Fixed Rate Loans but instead shall be automatically converted on the last day of such Interest Period into Base Rate Loans. If upon the expiration of any Interest Period in respect of Fixed Rate Loans, the

Borrower has failed to elect a new Interest Period to be applicable thereto as provided above, the Borrower shall be deemed to have elected to convert such Borrowing into a Borrowing of Base Rate Loans effective as of the expiration date of such current Interest Period.

1.11 Increased Costs, Illegality, etc. (a) In the event that (x) in the case of clause (i) below, the Agent or (y) in the case of clauses (ii) and (iii) below, any Bank shall have determined (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto):

(i) on any date for determining the Fixed CD Rate or the Eurodollar Rate for any Interest Period that, by reason of any changes arising on or after the date of this Agreement affecting the secondary certificate of deposit market or the interbank Eurodollar market, as the case may be, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Fixed CD Rate or Eurodollar Rate; or

(ii) at any time, that such Bank shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to any Fixed Rate Loans or Competitive Bid Loans because of (x) any change since the date of this Agreement (or, in the case of any such cost or reduction with respect to any Competitive Bid Loan, since the date of the making of such Competitive Bid Loan) in any applicable law, governmental rule, regulation, guideline or order (or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, guideline or order) (such as, for example, but not limited to, a change in official reserve requirements, but, in all events, excluding reserves required under Regulation D to the extent included in the computation of the Fixed CD Rate or the Eurodollar Rate) and/or (y) other circumstances affecting the interbank Eurodollar market or the secondary certificate of deposit market, as the case may be; or

(iii) at any time, that the making or continuance of any Loan (other than Base Rate Loans) has become unlawful by compliance by such Bank in good faith with any law, governmental rule, regulation, guideline or order (or would conflict with any such governmental rule, regulation, guideline or order not having the

force of law even though the failure to comply therewith would not be unlawful), or, in the case of a Fixed Rate Loan, has become impracticable as a result of a contingency occurring after the date of this Agreement which materially and adversely affects the interbank Eurodollar market or the secondary certificate of deposit market, as the case may be;

then, and in any such event, such Bank (or the Agent, in the case of clause (i) above) shall on such date give notice (if by telephone confirmed in writing) to the Borrower and to the Agent of such determination (which notice the Agent shall promptly transmit to each of the other Banks). Thereafter (x) in the case of clause (i) above, Eurodollar Loans or CD Rate Loans, as the case may be, shall no longer be available until such time as the Agent notifies the Borrower and the Banks that the circumstances giving rise to such notice by the Agent no longer exist, and any Notice of Borrowing or Notice of Conversion given by the Borrower with respect to Eurodollar Loans or CD Rate Loans, as the case may be, which have not yet been incurred shall be deemed rescinded by the Borrower, (y) in the case of clause (ii) above, the Borrower shall pay to such Bank, upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Bank in its sole discretion shall determine) as shall be required to compensate such Bank for such increased costs or reductions in amounts receivable hereunder (a written notice as to the additional amounts owed to such Bank, showing in reasonable detail the basis for the calculation thereof, submitted to the Borrower by such Bank shall, absent manifest error, be final and conclusive and binding upon all parties hereto) and (z) in the case of clause (iii) above, the Borrower shall take one of the actions specified in Section 1.11(b) as promptly as possible and, in any event, within the time period required by law.

(b) At any time that any Fixed Rate Loan or Competitive Bid Loan is affected by the circumstances described in Section 1.11(a)(ii) (for Fixed Rate Loans only) or (iii), the Borrower may (and in the case of a Fixed Rate Loan or a Competitive Bid Loan affected pursuant to Section 1.11(a)(iii) shall) either (i) if the affected Fixed Rate Loan or Competitive Bid Loan is then being made pursuant to a Borrowing, cancel said Borrowing by giving the Agent telephonic notice (confirmed promptly in writing) thereof as promptly as practicable after the Borrower was notified by a Bank pursuant to Section 1.11(a)(ii) or (iii), (ii) if the affected Fixed Rate Loan is then outstanding, upon at least

three Business Days' notice to the Agent, require the affected Bank to convert each such Fixed Rate Loan into a Base Rate Loan or (iii) if the affected Competitive Bid Loan is then outstanding, prepay such Competitive Bid Loan in full; provided that if more than one Bank is affected in a similar manner at any time, then all such similarly affected Banks must be treated the same pursuant to this Section 1.11(b).

(c) If after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by a Bank or its parent with any request or directive made or adopted after the date hereof regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Bank's or its parents' capital or assets as a consequence of such Bank's commitments or obligations hereunder to a level below that which such Bank or its parent could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Bank's or its parent's policies with respect to capital adequacy), then from time to time, within 15 days after demand by such Bank (with a copy to the Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank or its parent for such reduction. Each Bank, upon determining in good faith that any additional amounts will be payable pursuant to this Section 1.11(c), will give prompt written notice thereof to the Borrower, which notice shall set forth in reasonable detail the basis of the calculation of such additional amounts, although the failure to give any such notice shall not release or diminish any of the Borrower's obligations to pay additional amounts pursuant to this Section 1.11(c) upon receipt of such notice.

1.12 Compensation. The Borrower shall compensate each Bank, upon its written request (which request shall set forth in reasonable detail the basis for requesting such compensation), for all reasonable losses, expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Bank to fund its Fixed Rate Loans or Competitive Bid Loans but excluding any loss of anticipated profit with respect to such Loans) which such Bank may sustain: (i) if for any reason

(other than a default by such Bank or the Agent) a Borrowing of Fixed Rate Loans or Competitive Bid Loans accepted by the Borrower in accordance with Section 1.04(c)(ii) does not occur on a date specified therefor in a Notice of Borrowing, Notice of Competitive Bid Borrowing or Notice of Conversion (whether or not withdrawn by the Borrower or deemed withdrawn pursuant to Section 1.11); (ii) if any repayment or conversion of any of its Fixed Rate Loans or any repayment of Competitive Bid Loans occurs on a date which is not the last day of an Interest Period applicable thereto; (iii) if any prepayment of any of its Fixed Rate Loans is not made on any date specified in a notice of prepayment given by the Borrower; or (iv) as a consequence of (x) any other default by the Borrower to repay its Fixed Rate Loans or Competitive Bid Loans when required by the terms of this Agreement or (y) an election made pursuant to Section 1.11(b). Calculation of all amounts payable to a Bank under this Section 1.12 in respect of Fixed Rate Loans shall be made as though that Bank had actually funded its relevant Fixed Rate Loan (x) in the case of a Eurodollar Loan, through the purchase of a Eurodollar deposit bearing interest at the Eurodollar Rate in an amount equal to the amount of that Loan, having a maturity comparable to the relevant Interest Period and through the transfer of such Eurodollar deposit from an offshore office of that Bank to a domestic office of that Bank in the United States of America, and (y) in the case of a CD Rate Loan, through the purchase of a certificate of deposit bearing interest at the Fixed CD Rate in an amount equal to the amount of that Loan and having a maturity comparable to the relevant Interest Period; provided, however, that each Bank may fund each of its Fixed Rate Loans in any manner it sees fit and the foregoing assumption shall be utilized only for the calculation of amounts payable under this Section 1.12.

1.13 Change of Lending Office. Each Bank agrees that, upon the occurrence of any event giving rise to the operation of Section 1.11(a)(ii) or (iii) or 4.04 with respect to such Bank, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Bank) to designate another lending office for any Loans affected by such event; provided that such designation is made on such terms that such Bank and its lending office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of any such Section. Nothing in this Section 1.13 shall affect or postpone any of the obligations of the Borrower or the right of any Bank provided in Section 1.11 or 4.04.

1.14 Replacement of Banks. If any Bank is owed increased costs under Section 1.11, Section 2.05 or Section 4.04 which in the judgment of the Borrower are material in amount and which are not otherwise requested generally by multinational commercial banks, the Borrower shall have the right, if no Event of Default then exists and such Bank has not withdrawn its request for such compensation or changed its Applicable Lending Office with the effect of eliminating or substantially decreasing (to a level which in the judgment of the Borrower is not material) such increased cost, to replace such Bank (the "Replaced Bank") with one or more other Eligible Transferee or Transferees (collectively, the "Replacement Bank") reasonably acceptable to the Agent, provided that (i) at the time of any replacement pursuant to this Section 1.14, the Replacement Bank shall enter into one or more assignment agreements pursuant to which the Replacement Bank shall acquire all of the Commitment and outstanding Loans of, and participations in Letters of Credit by, the Replaced Bank and, in connection therewith, shall pay to (x) the Replaced Bank in respect thereof an amount equal to the sum of (a) an amount equal to the principal of, and all accrued interest on, all outstanding Loans of the Replaced Bank, (b) an amount equal to such Replaced Bank's Letter of Credit Percentage of all Unpaid Drawings that have been funded by such Replaced Bank, together with all then unpaid interest with respect thereto at such time and (c) an amount equal to all accrued, but theretofore unpaid, Fees owing to the Replaced Bank pursuant to Section 3.01 hereof and (y) the appropriate Letter of Credit Issuer an amount equal to such Replaced Bank's Letter of Credit Percentage of any Unpaid Drawing not funded by such Replaced Bank, and (ii) all obligations of the Borrower owing to the Replaced Bank (other than those specifically described in clause (i) above in respect of which the assignment purchase price has been, or is concurrently being, paid) shall be paid in full to such Replaced Bank concurrently with such replacement. Upon the execution of the respective assignment documentation, the payment of amounts referred to in clauses (i) and (ii) above and, if so requested by the Replacement Bank, delivery to the Replacement Bank of the appropriate Note executed by the Borrower, the Replacement Bank shall become a Bank hereunder and the Replaced Bank shall cease to constitute a Bank hereunder, except with respect to indemnification provisions under this Agreement, which shall survive as to such Replaced Bank.

SECTION 2. Letters of Credit.

2.01 Letters of Credit. (a) Subject to and upon the terms and conditions herein set forth, the Borrower, at any time and from time to time on or after the Effective Date and prior to the Maturity Date, may request that a Letter of Credit Issuer issue one or more Letters of Credit for the account of the Borrower (or, subject to the terms and conditions set forth in the definitions of Standby Letter of Credit and Trade Letter of Credit, for the account of Subsidiaries of the Borrower). Subject to and upon the terms and conditions herein set forth (including, without limitation, the terms and conditions set forth in the definitions of Standby Letter of Credit and Trade Letter of Credit), (i) each Standby Letter of Credit Bank agrees to issue Standby Letters of Credit from time to time up to an aggregate outstanding Stated Amount equal to the Maximum Standby Issuance Amount of such Standby Letter of Credit Bank from time to time and (ii) each Trade Letter of Credit Bank agrees to issue Trade Letters of Credit from time to time up to an aggregate outstanding Stated Amount equal to the Maximum Trade Issuance Amount of such Trade Letter of Credit Bank from time to time.

(b) Notwithstanding the foregoing (i) no Letter of Credit shall be issued the Stated Amount of which, when added to the Letter of Credit Outstandings at such time, would exceed the Total Letter of Credit Commitment as in effect at such time; (ii) no Standby Letter of Credit shall be issued the Stated Amount of which, when added to the Standby Letter of Credit Outstandings at such time, would exceed \$5,000,000; and (iii) each Letter of Credit shall be denominated in Dollars or an Approved Alternate Currency, provided that no Letter of Credit denominated in an Approved Alternate Currency shall be issued by any Letter of Credit Issuer if the Stated Amount of such Letter of Credit, when added to the Letter of Credit Outstandings at such time in respect of Letters of Credit denominated in Approved Alternative Currencies, would exceed \$5,000,000.

(c) Schedule III hereto contains a description of all letters of credit issued pursuant to the Existing Credit Agreement and outstanding on the Effective Date. Each such letter of credit, including any extension or renewal thereof (each, as amended from time to time in accordance with the terms thereof and hereof, an "Existing Letter of Credit") shall constitute a "Letter of Credit", and a "Standby Letter of Credit" or a "Trade Letter of Credit", as the case may be,

for all purposes of this Agreement, issued, for purposes of Section 2.03(a), on the Effective Date.

2.02 Letter of Credit Applications. Whenever the Borrower desires that a Letter of Credit be issued for its account, it shall deliver to the respective Letter of Credit Issuer an application for such Letter of Credit in such form, and at such time prior to the issuance of such Letter of Credit, as may be agreed to by the respective Letter of Credit Issuer, which application may be delivered in such manner (including, without limitation, in writing or electronically) as the respective Letter of Credit Issuer shall agree. Each application shall be executed by the Borrower and shall be in such form as shall be acceptable to the respective Letter of Credit Issuer (each a "Letter of Credit Application").

2.03 Letter of Credit Participations. (a) Immediately upon the issuance by a Letter of Credit Issuer of any Letter of Credit, such Letter of Credit Issuer shall be deemed to have sold and transferred to each other Bank (each such other Bank, in its capacity under this Section 2.03, a "Participant"), and each such Participant shall be deemed irrevocably and unconditionally to have purchased and received from such Letter of Credit Issuer, without recourse or warranty, an undivided interest and participation (each a "participation"), to the extent of such Participant's Letter of Credit Percentage, in such Letter of Credit, each substitute letter of credit, each drawing made thereunder and the obligations of the Borrower under this Agreement with respect thereto, and any security therefor or guaranty pertaining thereto (although Letter of Credit Fees will be paid directly to the Agent for the ratable account of the Participants as provided in Section 3.01(c)). Upon any change in the Letter of Credit Commitments of the Banks pursuant to Section 12.04, it is hereby agreed that, with respect to all outstanding Letters of Credit and Unpaid Drawings, there shall be an automatic adjustment to the participations pursuant to this Section 2.03 to reflect the new Letter of Credit Percentages of the assignor and assignee Bank.

(b) In determining whether to pay under any Letter of Credit, the Letter of Credit Issuer issuing same shall have no obligation relative to the Participants other than to confirm that any documents required to be delivered under such Letter of Credit have been delivered and that they appear to comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by a Letter of Credit Issuer under or in connection with any

Letter of Credit issued by it, if taken or omitted in the absence of gross negligence or willful misconduct, shall not create for such Letter of Credit Issuer any resulting liability.

(c) In the event that any Letter of Credit Issuer makes any payment under any Letter of Credit issued by it and the Borrower shall not have reimbursed such amount in full to such Letter of Credit Issuer pursuant to Section 2.04(a) by the opening of business on (i) the first Business Day, in the case of Standby Letters of Credit, and (ii) the second Business Day, in the case of Trade Letters of Credit, to occur after demand by such Letter of Credit Issuer for reimbursement in respect of such Drawing, such Letter of Credit Issuer shall promptly notify the Agent and each Participant of such failure, and each Participant shall promptly and unconditionally pay to the Agent for the account of such Letter of Credit Issuer, the amount of such Participant's Letter of Credit Percentage of such unreimbursed payment in Dollars and in same day funds; provided, however, that no Participant shall be obligated to pay to the Agent for the account of such Letter of Credit Issuer its Letter of Credit Percentage of such unreimbursed amount for any wrongful payment made by such Letter of Credit Issuer under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence on the part of such Letter of Credit Issuer. If such Letter of Credit Issuer so notifies, prior to 11:00 A.M. (New York time) on any Business Day, any Participant required to fund a payment under a Letter of Credit, such Participant shall make available to the Agent for the account of such Letter of Credit Issuer such Participant's Letter of Credit Percentage of the amount of such payment on the first Business Day after such Bank receives such notification, in same day funds. If and to the extent such Participant shall not have so made its Letter of Credit Percentage of the amount of such payment available to the Agent for the account of such Letter of Credit Issuer, such Participant agrees to pay to the Agent for the account of such Letter of Credit Issuer, forthwith on demand such amount, together with interest thereon for each day from such date until the date such amount is paid to the Agent for the account of such Letter of Credit Issuer at the overnight Federal Funds Rate. The failure of any Participant to make available to the Agent for the account of the applicable Letter of Credit Issuer its Letter of Credit Percentage of any payment under any Letter of Credit shall not relieve any other Participant of its obligation hereunder to make available to the Agent for the account of such Letter of Credit Issuer its Letter of Credit Percentage of any

payment under any Letter of Credit on the date required, as specified above, but no Participant shall be responsible for the failure of any other Participant to make available to the Agent such other Participant's Letter of Credit Percentage of any such payment.

(d) Whenever any Letter of Credit Issuer receives a payment in respect of an unpaid reimbursement obligation as to which the Agent has received for the account of such Letter of Credit Issuer any payments from the Participants pursuant to the preceding clause (c), such Letter of Credit Issuer shall pay to the Agent and the Agent shall promptly pay to each Participant which has paid its Letter of Credit Percentage of such reimbursement obligation, in Dollars and in same day funds, an amount equal to such Participant's share (based upon the proportionate aggregate amount originally funded by such Participant to the aggregate amount funded by all Participants) of the principal amount of such reimbursement obligation and interest thereon accruing after the purchase of the respective participations.

(e) The obligations of the Participants to make payments to the Agent for the account of the Letter of Credit Issuers with respect to Letters of Credit shall be irrevocable and not subject to counterclaim, set-off or other defense or any other qualification or exception whatsoever (except as expressly provided in Section 2.03(c)) and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Credit Documents;

(ii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Agent, any Letter of Credit Issuer, any Bank, or other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between the Borrower and the beneficiary named in any such Letter of Credit);

(iii) any draft, certificate or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any

respect or any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Credit Documents;

(v) the occurrence of any Default or Event of Default; or

(vi) the failure of any condition precedent set forth in Section 5.02 hereof to have been satisfied at the time of the issuance of any Letter of Credit unless the applicable Letter of Credit Issuer shall have received a notice in writing to such effect from the Agent pursuant to the definition of "Standby Letter of Credit" or "Trade Letter of Credit," as the case may be, on or prior to the Business Day preceding the date of issuance of such Letter of Credit.

2.04 Agreement to Repay Letter of Credit Drawings.

(a) The Borrower hereby agrees to reimburse the respective Letter of Credit Issuer, by making payment to the Agent at its Payment Office for the account of such Letter of Credit Issuer, or directly to such Letter of Credit Issuer, in Dollars and immediately available funds, for any payment or disbursement made by such Letter of Credit Issuer under any Letter of Credit issued by it (each such amount so paid until reimbursed, an "Unpaid Drawing") immediately after, and in any event on the date of, notice given by such Letter of Credit Issuer to the Borrower of such payment (which notice each Letter of Credit Issuer hereby agrees to give promptly after the making of any payment or disbursement under a Letter of Credit), with interest on the amount so paid or disbursed by such Letter of Credit Issuer, to the extent not reimbursed prior to 3:00 P.M. (New York time) on the date of such payment or disbursement, from and including the date paid or disbursed to but excluding the date such Letter of Credit Issuer is reimbursed therefor, at a rate per annum which shall be the Applicable Base Rate Margin plus the Base Rate as in effect from time to time plus an additional 2% per annum if not reimbursed by the second Business Day following any such notice of payment or disbursement), such interest to be payable on demand, provided that to the extent that the respective Letter of Credit Issuer does not give the Borrower notice of the payment made by it under a Letter of Credit prior to 3:00 P.M. (New York time) on the date of such payment, the Borrower shall not be required to pay interest in respect of such Unpaid Drawing for such day.

Notwithstanding the foregoing, to the extent that a Letter of Credit Issuer of a Letter of Credit denominated in an Approved Alternate Currency has agreed in writing to such arrangement at the time of the issuance of such Letter of Credit, the Borrower shall reimburse any drawing thereunder in the currency in which such Letter of Credit is denominated; provided, that (x) if any drawing is made at a time when there exists an Event of Default or (y) if such reimbursement is not made by the close of business two Business Days after the Borrower has received notice of such drawing, then, in either such case, such reimbursement shall instead be made in Dollars and in immediately available funds.

(b) The Borrower's obligations under this Section 2.04 to reimburse each Letter of Credit Issuer with respect to Unpaid Drawings (including, in each case, interest thereon) issued by it shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower or any other Person may have or have had against any Bank (including in its capacity as a Letter of Credit Issuer or as a Participant), including, without limitation, any defense based upon the failure of any drawing under a Letter of Credit (each a "Drawing") to conform to the terms of the Letter of Credit or any non-application or misapplication by the beneficiary of the proceeds of such Drawing; provided that the Borrower shall not be obligated to reimburse the respective Letter of Credit Issuer for any wrongful payment made by such Letter of Credit Issuer under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence on the part of such Letter of Credit Issuer.

2.05 Increased Costs. If after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or actual compliance by any Letter of Credit Issuer or any Participant with any request or directive made or adopted after the date hereof (whether or not having the force of law), by any such authority, central bank or comparable agency shall either (i) impose, modify or make applicable any reserve, deposit, capital adequacy or similar requirement against letters of credit issued by such Letter of Credit Issuer, or such Participant's participation therein, (ii) have the effect of increasing the amount of capital required or expected to be maintained by such Letter of Credit Issuer or Participant based on the existence of such

Participant's Letter of Credit Commitment or against letters of credit issued by such Letter of Credit Issuer or participated in by any Participant or (iii) impose on any Letter of Credit Issuer or any Participant any other conditions affecting its obligations under this Agreement in respect of Letters of Credit or participations therein or any Letter of Credit or such Participant's participation therein; and the result of any of the foregoing is to increase the cost to such Letter of Credit Issuer or such Participant of issuing, maintaining or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by such Letter of Credit Issuer or such Participant hereunder in respect of Letters of Credit or participations therein, then, upon notice in writing to the Borrower by such Letter of Credit Issuer or such Participant, as the case may be (a copy of which notice shall be sent by such Letter of Credit Issuer or such Participant to the Agent), the Borrower shall pay to such Letter of Credit Issuer or such Participant such additional amount or amounts as will compensate such Letter of Credit Issuer or such Participant for such increased cost or reduction. A certificate submitted to the Borrower by such Letter of Credit Issuer or such Participant, as the case may be (a copy of which certificate shall be sent by such Letter of Credit Issuer or such Participant to the Agent), setting forth in reasonable detail the basis for the determination of such additional amount or amounts necessary to compensate such Letter of Credit Issuer or such Participant as aforesaid shall be conclusive and binding on the Borrower absent manifest error although the failure to deliver any such certificate shall not release or diminish any of the Borrower's obligations to pay additional amounts pursuant to this Section 2.05 upon receipt of such certificate.

2.06 Extension of Letter of Credit Expiry Date.

No Letter of Credit Issuer shall extend the expiration date of any Letter of Credit unless requested by the Borrower and consented to by the Required Banks, provided that (x) Trade Letters of Credit may be extended without the prior written consent of any Bank so long as the expiration date as so extended is not more than 270 days after the date such Letter of Credit is first issued, (y) in the event a Standby Letter of Credit provides that it shall be subject to automatic annual renewal unless the relevant Letter of Credit Issuer gives notice to the beneficiary thereof prior to a specified annual expiration date that it will not extend such Letter of Credit, such Letter of Credit Issuer shall give notice that it will not extend such Letter of Credit in a timely manner if it shall have received written instructions from the Required Banks to give such notice no later than 30 days

prior to the date on which the Letter of Credit Issuer is required to give notice that it will not extend such Letter of Credit and (z) no Letter of Credit may be extended beyond the Maturity Date unless each Bank and the Borrower agree.

2.07 Letter of Credit Issuer Reporting Requirements. (a) Each Standby Letter of Credit Bank hereby agrees to provide to the Agent such information required to be provided or confirmed by Standby Letter of Credit Banks pursuant to Section 7.01(f) and such other information regarding Standby Letters of Credit issued by such Standby Letter of Credit Bank as the Agent may reasonably request from time to time.

(b) Each Trade Letter of Credit Bank hereby agrees to provide to the Borrower and the Agent (i) such information required to be provided or confirmed by Trade Letter of Credit Banks pursuant to Section 7.01(f) and such other information regarding Trade Letters of Credit as the Agent may reasonably request from time to time and (ii) no later than the end of business on the first Business Day of each week, a written notice of the Trade Letter of Credit Outstandings attributable to Trade Letters of Credit issued by such Trade Letter of Credit Bank as of each day during the previous week, which written notice shall also state (A) the Trade Letter of Credit Outstandings in respect of Trade Letters of Credit denominated in Dollars as of each such day and the Trade Letter of Credit Outstandings in respect of Trade Letters of Credit denominated in Approved Alternate Currencies as of each such day (and, in the case of Approved Alternate Currency denominated Trade Letters of Credit, indicating (w) the Stated Amount of each such Trade Letter of Credit, (x) the specific Approved Alternate Currency in which such Trade Letter of Credit is denominated, (y) the daily average spot rate of exchange of such Trade Letter of Credit Bank for each such Approved Alternate Currency for such week and (z) the Dollar equivalent Stated Amount of each such Trade Letter of Credit for each such day during such week) and (B) that no such Trade Letter of Credit has an expiry date later than 270 days following the date of issuance thereof.

### SECTION 3. Fees; Commitments.

3.01 Fees. (a) The Borrower agrees to pay the Agent a Commitment commission ("Commitment Commission") for the account of each Bank for the period from and including the Effective Date to and including the Maturity Date or, if earlier, the date upon which the Total Revolving Commitment

has been terminated, computed at a rate for each day equal to the Applicable Commitment Commission Percentage for such day on the daily average Unutilized Revolving Commitment of such Bank. Such Commitment Commission shall be due and payable in arrears on the last Business Day of each January, April, July and October and on the date upon which the Total Revolving Commitment is terminated.

(b) The Borrower agrees to pay to the Agent a Letter of Credit Facility Fee (the "Letter of Credit Facility Fee") for the account of each Bank for the period from and including the Effective Date to and including the Maturity Date (or such earlier date as the Total Letter of Credit Commitment shall have been terminated) computed at a rate equal to 1/16 of 1% per annum on such Bank's Letter of Credit Commitment. The Letter of Credit Facility Fee shall be due and payable in arrears on the last Business Day of each January, April, July and October and on the date upon which the Total Letter of Credit Commitment is terminated.

(c) The Borrower agrees to pay to the Agent for the account of the Banks pro rata on the basis of their respective Letter of Credit Percentages, (i) a fee in respect of each Standby Letter of Credit (the "Standby Letter of Credit Fee") for the period from and including the later of the Effective Date or the date of issuance thereof to and including the termination date thereof computed at a per annum rate for each day equal to the Applicable Eurodollar Margin in effect from time to time on the Stated Amount of such Standby Letter of Credit and (ii) a fee in respect of each Trade Letter of Credit (the "Trade Letter of Credit Fee," and together with the Standby Letter of Credit Fee, the "Letter of Credit Fees") for the period from and including the later of the Effective Date or the date of issuance thereof to and including the termination date thereof computed at a per annum rate for each day equal to 3/16 of 1% on the Stated Amount of such Trade Letter of Credit. Such Letter of Credit Fees shall be due and payable quarterly in arrears on the 10th Business Day of each February, May, August and November of each year for the three-month period (or portion thereof) ending on and including the 25th day of the immediately preceding month (i.e., January, April, July and October) and on the date upon which the Total Letter of Credit Commitment is terminated.

(d) The Borrower hereby agrees to pay directly to each Letter of Credit Issuer upon each issuance of, drawing under, and/or amendment of, a Letter of Credit issued by such Letter of Credit Issuer such amounts (if any) in respect of

such events as the Borrower and such Letter of Credit Issuer shall agree from time to time.

(e) The Borrower shall pay to the Agent, for its own account, when and as due, such fees as may be agreed to from time to time.

(f) All computations of Fees shall be made in accordance with Section 12.07(b).

3.02 Voluntary Reduction of Commitments. (a) Upon at least three Business Days' prior written notice (or telephonic notice confirmed in writing) to the Agent at its Notice Office (which notice the Agent shall promptly transmit to each of the Banks), the Borrower shall have the right, without premium or penalty, to terminate the Total Unutilized Revolving Commitment, in part or in whole; provided that (x) any such termination shall apply to proportionately and permanently reduce the Revolving Commitment of each of the Banks and (y) any partial reduction pursuant to this Section 3.02(a) shall be in integral multiples of \$5,000,000.

(b) Upon at least three Business Days' prior written notice (or telephonic notice confirmed in writing) to the Agent at its Notice Office (which notice the Agent shall promptly transmit to each of the Banks), the Borrower shall have the right, without premium or penalty, to terminate the Total Unutilized Letter of Credit Commitment, in part or in whole; provided that (x) any such termination shall apply to proportionately and permanently reduce the Letter of Credit Commitment of each of the Banks and (y) any partial reduction pursuant to this Section 3.02(b) shall be in integral multiples of \$5,000,000.

3.03 Mandatory Reduction of Commitments. (a) The Total Revolving Commitment shall terminate on the Maturity Date.

(b) The Total Letter of Credit Commitment shall terminate on the Maturity Date.

#### SECTION 4. Payments.

4.01 Voluntary Prepayments. The Borrower shall have the right to prepay Revolving Loans in whole or in part from time to time on the following terms and conditions: (i) the Borrower shall give the Agent at its Notice Office written notice (or telephonic notice promptly confirmed in writing) of its intent to make such prepayment, the amount of

such prepayment and (in the case of Fixed Rate Loans) the specific Borrowing(s) pursuant to which made, which notice shall be given by the Borrower no later than (x) in the case of Base Rate Loans, 12:00 Noon (New York time) one Business Day prior to the date of such prepayment, or (y) in the case of Fixed Rate Loans, 12:00 Noon (New York time) three Business Days prior to the date of such prepayment and shall promptly be transmitted by the Agent to each of the Banks; (ii) each partial prepayment of any Borrowing shall be in an aggregate principal amount of at least \$1,000,000 (and, if greater, shall be in an integral multiple of \$500,000), provided that no partial prepayment of Fixed Rate Loans made pursuant to a single Borrowing shall reduce the outstanding Revolving Loans made pursuant to such Borrowing to an amount less than \$3,000,000; (iii) prepayments of Fixed Rate Loans made pursuant to this Section 4.01 may only be made on the last day of an Interest Period applicable thereto; and (iv) each prepayment in respect of any Revolving Loans made pursuant to a Borrowing shall be applied pro rata among such Revolving Loans. The Borrower shall not have the right to voluntarily prepay any Competitive Bid Loans without the prior written consent of the Bank or Banks which made such Competitive Bid Loans, provided that if the Notice of Competitive Bid Borrowing delivered by the Borrower in respect of such Competitive Bid Loans expressly stated that such Competitive Bid Loans shall be prepayable, the Borrower may prepay such Competitive Bid Loans subject to the payment of breakage costs (if any) payable as a result of such prepayment pursuant to Section 1.12.

4.02 Mandatory Prepayments. (a) If on any date the sum of the outstanding principal amount of Revolving Loans and Competitive Bid Loans (all the foregoing, collectively, the "Aggregate Loan Outstandings") exceeds the Available Total Revolving Commitment as then in effect, the Borrower shall repay on such date the principal of Revolving Loans, in an amount equal to such excess. If, after giving effect to the prepayment of all outstanding Revolving Loans as set forth above, the remaining Aggregate Loan Outstandings exceed the Available Total Revolving Commitment, the Borrower shall repay on such date the principal of Competitive Bid loans in an aggregate amount equal to such excess, provided that no Competitive Bid Loan shall be prepaid pursuant to this sentence unless the Bank that made same consents to such prepayment.

(b) With respect to each prepayment of Loans required by this Section 4.02, the Borrower may designate the Types of Loans which are to be prepaid and the specific

Borrowing(s) pursuant to which made; provided that: (i) if any prepayment of Fixed Rate Loans made pursuant to a single Borrowing shall reduce the outstanding Revolving Loans made pursuant to such Borrowing to an amount less than \$3,000,000, such Borrowing shall immediately be converted into Base Rate Loans; and (ii) each prepayment of any Loans made pursuant to a Borrowing shall be applied pro rata among such Loans. In the absence of a designation by the Borrower as described in the preceding sentence, the Agent shall, subject to the above, make such designation in its sole discretion with a view, but no obligation, to minimize breakage costs owing under Section 1.12.

(c) If on any day and for so long as (x) the aggregate amount of Letter of Credit Outstandings exceeds the Total Letter of Credit Commitment and/or (y) the aggregate amount of Letter of Credit Outstandings in respect of Letters of Credit denominated in Approved Alternate Currencies exceeds \$5,000,000, then the Borrower shall pay to the Agent an amount in cash and/or Cash Equivalents equal to such excess (or, if the excess under clause (x) is different from the excess under clause (y), an amount equal to the greater of such excesses) and the Agent shall hold such payment as security for the Obligations of the Borrower hereunder pursuant to a cash collateral agreement to be entered into in form and substance reasonably satisfactory to the Agent (which shall permit certain investments in Cash Equivalents, until the proceeds are either returned to the Borrower pursuant to the immediately succeeding sentence or applied to the Obligations). If on any Business Day the amount of cash and Cash Equivalents held by the Agent pursuant to the preceding sentence is greater than the amount required to be held by the Agent as determined pursuant to such sentence, the Agent shall on such day return to the Borrower an amount of cash and/or Cash Equivalents equal to such excess collateral.

4.03 Method and Place of Payment. Except as otherwise specifically provided herein, all payments under this Agreement shall be made to the Agent for the ratable account of the Banks entitled thereto, not later than 12:00 Noon (New York time) on the date when due and shall be made in immediately available funds and in Dollars at the Payment Office. Any payments under this Agreement which are made later than 12:00 Noon (New York time) shall be deemed to have been made on the next succeeding Business Day. Whenever any payment to be made hereunder shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with

respect to payments of principal, interest shall be payable during such extension at the applicable rate in effect immediately prior to such extension.

4.04 Net Payments. All payments made by the Borrower hereunder or under any Note will be made without set-off, counterclaim or other defense. All such payments will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein (but excluding, except as provided below, any tax imposed on or measured by the net income of a Bank pursuant to the laws of the jurisdiction in which the principal office or Applicable Lending Office of such Bank is located or under the laws of any political subdivision or taxing authority of any such jurisdiction in which the principal office or Applicable Lending Office of such Bank is located) and all interest, penalties or similar liabilities with respect thereto (collectively, "Taxes"). The Borrower shall also reimburse each Bank, upon the written request of such Bank, for taxes imposed on or measured by the net income of such Bank pursuant to the laws of the jurisdiction in which the principal office or Applicable Lending Office of such Bank is located or under the laws of any political subdivision or taxing authority of any such jurisdiction in which the principal office or Applicable Lending Office of such Bank is located as such Bank shall determine are payable by such Bank in respect of amounts paid to or on behalf of such Bank pursuant to the preceding sentence. If any Taxes are so levied or imposed, the Borrower agrees to pay the full amount of such Taxes, and such additional amounts as may be necessary so that every payment of all amounts due hereunder or under any Note, after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein or in such Note. The Borrower will furnish to the Agent within 45 days after the date the payment of any Taxes is due pursuant to applicable law certified copies of tax receipts evidencing such payment by the Borrower. The Borrower will indemnify and hold harmless each Bank, and reimburse such Bank upon its written request, for the amount of any Taxes so levied or imposed and paid by such Bank.

4.05 Contingent Prepayments. Upon the occurrence of a Change of Control Event, the Borrower shall give prompt written notice thereof to the Banks, which notice shall contain (a) a description of the Change of Control Event, (b) a written, irrevocable offer by the Borrower, on a date (the

"Prepayment Date") specified in such notice (which date shall be not less than 45 days and not more than 180 days after the date of such notice), to prepay the Loans in full (and not in part), to provide cash collateral for the Letters of Credit and to terminate the Total Revolving Commitment and the Total Letter of Credit Commitment and (c) the latest date by which the Banks may require the Borrower to make such prepayment, deposit and termination, which date shall be no earlier than 10 days after the date on which the offer referred to in clause (b) above is received by the Banks. After the occurrence of a Change of Control Event, the Borrower may not select an Interest Period which extends beyond the Prepayment Date unless the Borrower has received written notice from the Required Banks that no prepayment, deposit or termination will be required pursuant to this Section 4.05 by reason of such Change of Control Event. Upon the occurrence of a Change in Control Event, the Agent, if so directed by the Required Banks, shall by written notice (the "Demand") to the Borrower (x) demand prepayment in full of all principal and accrued and unpaid interest on the Loans, (y) direct the Borrower to pay to the Agent an amount equal to the then Stated Amount of all outstanding Letters of Credit for deposit in a cash collateral account maintained by the Agent for the pro rata benefit of the Banks which amount shall be applied by the Agent to satisfy the Borrower's obligations under Section 2.04 in respect of such outstanding Letters of Credit and (z) require that the Total Revolving Commitment and the Total Letter of Credit Commitment be terminated. In the event the Agent gives a Demand, on the Prepayment Date the Borrower shall prepay the Loans in full and make such deposit and the Total Revolving Commitment and the Total Letter of Credit Commitment shall automatically terminate. As used in this Section, a "Change of Control Event" shall mean (a) the direct or indirect acquisition by any person or related persons which would constitute a "group" within the meaning of Rule 13d-5 under the Securities Exchange Act of 1934, as amended, (a "Group") of beneficial ownership of issued and outstanding Voting Securities of the Borrower possessing in excess of 50% of the combined voting power of all issued and outstanding Voting Securities of the Borrower entitled to vote generally in the election of the Borrower's Board of Directors or (b) the direct or indirect transfer or sale to any person or Group of all or substantially all of the Borrower's assets; and "Voting Securities" shall mean the shares of capital stock and any other securities of the Borrower entitled to vote generally for the election of directors or any other securities (including, without limitation, rights and options), convertible into, exchangeable

into or exercisable for, any of the foregoing (whether or not presently exercisable, convertible or exchangeable).

SECTION 5. Conditions Precedent.

5.01 Conditions to Effectiveness. This Agreement shall become effective, and the Letter of Credit Issuers shall sell and the Participants shall purchase participating interests in Existing Letters of Credit as provided in Sections 2.01(c) and 2.03(a), on the date (the "Effective Date") on which each of the following conditions is satisfied:

(a) Execution of Agreement; Notes. On the Effective Date (i) the Borrower, the Agent and each Bank shall have executed this Agreement and delivered an executed counterpart hereof to the Agent and (ii) there shall have been delivered to the Agent for the account of each of the Banks the appropriate Notes executed by the Borrower in the amount, maturity and as otherwise provided herein.

(b) No Default; Representations and Warranties. On the Effective Date and also after giving effect thereto (i) there shall exist no Default or Event of Default and (ii) all representations and warranties contained herein or in the other Credit Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of such date.

(c) Opinion of Counsel. On the Effective Date, the Agent shall have received from Rosenman & Colin, counsel to the Borrower, an opinion addressed to each of the Banks, dated the Effective Date and covering the matters set forth in Exhibit C and such other matters incident to the transactions contemplated herein as any Bank may reasonably request.

(d) Corporate Documents; Proceedings. (i) On the Effective Date, the Agent shall have received a certificate, dated the Effective Date, signed by the President or any Vice President of the Borrower and attested to by the Secretary or any Assistant Secretary of the Borrower in the form of Exhibit D with appropriate insertions, together with copies of the Certificate of Incorporation and By-Laws of the Borrower and the resolutions of the Borrower referred to in such certificate.

(ii) All corporate and legal proceedings and all instruments and agreements in connection with the transactions contemplated in this Agreement and the other Credit Documents shall be satisfactory in form and substance to the Banks, and the Agent shall have received all information and copies of all documents and papers, including records of corporate proceedings and governmental approvals, if any, which any Bank reasonably may have requested in connection therewith, such documents and papers where appropriate to be certified by proper corporate or governmental authorities.

(e) Fees. The Borrower shall have paid all Fees (if any) which are required to be paid by it on or before the Effective Date.

(f) Payment of Senior Notes. On or prior to the Effective Date, the Borrower shall have paid in full all principal, interest and premium (if any) in respect of the 1987 Notes, the 1988 Notes and the 1990 Notes.

(g) Termination of Existing Credit Agreement. On the Effective Date, the total commitments under the Existing Credit Agreement shall have terminated and the principal of all outstanding loans thereunder shall have been paid in full, together with interest thereon and all other amounts owing pursuant to the Existing Credit Agreement (except to the extent that letters of credit issued thereunder will remain outstanding hereunder as Existing Letters of Credit); and the Existing Credit Agreement shall have terminated and be of no further force and effect (except as to indemnities contained therein which survive the termination of the Existing Credit Agreement in accordance with the terms thereof).

5.02 Conditions Precedent to Each Credit Event. The obligation of each Bank to make Loans or to issue or participate in Letters of Credit, as the case may be, on and after the Effective Date is subject, at the time of each Credit Event (except as hereinafter indicated), to the satisfaction of the following conditions:

(a) Effective Date. The Effective Date shall have occurred.

(b) No Default; Representations and Warranties. At the time of each Credit Event and also after giving effect thereto (i) there shall exist no Default or Event of Default and (ii) all representations and warranties

contained herein or in the other Credit Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of such Credit Event.

(c) Notice of Borrowing. Prior to each Credit Event, other than the issuance of a Letter of Credit, the Agent shall have received a Notice of Borrowing or a Notice of Competitive Bid Borrowing with respect thereto meeting the requirements of Section 1.03 or Section 1.04, as the case may be.

The acceptance of the benefits of each Credit Event shall constitute a representation and warranty by the Borrower to each of the Banks that all the conditions specified in Section 5.02(b) exist as of that time. All of the Notes, certificates, legal opinions and other documents and papers referred to in this Section 5, unless otherwise specified, shall be delivered to the Agent at the Agent's Notice Office for the account of each of the Banks and, except for the Notes, in sufficient counterparts for each of the Banks and shall be satisfactory in form and substance to the Banks.

SECTION 6. Representations, Warranties and Agreements. In order to induce the Banks to enter into this Agreement and to make the Loans and issue or participate in the Letters of Credit, the Borrower makes the following representations, warranties and agreements as of the Effective Date and the date of each Credit Event, which shall survive the execution and delivery of this Agreement and the Notes and the making of the Loans and the issuance and participation in the Letters of Credit.

6.01 Corporate Status. Each of the Borrower and each of its Subsidiaries (i) is a duly organized and validly existing corporation in good standing under the laws of the jurisdiction of its incorporation, (ii) has the corporate power and authority to own its property and assets and to transact the business in which it is engaged or presently proposes to engage and (iii) is duly qualified or licensed as a foreign corporation and in good standing in each jurisdiction where it transacts any material amount of its business and in which the failure to so qualify or become licensed would have a material adverse effect on the business, operations, property, assets, condition (financial or otherwise) or prospects of the Borrower or the Borrower and its Subsidiaries taken as a whole.

6.02 Corporate Power and Authority. The Borrower has the corporate power to execute, deliver and carry out the terms and provisions of each of the Credit Documents and has taken all necessary corporate action to authorize the execution, delivery and performance by it of each of such Credit Documents. As of the Effective Date, the Borrower will have duly executed and delivered each of the Credit Documents (except for the Letter of Credit Documents to be executed by the Borrower after the Effective Date), and each of such Credit Documents constitutes, and the Letter of Credit Documents when executed and delivered will constitute, its legal, valid and binding obligation enforceable in accordance with its terms.

6.03 No Violation. Neither the execution, delivery or performance by the Borrower of the Credit Documents, nor compliance by it with the terms and provisions thereof, (i) will contravene any provision of any law, statute, rule or regulation or any order, writ, injunction or decree of any court or governmental instrumentality, (ii) will result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of the Borrower or any of its Subsidiaries pursuant to the terms of any indenture, mortgage, deed of trust, credit agreement, loan agreement or any other agreement, contract or instrument to which the Borrower or any of its Subsidiaries is a party or by which it or any of its property or assets is bound or to which it may be subject or (iii) will violate any provision of the Certificate of Incorporation or By-Laws of the Borrower or any of its Subsidiaries.

6.04 Governmental Approvals. No order, consent, approval, license, authorization or validation of, or filing, recording or registration with (except as have been obtained or made), or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with, (i) the execution, delivery and performance of any Credit Document or (ii) the legality, validity, binding effect or enforceability of any Credit Document.

6.05 Financial Statements; Financial Condition.  
(a) The consolidated statements of financial condition of the Borrower and its Consolidated Subsidiaries at January 31, 1993 and August 1, 1993, and the related consolidated statements of income and retained earnings and cash flows of the Borrower and its Consolidated Subsidiaries for the fiscal

year or six-month period, as the case may be, ended on such date and heretofore furnished to the Banks present fairly the consolidated financial condition of the Borrower and its Consolidated Subsidiaries at the date of such statements of financial condition and the consolidated results of the operations of the Borrower and its Consolidated Subsidiaries for such fiscal year or six-month period, as the case may be, in accordance with generally accepted accounting principles consistently applied except for, with respect to the financial statements for the six-month period ended on August 1, 1993, normal year-end audit adjustments.

(b) Since January 31, 1993, there has been no material adverse change in the business, operations, property, assets, condition (financial or otherwise) or prospects of the Borrower or of the Borrower and its Subsidiaries taken as a whole. As used in this Agreement, "prospects" shall mean prospects only to the extent reasonably foreseeable.

6.06 Litigation. There are no actions, suits or proceedings pending or, to the best of the knowledge of the Borrower, threatened (i) with respect to any Credit Document or (ii) that would materially and adversely affect the business, operations, property, assets, condition (financial or otherwise) or prospects of the Borrower or of the Borrower and its Subsidiaries taken as a whole.

6.07 True and Complete Disclosure. All factual information (taken as a whole) heretofore or contemporaneously furnished by or on behalf of the Borrower in writing to any Bank (including without limitation all information contained in the Credit Documents) for purposes of or in connection with this Agreement or any transaction contemplated herein is, and all other such factual information (taken as a whole) hereafter furnished by or on behalf of the Borrower in writing to any Bank will be, true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading at such time in light of the circumstances under which such information was provided.

6.08 Use of Proceeds; Margin Regulations. All proceeds of the Loans may be used for working capital and other general corporate purposes (other than to purchase or carry Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock). Neither the making of any Loan nor the use of the proceeds thereof will violate or be inconsistent with the provisions of

Regulations G, T, U or X of the Board of Governors of the Federal Reserve System.

6.09 Tax Returns and Payments. Each of the Borrower and each of its Subsidiaries has filed all tax returns required to be filed by it and has paid all income taxes payable by it which have become due pursuant to such tax returns and all other taxes and assessments payable by it which have become due, other than those not yet delinquent and except for those contested in good faith. Each of the Borrower and each of its Subsidiaries has paid, or has provided adequate reserves (in the good faith judgment of the management of the Borrower) for the payment of, all federal and state income taxes applicable for all prior fiscal years and for the current fiscal year to the date hereof.

6.10 Compliance with ERISA. All Plans are (or, before the expiration of any applicable remedial amendment period, will be amended to be) in substantial compliance with ERISA and the Code; no Plan is insolvent or in reorganization; no Plan has an accumulated or waived funding deficiency or has applied for an extension of any amortization period within the meaning of Section 412 of the Code; neither the Borrower or any of its Subsidiaries nor any ERISA Affiliate has incurred any liability which would be material to the Borrower and its Subsidiaries, taken as a whole, to or on account of a Plan which is a single-employer plan as defined in Section 4001(a)(15) of ERISA pursuant to Section 409, 502(i), 502(l), 4062, 4063, 4064 or 4069 of ERISA or Section 4975 of the Code or a multiemployer plan pursuant to Sections 515, 4201 or 4204 of ERISA; no proceedings have been instituted to terminate any Plan pursuant to Section 4042 of ERISA; and no condition exists which presents a material risk to the Borrower or any of its Subsidiaries of incurring a liability which would be material to the Borrower and its Subsidiaries, taken as a whole, to or on account of a Plan pursuant to any of the foregoing Sections of ERISA or the Code. Any representation in the immediately preceding sentence with respect to any Plan which is a multiemployer plan (other than a representation with respect to liability incurred under Section 515, 4201 or 4204 of ERISA) shall be to the best knowledge of the Borrower. As of the most recent valuation thereof prior to the Effective Date, and except as set forth in Schedule VIII, the present value of accrued benefits under each Plan which is a single-employer plan does not exceed the current value of the assets of each such Plan based upon the actuarial data and assumptions used by the consulting actuaries of the Plans in preparing each such Plan's most recent actuarial valuation report, and there is

no withdrawal liability (and would be no withdrawal liability, assuming a complete withdrawal from all such Plans) to any Plan which is a multiemployer plan, which would result in a material liability to the Borrower and its Subsidiaries, taken as a whole. Neither the Borrower nor any of its Subsidiaries maintains any welfare plans as defined in Section 3(1) of ERISA which provide retiree life or health benefits (other than as required by Section 601 of ERISA) which would have a material adverse effect on the ability of the Borrower to perform its obligations under this Agreement.

6.11 Subsidiaries. On the Effective Date, the corporations listed on Schedule IV are the only Subsidiaries of the Borrower. Schedule IV correctly sets forth, as of the Effective Date, the percentage ownership (direct and indirect) of the Borrower in each class of capital stock of each of its Subsidiaries and also identifies the direct owner thereof.

6.12 Compliance with Statutes, etc. The Borrower and its Subsidiaries are in compliance with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of their businesses and the ownership of their properties (including applicable statutes, regulations, orders and restrictions relating to environmental standards and controls) except such noncompliances as would not, in the aggregate, have a material adverse effect on the business, operations, property, assets, condition (financial or otherwise) or prospects of the Borrower or of the Borrower and its Subsidiaries taken as a whole.

6.13 Investment Company Act. Neither the Borrower nor any of its Subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

6.14 Public Utility Holding Company Act. Neither the Borrower nor any of its Subsidiaries is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

6.15 Labor Relations. Neither the Borrower nor any of its Subsidiaries is engaged in any unfair labor practice that would have a material adverse effect on the Borrower or on the Borrower and its Subsidiaries taken as a whole. There is (i) no significant unfair labor practice complaint pending

against the Borrower or any of its Subsidiaries or, to the best knowledge of the Borrower, threatened against any of them, before the National Labor Relations Board, and no significant grievance or significant arbitration proceeding arising out of or under collective bargaining agreements is so pending against the Borrower or any of its Subsidiaries or, to the best knowledge of the Borrower, threatened against any of them, (ii) no significant strike, labor dispute, slowdown or stoppage pending against the Borrower or any of its Subsidiaries or, to the best knowledge of the Borrower, threatened against the Borrower or any of its Subsidiaries and (iii) to the best knowledge of the Borrower, no union representation question existing with respect to the employees of the Borrower or any of its Subsidiaries and, to the best knowledge of the Borrower, no union organizing activities are taking place, except (with respect to any matter specified in clause (i), (ii) or (iii) above, either individually or in the aggregate) such as would not have a material adverse effect on the business, operations, property, assets, condition (financial or otherwise) or prospects of the Borrower or of the Borrower and its Subsidiaries taken as a whole.

6.16 Patents, Licenses, Franchises and Formulas.

The Borrower and its Subsidiaries own or have rights to use under a license agreement all the patents, trademarks, permits, service marks, trade names, copyrights, licenses, franchises and formulas, or rights with respect to the foregoing, and have obtained assignments of all leases and other rights of whatever nature, necessary for the present conduct of their businesses, without any known conflict with the rights of others which, or the failure to obtain which, as the case may be, would result in a material adverse effect on the business, operations, property, assets, condition (financial or otherwise) or prospects of the Borrower or of the Borrower and its Subsidiaries taken as a whole.

SECTION 7. Affirmative Covenants. The Borrower covenants and agrees that on and after the Effective Date and until the Total Commitment and all outstanding Letters of Credit have been terminated and the Loans and the Notes, together with interest, Fees, Unpaid Drawings and all other obligations incurred hereunder and thereunder, are paid in full:

7.01 Information Covenants. The Borrower will furnish to each Bank:

(a) Quarterly Financial Statements. As soon as practicable and in any event within 60 days after the close of each quarterly accounting period (other than the fourth quarterly period) in each fiscal year of the Borrower, the consolidated balance sheets of the Borrower and its Consolidated Subsidiaries as at the end of such quarterly period and the related consolidated statements of income and retained earnings and cash flows for such quarterly period and for the elapsed portion of the fiscal year ended with the last day of such quarterly period, in each case setting forth comparative figures for the related periods in the prior fiscal year, all of which shall be certified by the Chairman, the Chief Financial Officer, the Chief Accounting Officer or the Treasurer of the Borrower, subject to normal year-end audit adjustments.

(b) Annual Financial Statements. As soon as practicable and in any event within 90 days after the close of each fiscal year of the Borrower, the consolidated balance sheets of the Borrower and its Consolidated Subsidiaries as at the end of such fiscal year and the related consolidated statements of income and retained earnings and cash flows for such fiscal year, in each case setting forth comparative figures for the preceding fiscal year and certified by independent certified public accountants of recognized national standing reasonably acceptable to the Required Banks, together with a report of such accounting firm stating that in the course of its regular audit of the financial statements of the Borrower, which audit was conducted in accordance with generally accepted auditing standards, such accounting firm obtained no knowledge of any Default or Event of Default which has occurred and is continuing or, if in the opinion of such accounting firm such a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof.

(c) Officer's Certificates. At the time of the delivery of the financial statements provided for in Section 7.01(a) and (b), a certificate of the Chairman, the Chief Financial Officer, the Chief Accounting Officer or the Treasurer of the Borrower to the effect that, to the best of his knowledge, no Default or Event of Default has occurred and is continuing or, if any Default or Event of Default has occurred and is continuing, specifying the nature and extent thereof, which certificate shall set forth the calculations required to establish whether the Borrower was in compliance with

the provisions of Sections 8.01, 8.05 through 8.07, inclusive, and 8.09, at the end of such fiscal quarter or year, as the case may be.

(d) Notice of Default or Litigation. Promptly, and in any event within three Business Days after an officer of the Borrower obtains knowledge thereof, notice of (i) the occurrence of any event which constitutes a Default or Event of Default, (ii) any litigation or governmental proceeding pending (x) against the Borrower or any of its Subsidiaries which would materially and adversely affect the business, operations, property, assets, condition (financial or otherwise) or prospects of the Borrower or of the Borrower and its Subsidiaries, taken as a whole, or (y) with respect to any Credit Document and (iii) any other event which would materially and adversely affect the business, operations, property, assets, condition (financial or otherwise) or prospects of the Borrower or any of its Subsidiaries.

(e) Other Reports and Filings. Promptly, copies of all financial information, proxy materials and other information and reports, if any, which the Borrower shall file with the Securities and Exchange Commission or any governmental agencies substituted therefor (the "SEC").

(f) Letters of Credit. (i) On the date three Business Days prior to the last day of each January, April, July and October, a summary statement setting forth the daily average aggregate Stated Amount of all Trade Letters of Credit and the daily average aggregate Stated Amount of all Standby Letters of Credit outstanding during the three-month period ending on and including the 25th day of such month (in each case on an aggregate basis, and on an individual basis for Dollar denominated and Approved Alternate Currency denominated Letters of Credit), each such statement to be certified by the Chairman, the Chief Financial Officer, the Chief Accounting Officer, the Treasurer or an Assistant Treasurer of the Borrower. Each such summary statement shall be countersigned by the relevant Letter of Credit Issuer confirming the amounts set forth therein.

(ii) On the date ten Business Days after the last day of each January, April, July and October, statements setting forth for all Trade Letters of Credit outstanding on the 25th day of such month the Stated Amounts of such Trade Letters of Credit aggregated as to those

which will expire during each of the succeeding three months and thereafter, each such statement to be certified by the Chairman, the Chief Financial Officer, the Chief Accounting Officer, the Treasurer or an Assistant Treasurer of the Borrower. Each such Letter of Credit statement shall be countersigned by the relevant Trade Letter of Credit Bank confirming the amounts set forth therein.

(g) Senior Note Information. Promptly (i) copies of all written materials relating to credit matters which the Borrower shall provide to the holders of any of the Senior Notes and (ii) copies of all amendments or waivers to the Senior Note Documents (whether the consent of the Banks to such amendment or waiver is required hereunder or otherwise).

(h) Credit Rating Changes. Promptly after any senior financial or legal officer of the Borrower obtains knowledge thereof, notice of any change in the Credit Rating assigned by either Rating Agency.

(i) Other Information. From time to time, such other information or documents (financial or otherwise) as any Bank may reasonably request.

7.02 Books, Records and Inspections. The Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries in conformity with generally accepted accounting principles and all requirements of law shall be made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each of its Subsidiaries to, permit officers and designated representatives of the Agent or any Bank to visit and inspect, under guidance of officers of the Borrower or such Subsidiary, any of the properties of the Borrower or such Subsidiary, and to examine the books of account of the Borrower or such Subsidiary and discuss the affairs, finances and accounts of the Borrower or such Subsidiary with, and be advised as to the same by, its and their officers, all at such reasonable times and intervals and to such reasonable extent as the Agent or such Bank may request.

7.03 Maintenance of Property; Insurance. The Borrower shall, and shall cause each of its Subsidiaries to (i) keep all material property used and necessary in its business in good working order and condition, (ii) maintain or cause to be maintained with financially sound and reputable

insurers, insurance with respect to its properties and business, and the properties and business of its Subsidiaries, against loss or damage of the kinds customarily insured against by reputable companies in the same or similar businesses, such insurance to be of such types, including without limitation business interruption insurance, and in such amounts (with such deductible amounts) as is customary for such companies in similar circumstances and (iii) furnish to each Bank, upon written request, full information as to the insurance carried.

7.04 Corporate Franchises. The Borrower will, and will cause each of its Subsidiaries to, do or cause to be done, all things necessary to preserve and keep in full force and effect its existence and its material rights, franchises, licenses and patents; provided, however, that nothing in this Section 7.04 shall prevent (i) the withdrawal by the Borrower or any of its Subsidiaries of its qualification as a foreign corporation in any jurisdiction where such withdrawal would not have a material adverse effect on the business, operations, property, assets, condition (financial or otherwise) or prospects of the Borrower and its Subsidiaries taken as whole or (ii) the termination of the corporate existence of a Subsidiary if, in the good faith judgment of the Borrower, such termination is in the best interests of the Borrower and is not disadvantageous to the Banks.

7.05 Compliance with Statutes, etc. The Borrower will, and will cause each of its Subsidiaries to, comply with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including applicable statutes, regulations, orders and restrictions relating to environmental standards and controls), except such noncompliances as would not, in the aggregate, have a material adverse effect on the business, operations, property, assets, condition (financial or otherwise) or prospects of the Borrower or of the Borrower and its Subsidiaries taken as a whole.

7.06 ERISA. As soon as possible and, in any event, within 10 days after the Borrower or any of its Subsidiaries or any ERISA Affiliate knows, with respect to all Plans or has reason to know, solely with respect to Plans that are single-employer plans, that a Reportable Event has occurred with respect to a Plan, that an accumulated funding deficiency has been incurred with respect to a Plan, that an application is to be or has been made to the Secretary of the Treasury for a waiver of the minimum funding standard or the

extension of any amortization period under Section 412 of the Code with respect to a Plan, that a Plan has been or may be terminated, that proceedings are likely to be or have been instituted to terminate a Plan, or that the Borrower, a Subsidiary of the Borrower or an ERISA Affiliate will or may incur any liability to or on account of a Plan which is a single-employer plan under Section 409, 502(i), 502(l), 4062, 4063, 4064 or 4069 of ERISA or Section 4975 of the Code or which is a multiemployer plan under Section 515, 4201 or 4204 of ERISA, the Borrower will deliver to the Agent a certificate of a financial officer setting forth details as to such occurrence and action, if any, which the Borrower or the respective Subsidiary or ERISA Affiliate is required or proposes to take, together with any notices required or proposed to be filed with or by the Borrower, the respective Subsidiary, the ERISA Affiliate, the Internal Revenue Service, the PBGC or the plan administrator with respect thereto. Upon the reasonable request of the Agent, the Borrower shall deliver a true and complete copy of all or any portion of the Internal Revenue Service Form 5500 (Annual Report) filed most recently with respect to any Plan or Plans where a copy of such Annual Report is reasonably available to the Borrower. Copies of any notices required to be delivered to the Agent hereunder shall be delivered no later than 10 days after the later of the date such notice has been filed with the Internal Revenue Service or the PBGC or received by the Borrower or any of its Subsidiaries.

7.07 Performance of Obligations. The Borrower will, and will cause each of its Subsidiaries to, perform all of its obligations under the terms of each mortgage, indenture, security agreement and other debt instrument by which it is bound, except such non-performances as would not in the aggregate have a material adverse effect on the business, operations, property, assets, condition (financial or otherwise) or prospects of the Borrower or of the Borrower and its Subsidiaries taken as a whole.

7.08 Payment of Taxes and Claims. The Borrower will, and will cause each of its Subsidiaries to, pay all taxes, assessments and other governmental charges imposed upon it or any of its properties or assets or in respect of any of its franchises, business income or property before any material penalty or significant interest accrues thereon, and all claims (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or may become a Lien upon any of its properties or assets, provided that no such charge or claim need be paid if being contested in good faith

by appropriate proceedings promptly instituted and diligently conducted and if such accrual or other appropriate provision, if any, as shall be required by generally accepted accounting principles shall have been made therefor.

SECTION 8. Negative Covenants. The Borrower covenants and agrees that on and after the Effective Date and until the Total Commitment and all outstanding Letters of Credit have been terminated and the Loans and the Notes, together with interest, Fees, Unpaid Drawings and all other obligations incurred hereunder and thereunder, are paid in full:

8.01 Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets (real or personal, tangible or intangible) of the Borrower or any of its Subsidiaries, whether now owned or hereafter acquired, or sell any such property or assets subject to an understanding or agreement, contingent or otherwise, to repurchase such property or assets (including sales of accounts receivable with recourse to the Borrower or any of its Subsidiaries), or assign any right to receive income or permit the filing of any financing statement under the UCC or any other similar notice of Lien under any similar recording or notice statute, provided that the provisions of this Section 8.01 shall not prevent the creation, incurrence, assumption or existence of:

(i) Liens for taxes not yet due, or Liens for taxes being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which such accrual or other appropriate provision, if any, as shall be required by generally accepted accounting principles have been made;

(ii) Liens in respect of property or assets of the Borrower or any of its Subsidiaries incidental to the conduct of the business of, or the ownership of property and assets of, the Borrower or any of its Subsidiaries which were not incurred in connection with the borrowing of money or the obtaining of advances or credit, and (x) which do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of the business of the Borrower or any of its Subsidiaries or (y) which are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing

the forfeiture or sale of the property or assets subject to any such Lien;

(iii) Liens in existence on the Effective Date which are listed, and the property subject thereto described, in Schedule V securing Indebtedness not exceeding the amount set forth in such Schedule V, and any renewals, extensions or refundings of any such Liens, provided, that the principal amount of the Indebtedness secured thereby is not increased and the Lien is not extended to other property (Liens described in this clause (iii), "Permitted Liens");

(iv) Pledges or deposits in connection with worker's compensation, unemployment insurance and other social security legislation;

(v) Liens on goods and related documents securing the Trade Letters of Credit;

(vi) Liens in respect of the property or assets of a Subsidiary, securing obligations of such Subsidiary to the Borrower or any wholly-owned Domestic Subsidiary;

(vii) Purchase money Liens or other Liens on property acquired after the Effective Date by the Borrower or any Subsidiary, to secure the purchase price of such property (or to secure indebtedness incurred solely for the purpose of financing the acquisition of such property) or Liens on any such property at the time of the acquisition of such property by the Borrower or by such Subsidiary, whether or not assumed, provided that (x) the Indebtedness secured by each such Lien shall not exceed the cost of such property to the Borrower or any such Subsidiary or the fair value thereof at the time of the acquisition thereof, as the case may be, whichever is less, and (y) each such Lien shall apply and attach only to the property originally subject thereto and fixed improvements thereon or accessions thereto; and

(viii) Liens not otherwise permitted by the foregoing clauses (i) through (vii) above, provided that the sum of (x) the aggregate amount of all obligations (including, without limitation, all Indebtedness) secured by Liens pursuant to this clause (viii) and (y) the aggregate principal amount of Indebtedness of Subsidiaries of the Borrower outstanding pursuant to

Section 8.09(ii), shall not exceed an amount equal to 10% of the Borrower's Net Worth.

8.02 Consolidation, Merger, Sale of Assets. The Borrower will not, and will not permit any of its Subsidiaries to, wind up, liquidate or dissolve its affairs or enter into any transaction of merger or consolidation, or convey, sell, lease or otherwise dispose of (or agree to do any of the foregoing at any future time) all or substantially all of its properties or assets, except that:

(i) so long as no Default or Event of Default exists, or would result therefrom, the Borrower may merge or consolidate with any Person (provided the Borrower shall be the continuing or surviving corporation); and

(ii) so long as no Default or Event of Default exists, or would result therefrom, any Subsidiary of the Borrower may merge or consolidate with or into, or be liquidated into, any Person, or wind up or dissolve its affairs, and any such Subsidiary may convey, sell, lease or dispose of all or substantially all of its assets to any such Person.

8.03 Advances, Investments and Loans. The Borrower will not, and will not permit any of its Subsidiaries to, lend money or credit or make advances to, or guarantee the obligations of, any Person or purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any Person (each of the foregoing, an "Investment"), except:

(i) the Borrower and the Subsidiaries may acquire and hold receivables owing to them if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms, provided that the extended payment terms for any such receivable shall not exceed 180 days;

(ii) the Borrower and the Subsidiaries may acquire and hold cash and Cash Equivalents, provided that the aggregate amount thereof for the Borrower and the Subsidiaries (other than the amount thereof held by Existing Foreign Subsidiaries) at no time when any Loan is outstanding exceeds \$20,000,000, provided, further that the amount of such cash and Cash Equivalents may exceed \$20,000,000 if the only Loans outstanding are Fixed Rate Loans so long as the Borrower prepays such Fixed Rate

Loans on the last day of the Interest Period applicable thereto until the amount of such cash and Cash Equivalents is equal to or less than \$20,000,000;

(iii) the Borrower and the Subsidiaries may make loans and advances to officers, employees and agents in the ordinary course of their business totalling in the aggregate for the Borrower and the Subsidiaries no more than \$2,000,000 at any one time outstanding;

(iv) the Borrower and its Subsidiaries may make Investments in Domestic Subsidiaries;

(v) the Borrower and its Subsidiaries may make Investments in any Existing Foreign Subsidiaries limited to the sum of (x) those existing on the Effective Date or resulting from unremitted earnings and profits of such Existing Foreign Subsidiaries and (y) \$5,000,000 outstanding at any time;

(vi) those guarantees listed on Schedule VI;

(vii) those Investments listed on Schedule VII;

(viii) the Borrower and its Subsidiaries may purchase or acquire the stock of any other Person so long as after giving effect to such purchase or acquisition the Borrower or such Subsidiary shall own 100% of the capital stock of such Person; and

(ix) Investments not otherwise permitted by the foregoing clauses (i) through (viii) above, provided that the aggregate outstanding amount of Investments made pursuant to this clause (ix) shall not exceed \$5,000,000 at any time.

An Investment of the Borrower or a Subsidiary in any other Subsidiary existing at the time such "other Subsidiary" shall cease to be a Subsidiary as defined herein shall be deemed to have been made immediately after the time such "other Subsidiary" ceases to be a Subsidiary for the purposes of this Agreement.

8.04 Transactions with Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any transaction or series of related transactions, whether or not in the ordinary course of business, with any Affiliate of the Borrower, other than on terms and conditions substantially as favorable to the Borrower or such Subsidiary

as would be obtainable by the Borrower or such Subsidiary at the time in a comparable arm's-length transaction with a Person other than an Affiliate.

8.05 Interest Coverage Ratio. The Borrower will not permit the ratio of (i) EBIT to (ii) Interest Charges for any period of four consecutive fiscal quarters of the Borrower (taken as one accounting period) to be less than 2.8 to 1.

8.06 Minimum Consolidated Net Worth. The Borrower will not permit its Net Worth at any time to be less than the sum of (i) \$175,000,000 plus (ii) 50% of the Borrower's Consolidated Net Income for the period from and including the first day of the Borrower's fiscal quarter commencing on May 4, 1993 to and including the last day of the then most recently ended fiscal quarter (taken as one accounting period), provided that this clause (ii) shall not result in any decrease in the minimum required Net Worth to an amount less than \$175,000,000.

8.07 Leverage Ratio. The Borrower will not permit the ratio of (i) Total Indebtedness to (ii) Total Capitalization at any time to exceed 0.6 to 1.

8.08 Limitation on Restrictions on Subsidiary Dividends and Other Distributions. The Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Subsidiary to (a) pay dividends or make any other distributions on its capital stock or any other interest or participation in its profits, owned by the Borrower or any Subsidiary of the Borrower, or pay any Indebtedness owed to the Borrower or a Subsidiary of the Borrower, (b) make loans or advances to the Borrower or (c) transfer any of its properties or assets to the Borrower, except for such encumbrances or restrictions existing under or by reasons of (i) applicable law, (ii) this Agreement, and (iii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of the Borrower or a Subsidiary of the Borrower.

8.09 Subsidiary Indebtedness. The Borrower will not permit any Subsidiary to create, assume or incur in any manner or be or become liable in respect of any Indebtedness, except the provisions of this Section 8.09 shall not prevent the existence, creation, assumption or incurrence of (i) Indebtedness attributable to Trade Letters of Credit

(excluding Unpaid Drawings in respect thereof existing for more than two days) and (ii) any other such Indebtedness, provided that the sum of (x) the aggregate outstanding principal amount of Indebtedness of Subsidiaries (excluding Indebtedness attributable to Trade Letters of Credit but including Unpaid Drawings in respect thereof existing for more than two days) and (y) the aggregate amount of all obligations (including, without limitation, all Indebtedness) secured by Liens permitted by Section 8.01(viii), shall not exceed an amount equal to 10% of the Borrower's Net Worth.

8.10 Restricted Payment Put. The Borrower will not make any payments pursuant to the Restricted Payment Put unless (x) no Default or Event of Default exists, or would result therefrom, and (y) the Borrower does not use any proceeds of Loans to make any such payment.

SECTION 9. Events of Default. Upon the occurrence of any of the following specified events (each an "Event of Default"):

9.01 Payments. The Borrower shall (i) default in the payment when due of any principal of the Loans, the Unpaid Drawings or the Notes or (ii) default, and such default shall continue unremedied for five or more days, in the payment when due of any interest on the Loans, the Unpaid Drawings or the Notes or of any Fees or any other amounts owing hereunder or thereunder; or

9.02 Representations, etc. Any representation, warranty or statement made by the Borrower herein or in any other Credit Document or in any certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

9.03 Covenants. The Borrower shall (i) default in the due performance or observance by it of any term, covenant or agreement contained in Section 7.01(d) or in Section 8 (other than Sections 8.05, 8.06 and 8.07 thereof), (ii) default in the due performance or observance by it of any term, covenant or agreement contained in Sections 8.05, 8.06 or 8.07 and such default shall continue unremedied for a period of 10 days after the occurrence thereof or (iii) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in Sections 9.01 and 9.02 and clauses (i) and (ii) of this Section 9.03) contained in this Agreement and such default shall continue unremedied for a period of 30 days after

written notice to the Borrower by either the Agent or any Bank; or

9.04 Default Under Other Agreements. The Borrower or any of its Subsidiaries shall (i) default in any payment of any Indebtedness (other than the Obligations) exceeding \$5,000,000 in the aggregate beyond the period of grace (not to exceed 30 days), if any, provided in the instrument or agreement under which such Indebtedness was created, (ii) default in the observance or performance of any agreement or condition relating to any Indebtedness (other than the Obligations) exceeding \$5,000,000 in the aggregate or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Indebtedness to become due prior to its stated maturity or (iii) any Indebtedness of the Borrower or any of its Subsidiaries exceeding \$5,000,000 in the aggregate shall be declared to be due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof; provided, that the requirement that the Borrower redeem 1993 Debentures pursuant to the Restricted Payment Put shall not constitute an Event of Default under clause (ii) or (iii) above to the extent that the Borrower is permitted to make payments pursuant to the Restricted Payment Put at such time pursuant to Section 8.10; or

9.05 Bankruptcy, etc. The Borrower or any of its Subsidiaries shall commence a voluntary case concerning itself under Title 11 of the United States Code entitled "Bankruptcy," as now or hereafter in effect, or any successor thereto (the "Bankruptcy Code"); or an involuntary case is commenced against the Borrower or any of its Subsidiaries, and the petition is not controverted within 10 days, or is not dismissed within 60 days, after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of the Borrower or any of its Subsidiaries, or the Borrower or any of its Subsidiaries commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Borrower or any of its Subsidiaries, or there is commenced against the Borrower or any of its Subsidiaries any such proceeding which remains

undismissed for a period of 60 days, or the Borrower or any of its Subsidiaries is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Borrower or any of its Subsidiaries suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of 60 days; or the Borrower or any of its Subsidiaries makes a general assignment for the benefit of creditors; or any corporate action is taken by the Borrower or any of its Subsidiaries for the purpose of effecting any of the foregoing; or

9.06 ERISA. (a) A Plan shall fail to maintain the minimum funding standard required by Section 412 of the Code for any plan year or a waiver of such standard or the extension of any amortization period is sought or granted under Section 412(d) or (e) of the Code, (b) a Plan is or shall have been terminated or the subject of termination proceedings under ERISA, or an event has occurred entitling the PBGC to terminate a Plan under Section 4042(a) of ERISA or (c) the Borrower, any of its Subsidiaries or an ERISA Affiliate has incurred or is likely to incur a material liability to or on account of a Plan under Section 409, 502(i), 502(l), 515, 4062, 4063, 4064, 4069, 4201 or 4204 of ERISA or under Section 4975 of the Code; and there shall result from any such event or events either (i) the provision of security to induce the issuance of a waiver or extension of any funding requirement under Section 412, (ii) the imposition of a lien under ERISA or the Code or (iii) liability or a material risk of incurring liability to the Internal Revenue Service, the PBGC, a Plan or a trustee appointed under ERISA which in the case of (i), (ii) or (iii) above would have a material adverse effect upon the business, operations, property, assets, condition (financial or otherwise) of the Borrower or of the Borrower and its Subsidiaries taken as a whole; or

9.07 Judgments. One or more judgments or decrees shall be entered against the Borrower or any of its Subsidiaries involving in the aggregate for the Borrower and its Subsidiaries a liability (not paid or fully covered by insurance) of \$5,000,000 or more, and all such judgments or decrees shall not have been vacated, discharged or stayed or bonded pending appeal within 60 days from the entry thereof;

then, and in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Agent, upon the written request of the Required Banks, shall by written notice to the Borrower, take any or all of the following actions, without prejudice to the rights of the Agent,

any Bank or the holder of any Note to enforce its claims against the Borrower (provided, that, if an Event of Default specified in Section 9.05 shall occur with respect to the Borrower, the result which would occur upon the giving of written notice by the Agent to the Borrower as specified in clauses (i), (ii) and (iii) below shall occur automatically without the giving of any such notice): (i) declare the Total Commitment terminated, whereupon the Commitment of each Bank shall forthwith terminate immediately and any Fees shall forthwith become due and payable without any other notice of any kind; (ii) declare the principal of and any accrued interest in respect of all Loans, all Unpaid Drawings and the Notes and all obligations owing hereunder and thereunder to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and (iii) direct the Borrower to pay to the Agent an amount equal to the then Stated Amount of all outstanding Letters of Credit for deposit in a cash collateral account maintained by the Agent for the pro rata benefit of the Banks which amount shall be applied by the Agent to satisfy the Borrower's obligations under Section 2.04 in respect of such outstanding Letters of Credit.

#### SECTION 10. Definitions and Accounting Terms.

10.01 Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Absolute Rate" shall mean an interest rate (rounded to the nearest .0001) expressed as a decimal.

"Absolute Rate Borrowing" shall mean a proposed Competitive Bid Borrowing with respect to which the Borrower has requested that the Bidder Banks offer to make Competitive Bid Loans at Absolute Rates.

"Adjusted Certificate of Deposit Rate" shall mean, on any day, 1/2 of 1% in excess of the sum (rounded to the nearest 1/100 of 1%) of (i) the rate obtained by dividing (x) the most recent weekly average dealer offering rate per annum for negotiable certificates of deposit with a three-month maturity in the secondary market as published in the most recent Federal Reserve Statistical Release on Form H.15 entitled "Selected Interest Rates," or, if such publication or a substitute containing the foregoing rate information shall not be published by the Federal Reserve System for any week,

the weekly average offering rate determined in good faith by the Agent on the basis of quotations for such certificates received by it from two or more certificate of deposit dealers in New York of recognized standing or, if such quotations are unavailable, then on the basis of other sources reasonably selected by the Agent, by (y) a percentage equal to 100% minus the then stated maximum rate (expressed as a percentage) of all reserve requirements as specified in Regulation D (including, without limitation, any marginal, emergency, supplemental, special or other reserves) applicable on such day to a negotiable certificate of deposit in excess of \$100,000 with a maturity of three months of any member bank of the Federal Reserve System, plus (ii) the then daily net annual assessment rate as estimated by the Agent for determining the current annual assessment payable by the Agent to the Federal Deposit Insurance Corporation for insuring three-month certificates of deposit.

"Affiliate" shall mean, with respect to any Person, any other Person (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person or (ii) that directly or indirectly owns more than 5% of the voting securities of such Person. A Person shall be deemed to control a corporation if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities, by contract or otherwise.

"Agent" shall have the meaning provided in the first paragraph of this Agreement.

"Aggregate Loan Outstandings" shall have the meaning provided in Section 4.02(a).

"Agreement" shall mean this Credit Agreement, as modified, supplemented or amended from time to time.

"Applicable Base Rate Margin" shall mean zero.

"Applicable CD Rate Margin" shall mean, at any time when the Credit Rating is at any level set forth below, a percentage equal to the number of basis points set forth below opposite such Credit Rating (with 100 basis points equalling 1.0%):

Credit Rating	Applicable CD Rate Margin
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A-/A3	52.5
BBB+/Baa1	57.5
BBB/Baa2	62.5
BBB-/Baa3	72.5
BB+/Ba1 or lower	87.5

"Applicable Commitment Commission Percentage" shall mean, at any time when the Credit Rating is at any level set forth below, a percentage equal to the number of basis points set forth below opposite such Credit Rating (with 100 basis points equalling 1.0%):

Credit Rating	Applicable Commitment Commission Percentage
A-/A3	15
BBB+/Baa1	20
BBB/Baa2	25
BBB-/Baa3	25
BB+/Ba1 or lower	30

"Applicable Eurodollar Margin" shall mean, at any time when the Credit Rating of the Borrower is at any level set forth below, a percentage equal to the number of basis points set forth below opposite such Credit Rating (with 100 basis points equalling 1.0%):

Credit Rating	Applicable Eurodollar Margin
A-/A3	40
BBB+/Baa1	45
BBB/Baa2	50
BBB-/Baa3	60
BB+/Ba1 or lower	75

"Applicable Lending Office" shall mean, with respect to each Bank, (i) such Bank's Base Rate Lending Office in the case of a Base Rate Loan, (ii) such Bank's Eurodollar Lending Office in the case of a Eurodollar Rate Loan and (iii) such Bank's CD Rate Lending Office in the case of a CD Rate Loan.

"Approved Alternate Currency" shall mean, with respect to any Letter of Credit, Canadian Dollars, British Pounds Sterling, Italian Lira, German Deutsche Marks, Swiss Francs, French Francs, Belgian Francs, Dutch Guilders, Spanish Pesetas and Japanese Yen, and any other currency other than Dollars which is approved by the Letter of Credit Issuer in respect of such Letter of Credit, the Agent and the Required Banks prior to the issuance of such Letter of Credit.

"Available Total Revolving Commitment" shall mean (i) for the period from and including October 16 to and including July 14 of each year, the lesser of (x) the Total Revolving Commitment and (y) \$85,000,000, and (ii) for the period from and including July 15 to and including October 15 of each year, the Total Revolving Commitment.

"Bank" shall have the meaning provided in the first paragraph of this Agreement.

"Bank Affiliate" shall mean, with respect to any Bank, any Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Bank.

"Bankruptcy Code" shall have the meaning provided in Section 9.05.

"Base Rate" shall mean on any day the highest of (i) the Prime Lending Rate, (ii) the rate which is 1/2 of 1% in excess of the Federal Funds Rate, or (iii) the Adjusted Certificate of Deposit Rate.

"Base Rate Lending Office" shall mean, with respect to each Bank, the office of such Bank specified as its "Base Rate Lending Office" opposite its name on Schedule II or such other office or affiliate of such Bank as such Bank may from time to time specify as such to the Borrower and the Agent.

"Base Rate Loan" shall mean any Revolving Loan designated as such by the Borrower at the time of its incurrence thereof or conversion thereto.

"Bid Agent" shall mean the Borrower, or any one of the Banks designated by the Borrower which agrees to act as the Bid Agent hereunder in respect of Competitive Bid Borrowings.

"Bid Agent's Notice Office" shall mean the notice office of the Borrower or the Bank acting as the Bid Agent hereunder, as the case may be, as specified in or pursuant to Section 12.03.

"Bidder Bank" shall mean each Bank that has notified in writing (and has not withdrawn such notice) the Agent that it desires to participate generally in the bidding arrangements relating to Competitive Bid Borrowings.

"Borrower" shall have the meaning provided in the first paragraph of this Agreement.

"Borrowing" shall mean and include (i) the incurrence of one Type of Loan from all the Banks on a given date (or resulting from conversions on a given date), having in the case of Fixed Rate Loans the same Interest Period, provided that Loans of another Type incurred pursuant to Section 1.11(b) shall be considered part of the related Borrowing of Fixed Rate Loans and (ii) a Competitive Bid Borrowing.

"Business Day" shall mean (i) for all purposes other than as covered by clause (ii) below, any day except Saturday, Sunday and any day which shall be in New York City a legal holiday or a day on which banking institutions are authorized by law or other government action to close and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Rate Loans, any day which is a Business Day described in clause (i) above and which is also a day for trading by and between banks in the New York interbank Euro-dollar market.

"Cash Equivalents" shall mean, as to any Person, (i) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) having maturities of not more than six months from the date of acquisition, (ii) time deposits and certificates of deposit of any commercial bank incorporated in the United States of recognized standing having capital and surplus in excess of \$100,000,000 with maturities of not more than six months from the date of acquisition by such Person, (iii) repurchase

obligations with a term of not more than seven days for underlying securities of the types described in clause (i) above entered into with any bank meeting the qualifications specified in clause (ii) above, (iv) commercial paper issued by the parent corporation of any commercial bank of recognized standing having capital and surplus in excess of \$500,000,000, and commercial paper issued by any Person incorporated in the United States, in each case rated at least A-1 or the equivalent thereof by Standard & Poor's Corporation or at least P-1 or the equivalent thereof by Moody's Investors Service, Inc. and in each case maturing not more than six months after the date of acquisition by such Person and (v) investments in money market funds substantially all of whose assets are comprised of securities of the types described in clauses (i) through (iv) above.

"CD Rate Lending Office" shall mean, with respect to each Bank, the office of such Bank specified as its "CD Rate Lending Office" opposite its name on Schedule II or such other office of such Bank as such Bank may from time to time specify as such to the Borrower and the Agent.

"CD Rate Loan" shall mean any Revolving Loan designated as such by the Borrower at the time of its incurrence thereof or conversion thereto.

"Certificate of Deposit Rate" shall mean, with respect to each Interest Period for a CD Rate Loan, the consensus bid rate determined by the Agent as the bid rates per annum, at approximately 10:00 A.M. (New York time) on the first day of the Interest Period for which such Certificate of Deposit Rate is to be applicable, of two or more New York certificate of deposit dealers of recognized standing selected by the Agent for the purchase at face value from the Agent in New York of certificates of deposit in an aggregate amount approximately comparable to the CD Rate Loan of the Agent to which such Certificate of Deposit Rate is to be applicable and with a maturity equal to the Interest Period for such CD Rate Loan.

"Change of Control Event" shall have the meaning provided in Section 4.05.

"Code" shall mean the Internal Revenue Code of 1986, or any successor U.S. federal tax code, and any reference to any statutory provision shall be deemed to be a reference to any successor provision or provisions.

"Commitment" shall mean for each Bank, at any time, the sum of such Bank's Revolving Commitment and such Bank's Letter of Credit Commitment.

"Commitment Commission" shall have the meaning provided in Section 3.01(a).

"Competitive Bid Borrowing" shall mean a Borrowing of Competitive Bid Loans pursuant to Section 1.04.

"Competitive Bid Loans" shall have the meaning provided in Section 1.01(b).

"Consolidated Net Income" shall mean for any period (a) the consolidated gross revenues of the Borrower and its Subsidiaries for such period less (b) all operating and non-operating expenses of the Borrower and its Subsidiaries including all charges of a proper character (including, without limitation, the cash prepayment premium paid upon the redemption of the 1987 Notes and the 1990 Notes, current and deferred taxes on income, provision for taxes on unremitted foreign earnings which are included in gross revenues, and current additions to reserves, but excluding non-cash charges taken in connection with FASB 106), but not including in gross revenues (i) any gains (net of expenses and taxes applicable thereto) in excess of losses resulting from the sale, conversion or other disposition of capital assets (i.e., assets other than current assets), (ii) any gains resulting from the write-up of assets (other than the write-up of current assets as a result of revaluations or realignment of currencies), (iii) any equity of the Borrower or any Subsidiary in the unremitted earnings of any corporation which is not a Subsidiary, (iv) any earnings of any Person acquired by the Borrower or any Subsidiary through purchase, merger or consolidation or otherwise for any period prior to the time of such acquisition, or (v) the amortization of any negative goodwill which results after the application of purchase accounting adjustments to the excess of equity in any Subsidiary at the date of acquisition over the cost of the investment in such Subsidiary; all determined in accordance with generally accepted accounting principles consistently applied and, with respect to Existing Foreign Subsidiaries, calculated in accordance with the last sentence of the definition of Existing Foreign Subsidiaries.

"Consolidated Subsidiaries" shall mean all Subsidiaries of the Borrower which are consolidated with the Borrower for financial reporting purposes in accordance with

generally accepted accounting principles in the United States.

"Contingent Obligation" shall mean, as to any Person, any obligation of such Person guaranteeing or intended to guarantee any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase or lease property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof; provided that the term "Contingent Obligation" shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

"Credit Documents" shall mean this Agreement, each Note and each Letter of Credit Document.

"Credit Event" shall mean the making of any Loan or the issuance of any Letter of Credit.

"Credit Rating" shall mean (i) the rating assigned by each Rating Agency, if such ratings are the same or (ii) if the ratings assigned by the Rating Agencies differ, the higher of the ratings assigned by the Rating Agencies, in each case to the Borrower's long-term senior debt. If any such rating shall be changed by either Rating Agency, such change shall be effective for all purposes of this Agreement on the Business Day following such change.

"Default" shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Demand" shall have the meaning provided in Section 4.05.

"Dollars" and the sign "\$" shall each mean freely transferable lawful money of the United States.

"Domestic Subsidiary" shall mean any Subsidiary incorporated under the laws of the United States of America, any State thereof or the District of Columbia, and which has its primary business located in the United States (including Puerto Rico).

"Drawing" shall have the meaning provided in Section 2.04(b).

"EBIT" shall mean, for any period, the sum of (i) Consolidated Net Income of the Borrower for such period, (ii) provisions for taxes based on income or profits to the extent such income or profits were included in computing Consolidated Net Income and (iii) consolidated interest expense (including amortization of original issue discount and non-cash interest payments or accruals and the interest component of capitalized lease obligations), net of interest income there- tofore deducted from earnings in computing Consolidated Net Income for such period.

"Effective Date" shall have the meaning provided in Section 5.01.

"Eligible Transferee" shall mean and include a commercial bank, financial institution or other "Accredited Investor" (as defined in Regulation D).

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time. Section references to ERISA are to ERISA, as in effect on the Effective Date, and to any subsequent provisions of ERISA, amendatory thereof, supplemental thereto or substituted therefor.

"ERISA Affiliate" shall mean any person (as defined in Section 3(9) of ERISA) (including each trade or business (whether or not incorporated)) which together with the Borrower or any of its Subsidiaries would be deemed to be a single employer or a member of the same "controlled group" of

"contributing sponsors" within the meaning of Section 4001 of ERISA.

"Eurodollar Lending Office" shall mean, with respect to each Bank, the office of such Bank specified as its "Eurodollar Lending Office" opposite its name on Schedule II or such other office of such Bank as such Bank may from time to time specify as such to the Borrower and the Agent.

"Eurodollar Loan" shall mean any Revolving Loan designated as such by the Borrower at the time of its incurrence thereof or conversion thereto.

"Eurodollar Rate" shall mean, with respect to each Interest Period, the rate obtained by dividing (i) the offered quotation to first-class banks in the New York interbank Eurodollar market by the Agent for Dollar deposits of amounts in same day funds comparable to the outstanding principal amount of the Eurodollar Loan of the Agent for which an interest rate is then being determined (or in the case of a Competitive Bid Loan that is a Spread Borrowing based on the Eurodollar Rate, an amount determined by each Bidder Bank (in its sole discretion) offering to make one or more Competitive Bid Loans at the Eurodollar rate of interest for the maximum principal amount of such Competitive Bid Loan or Loans which such Bank would be willing to make as part of such proposed Competitive Bid Borrowing) with maturities comparable to such Interest Period, determined as of 10:00 A.M. (New York time) on the date which is two Business Days prior to the commencement of such Interest Period, by (ii) a percentage equal to 100% minus the then stated maximum rate (expressed as a percentage) of all reserve requirements (including without limitation any marginal, emergency, supplemental, special or other reserves) applicable to any member bank of the Federal Reserve System in respect of Eurocurrency liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D).

"Event of Default" shall have the meaning provided in Section 9.

"Existing Credit Agreement" shall mean the Credit Agreement dated as of August 1, 1987 and amended and restated as of October 26, 1990, among the Borrower, the financial institutions party thereto and the Agent, as amended, modified or supplemented prior to the Effective Date.

"Existing Foreign Subsidiaries" shall mean Envoy Pacific Limited, a Hong Kong corporation, Towell Import &

Export Limited, a Hong Kong corporation, Abese Limited, a Hong Kong corporation, Confectiones Imperio, S.A., a Costa Rican corporation, GHB (Far East) Limited, a Hong Kong corporation, Caribe M&I Limited, a Cayman Island corporation, G.H. Bass Comercio Exportacao, Ltda., a Brazilian corporation, and Camisas Modernas, a Guatemalan corporation, provided that all of the capital stock of every class of such Person, except director's qualifying shares and except minority interests existing as of February 3, 1991 shall, at the time as of which any determination is being made, be owned by the Borrower either directly or through Subsidiaries. In computing the assets of the Borrower and the Subsidiaries, or the Consolidated Net Income of the Borrower, no amount shall be included in respect of assets or earnings attributable to Existing Foreign Subsidiaries not remitted to the Borrower or a Domestic Subsidiary in excess of \$15,000,000 in either case.

"Existing Letter of Credit" shall have the meaning provided in 2.01(c).

"Federal Funds Rate" shall mean, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates for overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Fees" shall mean all amounts payable pursuant to or referred to in Section 3.01.

"Fixed CD Rate" shall mean, with respect to each Interest Period for a CD Rate Loan, the sum (rounded upward to the next whole multiple of 1/100 of 1%) of (i) the rate obtained by dividing (x) the Certificate of Deposit Rate for such Interest Period by (y) a percentage equal to 100% minus the stated maximum rate (expressed as a percentage) of all reserve requirements as specified in Regulation D (including, without limitation, any marginal, emergency, supplemental, special or other reserves) applicable on the first day of such Interest Period to a negotiable certificate of deposit in excess of \$100,000 with a maturity equal to such Interest Period of any member bank of the Federal Reserve System plus

(ii) the daily net annual assessment rate as estimated by the Agent on the first day of such Interest Period for determining the current annual assessment payable by the Agent to the Federal Deposit Insurance Corporation for insuring such certificates of deposit.

"Fixed Rate Loan" shall mean any CD Rate Loan and any Eurodollar Loan.

"Indebtedness" shall mean, as to any Person, without duplication, (i) all indebtedness (including principal, interest, fees and charges) of such Person for borrowed money or for the deferred purchase price of property or services or evidenced by debt securities, (ii) the stated amount of all letters of credit issued for the account of such Person and all unreimbursed drawings in respect thereof, (iii) all liabilities secured by any Lien on any property owned by such Person, whether or not such liabilities have been assumed by such Person, (iv) the aggregate amount required to be capitalized under leases under which such Person is the lessee and (v) all Contingent Obligations of such Person.

"Interest Charges" for any period shall mean the total consolidated interest expense of the Borrower and its Subsidiaries for such period (calculated without regard to any limitations on the payment thereof and including amortization of original issue discount and non-cash interest payments or accruals and the interest component of capitalized lease obligations) less any interest income of the Borrower and any of its Subsidiaries during such period.

"Interest Period" shall mean, with respect to any Loan, the interest period applicable thereto, as determined pursuant to Section 1.10.

"Interest Rate Basis" shall mean the Eurodollar Rate and/or such other basis for determining an interest rate as the Borrower may designate from time to time in writing to the Bidder Banks.

"Investments" shall have the meaning provided in Section 8.03.

"Letter of Credit" shall mean any Standby Letter of Credit and any Trade Letter of Credit.

"Letter of Credit Application" shall have the meaning provided in Section 2.02.

"Letter of Credit Commitment" shall mean for any Bank, at any time, the amount set forth opposite such Bank's name in Schedule I under the heading "Letter of Credit Commitment" as the same may be reduced from time to time pursuant to Sections 3.02, 4.05 and 9.

"Letter of Credit Documents" shall mean all documents executed and delivered by the Borrower and its Subsidiaries in connection with the Letters of Credit (including, without limitation, guarantees of the Borrower in connection therewith).

"Letter of Credit Facility Fee" shall have the meaning provided in Section 3.01(b).

"Letter of Credit Fees" shall have the meaning provided in Section 3.01(c).

"Letter of Credit Issuer" shall mean and include each Trade Letter of Credit Bank and each Standby Letter of Credit Bank.

"Letter of Credit Outstandings" shall mean, at any time, the sum of, without duplication, (i) the aggregate Stated Amount of all outstanding Letters of Credit and (ii) the aggregate amount of all Unpaid Drawings in respect of all Letters of Credit.

"Letter of Credit Percentage" shall mean at any time for each Bank, the percentage obtained by dividing such Bank's Letter of Credit Commitment by the Total Letter of Credit Commitment, provided that at any time when the Total Letter of Credit Commitment shall have been terminated, each Bank's Letter of Credit Percentage shall be determined as aforesaid based on such Bank's Letter of Credit Commitment and the Total Letter of Credit Commitment as in effect immediately prior to such termination.

"Lien" shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any lease having substantially the same effect as any of the foregoing).

"Loan" means any Revolving Loan and any Competitive Bid Loan.

"Margin Stock" shall have the meaning provided in Regulation U of the Board of Governors of the Federal Reserve System.

"Maturity Date" shall mean February 3, 1997.

"Maximum Standby Issuance Amount" shall mean, for any Standby Letter of Credit Bank at any time, the amount set forth opposite such Standby Letter of Credit Bank's name on Part A of Schedule IX, as such Schedule IX may be modified from time to time in accordance with the terms and conditions set forth in the definition of Standby Letter of Credit Bank.

"Maximum Trade Issuance Amount" shall mean, for any Trade Letter of Credit Bank at any time, the amount set forth opposite such Trade Letter of Credit Bank's name on Part B of Schedule IX, as such Schedule IX may be modified from time to time in accordance with the terms and conditions set forth in the definition of Trade Letter of Credit Bank.

"Moody's" shall mean Moody's Investors Service, Inc., or any successor corporation thereto.

"Net Worth" shall mean, as to any Person, the sum of its consolidated capital stock, capital in excess of par or stated value of shares of its capital stock, retained earnings and any other account which, in accordance with generally accepted accounting principles on a consolidated basis, constitutes stockholder's equity, excluding any treasury stock, provided that no amounts attributable to any preferred stock which is mandatorily redeemable, or which is redeemable or puttable in any respect at the option of the holder thereof, shall be included in any computation of the Net Worth of the Borrower.

"1987 Note Purchase Agreement" shall mean the Note Purchase Agreement dated July 29, 1987 between the Borrower and The Prudential Insurance Company of America, as amended by the letter agreement dated August 27, 1987, the letter agreement dated August 28, 1987, the letter agreement dated May 5, 1988, two letter agreements dated July 21, 1988, the Waiver Agreement dated as of April 20, 1989, the Amendment and Waiver Agreement dated as of February 9, 1990, the Amendment and Waiver Agreement dated as of August 1, 1990, the Amendment and Waiver Agreement dated as of September 6, 1990, the Amendment Agreement and Consent, dated as of October 25, 1990 and the Amendment and Waiver Agreement, dated as of September 29, 1993.

"1987 Notes" shall mean the Senior Notes due 2002 in the original principal amount of \$77,200,000 issued by the Borrower pursuant to the 1987 Note Purchase Agreement.

"1988 Note Purchase Agreements" shall mean those certain Note Purchase Agreements dated as of December 15, 1988, between the Borrower and the purchasers named therein, as amended by the letter agreement dated April 14, 1989, the letter agreement dated February 9, 1990, the Amendment and Waiver Agreement dated as of August 1, 1990, the Amendment and Waiver Agreement dated as of September 7, 1990 and the Amendment Agreement and Consent, dated as of October 25, 1990 and as the same may be further amended or modified from time to time in accordance with the terms thereof and hereof.

"1988 Notes" shall mean the of 10.05% Senior Notes Due 1993 in the aggregate principal amount of \$40,000,000 issued by the Borrower pursuant to the 1988 Note Purchase Agreements.

"1990 Note Purchase Agreement" shall mean that certain Note Purchase Agreement dated September 7, 1990, between the Borrower and the purchaser named therein, as amended by the Amendment Agreement and Consent, dated as of October 25, 1990.

"1990 Notes" shall mean the 9.93% Senior Notes Due 1997 in the aggregate principal amount of \$30,000,000 issued by the Borrower pursuant to the 1990 Note Purchase Agreement.

"1992 Note Purchase Agreements" shall mean the Note Purchase Agreements dated as of October 1, 1992 between the Borrower and the purchasers named therein, as the same may be amended or modified from time to time in accordance with the terms thereof and hereof.

"1992 Notes" shall mean the 7.85% Series A Senior Notes Due November 1, 2002, the 7.02% Series B Senior Notes Due November 1, 1999 and the 7.75% Series C Senior Notes Due November 1, 2002, in the aggregate principal amount of \$69,000,000 and issued by the Borrower pursuant to the 1992 Note Purchase Agreements.

"1993 Debentures" shall mean the 7-3/4% Debentures Due 2023 in the aggregate principal amount of \$100,000,000 issued by the Borrower pursuant to the 1993 Indenture.

"1993 Indenture" shall mean the Indenture dated as of November 1, 1993, between the Borrower and The Bank of New

York, as trustee, as the same may be amended or modified from time to time in accordance with the terms thereof and hereof.

"Note" shall have the meaning provided in Section 1.06.

"Notice of Borrowing" shall have the meaning provided in Section 1.03.

"Notice of Competitive Bid Borrowing" shall have the meaning provided in Section 1.04(a).

"Notice of Conversion" shall have the meaning provided in Section 1.07.

"Notice Office" shall mean the office of the Agent located at 280 Park Avenue, New York, New York 10017, or such other office as the Agent may hereafter designate in writing as such to the other parties hereto.

"Obligations" shall mean all amounts owing to the Agent or any Bank pursuant to the terms of this Agreement or any other Credit Document.

"Participant" shall have the meaning provided in Section 2.03(a).

"Payment Office" shall mean the office of the Agent located at One Bankers Trust Plaza, New York, New York 10006, or such other office as the Agent may hereafter designate in writing as such to the other parties hereto.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established under ERISA, or any successor thereto.

"Permitted Liens" shall have the meaning provided in Section 8.01.

"Person" shall mean any individual, partnership, joint venture, firm, corporation, association, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" shall mean any multiemployer plan or single-employer plan, as defined in Section 4001 and subject to Title IV of ERISA, which is maintained or contributed to by (or to which there is an obligation to contribute of), or at any time during the five calendar years preceding the Effective Date was maintained or contributed to by (or to

which there was an obligation to contribute of), the Borrower, a Subsidiary of the Borrower or an ERISA Affiliate, other than The Phillips - Van Heusen Corporation Salaried Employees' and Salesmen's Retirement Plan, The Phillips - Van Heusen Retail Employees' Retirement Plan, The PVH - Van Heusen Employees' Retirement and Severance Plan, and The Amended Retirement Plan for Salaried Employees of the Joseph & Feiss Company which plans were terminated as of December 31, 1985 with no liability as of the Effective Date to the Borrower, any Subsidiary of the Borrower or an ERISA Affiliate.

"Prepayment Date" shall have the meaning provided in Section 4.05.

"Prime Lending Rate" shall mean the rate which Bankers Trust Company announces from time to time as its prime lending rate, the "Prime Lending Rate" to change when and as such prime lending rate changes. The "Prime Lending Rate" is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. Bankers Trust Company may make commercial loans or other loans at rates of interest at, above or below the Prime Lending Rate.

"Rating Agency" shall mean each of Moody's and S&P.

"Register" shall have the meaning provided in Section 1.06(d).

"Regulation D" shall mean Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

"Replaced Bank" shall have the meaning provided in Section 1.14.

"Replacement Bank" shall have the meaning provided in Section 1.14.

"Reply Date" shall have the meaning provided in Section 1.04(b).

"Reportable Event" shall mean an event described in Section 4043(b) of ERISA (with respect to which the 30 day notice requirement has not been waived by the PBGC).

"Required Banks" shall mean, at any time, Banks whose Revolving Commitments and Letter of Credit Commitments equal or exceed 51% of the Total Revolving Commitment plus the Total Letter of Credit Commitment at such time, provided that if at any time of determination thereof the Total Revolving Loan Commitment or the Total Letter of Credit Commitment shall have been terminated, the "Required Banks" shall be determined as aforesaid based on the Revolving Commitments, Letter of Credit Commitments, Total Revolving Credit Commitment and Total Letter of Credit Commitment as in effect immediately prior to such termination.

"Restricted Payment Put" shall mean any payments made by the Borrower pursuant to Section 1010 of the 1993 Indenture to redeem the 1993 Debentures in whole or in part at the request of the holders of the 1993 Debentures pursuant to such Section 1010.

"Revolving Commitment" shall mean for each Bank, at any time, the amount set forth opposite such Bank's name in Schedule I under the heading "Revolving Commitment" as the same may be reduced from time to time pursuant to Sections 3.02, 4.05 and 9.

"Revolving Loan" shall have the meaning provided in Section 1.01(a).

"Revolving Percentage" shall mean at any time for each Bank, the percentage obtained by dividing such Bank's Revolving Commitment by the Total Revolving Commitment, provided that at any time when the Total Revolving Commitment shall have been terminated, each Bank's Revolving Percentage shall be the percentage obtained by dividing such Bank's outstanding Revolving Loans by the aggregate outstanding Revolving Loans.

"S&P" shall mean Standard & Poor's Corporation, or any successor corporation thereto.

"SEC" shall have the meaning provided in Section 7.01(f).

"Senior Note Documents" shall mean the 1987 Note Purchase Agreement, the 1988 Note Purchase Agreements, the 1990 Note Purchase Agreement, the 1992 Note Purchase Agreements and the 1993 Indenture; in each case to the extent that any such agreement or document is in effect at such time.

"Senior Notes" shall mean, at any time, the 1987 Notes, the 1988 Notes, the 1990 Notes, the 1992 Notes and the 1993 Debentures; in each case to the extent that such Notes are outstanding at such time.

"Spread" shall mean a percentage per annum in excess of, or less than, an Interest Rate Basis.

"Spread Borrowing" shall mean a proposed Competitive Bid Borrowing with respect to which the Borrower has requested that the Bidder Banks offer to make Competitive Bid Loans at a Spread over or under a specified Interest Rate Basis.

"Standby Letter of Credit" shall mean each Existing Letter of Credit identified on Schedule III as a "Standby Letter of Credit," and any letter of credit issued on or after the Effective Date in support of such obligations of the Borrower or any of its Subsidiaries as are reasonably acceptable to the Agent pursuant to documentation satisfactory in form and substance to the respective Standby Letter of Credit Bank, provided that (i) a letter of credit shall not be a Standby Letter of Credit if at the time of issuance of such letter of credit the Stated Amount of such letter of credit, when added to the Standby Letter of Credit Outstandings, would exceed either (x) \$5,000,000 or (y) when added to the Trade Letter of Credit Outstandings at such time, the Total Letter of Credit Commitment (the request by the Borrower for a Standby Letter of Credit to constitute a representation and warranty by the Borrower that such limits would not be exceeded after giving effect to the issuance of such Standby Letter of Credit), (ii) a letter of credit shall not be a Standby Letter of Credit if the Standby Letter of Credit Bank issuing same has received written notice from the Agent by no later than the Business Day prior to its issuance of such letter of credit that one or more of the conditions in Section 5.02 is not then satisfied and such notice has not been rescinded by the Agent, (iii) a letter of credit shall cease to be a Standby Letter of Credit upon the expiration date thereof to the extent undrawn on or prior to the expiration date thereof, (iv) a letter of credit shall not be a Standby Letter of Credit if the expiration date thereof is later than the Maturity Date, (v) a letter of credit issued for the account of a Subsidiary of the Borrower shall not be a Standby Letter of Credit, unless the obligations of such Subsidiary in respect thereof are guaranteed by the Borrower pursuant to documentation satisfactory in form and substance to the Agent and (vi) a letter of credit issued by a Standby Letter of Credit Bank shall not be a Standby Letter of Credit

if, after giving effect to the issuance thereof, the Standby Letter of Credit Outstandings in respect of Standby Letters of Credit issued by such Standby Letter of Credit Bank would exceed the Maximum Standby Issuance Amount of such Standby Letter of Credit Bank as in effect at such time.

"Standby Letter of Credit Bank" shall mean each of the Banks listed in Part A of Schedule IX, it being understood and agreed that Schedule IX may be modified from time to time by the Borrower (including, without limitation, by adding new Standby Letter of Credit Banks thereto and/or by increasing, reducing or terminating the Maximum Standby Issuance Amounts of the Standby Letter of Credit Banks) by delivering a new Schedule IX to the Agent (with such new Schedule IX to become effective on the Business Day following such delivery or such later date as shall be specified therein by the Borrower); provided that (a) no Bank may be added to Schedule IX as a Standby Letter of Credit Bank without the prior written consent of such Bank, (b) no Standby Letter of Credit Bank's Maximum Standby Issuance Amount may be increased without the prior written consent of such Standby Letter of Credit Bank unless concurrent with such increase such Standby Letter of Credit Bank's Maximum Trade Issuance Amount is reduced by an amount equal to or greater than the amount of such increase, and (c) no Standby Letter of Credit Bank's Maximum Standby Issuance Amount may be reduced to an amount that is less than the Standby Letter of Credit Outstandings at such time in respect of Standby Letters of Credit issued by such Standby Letter of Credit Bank. By agreeing to become a Standby Letter of Credit Bank, each such Bank will be deemed to have agreed to (i) issue Standby Letters of Credit in accordance with, and on the terms set forth in, Section 2 and (ii) provide the information required to be provided by Standby Letter of Credit Banks pursuant to Section 2.07.

"Standby Letter of Credit Fee" shall have the meaning provided in Section 3.01(c).

"Standby Letter of Credit Outstandings" shall mean, at any time, the sum of, without duplication, (x) the aggregate Stated Amount of all outstanding Standby Letters of Credit and (y) the aggregate amount of all Unpaid Drawings in respect of Standby Letters of Credit.

"Stated Amount" of each Letter of Credit shall mean, at the time of any determination, the maximum amount then available to be drawn thereunder (without regard to whether any conditions to drawing could then be met).

"Subsidiary" shall mean, as to any Person, (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person and/or one or more Subsidiaries of such Person and (ii) any partnership, association, joint venture or other entity in which such Person and/or one or more Subsidiaries of such Person has more than a 50% equity interest at the time. Unless the context indicates otherwise, all references herein to Subsidiaries are references to Subsidiaries of the Borrower.

"Taxes" shall have the meaning provided in Section 4.04.

"Total Capitalization" shall mean, at any time, the sum of (i) Total Indebtedness at such time, plus (ii) the Borrower's Net Worth at such time, plus (iii) all amounts that would be included in Net Worth of the Borrower but for the proviso contained in the definition of "Net Worth."

"Total Commitment" shall mean, at any time, the sum of the Commitments of each of the Banks.

"Total Indebtedness" shall mean, at any time, the sum of all Indebtedness of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis (including without limitation long-term Indebtedness and working capital Indebtedness); provided, that no Indebtedness attributable to Trade Letters of Credit shall be included in any computation of Total Indebtedness of the Borrower, except in the case of Unpaid Drawings existing for more than two Business Days.

"Total Letter of Credit Commitment" shall mean, at any time, the sum of the Letter of Credit Commitments of each of the Banks.

"Total Revolving Commitment" shall mean, at any time, the sum of the Revolving Commitments of each of the Banks.

"Total Unutilized Letter of Credit Commitment" shall mean at any time for the determination thereof an amount equal to (x) the Total Letter of Credit Commitment at such time less (y) all Letter of Credit Outstandings at such time.

"Total Unutilized Revolving Commitment" shall mean at any time for the determination thereof an amount equal to (x) the Total Revolving Commitment at such time less (y) the sum of (i) the aggregate outstanding principal amount of Revolving Loans and (ii) the aggregate outstanding principal amount of Competitive Bid Loans.

"Trade Letter of Credit" shall mean each Existing Letter of Credit identified on Schedule III as a "Trade Letter of Credit," and any trade letter of credit issued on or after the Effective Date in support of trade obligations of the Borrower or any of its Subsidiaries incurred in the ordinary course of business by a Trade Letter of Credit Bank pursuant to standard trade letter of credit documentation of such Trade Letter of Credit Bank, which documentation shall provide that the Trade Letter of Credit Bank issuing such letter of credit shall have a security interest in the documents presented under, and the goods supported by, such letter of credit, provided that (i) a letter of credit shall not be a Trade Letter of Credit if at the time of the issuance of such letter of credit the Stated Amount of such letter of credit, when added to (x) the Trade Letter of Credit Outstandings at such time and (y) the Standby Letter of Credit Outstandings at such time, would exceed the Total Letter of Credit Commitment at such time (the request by the Borrower for a Trade Letter of Credit to constitute a representation and warranty by the Borrower that such limits would not be exceeded after giving effect to the issuance of such Trade Letter of Credit), (ii) a letter of credit shall not be a Trade Letter of Credit if the Trade Letter of Credit Bank issuing same has received written notice from the Agent by no later than the Business Day prior to its issuance of such letter of credit that one or more of the conditions in Section 5.02 is not then satisfied and such notice has not been rescinded by the Agent, (iii) a letter of credit shall cease to be a Trade Letter of Credit 30 days after the expiration date thereof to the extent undrawn on or prior to such date, (iv) a letter of credit shall not be a Trade Letter of Credit if the expiration date thereof is later than the earlier of (x) the date 270 days after the date such letter of credit is issued and (y) the Maturity Date, (v) a letter of credit issued for the account of a Subsidiary of the Borrower shall not be a Trade Letter of Credit unless the obligations of such Subsidiary in respect thereof are guaranteed by the Borrower pursuant to documentation satisfactory in form and substance to the Agent and (vi) a letter of credit issued by a Trade Letter of Credit Bank shall not be a Trade Letter of Credit if, after giving effect to the issuance thereof, the Trade Letter of Credit Outstandings in

respect of Trade Letters of Credit issued by such Trade Letter of Credit Bank would exceed the Maximum Trade Issuance Amount of such Trade Letter of Credit Bank as in effect at such time.

"Trade Letter of Credit Bank" shall mean each of the Banks listed in Part B of Schedule IX, it being understood and agreed that Schedule IX may be modified from time to time by the Borrower (including, without limitation, by adding new Trade Letter of Credit Banks thereto and/or by increasing, reducing or terminating the Maximum Trade Issuance Amounts of the Trade Letter of Credit Banks) by delivering a new Schedule IX to the Agent (with such new Schedule IX to become effective on the Business Day following such delivery or such later date as shall be specified therein by the Borrower); provided that (a) no Bank may be added to Schedule IX as a Trade Letter of Credit Bank without the prior written consent of such Bank, (b) no Trade Letter of Credit Bank's Maximum Trade Issuance Amount may be increased without the prior written consent of such Trade Letter of Credit Bank unless concurrent with such increase such Trade Letter of Credit Bank's Maximum Standby Issuance Amount is reduced by an amount equal to or greater than the amount of such increase, and (c) no Trade Letter of Credit Bank's Maximum Trade Issuance Amount may be reduced to an amount that is less than the Trade Letter of Credit Outstandings at such time in respect of Trade Letters of Credit issued by such Trade Letter of Credit Bank. By agreeing to become a Trade Letter of Credit Bank, each such Bank will be deemed to have agreed to (i) issue Trade Letters of Credit in accordance with, and on the terms set forth in, Section 2 and (ii) provide the information required to be provided by Trade Letter of Credit Banks pursuant to Section 2.07.

"Trade Letter of Credit Fee" shall have the meaning provided in Section 3.01(c).

"Trade Letter of Credit Outstandings" shall mean, at any time, the sum of, without duplication, (x) the aggregate Stated Amount of all outstanding Trade Letters of Credit and (y) the aggregate amount of all Unpaid Drawings in respect of Trade Letters of Credit.

"Type" shall mean any type of Revolving Loan determined with respect to the interest option applicable thereto, i.e., a Base Rate Loan, a CD Rate Loan or a Euro-dollar Loan.

"UCC" shall mean the Uniform Commercial Code as from time to time in effect in the relevant jurisdiction.

"United States" and "U.S." shall each mean the United States of America.

"Unpaid Drawings" shall have the meaning provided in Section 2.04(a).

"Unutilized Revolving Commitment" shall mean, for any Bank, at any time, an amount equal to (i) such Bank's Revolving Percentage multiplied by the Available Total Revolving Commitment at such time less (ii) the aggregate principal amount of all Revolving Loans made by such Bank and then outstanding.

"Wholly-Owned Subsidiary" shall mean, as to any Person, (i) any corporation 100% of whose capital stock is at the time owned by such Person and/or one or more Wholly-Owned Subsidiaries of such Person and (ii) any partnership, association, joint venture or other entity in which such Person and/or one or more Wholly-Owned Subsidiaries of such Person has a 100% equity interest at such time.

10.02 Principles of Construction. (a) All references to sections, schedules and exhibits are to sections, schedules and exhibits in or to this Agreement unless otherwise specified.

(b) All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles in the United States in conformity with those used in the preparation of the financial statements referred to in Section 6.05(a).

#### SECTION 11. The Agent.

11.01 Appointment. The Banks hereby designate Bankers Trust Company as Agent to act as specified herein and in the other Credit Documents. Each Bank hereby irrevocably authorizes, and each holder of any Note by the acceptance of such Note shall be deemed irrevocably to authorize, the Agent to take such action on its behalf under the provisions of this Agreement, the other Credit Documents and any other instruments and agreements referred to herein or therein and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. The Agent may

perform any of its duties hereunder by or through its officers, directors, agents or employees.

11.02 Nature of Duties. The Agent shall have no duties or responsibilities except those expressly set forth in this Agreement. Neither the Agent nor any of its officers, directors, agents or employees shall be liable for any action taken or omitted by it or them hereunder or under any other Credit Document or in connection herewith or therewith, unless caused by its or their gross negligence or willful misconduct. The duties of the Agent shall be mechanical and administrative in nature; the Agent shall not have by reason of this Agreement or any other Credit Document a fiduciary relationship in respect of any Bank; and nothing in this Agreement or any other Credit Document, expressed or implied, is intended to or shall be so construed as to impose upon the Agent any obligations in respect of this Agreement or any other Credit Document except as expressly set forth herein.

11.03 Lack of Reliance on the Agent. Independently and without reliance upon the Agent, each Bank, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Borrower in connection with the making and the continuance of the Loans and the taking or not taking of any action in connection herewith and (ii) its own appraisal of the creditworthiness of the Borrower and, except as expressly provided in this Agreement, the Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Bank with any credit or other information with respect thereto, whether coming into its possession before the making of the Loans, or at any time or times thereafter. The Agent shall not be responsible to any Bank for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectibility, priority or sufficiency of this Agreement or any other Credit Document or the financial condition of the Borrower or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any other Credit Document, or the financial condition of the Borrower or the existence or possible existence of any Default or Event of Default.

11.04 Certain Rights of the Agent. If the Agent shall request instructions from the Required Banks with respect to any act or action (including failure to act) in

connection with this Agreement or any other Credit Document, the Agent shall be entitled to refrain from such act or taking such action unless and until the Agent shall have received instructions from the Required Banks; and the Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Bank shall have any right of action whatsoever against the Agent as a result of the Agent acting or refraining from acting hereunder or under any other Credit Document in accordance with the instructions of the Required Banks.

11.05 Reliance. The Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, cablegram, radiogram, order or other document or telephone message signed, sent or made by any Person that the Agent believed to be the proper Person, and, with respect to all legal matters pertaining to this Agreement and any other Credit Document and its duties hereunder and thereunder, upon advice of counsel selected by it.

11.06 Indemnification. To the extent the Agent is not reimbursed and indemnified by the Borrower, the Banks will reimburse and indemnify the Agent, in proportion to their respective initial Commitments, for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Agent in performing its duties hereunder or under any other Credit Document, in any way relating to or arising out of this Agreement or any other Credit Document, provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct.

11.07 The Agent in its Individual Capacity. With respect to its obligation to make Loans under this Agreement, the Agent shall have the rights and powers specified herein for a "Bank" and may exercise the same rights and powers as though it were not performing the duties specified herein; and the term "Banks," "Required Banks," "holders of Notes," or any similar terms shall, unless the context clearly otherwise indicates, include the Agent in its individual capacity. The Agent may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with the Borrower or any Affiliate of the Borrower

as if it were not performing the duties specified herein, and may accept fees and other consideration from the Borrower for services in connection with this Agreement and otherwise without having to account for the same to the Banks.

11.08 Holders. The Agent may deem and treat the payee of any Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment, transfer or endorsement thereof, as the case may be, shall have been filed with the Agent. Any request, authority or consent of any person or entity who, at the time of making such request or giving such authority or consent, is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee, assignee or indorsee, as the case may be, of such Note or of any Note or Notes issued in exchange therefor.

11.09 Resignation by the Agent. (a) The Agent may resign from the performance of all its functions and duties hereunder and under the other Credit Documents at any time by giving 15 Business Days' prior written notice to the Borrower and the Banks. Such resignation shall take effect upon the appointment of a successor Agent pursuant to clauses (b) and (c) below or as otherwise provided below.

(b) Upon any such notice of resignation, the Required Banks shall appoint a successor Agent hereunder and thereunder who shall be a Bank reasonably acceptable to the Borrower.

(c) If a successor Agent shall not have been so appointed within such 15 Business Day period, the Agent, with the consent of the Borrower, shall then appoint another Bank as successor Agent who shall serve as Agent hereunder or thereunder until such time, if any, as the Required Banks appoint a successor Agent as provided above.

(d) If no successor Agent has been appointed pursuant to clause (b) or (c) above by the 20th Business Day after the date such notice of resignation was given by the Agent, the Agent's resignation shall become effective and the Banks shall thereafter perform all the duties of the Agent hereunder and/or under any other Credit Document until such time, if any, as the Required Banks appoint a successor agent as provided above.

SECTION 12. Miscellaneous.

12.01 Payment of Expenses, etc. The Borrower shall: (i) whether or not the transactions herein contemplated are consummated, pay all reasonable out-of-pocket costs and expenses of the Agent in connection with the preparation, execution and delivery of the Credit Documents and the documents and instruments referred to therein and any actual or proposed amendment, waiver or consent relating thereto (including, without limitation, the reasonable fees and disbursements of counsel for the Agent) and shall pay all reasonable out-of-pocket costs and expenses of the Agent and each Bank in connection with the enforcement of the Credit Documents and the documents and instruments referred to therein (including, without limitation, the reasonable fees and disbursements of counsel for the Agent and for each of the Banks); (ii) pay and hold each of the Banks harmless from and against any and all present and future stamp and other similar taxes with respect to the foregoing matters and save each of the Banks harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to such Bank) to pay such taxes; and (iii) indemnify the Agent and each Bank, its officers, directors, employees, representatives and agents from and hold each of them harmless against any and all losses, liabilities, claims, damages or expenses of any kind or nature whatsoever which may be incurred by or asserted against or involve any of them as a result of, or arising out of, or in any way related to, or by reason of, any investigation, litigation or other proceeding (whether or not the Agent or any Bank is a party thereto) related to the entering into and/or performance of any Credit Document or the use of the proceeds of any Loans hereunder or the consummation of any transactions contemplated in any Credit Document, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding (but excluding any such losses, liabilities, claims, damages or expenses to the extent incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified).

12.02 Right of Setoff. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence of an Event of Default, each Bank is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to the Borrower or to any other Person, any such notice being hereby

expressly waived, to set off and to appropriate and apply any and all deposits (general or special) and any other Indebtedness at any time held or owing by such Bank (including without limitation by branches and agencies of such Bank wherever located) to or for the credit or the account of the Borrower against and on account of the Obligations and liabilities of the Borrower to such Bank under this Agreement or under any of the other Credit Documents, including, without limitation, all interests in Obligations purchased by such Bank pursuant to Section 12.06(b), and all other claims of any nature or description arising out of or connected with this Agreement or any other Credit Document, irrespective of whether or not such Bank shall have made any demand hereunder and although said Obligations, liabilities or claims, or any of them, shall be contingent or unmatured.

12.03 Notices. Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, telecopier or cable communication) and mailed, telegraphed, telexed, telecopied, cabled or delivered, if to the Borrower, at its address specified opposite its signature below; if to any Bank, at its Base Rate Lending Office specified opposite its name on Schedule II; and if to the Agent, at its Notice Office; or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties hereto and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent. All such notices and communications shall, when mailed, telegraphed, telexed, telecopied, or cabled or sent by overnight courier, be effective two days after being deposited in the mails, on the day after being delivered to the telegraph company, cable company or overnight courier, as the case may be, or when sent by telex or telecopier or delivered, except that notices and communications to the Agent shall not be effective until received by the Agent.

12.04 Benefit of Agreement. (a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, that the Borrower may not assign or transfer any of its rights and obligations hereunder without the prior written consent of the Banks. Notwithstanding the foregoing, nothing in this Section 12.04 shall prevent or prohibit any Bank from pledging its rights under this Agreement and/or its Loans and/or Note hereunder to a Federal Reserve Bank in support of borrowings made by such Bank from such Federal Reserve Bank.

(b) Each Bank may transfer, assign or grant participations in its rights hereunder and under the Notes, provided, that any participation granted in any part of a Bank's Commitment must consist of a pro rata participation in a portion of such Bank's Revolving Commitment and Letter of Credit Commitment and, provided further, that such Bank shall remain a "Bank" for all purposes hereunder (and may not transfer or assign its Commitment hereunder except pursuant to clause (c) below) and the participant shall not constitute a "Bank" hereunder and no Bank shall transfer, grant or assign any participation under which the participant shall have rights to approve any amendment to or waiver of this Agreement except to the extent such amendment or waiver would (i) extend the final scheduled maturity of any Loan or Note in which such participant is participating, (ii) reduce the rate of interest thereon (except in connection with a waiver of the applicability of any post-default increase in interest rates) or Fees, or reduce the principal amount thereof or (iii) increase the Commitment in which such participant is participating over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default or of a mandatory reduction in the Total Revolving Commitment or the Total Letter of Credit Commitment or of a mandatory prepayment shall not constitute a change in the terms of any Commitment and that an increase in any Commitment shall be permitted without the consent of any participant if such participant's participation is not increased as a result thereof). In the case of any such participation, the participant shall not have any rights under this Agreement or any of the other Credit Documents (the participant's rights against such Bank in respect of such participation to be those set forth in the agreement executed by such Bank in favor of the participant relating thereto) and all amounts payable by the Borrower hereunder shall be determined as if such Bank had not sold such participation, except that the participant shall be entitled to the benefits of Sections 1.11, 1.12, 2.05 and 4.04 of this Agreement to the extent that such Bank would be entitled to such benefits if the participation had not been entered into or sold.

(c) Notwithstanding anything to the contrary in Section 12.04(a) or (b), any Bank may assign a portion of its Commitment and its rights and obligations hereunder or under its Notes; provided, however, that (i) no Bank may effect such an assignment without the prior written consent of the Borrower and the Agent, neither of which consents shall be unreasonably withheld, provided that no consent of the Borrower or the Agent shall be required in connection with an

assignment by a Bank to a Bank Affiliate of such Bank, (ii) any such assignment shall be in the aggregate of at least \$10,000,000, (iii) any assignment of any part of a Bank's Commitment must consist of a pro rata assignment of a portion of such Bank's Revolving Commitment and Letter of Credit Loan Commitment and (iv) any assignment pursuant to this clause (c) will not become effective until the payment to the Agent by either the assigning or the assignee Bank of a nonrefundable assignment fee of \$2,500. If any Bank so sells or assigns all or a part of its rights hereunder or under its Notes, any reference in this Agreement or such Notes shall thereafter refer to such Bank and to the respective assignee to the extent of their respective interests and the respective assignee shall have, to the extent of such assignment (unless otherwise provided therein), the same rights and benefits as it would if it were such assigning Bank. Each assignment pursuant to this Section 12.04(c) shall be effected by the assigning Bank and the assignee Bank executing an Assignment and Assumption Agreement substantially in the form of Exhibit E (appropriately completed.) At the same time of any assignment pursuant to this Section 12.04(c), (i) Schedules I and II shall be deemed to be amended to reflect the Commitment of the respective assignee (which shall result in a direct reduction of the Commitment of the assigning Bank) and of the other Banks and to reflect the Applicable Lending Offices of such assignee and (ii) if requested by the assignee or the assigning Bank, the Borrower will issue new Notes to the respective assignee and to the assigning Bank in conformity with the requirements of Section 1.06. Each Bank and the Borrower agree to execute such documents (including, without limitation, amendments to this Agreement and the other Credit Documents) as shall be necessary to effect the foregoing.

12.05 No Waiver; Remedies Cumulative. No failure or delay on the part of the Agent or any Bank or any holder of a Note in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Borrower and the Agent or any Bank or the holder of any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Agent or any Bank or the holder of any Note would otherwise have. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further

notice or demand in similar or other circumstances or constitute a waiver of the rights of the Agent, the Banks or the holder of any Note to any other or further action in any circumstances without notice or demand.

12.06 Payments Pro Rata. (a) The Agent agrees that promptly after its receipt of each payment from or on behalf of the Borrower in respect of any Obligations of the Borrower hereunder, it shall distribute such payment to the Banks pro rata based upon their respective shares, if any, of the Obligations with respect to which such payment was received.

(b) Each of the Banks agrees that, if it should receive any amount hereunder (whether by voluntary payment, by realization upon security, by the exercise of the right of setoff or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Credit Documents, or otherwise), which is applicable to the payment of the principal of, or interest on, the Loans or Fees, of a sum which with respect to the related sum or sums received by other Banks is in a greater proportion than the total of such Obligation then owed and due to such Bank bears to the total of such Obligation then owed and due to all of the Banks immediately prior to such receipt, then such Bank receiving such excess payment shall purchase for cash without recourse or warranty from the other Banks an interest in the Obligations of the Borrower to such Banks in such amount as shall result in a proportional participation by all of the Banks in such amount; provided that if all or any portion of such excess amount is thereafter recovered from such Bank, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

12.07 Calculations; Computations. (a) The financial statements to be furnished to the Banks pursuant hereto shall be made and prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved (except as set forth in the notes thereto or as otherwise disclosed in writing by the Borrower to the Banks), provided that, except as otherwise specifically provided herein, all computations determining compliance with Section 8 shall utilize accounting principles and policies in conformity with those used to prepare the historical financial statements delivered to the Banks pursuant to Section 6.05(a).

(b) All computations of interest in respect of Fixed Rate Loans hereunder shall be made on the actual number

of days elapsed over a year of 360 days, and all computations of interest in respect of Base Rate Loans and Fees shall be made on the actual number of days elapsed over a year of 365/366 days.

(c) For the purpose of computing the Trade Letter of Credit Fee payable pursuant to Section 3.01, all Trade Letters of Credit issued or drawn upon on a day which is not a Business Day shall be deemed to have been issued or drawn, as the case may be, on the immediately succeeding Business Day.

(d) All determinations of the Stated Amount of Letters of Credit and of the principal amount of Unpaid Drawings, in each case to the extent denominated in a currency other than Dollars, shall be made by converting same into Dollars at (x) in the case of a determination of the Borrower's obligation to reimburse in Dollars a drawing under a Letter of Credit denominated in a currency other than Dollars, the spot exchange rate for the currency in question of the respective Letter of Credit Issuer on the date of such drawing or (y) if the provisions of the foregoing clause (x) are not applicable, the daily average spot exchange rate for the currency in question of the respective Letter of Credit Issuer for the week preceding the week in which any such determination is being made.

12.08 Governing Law; Submission to Jurisdiction; Venue. (a) THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK. Any legal action or proceeding with respect to this Agreement or any other Credit Document may be brought in the courts of the State of New York or of the United States for the Southern District of New York, and, by execution and delivery of this Agreement, the Borrower hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. If for any reason the Borrower does not maintain an office in New York City, the Borrower agrees to appoint a designee, appointee and agent in New York City to receive, accept and acknowledge for and on its behalf, and in respect of its property, service of any and all legal process, summons, notices and documents which may be served in any such action or proceeding on the terms and for the purposes of this provision satisfactory to the Agent. The Borrower further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies

thereof by registered or certified mail, postage prepaid, to the Borrower at its address set forth opposite its signature below, such service to become effective 30 days after such mailing. Nothing herein shall affect the right of the Agent, any Bank or the holder of any Note to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Borrower in any other jurisdiction.

(b) The Borrower hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement or any other Credit Document brought in the courts referred to in clause (a) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

12.09 Obligation to Make Payments in Dollars. The obligations of the Borrower to make payment in Dollars of the principal of and interest on the Notes and any other amounts due hereunder or under any other Credit Document to the Payment Office of the Agent shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment, which is expressed in or converted into any currency other than Dollars, except to the extent such tender or recovery shall result in the actual receipt by the Agent at its Payment Office on behalf of the Banks or holders of the Notes or by such Issuing Bank at such offices, as the case may be, of the full amount of Dollars expressed to be payable in respect of the principal of and interest on the Notes and all other amounts due hereunder or under any other Credit Document. The obligations of the Borrower to make payments in Dollars as aforesaid shall be enforceable as an alternative or additional cause of action for the purpose of recovery in Dollars of the amount, if any, by which such actual receipt shall fall short of the full amount of Dollars expressed to be payable in respect of the principal of and interest on the Notes and any other amounts due under any other Credit Document, and shall not be affected by judgment being obtained for any other sums due under this Agreement or under any other Credit Document.

12.10 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set

of counterparts executed by all the parties hereto shall be lodged with the Borrower and the Agent.

12.11 Headings Descriptive. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

12.12 Amendment or Waiver. Neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the Required Banks (and, in the case of terms affecting the Agent, as Agent for the Banks, the Agent); provided, however, that no such change, waiver, discharge or termination shall, without the consent of each Bank affected thereby, (i) extend the final maturity of any Loan, Unpaid Drawing or Note, or extend the expiry date of any Letter of Credit beyond the Maturity Date, or reduce the rate or extend the time of payment of interest or Fees thereon, or reduce the principal amount thereof, or increase the Commitment of any Bank over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default shall not constitute a change in the terms of any Commitment of any Bank), (ii) amend, modify or waive any provision of this Section, or Sections 12.01, 12.02, 12.04, 12.06, or 12.07(b), (iii) reduce the percentage specified in the definition of Required Banks or (iv) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement, except pursuant to a merger or consolidation in accordance with Section 8.02, as the same may be amended from time to time.

12.13 Survival. All indemnities set forth herein including, without limitation, in Sections 1.11, 1.12, 2.05, 4.04, 11.06 and 12.01 shall survive the execution and delivery of this Agreement and the Notes and the making and repayment of the Loans.

12.14 Domicile of Loans. Each Bank may transfer and carry its Loans at, to or for the account of any branch office, subsidiary or affiliate of such Bank.

12.15 Waiver of Jury Trial. EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Agreement as of the date first above written.

Address:

1290 Avenue of the Americas  
New York, New York 10019  
Telephone: (212) 541-5200  
Telecopy: (212) 468-7398  
Attn: Irwin Winter  
with a copy to:  
Pamela N. Hootkin

PHILLIPS-VAN HEUSEN  
CORPORATION

By/s/ Pamela N. Hootkin  
Title: Vice President

BANKERS TRUST COMPANY,  
Individually and as  
Agent

By/s/ Priscilla Newbury  
Title: Vice President

THE BANK OF NEW YORK

By/s/ Russell A. Burr  
Title: Senior Vice  
President

THE CHASE MANHATTAN  
BANK, N.A.

By/s/ Edward F. McNulty  
Title: Managing Director

CHEMICAL BANK

By/s/ Hans von Nolde  
Title: Vice President

CITIBANK, N.A.

By/s/ Theodore J. Beck  
Title: Vice President

CORESTATES BANK, N.A.

By/s/ Donna J. Emhart  
Title: Commercial Officer

SCHEDULE I

COMMITMENTS

Bank	Revolving Commitment	Letter of Credit Commitment
BANKERS TRUST COMPANY	\$ 16,666,666.65	\$ 25,000,000.00
THE BANK OF NEW YORK	\$ 16,666,666.67	\$ 25,000,000.00
THE CHASE MANHATTAN BANK, N.A.	\$ 16,666,666.67	\$ 25,000,000.00
CHEMICAL BANK	\$ 16,666,666.67	\$ 25,000,000.00
CITIBANK, N.A.	\$ 16,666,666.67	\$ 25,000,000.00
CORESTATES BANK, N.A.	\$ 16,666,666.67	\$ 25,000,000.00
Total	\$100,000,000.00	\$150,000,000.00

SCHEDULE IX

LETTER OF CREDIT ISSUERS AND ISSUANCE AMOUNTS

Part A: Standby Letters of Credit

Standby Letter of Credit Bank	Maximum Standby Issuance Amount
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Part B: Trade Letters of Credit

Trade Letter of Credit Banks	Maximum Trade Issuance Amount
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FORM OF NOTICE OF BORROWING

[Date]

Bankers Trust Company,  
As Agent for the Banks  
280 Park Avenue  
New York, New York 10017

Attention: \_\_\_\_\_

Ladies and Gentlemen:

The undersigned, Phillips-Van Heusen Corporation, refers to the Credit Agreement, dated as of December 16, 1993 (as amended from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, the Banks named therein and you, and hereby gives you notice, irrevocably, pursuant to Section 1.03 of the Credit Agreement, that the undersigned hereby requests a Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Borrowing (the "Proposed Borrowing") as required by Section 1.03 of the Credit Agreement:

(i) The aggregate principal amount of the Proposed Borrowing is \$ \_\_\_\_\_.

(ii) The Business Day of the Proposed Borrowing is \_\_\_\_\_, 199\_.

(iii) The Proposed Borrowing is to consist of \_\_\_\_\_.<sup>1/</sup>

(iv) The initial Interest Period for the Proposed Borrowing is [\_\_\_\_ days] [\_\_\_\_ months].<sup>2/</sup>

1/ Specify whether Proposed Borrowing shall be initially maintained as Base Rate Loans, CD Rate Loans or Eurodollar Loans.

2/ Include only if Proposed Borrowing is for Fixed Rate Loans.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Borrowing:

(A) all representations and warranties contained in the Credit Agreement or in the other Credit Documents are true and correct in all material respects, before and after giving effect to the Proposed Borrowing and to the application of the proceeds therefrom, as though made on and as of such date; and

(B) no Default or Event of Default has occurred and is continuing, or would result from such Proposed Borrowing or from the application of the proceeds therefrom.

Very truly yours,

PHILLIPS-VAN HEUSEN CORPORATION

By \_\_\_\_\_  
Title:

FORM OF NOTICE OF COMPETITIVE BID BORROWING

To [the Bid Agent] [each of the Bidder Banks  
under and as defined in the  
Credit Agreement referred to  
below, and to Bankers Trust  
Company as Agent for such Banks]

Ladies and Gentlemen:

The undersigned, Phillips-Van Heusen Corporation, refers to the Credit Agreement, dated as of December 16, 1993 (as amended from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, the Banks named therein and Bankers Trust Company, as Agent, and hereby gives you notice pursuant to Section 1.04 of the Credit Agreement, that the undersigned hereby requests a Competitive Bid Borrowing under the Credit Agreement, and in connection therewith sets forth below the information relating to such Competitive Bid Borrowing (the "Proposed Competitive Bid Borrowing") as required by Section 1.04 of the Credit Agreement:

(i) The aggregate principal amount of the Proposed Competitive Bid Borrowing is \$\_\_\_\_\_.

(ii) The Business Day of the Proposed Competitive Bid Borrowing is \_\_\_\_\_, 199\_.

(iii) The maturity date with respect to the Proposed Competitive Bid Borrowing is \_\_\_\_\_, 19\_\_1/

1/ Such maturity date may not be earlier than one month, in the case of a Spread Borrowing, and one day, in the case of an Absolute Rate Borrowing, after the date of the Proposed Competitive Bid Borrowing listed in (ii) above, or later than the earlier to occur of (x) 360 days after the date of such Proposed Competitive Bid Borrowing and (y) three Business Days prior to the Maturity Date.

(iv) The interest payment date(s) relating to the Proposed Competitive Bid Borrowing is (are) \_\_\_\_\_, 19\_\_.

(v) The basis to be used by the Bidder Banks in determining the rate or rates of interest to be offered by the Bidder Banks with respect to the Proposed Competitive Bid Borrowing is: \_\_\_\_\_ .2/

(vi) Additional terms, if any, applicable to the Proposed Competitive Bid Borrowing are as follows:

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Competitive Bid Borrowing:

(A) all representations and warranties contained in the Credit Agreement and in the other Credit Documents are true and correct in all material respects, before and after giving effect to the Proposed Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date; and

(B) no Default or Event of Default has occurred and is continuing, or would result from such Proposed Competitive Bid Borrowing or from the application of the proceeds therefrom.

Very truly yours,

PHILLIPS-VAN HEUSEN CORPORATION

By \_\_\_\_\_  
Title:

2/ Specify whether Proposed Competitive Bid Borrowing shall be an Absolute Rate Borrowing or a Spread Borrowing.

EXHIBIT B

FORM OF NOTE

\$ \_\_\_\_\_ New York, New York  
\_\_\_\_\_, 1993

FOR VALUE RECEIVED, PHILLIPS-VAN HEUSEN CORPORATION, a Delaware corporation (the "Company"), hereby promises to pay to the order of \_\_\_\_\_ (the "Bank"), in lawful money of the United States of America in immediately available funds, at the office of Bankers Trust Company (the "Agent") located at One Bankers Trust Plaza, New York, New York 10006, the principal sum of \$ \_\_\_\_\_ (\_\_\_\_\_ DOLLARS) or, if less, the unpaid principal amount of all Revolving Loans (as defined in the Credit Agreement referred to below) made by the Bank pursuant to the Credit Agreement, such principal amount to be payable on the Maturity Date (as defined in the Credit Agreement).

The Company promises also to pay interest on the unpaid principal amount hereof in like money at said office from the date hereof until paid at the rates and at the times provided in the Credit Agreement.

This Note is one of the Notes referred to in the Credit Agreement, dated as of December 16, 1993, among the Company, the Agent, the Bank and the other lending institutions party thereto (as from time to time in effect, the "Credit Agreement"), and is entitled to the benefits thereof and shall be subject to the provisions thereof. As provided in the Credit Agreement, this Note is subject to prepayment, in whole or in part.

In case an Event of Default (as defined in the Credit Agreement) shall occur and be continuing, the principal of and accrued interest on this Note may be declared to be due and payable in the manner and with the effect provided in the Credit Agreement.

The Company hereby waives presentment, demand, protest or notice of any kind in connection with this Note.

This Note shall be construed in accordance with and be governed by the law of the State of New York.

PHILLIPS-VAN HEUSEN CORPORATION

By \_\_\_\_\_  
Title:

[Form of Rosenman & Colin Opinion]

December \_\_, 1993

The Banks Party to the  
Credit Agreement referred to below:

Re: Phillips-Van Heusen Corporation

Ladies and Gentlemen:

We have acted as counsel to Phillips-Van Heusen Corporation, a Delaware corporation (the "Borrower"), in connection with the negotiation and execution of the Credit Agreement, dated as of December 16, 1993 (the "Credit Agreement"), among the Borrower, Bankers Trust Company, as Agent (the "Agent"), and the Banks named therein (the "Banks"). This opinion is furnished to you at the request of the Borrower pursuant to Section 5.01(c) of the Credit Agreement. Unless otherwise defined herein, all capitalized terms used herein and defined in the Credit Agreement are used herein as so defined.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of the Credit Agreement, the Notes, the 1992 Note Purchase Agreements, the 1993 Indenture and such other documents, certificates, records and instruments as we have deemed appropriate in order to enable us to express the opinions hereinafter set forth. In our examination we have assumed without independent investigation or verification of any kind the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as copies. In addition, as to any facts material to such opinions, we have relied upon certificates, affidavits, oaths and declarations of public officials and officers or other representatives of the Borrower and the corporate records of the Borrower and have made no other independent investigation of such facts.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Borrower is a duly incorporated and validly existing corporation in good standing under the laws of the State of Delaware and has the corporate power to own its property and assets and to transact the business in which it is engaged.

2. The Borrower has the corporate power to execute, deliver and carry out the terms and provisions of each of the Credit Documents and has taken all necessary corporate action to authorize the execution, delivery and performance by it of each of the Credit Documents. The Borrower has duly executed and delivered each of the Credit Documents (except for Letter of Credit Documents to be executed after the date hereof) and each such Credit Document (except for Letter of Credit Documents to be executed after the date hereof) constitutes its legal, valid and binding obligation enforceable in accordance with its terms (subject to bankruptcy, insolvency, moratorium, reorganization or similar laws in effect from time to time affecting creditors' rights generally and subject to general equitable principles, whether considered in a proceeding at law or in equity).

3. Neither the execution, delivery or performance by the Borrower of the Credit Documents, nor compliance by it with the terms and provisions thereof, (i) will in any material respect violate any provision of any applicable law, statute, rule or regulation or, to the extent of our knowledge, no independent inquiry having been made, any order, writ, injunction or decree of any court or governmental instrumentality, (ii) will result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of the Borrower or any of its Subsidiaries pursuant to the terms of the 1992 Note Purchase Agreements, the 1993 Indenture or any other indenture, mortgage, deed of trust, credit agreement, loan agreement or any other agreement, contract or instrument known to us, no independent inquiry having been made, to which the Borrower is a party or by which it or any of its property or assets is bound or to which it may be subject or

(iii) will violate any provisions of the Certificate of Incorporation or By-Laws of the Borrower.

4. No order, consent, approval, license, authorization or validation of, or filing, recording or registration with (except as have been obtained or made), or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with (i) the execution, delivery and performance of any Credit Documents or (ii) the legality, validity, binding effect or enforceability of any Credit Documents.

5. Neither the making of any Loan nor the use of the proceeds thereof will violate the provisions of Regulations G, T, U or X of the Board of Governors of the Federal Reserve System.

6. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

7. The Borrower is not a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

We hereby confirm to you that, to our knowledge, except as disclosed in the Credit Agreement or an exhibit, annex or schedule thereto, there are no actions, suits or proceedings pending or overtly threatened in writing against the Borrower or any of its Subsidiaries (i) with respect to any Credit Document or (ii) that would materially and adversely affect the business, operations, property, assets or condition (financial or otherwise) of the Borrower or of the Borrower and its Subsidiaries taken as a whole.

As used in this opinion, the term "to our knowledge" means actual knowledge of information by the attorney who has signed this opinion or any attorney who has had active involvement in the preparation of this opinion or has given substantive legal attention to representation of the Borrower in connection with the transactions contemplated by the Credit Agreement.

We express no opinion herein except with respect to the laws of the State of New York, the corporate laws of the State of Delaware and the federal laws of the United States of America.

Very truly yours,

ROSENMAN & COLIN

By \_\_\_\_\_

EXHIBIT D

[Form of Officers' Certificate]

PHILLIPS-VAN HEUSEN CORPORATION

I, the undersigned, \_\_\_\_\_ of Phillips-Van Heusen Corporation, a Delaware corporation (the "Company"), DO HEREBY CERTIFY that:

1. This Certificate is furnished pursuant to Section 5.01(d) of that certain Credit Agreement, dated as of December 16, 1993, among the Company, the Banks party thereto, and Bankers Trust Company, as Agent (such Credit Agreement, as in effect on the date of this Certificate, being herein called the "Credit Agreement"). Unless otherwise defined herein capitalized terms used in this certificate have the meanings assigned to those terms in the Credit Agreement.

2. The below-named persons have been duly elected, have been duly qualified as and at all time since \_\_\_\_\_ (to and including and date hereof) officers of the Company, holding the respective offices below set opposite their names, and the signatures below set opposite their names are their genuine signatures.

Name	Office	Signature
------	--------	-----------

3. Attached hereto as Exhibit A is a copy of the Certificate of Incorporation of the Company as filed in the Office of the Secretary of State of the State of Delaware on \_\_\_\_\_, together with all amendments thereto adopted through the date hereof.

4. Attached hereto as Exhibit B is a true and correct copy of the By-Laws of the Company as in effect on \_\_\_\_\_, together with all amendments thereto adopted through the date hereof.

5. Attached hereto as Exhibit C is a true and correct copy of resolutions duly adopted by the Board of Directors of the Company at a meeting duly called and held on \_\_\_\_\_, 1993, at which a quorum was present and acting throughout, which resolutions have not been revoked, modified, amended or rescinded and are still in full force and effect. Except as attached hereto as Exhibit C, no resolutions have been adopted by the Board of

Directors of the Company or any committee thereof which deal with the execution, delivery or performance of any of the Credit Documents.

6. On the date hereof, all representations and warranties contained in the Credit Agreement or in the other Credit Documents are true and correct, both before and after giving effect to each Borrowing to be incurred on the date hereof and the application of the proceeds therefrom.

7. On the date hereof, no Default or Event of Default has occurred and is continuing, or would result from the Borrowing to be incurred on the date hereof or from the application of the proceeds therefrom.

8. I know of no proceeding for the dissolution or liquidation of the Company or threatening its existence.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_th day of December, 1993.

By \_\_\_\_\_  
Name:  
Title:

I, the undersigned, Assistant Secretary of the Company, DO HEREBY CERTIFY that:

1. \_\_\_\_\_ is the duly elected and qualified \_\_\_\_\_ of the Company and the signature above is his genuine signature.
2. The certifications made by \_\_\_\_\_ in items 2, 3, 4 and 5 above are true and correct.
3. I know of no proceeding for the dissolution or liquidation of the Company or threatening its existence.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_\_ day of December, 1993.

\_\_\_\_\_  
Name:  
Title:

EXHIBIT E

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

DATE: \_\_\_\_\_, 19\_\_

Reference is made to the Credit Agreement described in Item 2 of Annex I annexed hereto (as such agreement may hereafter be amended, modified or supplemented from time to time, the "Credit Agreement"). Unless defined in Annex I attached hereto, terms defined in the Credit Agreement are used herein as therein defined. \_\_\_\_\_ (the "Assignor") and \_\_\_\_\_ (the "Assignee") hereby agree as follows:

1. The Assignor hereby sells and assigns to the Assignee without recourse and without representation or warranty (other than as expressly provided herein), and the Assignee hereby purchases and assumes from the Assignor, that interest in and to all of the Assignor's rights and obligations under the Credit Agreement as of the date hereof which represents the percentage interest specified in Item 4 of Annex I (the "Assigned Share") of (x) Assignor's Revolving Commitment, together with all rights and obligations with respect to the Assigned Share of Assignor's outstanding Revolving Loans and (y) Assignor's Letter of Credit Commitment, together with all rights and obligations with respect to the Assigned Share of all outstanding Letters of Credit. After giving effect to such sale and assignment, the Assignee's Revolving Commitment and Letter of Credit Commitment, and the amount of the outstanding Revolving Loans owing to the Assignee, will be as set forth in Item 4 of Annex I.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any liens or security interests; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the other Credit Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or the other Credit Documents or any other instrument or document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the

Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Agreement or the other Credit Documents or any other instrument or document furnished pursuant thereto.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement and the other Credit Documents, together with copies of the financial statements referred to therein and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption Agreement; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement and the other Credit Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; [and] (iv) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank[; and (v) attaches the forms prescribed by the Internal Revenue Service of the United States certifying as to the Assignee's status for purposes of determining exemption from United States withholding taxes with respect to all payments to be made to the Assignee under the Credit Agreement or such other documents as are necessary to indicate that all such payments are subject to such rates at a rate reduced by an applicable tax treaty].<sup>1/</sup>

4. Following the execution of this Assignment and Assumption Agreement by the Assignor and the Assignee, an executed original hereof (together with all attachments) will be delivered to the Agent. The effective date of this Assignment and Assumption Agreement shall be the date of execution hereof by the Assignor and the Assignee and the consent hereof by the Borrower and the Agent and receipt by the Agent of the administrative fee referred to in Section

<sup>1/</sup> If the Assignee is organized under the laws of a jurisdiction outside the United States.

12.04(c) of the Credit Agreement, unless otherwise specified in Item 5 of Annex I hereto (the "Settlement Date").

5. Upon the delivery of a fully executed original hereof to the Agent, as of the Settlement Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Assumption Agreement, have the rights and obligations of a Bank thereunder and under the other Credit Documents and (ii) the Assignor shall, to the extent provided in this Assignment and Assumption Agreement, relinquish its rights (other than rights to indemnification which shall survive) and be released from its obligations under the Credit Agreement and the other Credit Documents.

6. It is agreed that the Assignee shall be entitled to (i) all interest on the Assigned Share of the Revolving Loans at the rates specified in Item 6 of Annex I; (ii) all Commitment Commissions on the Assigned Share of the Revolving Commitment at the rate specified in Item 7 of Annex I; (iii) all Letter of Credit Facility Fees on the Assigned Share of the Letter of Credit Commitment at the rate specified in Item 8 of Annex I; and (iv) all Letter of Credit Fees on the Assignee's participation in all Letters of Credit at the rate specified in Item 9 of Annex I hereto, which, in each case, accrue on and after the Settlement Date, such interest, Commitment Commissions, Letter of Credit Facility Fees and Letter of Credit Fees, to be paid by the Agent directly to the Assignee. It is further agreed that all payments of principal made on the Assigned Share of the Revolving Loans which occur on and after the Settlement Date will be paid directly by the Agent to the Assignee. Upon the Settlement Date, the Assignee shall pay to the Assignor an amount specified by the Assignor in writing which represents the Assigned Share of the principal amount of the Revolving Loans made by the Assignor pursuant to the Credit Agreement which are outstanding on the Settlement Date, net of any closing costs, and which are being assigned hereunder. The Assignor and the Assignee shall make all appropriate adjustments in payments under the Credit Agreement for periods prior to the Settlement Date directly between themselves on the Settlement Date.

7. THIS ASSIGNMENT AND ASSUMPTION AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Assumption Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written, such execution also being made on Annex I hereto.

[NAME OF ASSIGNOR],  
as Assignor

By \_\_\_\_\_  
Title:

[NAME OF ASSIGNEE],  
as Assignee

By \_\_\_\_\_  
Title:

Acknowledged and Agreed:

PHILLIPS-VAN HEUSEN  
CORPORATION,

By \_\_\_\_\_  
Title:

BANKERS TRUST COMPANY,  
as Agent

By \_\_\_\_\_  
Title:

ANNEX I

ANNEX FOR ASSIGNMENT AND ASSUMPTION AGREEMENT

ANNEX I

1. The Borrower: Phillips-Van Heusen Corporation
2. Name and Date of Credit Agreement:  
Credit Agreement, dated as of December 16, 1993, among the Banks from time to time party thereto, and Bankers Trust Company, as Agent.
3. Date of Assignment Agreement:
4. Amounts (as of date of item #3 above):<sup>2/</sup>

	Revolving Commitment	Outstanding Principal of Revolving Loans	Letter of Credit Commitment
a. Aggregate Amount for all Banks	\$ _____	\$ _____	\$ _____
b. Assigned Share	_____ %	_____ %	_____ %
c. Amount of Assigned Share	\$ _____	\$ _____	\$ _____

5. Settlement Date:

<sup>2/</sup> Assignments of all or any portion of the Revolving Commitment must be accompanied by a pro rata assignment of the Assignor's Letter of Credit Commitment.

- |    |                                   |   |
|----|-----------------------------------|---|
| 6. | Rate of Interest to the Assignee: | As set forth in Section 1.09 of the Credit Agreement (unless otherwise agreed to by the Assignor and the Assignee)3/    |
| 7. | Commitment Commission:            | As set forth in Section 3.01(a) of the Credit Agreement (unless otherwise agreed to by the Assignor and the Assignee)4/ |
| 8. | Letter of Credit Facility Fees:   | As set forth in Section 3.01(b) of the Credit Agreement (unless otherwise agreed to by the Assignor and the Assignee)5/ |
| 9. | Letter of Credit Fees:            | As set forth in Section 3.01(c) of the Credit Agreement (unless otherwise agreed to by the Assignor and the Assignee)6/ |

3/ The Borrower and the Agent shall direct the entire amount of the interest to the Assignee at the rate set forth in Section 1.09 of the Credit Agreement, with the Assignor and Assignee effecting any agreed upon sharing of interest through payments by the Assignee to the Assignor.

4/ The Borrower and the Agent shall direct the entire amount of the commitment Commission to the Assignee at the rate set forth in Section 3.01(a) of the Credit Agreement, with the Assignor and the Assignee effecting any agreed upon sharing of Commitment Fees through payment by the Assignee to the Assignor.

5/ The Borrower and the Agent shall direct the entire amount of the Letter of Credit Facility Fees to the Assignee at the rate set forth in Section 3.01(b) of the effecting any agreed upon sharing of Letter of Credit Facility Fees through payment by the Assignee to the Assignor.

6/ The Borrower and the Agent shall direct the entire amount of the Letter of Credit Fees to the Assignee at the rate set forth in Section 3.01(c) of the Credit Agreement,

10. Notice:

ASSIGNEE:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attention:  
Telephone:  
Telecopier:  
Reference:

Payment Instructions:

ASSIGNEE:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attention:  
Reference:

Accepted and Agreed:

[NAME OF ASSIGNEE]

[NAME OF ASSIGNOR]

By \_\_\_\_\_

By \_\_\_\_\_

\_\_\_\_\_  
(Print Name and Title)

\_\_\_\_\_  
(Print Name and Title)

with the Assignor and the Assignee effecting any agreed upon sharing of Letter of Credit Fees through payment by the Assignee to the Assignor.

1987 STOCK OPTION PLAN  
(Including all amendments  
through March 30, 1993)

1. Purpose.

The purposes of the 1987 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 425(f) of the Internal Revenue Code of 1986, as amended (the "Code"), to attract new individuals to enter into such employment and 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 422A(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 hereof at the time of the grant thereof.

2. Effective Date of the Plan.

The Plan became effective on April 2, 1987. The Plan was amended and restated effective as of January 3, 1991, and amended further as of April 4, 1991, February 4, 1993 and March 30, 1993.

3. Stock Subject to Plan.

2,500,000 (which number reflects all changes in the capitalization of the Company and amendments to the Plan prior to March 30, 1993) 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.

The Plan shall be administered by the Committee referred to in Section 5 hereof. 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 employees, 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.

5. Committee.

The Committee shall consist of two or more members of the Board both or all of whom shall be "disinterested persons" within the meaning of Rule 16b-3(c)(2)(i) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The President of the Company shall also be a member of the Committee, ex-officio, whether or not he is otherwise eligible to be a member of the Committee. 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 persons who shall not be officers and/or directors of the Company. Any decision or determination of the Committee reduced to writing and signed by all of the members of the Committee (or by the member 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. A director of the Company or a Subsidiary who is not an employee of the Company or a Subsidiary shall be eligible to receive an Option, but only as provided in Section 21 hereof.

7. Option Prices.

A. The initial per share option price of any Option which is an incentive stock 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, 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. The initial per share option price of any Option which is a non-incentive stock option shall be the price determined by

the Committee, but not less than 85% of the fair market value of a share of the Common Stock on the date of grant.

C. 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, the term with respect to such Option shall not be in excess of five years from the date of the granting thereof.

9. Limitation on Amount of Incentive Stock Options Granted.

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.

10. Exercise of Options.

A. A Participant may not exercise an Option during the period commencing on the date of the granting of such Option to him and ending on the day next preceding the third anniversary of such date. A Participant may (i) during the period commencing on the third anniversary of the date of the granting of an Option to him 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 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, 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 Severance Event 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) The term "Severance Event" shall mean the simultaneous or contemporaneous occurrence of a Change in Control and a Change in Chief Executive Officer or the occurrence of a Change in Chief Executive Officer at any time subsequent to a Change in Control.

(b) A "Change in Chief Executive Officer" shall be deemed to occur if the individual who shall have the powers, duties, responsibilities and title of the Chief Executive Officer of the Company (or the consolidated, surviving or transferee Person (as defined in clause (c) of this division I) in the event of a consolidation, merger or sale of assets) immediately prior to the time of a Change in Control shall no longer have the same for any reason whatsoever, including his death.

(c) 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 by 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 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 three-fourths of the directors of the Company who have been directors of the Company for at least two years; or (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; provided, however, that, if the Phillips Family shall together own (or be considered as owning after the application of the provisions of section 318 of the Code) at least one-half of the shares of the Company (or the consolidated, surviving or transferee Person in the event of a consolidation, merger or sale of assets) having voting power for the election of directors, no Change in Control shall be deemed to have occurred. For the purposes of this clause (c), (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, (3) the term "Phillips Family" shall mean the descendants of Seymour Phillips, the spouses of any of them, the estates of them and of such spouses, and any trusts created for the primary benefit of any of them and/or such spouses, and (4) 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.

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 may be exercised only by him.

12. Termination of Employment.

In the event a Participant leaves the employ of the Company and the Subsidiaries, whether voluntarily or otherwise but other than by reason of his death or retirement, each Option theretofore granted to him which shall not have theretofore expired or otherwise been cancelled shall, to the extent 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 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 which shall not have theretofore expired or otherwise been

cancelled shall, to the extent not theretofore exercised, terminate forthwith. For purposes of the foregoing, 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 material duties to the satisfaction of the Company and/or the Subsidiaries. In the event a Participant leaves the employ of the Company and the Subsidiaries by reason of his retirement, each Option theretofore granted to him 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 such retirement and the date of termination specified in such Option. In the event a Participant's employment with the Company and the Subsidiaries terminates by reason of his death, each Option theretofore granted to him 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 estate and the date of termination specified in such Option.

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 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, 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, 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 is acquiring such shares for his 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 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. Declining Market Price.

In the event the fair market value of the Common Stock declines below the option price set forth in any Option, the Committee may, at any time, adjust, reduce, cancel and re-grant any unexercised Option or take any similar action it deems to be for the benefit of the Participant in light of the declining fair market value of the Common Stock; provided, however, that none of the foregoing actions may be taken without the prior approval of the Board.

18. 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.

19. 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 hereof), or change the manner of determining the option prices, or extend the period during which an Option may be granted or exercised. Except as otherwise provided in Section 13 hereof, 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.

20. Expiration and Termination of the Plan.

The Plan shall terminate on April 1, 1997 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.

21. 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 an Option. Except as otherwise provided in this Section 21, 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 the number (calculated to the nearest 100 shares) of shares of the Common Stock derived by dividing \$50,000 by the fair market value (as defined in Section 7C hereof) of a share of the Common Stock on the date of grant.

II. The initial per share option price of each Option granted to an Outside Director shall 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. I. The provisions of Section 12 hereof shall not be applicable to any Option granted to an Outside Director.

II. In the event an Outside Director ceases to be an Outside Director prior to his 65th birthday, whether voluntarily or otherwise but other than by reason of his death, each Option theretofore granted to him which shall not have theretofore expired or otherwise been cancelled shall, to the extent not theretofore exercised, terminate forthwith.

III. In the event an Outside Director ceases to be an Outside Director after his 65th birthday other than by reason of his death, each Option theretofore granted to him 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 on which he shall cease to be an Outside Director and the date of termination specified in such Option.

IV. In the event of the death of an Outside Director, each Option theretofore granted to him 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 estate and the date of termination specified in such Option.

D. The provisions of this Section 21 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 and the provisions of this Section 21 shall not be amended more than once every six months, other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974 or the regulations or rules thereunder.

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

	1993	1992	1991
Net sales . . . . .	\$1,152,394	\$1,042,565	\$904,100
Cost of goods sold . . . . .	739,768	657,040	583,379
Gross profit . . . . .	412,626	385,525	320,721
Selling, general and administrative expenses . . . . .	332,315	315,317	259,988
Income before interest and taxes . . . . .	80,311	70,208	60,733
Interest expense, net. . . . .	16,679	15,727	16,686
Income before taxes. . . . .	63,632	54,481	44,047
Income taxes . . . . .	20,380	16,600	12,910
Income before extraordinary loss . . . . .	43,252	37,881	31,137
Extraordinary loss on debt retirement. . . . .	(11,394)	-	-
Net income . . . . .	\$ 31,858	\$ 37,881	\$ 31,137
Net income per common share:			
Before extraordinary loss. . . . .	\$ 1.60	\$ 1.42	\$ 1.15
Extraordinary loss . . . . .	(0.42)	-	-
Net income . . . . .	\$ 1.18	\$ 1.42	\$ 1.15

See notes to consolidated financial statements.

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

	January 30, 1994	January 31, 1993
<b>ASSETS</b>		
Current Assets:		
Cash, including cash equivalents of \$66,064 and \$75,862 . . . . .	\$ 68,070	\$ 77,063
Trade receivables, less allowances of \$2,171 and \$2,331 . . . . .	61,986	58,818
Other receivables . . . . .	3,847	2,756
Inventories . . . . .	269,871	258,761
Other, including deferred taxes of \$5,727 and \$6,806. . . . .	14,928	13,124
Total Current Assets. . . . .	418,702	410,522
Property, Plant and Equipment. . . . .	109,506	83,546
Intangibles applicable to businesses acquired. . . . .	18,189	18,644
Other Assets, including deferred taxes of \$4,608 and \$1,334. . . . .	8,374	4,650
	\$554,771	\$517,362
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable. . . . .	\$ 42,188	\$ 32,923
Accrued expenses. . . . .	60,696	63,944
Accrued income taxes. . . . .	6,027	2,394
Current portion of long-term debt . . . . .	245	15,947
Total Current Liabilities . . . . .	109,156	115,208
Long-Term Debt, less current portion . . . . .	169,934	170,235
Other Liabilities. . . . .	28,882	20,506
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 and 50,000,000 shares authorized; shares issued 33,190,750 and 32,704,168. . . . .	33,191	32,704
Additional capital. . . . .	118,360	111,422
Retained earnings . . . . .	269,055	241,117
	420,606	385,243
Less: 6,728,576 and 6,728,726 shares of common stock held in treasury-at cost. . . . .	(173,807)	(173,830)
Total Stockholders' Equity. . . . .	246,799	211,413
	\$554,771	\$517,362

See notes to consolidated financial statements.

PHILLIPS-VAN HEUSEN CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)

	1993	1992	1991
Operating activities:			
Net Income before extraordinary loss . . . . .	\$ 43,252	\$ 37,881	\$ 31,137
Adjustments to reconcile to cash provided by operating activities:			
Depreciation and amortization. . . . .	19,126	15,020	12,116
Deferred income taxes. . . . .	(2,195)	(518)	346
Gain on sale of investment . . . . .	-	-	(5,885)
Other-net. . . . .	(469)	(421)	(1,021)
	59,714	51,962	36,693
Changes in operating assets and liabilities:			
Receivables. . . . .	(4,259)	(6,663)	(3,284)
Inventories. . . . .	(11,110)	(32,367)	(9,578)
Accounts payable and accrued expenses. . . . .	11,321	8,412	14,168
Other-net. . . . .	(2,206)	170	(2,167)
Net Cash Provided By Operating Activities. . . . .	53,460	21,514	35,832
Investing activities:			
Plant and equipment acquired . . . . .	(47,866)	(36,771)	(21,108)
Contributions from landlords . . . . .	9,983	4,737	4,637
Collection of note receivable. . . . .	-	5,100	-
Sale of property . . . . .	-	5,964	-
Sale of investment . . . . .	-	-	7,085
Other-net. . . . .	(678)	2,003	2,279
Net Cash Used By Investing Activities. . . . .	(38,561)	(18,967)	(7,107)
Financing activities:			
Issuance of common stock . . . . .	-	133,949	-
Repurchase of preferred stock. . . . .	-	(121,148)	-
Proceeds from revolving line of credit and long-term borrowings. . . . .	141,023	146,900	67,200
Payments on revolving line of credit and long-term borrowings. . . . .	(157,026)	(95,166)	(86,239)
Extraordinary loss on debt retirement. . . . .	(11,394)	-	-
Exercise of stock options. . . . .	7,425	8,722	2,270
Cash dividends on common stock . . . . .	(3,920)	(3,556)	(2,638)
Cash dividends on preferred stock. . . . .	-	(2,138)	(8,190)
Net Cash (Used) Provided By Financing Activities . . . . .	(23,892)	67,563	(27,597)
(Decrease) increase in cash. . . . .	(8,993)	70,110	1,128
Cash at beginning of period. . . . .	77,063	6,953	5,825
Cash at end of period. . . . .	\$ 68,070	\$ 77,063	\$ 6,953

See notes to consolidated financial statements.

PHILLIPS-VAN HEUSEN CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDERS' EQUITY  
(In thousands, except share data)

	Common Stock		Additional Capital	Retained Earnings	Treasury Stock	Common Stockholders' Equity
	Shares	\$1 par Value				
February 3, 1991 . . . . .	25,157,220	\$25,157	\$ 22,376	\$188,621	\$(173,830)	\$62,324
Stock options exercised . . . . .	382,120	382	2,316			2,698
Net income . . . . .				31,137		31,137
Cash dividends:						
Common stock . . . . .				(2,638)		(2,638)
Preferred stock . . . . .				(8,190)		(8,190)
Stock repurchased and cancelled	(20,996)	(21)	(407)			(428)
February 2, 1992 . . . . .	25,518,344	25,518	24,285	208,930	(173,830)	84,903
Issuance of common stock and repurchase of preferred stock . . . . .	6,440,000	6,440	79,161			85,601
Stock options exercised . . . . .	786,047	786	9,036			9,822
Net income . . . . .				37,881		37,881
Cash dividends:						
Common stock . . . . .				(3,556)		(3,556)
Preferred stock . . . . .				(2,138)		(2,138)
Stock repurchased and cancelled	(40,223)	(40)	(1,060)			(1,100)
January 31, 1993 . . . . .	32,704,168	32,704	111,422	241,117	(173,830)	211,413
Stock options exercised . . . . .	486,647	487	6,940			7,427
Net income . . . . .				31,858		31,858
Cash dividends on common stock				(3,920)		(3,920)
Issue 150 shares from treasury . . . . .					23	23
Stock repurchased and cancelled	(65)		(2)			(2)
January 30, 1994 . . . . .	33,190,750	\$33,191	\$118,360	\$269,055	\$(173,807)	\$246,799

See notes to consolidated financial statements.

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except 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.

**Fiscal Year** - Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. Accordingly, results for fiscal years 1993, 1992 and 1991 represent the 52 weeks ended January 30, 1994, January 31, 1993 and February 2, 1992.

**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.

**Inventories** - Inventories are stated at the lower of cost or market. Cost for the apparel segment is determined principally using the last-in, first-out method (LIFO). Cost for the footwear segment 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.

**Intangibles Applicable to Businesses Acquired** - The intangibles, net of accumulated amortization of \$1,949 and \$1,494 in 1993 and 1992, respectively, are being amortized principally by the straight line method over 40 years.

**Contributions from Landlords** - The Company receives contributions from landlords for fixturing new retail stores which the Company leases. Such amounts are amortized as a reduction of rent expense over the life of the related lease. Unamortized contributions are included in accrued expenses and other liabilities and amounted to \$14,568 and \$7,611 at January 30, 1994 and January 31, 1993, respectively.

**Fair Value of Financial Instruments** - The Company estimates that the fair value of all financial instruments approximates their carrying value.

**Net Income Per Common Share** - Primary net income per common share has been computed by dividing net income, adjusted for the Series B Convertible Redeemable Preferred Stock ("preferred stock") dividend requirements of \$2,138 in 1992 and \$8,190 in 1991, by the weighted average number of common shares outstanding during the year and common share equivalents applicable to dilutive stock options; the number of shares used in such computation was 27,105,888 (1993), 25,253,170 (1992) and 19,896,734 (1991).

Fully diluted net income per common share has been computed by dividing net income by the sum of the shares used in the primary earnings per share calculation and the additional 5,200,000 shares issuable upon the conversion of the preferred stock. The preferred stock was outstanding until May 4, 1992, at which time it was repurchased. The number of shares used in such computation was 27,123,614 (1993), 26,593,196 (1992) and 25,310,685 (1991).

Fully diluted net income per common share has not been presented since the results are either not materially different from primary net income per common share or are anti-dilutive.

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)  
(In thousands, except share data)

Income Taxes

Income taxes from continuing operations consist of:

	1993	1992	1991
Federal:			
Current . . . . .	\$16,628	\$11,945	\$ 8,764
Deferred . . . . .	(1,088)	(518)	346
State, foreign and local:			
Current . . . . .	4,945	5,173	3,800
Deferred . . . . .	(105)	-	-
	\$20,380	\$16,600	\$12,910

Taxes paid were \$9,936 (1993), \$14,858 (1992) and \$10,660 (1991).

The approximate tax effect of items giving rise to deferred income taxes is as follows:

	1993	1992	1991
Depreciation . . . . .	\$ 991	\$ 221	\$ 1,433
Landlord contributions . . . . .	(1,681)	(1,223)	(1,247)
Restructuring costs . . . . .	380	1,963	1,067
Employee compensation and benefits . . . . .	(233)	(840)	(1,096)
Other-net . . . . .	(650)	(639)	189
	\$(1,193)	(518)	\$ 346

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

	1993	1992	1991
Statutory Federal tax rate . . . . .	35.0%	34.0%	34.0%
State, foreign and local income taxes, net of Federal income tax benefit . . . . .	4.3	4.9	4.7
Income of Puerto Rico subsidiaries(1) . . . . .	(4.8)	(7.3)	(6.5)
Other-net . . . . .	(2.5)	(1.1)	(2.9)
Effective income tax rate . . . . .	32.0%	30.5%	29.3%

(1)Exemption from Puerto Rico income tax expires in 1998.

During 1993 and 1992, the Company recognized a tax benefit of \$1,972 and \$5,317 related to the exercise of stock options. These benefits were credited to additional capital.

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)  
(In thousands, except share data)

Inventories

Inventories are summarized as follows:

	1993	1992
Raw materials. . . . .	\$ 16,710	\$ 23,237
Work in process. . . . .	13,941	19,821
Finished goods . . . . .	239,220	215,703
	\$269,871	\$258,761

Inventories would have been \$11,500 and \$11,350 higher than reported at January 30, 1994 and January 31, 1993, respectively, if the FIFO method of inventory accounting had been used for the apparel segment. During 1992, certain inventories were reduced, resulting in the liquidation of LIFO inventory layers carried at lower costs prevailing in prior years as compared with current costs. The effect of these inventory liquidations was to increase net income by \$2,294 in 1992.

Property, Plant and Equipment

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

	1993	1992
Land . . . . .	\$ 1,716	\$ 596
Buildings and building improvements. . . . .	27,996	20,581
Machinery and equipment, furniture and fixtures and leasehold improvements. . . . .	169,527	139,146
	199,239	160,323
Less: Accumulated depreciation and amortization . . . . .	89,733	76,777
	\$109,506	\$ 83,546

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)  
(In thousands, except share data)

Long-Term Debt and Extraordinary Loss

Long-term debt, exclusive of current portion,  
is as follows:

	1993	1992
7.75% Debentures . . . . .	\$ 99,424	\$ -
11.2% Senior Note . . . . .	-	69,480
7.75% Senior Notes . . . . .	69,000	69,000
9.93% Senior Notes . . . . .	-	30,000
Other debt . . . . .	1,510	1,755
	\$169,934	\$170,235

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. The net proceeds from the sale of these debentures, together with cash from the Company's working capital, were used to redeem the Company's outstanding 11.2% Senior Note and its outstanding 9.93% Senior Notes. Due to certain prepayment provisions associated with the redeemed Notes, the Company recognized a one-time extraordinary loss of \$11,394, net of a \$7,025 tax benefit, in the fourth quarter of 1993.

The Company issued a series of Senior Notes due 1996-2002 with an average interest rate of 7.75% to a group of investors on October 29, 1992. The notes are payable in seven equal annual installments commencing November 1, 1996. Interest is payable semi-annually.

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)  
(In thousands, except share data)

Long-Term Debt - (Continued)

The Company has a revolving credit agreement under which the Company may, at its option, borrow and repay amounts up to a maximum of \$85,000, except that for the Company's third quarter, during which period its borrowings peak, the maximum amount available to the Company was \$115,000 in 1993 and will be \$100,000 in 1994, 1995 and 1996. All outstanding borrowings under this agreement are due February 3, 1997. Interest on amounts borrowed under the revolving credit agreement is payable quarterly at the prime rate or at LIBOR plus .50%. A commitment fee of .25% is payable quarterly on the unutilized portion of the facility.

Interest paid was \$18,007 (1993), \$15,357 (1992) and \$15,587 (1991).

Scheduled maturities of long-term debt, including current portion, for the next five years are as follows: 1994-\$245, 1995-\$260, 1996-\$10,137, 1997-\$10,157 and 1998-\$10,182.

Issuance of Common Stock and Repurchase of Series B Convertible Redeemable Preferred Stock

On May 4, 1992, the Company completed the sale of 6,440,000 shares of its common stock with net proceeds of \$133,949. On the same day, the Company used \$121,148 of these proceeds to repurchase its preferred stock (with a liquidation value of \$72,800) from The Prudential Insurance Company of America. The price paid for the preferred stock reflects both a reduction in interest rates since the time of the original issue of the preferred stock as well as the value of its conversion feature. The net effect of these two transactions was to increase the Company's common stockholders' equity by \$85,601.

While it was outstanding, the preferred stock was entitled to receive cumulative cash dividends at the annual rate of 11.25% per \$100 of liquidation value (equivalent to an annual dividend of \$675 per share).

If the issuance of the common stock and repurchase of the preferred stock had been completed on February 3, 1992, instead of May 4, 1992, the Company's net income per common share for 1992 of \$1.42 would have been unchanged.

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)  
(In thousands, except share data)

Common 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.

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 will expire June 16, 1996, unless such date is extended or the Rights are earlier redeemed by the Company.

Stock Options - Under the Company's stock option plans, non-qualified and incentive stock options ("ISOs") may be granted. Options are granted at fair market value at the date of grant. ISOs and non-qualified options granted have a ten year duration. All options are cumulatively exercisable in three installments commencing two years after the date of grant for grants issued prior to March 30, 1993, and commencing three years after the date of grants for grants issued after that date.

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)  
(In thousands, except share data)

Common Stockholders' Equity - (Continued)

Other data with respect to stock options follows:

	Shares	Option Price Per Share	
Outstanding at February 3, 1991. . . . .	2,599,810	\$1.42-	\$11.69
Granted. . . . .	95,400	9.56-	20.00
Exercised. . . . .	382,120	1.42-	10.56
Cancelled. . . . .	33,306	4.75-	8.88
Outstanding at February 2, 1992. . . . .	2,279,784	3.55-	20.00
Granted. . . . .	235,370	22.15-	27.00
Exercised. . . . .	786,047	3.55-	11.00
Cancelled. . . . .	65,006	4.75-	22.38
Outstanding at January 31, 1993. . . . .	1,664,101	3.80-	27.00
Granted. . . . .	479,029	28.00-	36.00
Exercised. . . . .	486,647	3.80-	28.00
Cancelled. . . . .	98,023	4.75-	31.63
Outstanding at January 30, 1994. . . . .	1,558,460	\$3.80-	\$36.00

Of the outstanding options at January 30, 1994, options covering 778,362 shares are currently exercisable. Stock options available for grant at January 30, 1994 and January 31, 1993 amounted to 364,208 and 246,014 shares, respectively.

Leases

The Company leases retail stores, manufacturing facilities, 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.

At January 30, 1994, minimum annual rental commitments under non-cancellable operating leases, including leases for new retail stores which had not begun operating at January 30, 1994, are as follows:

1994. . . . .	\$ 51,106
1995. . . . .	46,826
1996. . . . .	39,142
1997. . . . .	32,146
1998. . . . .	20,401
Thereafter. . . . .	56,178
Total minimum lease payments. . . . .	\$245,799

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)  
(In thousands, except share data)

Leases - (Continued)

Rent expense, principally for real estate, is as follows:

	1993	1992	1991
Minimum . . . . .	\$46,275	\$39,809	\$33,869
Percentage and other. . . . .	12,232	9,067	7,795
	\$58,507	\$48,876	\$41,664

Retirement and Benefit Plans

Defined 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. In addition, the Company also participates in multi-employer plans, which provide defined benefits to their union employees.

A summary of the components of net pension cost for the defined benefit plans and the total contributions charged to pension expense for the multi-employer plans follows:

	1993	1992	1991
Defined Benefit Plans:			
Service cost - benefits earned during the period . . . . .	\$1,828	\$1,453	\$ 1,142
Interest cost on projected benefit obligation. . . . .	2,429	2,039	1,769
Actual return on plan assets . . . . .	(2,074)	(2,255)	(3,150)
Net amortization and deferral of actuarial gains . . . . .	612	771	2,065
Net pension cost of defined benefit plans. . . . .	2,795	2,008	1,826
Multi-employer plans. . . . .	215	222	426
Total pension expense . . . . .	\$3,010	\$2,230	\$ 2,252

Significant rate assumptions used in determining pension cost and related obligations were as follows:

	1993	1992	1991
Discount rate used in determining projected benefit obligation. . . .	7.5%	8.0%	8.0%
Rate of increase in compensation levels . . . . .	5.0%	5.5%	5.5%
Long-term rate of return on assets. . . . .	7.5%	7.5%	7.5%

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)  
(In thousands, except share data)

Retirement and Benefit Plans - (Continued)

The following table sets forth the plans' funded status and amounts recognized on the Company's balance sheet at January 30, 1994 and January 31, 1993 for defined benefit plans:

	1993	1992
Actuarial present value of benefit obligations:		
Vested benefit obligation . . . . .	\$30,884	\$ 21,485
Accumulated benefit obligation . . . . .	\$32,171	\$ 22,780
Projected benefit obligation for services rendered to date. . . . .	\$39,318	\$ 28,304
Less: plan assets at fair value . . . . .	(26,011)	(23,571)
Projected benefit obligation in excess of plan assets . . . . .	13,307	4,733
Unrecognized prior service cost . . . . .	(4,771)	(612)
Unrecognized net actuarial loss . . . . .	(5,435)	(1,983)
Unrecognized net asset at adoption date of FAS Statement No. 87 . . . . .	509	558
Net pension liability recognized on the balance sheet . . . . .	\$ 3,610	\$ 2,696

The increase in the projected benefit obligation to \$39,318 in 1993 from \$28,304 in 1992 is due principally to the introduction of pension plans in Puerto Rico, an upgrading of United States pension plans and a reduction in the 1993 discount rate used to value future pension liabilities.

The net pension liability is included in accrued expenses and other liabilities.

The Company has an unfunded supplemental defined benefit plan covering 28 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. The Company does not intend to admit new participants in the future. At January 30, 1994, \$5,343 is included in other liabilities as the accrued cost of this plan.

Savings and Retirement Plans - The Company has a savings and retirement plan (the "Associates Investment Plan") and a supplemental savings plan for the benefit of its eligible employees who elect to participate. Participants may elect to contribute up to 6% of their annual compensation, as defined, to the plans. Company contributions to the plans are equal to 50% of the amounts contributed by participating employees and were \$2,303 in 1993, \$2,206 in 1992 and \$1,649 in 1991. In accordance with the terms of the Associates Investment Plan, a portion of its assets are invested in the Company's common stock.

Post-retirement Benefits - The Company and its domestic subsidiaries provide certain health care and life insurance benefits to retired employees.

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.

On February 1, 1993, the Company adopted FAS Statement No. 106 which requires that the cost of this plan be recognized as an expense as employees render service instead of when the benefits are paid. Post-retirement benefit cost for 1992, which was recorded on a cash basis and totalled \$459 in that year, has not been restated.

Net post-retirement benefit cost in 1993 includes the following components:

Service cost	\$ 275
Interest cost	739
Amortization of transition obligation	273
	\$1,287

The following reconciles the plan's accumulated post-retirement benefit with amounts recognized in the Company's balance sheet:

Accumulated post-retirement benefit obligation:

Retirees receiving benefits	\$7,481
Fully eligible active plan participants	1,092
Active plan participants not eligible for benefits	2,053
	10,626
Unrecognized transition obligation	(5,189)
Unrecognized net loss	(1,011)
Post-retirement liability recognized on the balance sheet	\$4,4

The weighted average annual assumed rate of increase in the cost of covered benefits (i.e., health care cost trend rate) is 9.0% for 1994 and is assumed to decrease gradually to 5.0% by 2040 and remain at that level thereafter. Increasing the assumed health care cost trend rate by one percentage point would increase the accumulated post-retirement benefit obligation as of January 30, 1994 by \$1,133, and the aggregate of the service and interest cost components of net post-retirement benefit cost for 1993 by \$136. The discount rate used in determining the accumulated post-retirement benefit obligation was 7.5%.

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)  
(In thousands, except share data)

Segment Data

The Company operates in two industry segments: (i) apparel - the manufacture, procurement for sale and marketing of a broad range of men's and women's apparel to traditional wholesale accounts as well as through Company-owned retail stores, and (ii) footwear - the manufacture, procurement for sale and marketing of a broad range of men's, women's and children's shoes to traditional wholesale accounts as well as through Company-owned retail stores.

Operating income represents net sales less operating expenses. Excluded from operating results of the segments are interest expense, net, corporate expenses and income taxes.

	1993	1992	1991
Net Sales - Apparel . . . . .	\$ 757,452	\$ 709,361	\$596,383
- Footwear . . . . .	394,942	333,204	307,717
Total Net Sales. . . . .	\$1,152,394	\$1,042,565	\$904,100
Operating Income - Apparel. . . . .	\$ 54,060	\$ 49,931	\$ 30,080
- Footwear. . . . .	39,638	35,786	34,031
Total Operating Income . . . . .	93,698	85,717	64,111
Corporate Expenses. . . . .	(13,387)	(15,509)	(3,378)
Interest Expense, net . . . . .	(16,679)	(15,727)	(16,686)
Income Before Taxes. . . . .	\$ 63,632	\$ 54,481	\$ 44,047
Identifiable Assets - Apparel . . . . .	\$ 305,132	\$ 283,256	\$240,348
- Footwear . . . . .	164,197	140,091	136,573
Corporate Assets. . . . .	469,329	423,347	376,921
Depreciation and Amortization - Apparel . . . . .	\$ 85,442	\$ 94,015	\$22,048
- Footwear. . . . .	554,771	517,362	\$398,969
Corporate Depreciation and Amortization . . . . .	\$ 12,843	\$ 10,700	\$ 8,678
Identifiable Capital Expenditures - Apparel . . . . .	4,405	3,066	2,664
- Footwear. . . . .	17,248	13,766	11,342
Corporate Capital Expenditures. . . . .	1,878	1,254	774
Income Before Taxes. . . . .	\$ 19,126	\$ 15,020	\$ 12,116
Identifiable Capital Expenditures - Apparel . . . . .	\$ 29,449	\$ 23,488	\$ 15,777
- Footwear. . . . .	16,038	6,453	4,381
Corporate Capital Expenditures. . . . .	45,487	29,941	20,158
Income Before Taxes. . . . .	\$ 2,379	\$ 6,830	\$ 950
Income Before Taxes. . . . .	\$ 47,866	\$ 36,771	\$ 21,108

Operating income of the apparel segment includes charges for restructuring of \$2,000 (1992) and \$6,000 (1991).

In 1992, reserves of \$1,600 for closing the Company's footwear catalog business were charged to operating income of the footwear segment.

In 1992, corporate expenses include \$2,400 for relocating the Company's administrative offices to Bridgewater, New Jersey and South Portland, Maine.

PHILLIPS-VAN HEUSEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)  
(In thousands, except share data)

Segment Data - (Continued)

In 1991, corporate expenses include a gain on the sale of an investment in a privately held specialty retailer of \$5,885 and a loss of \$1,240 incurred in connection with the bankruptcy of Shoe Box, a former subsidiary of Bass sold by the Company in 1989.

Apparel inventories as of January 30, 1994 and January 31, 1993 of \$150,857 and \$148,053, respectively, were determined using the LIFO method.

Other Comments

The Company has available a letter of credit facility from its lending banks totaling \$150,000 of which \$67,574 was utilized at January 30, 1994.

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

MANAGEMENT'S REPORT ON RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Company has the responsibility for preparing the accompanying financial statements and for their integrity and objectivity. The statements have been prepared by management in conformity with generally accepted accounting principles. The financial statements include some amounts that are based on management's best estimates and judgements. Management also prepared the other information in the annual report and is responsible for its accuracy and consistency with the financial statements.

The Company maintains a system of internal accounting controls designed to provide management with reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the benefits derived and that the evaluation of those factors requires estimates and judgements by management. Further, because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Nevertheless, management believes that a high level of internal control is maintained by the Company through the selection and training of qualified personnel, the establishment and communication of accounting and business policies, and its internal audit program.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with management and the Company's internal auditors and independent auditors to review matters relating to the quality of financial reporting and internal accounting control and the nature, extent and results of their audits. The Company's internal auditors and independent auditors have complete access to the Audit Committee.

SIGNATURE STAMP

BRUCE J. KLATSKY  
President and  
Chief Executive Officer

SIGNATURE STAMP

IRWIN W. WINTER  
Vice President and  
Chief Financial Officer

REPORT OF ERNST & YOUNG, 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 January 30, 1994 and January 31, 1993, and the related consolidated statements of income, changes in common stockholders' equity, and cash flows for each of the three years in the period ended January 30, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 January 30, 1994 and January 31, 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 30, 1994 in conformity with generally accepted accounting principles.

E&Y SIGNATURE STAMP

787 Seventh Avenue  
New York, New York 10019  
March 17, 1994

PHILLIPS-VAN HEUSEN CORPORATION

SELECTED QUARTERLY FINANCIAL DATA - UNAUDITED  
(In thousands, except per share data)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	1993	1992(1)	1993(2)	1992	1993	1992	1993(3)	1992(4)
Net sales . . . . .	\$221,924	\$208,272	\$264,016	\$239,491	\$357,389	\$322,329	\$309,065	\$272,473
Gross profit . . . . .	78,124	76,290	97,000	88,858	126,379	117,164	111,123	103,213
Income (loss) before extraordinary loss . . .	(2,208)	(123)	7,757	6,458	24,520	21,885	13,183	9,661
Net income . . . . .	(2,208)	(123)	7,757	6,458	24,520	21,885	1,789	9,661
Net income (loss) per common share:								
Before extraordinary loss . . . . .	(.08)	(.12)	.29	.24	.91	.81	.48	.36
Extraordinary loss (5) . .	-	-	-	-	-	-	(.42)	-
Net income (6) . . . . .	(.08)	(.12)	.29	.24	.91	.81	.06	.36
Cash dividends per common share . . . . .	.0375	.0375	.0375	.0375	.0375	.0375	.0375	.0375
Price range of common stock								
High . . . . .	32 3/4	25 3/4	33 3/8	23 3/4	34 1/2	27 3/8	37 5/8	29 1/4
Low . . . . .	26 5/8	21	25 3/4	20	25 7/8	22 1/4	32 1/4	25 3/4

- (1) Net loss for the first quarter of 1992 includes a pre-tax charge of \$1,600 for closing the Company's footwear catalog business.
- (2) Net income for the second quarter of 1993 includes a pre-tax credit of \$1,700 for the adjustment of certain fringe benefit accruals.
- (3) Net income for the fourth quarter of 1993 includes a pre-tax LIFO credit of \$1,699.
- (4) Net income for the fourth quarter of 1992 includes a pre-tax charge of \$2,000 to establish certain reserves for the Company's ongoing efforts to strengthen its domestic manufacturing base. It also includes a pre-tax charge of \$1,700 for the relocation of the Company's administrative offices, a pre-tax LIFO credit of \$4,683 and a credit of \$1,027 which resulted from an adjustment to the estimated tax rate used in the first three quarters.
- (5) Net income for the fourth quarter of 1993 includes an extraordinary loss, net of tax, of \$11,394 related to the prepayment of certain debt.
- (6) Fully diluted net income per common share has not been presented since the results are either not materially different from primary net income per common share or are anti-dilutive.

PHILLIPS-VAN HEUSEN CORPORATION  
SEVEN YEAR FINANCIAL SUMMARY  
(In thousands, except per share data, percents and ratios)

The Company's financial summary is presented from 1987, the year in which the Company recapitalized its balance sheet and acquired G.H. Bass & Co.

	1993	1992	1991	1990(1)	1989	1988	1987(2)
<b>Summary of Operations</b>							
Net sales							
Apparel . . . . .	\$ 757,452	\$ 709,361	\$596,383	\$536,352	\$493,395	\$460,342	\$416,407
Footwear . . . . .	394,942	333,204	307,717	269,963	239,541	180,696	83,618
	1,152,394	1,042,565	904,100	806,315	732,936	641,038	500,025
Cost of goods sold and expenses . . . . .	1,072,083	972,357	843,367	752,252	682,687	597,543	457,842
Interest expense, net . . . . .	16,679	15,727	16,686	18,884	17,555	16,109	6,210
	1,088,762	988,084	860,053	771,136	700,242	613,652	464,052
Income before taxes . . . . .	63,632	54,481	44,047	35,179	32,694	27,386	35,973
Income taxes . . . . .	20,380	16,600	12,910	8,795	8,502	6,565	14,655
Income from continuing operations							
before extraordinary loss . . . . .	43,252	37,881	31,137	26,384	24,192	20,821	21,318
(Loss) income from discontinued operations . . . . .							
	-	-	-	-	-	(152)	8,691
Extraordinary loss, net of tax . . . . .	(11,394)	-	-	-	-	-	-
Net income . . . . .	\$ 31,858	\$ 37,881	\$ 31,137	\$ 26,384	\$ 24,192	\$ 20,669	\$ 30,009
<b>Per Common Share Statistics(3)</b>							
Income from continuing operations							
before extraordinary loss . . . . .	\$ 1.60	\$ 1.42	\$ 1.15	\$ 0.95	\$ 0.84	\$ 0.68	\$ 0.66
Discontinued operations . . . . .	-	-	-	-	-	(0.01)	0.33
Extraordinary loss . . . . .	(0.42)	-	-	-	-	-	-
Net income . . . . .	\$ 1.18	\$ 1.42	\$ 1.15	\$ 0.95	\$ 0.84	\$ 0.67	\$ 0.99
Common dividends paid per share . . . . .	0.15	0.15	0.1425	0.14	0.14	0.14	0.125
Common stockholders' equity per share . . . . .	9.33	8.14	4.52	3.38	2.53	1.79	1.24
<b>Financial Position</b>							
Invested cash . . . . .	\$ 66,064	\$ 75,862	\$ 5,326	\$ 5,796	\$ 3,551	\$ 7,191	\$ 8,979
Current assets . . . . .	418,702	410,522	303,143	285,315	266,867	265,039	258,135
Current liabilities . . . . .	109,156	115,208	102,976	90,748	84,190	88,191	86,741
Working capital . . . . .	309,546	295,314	200,167	194,567	182,677	176,848	171,394
Total assets . . . . .	554,771	517,362	398,969	376,790	333,108	323,133	317,773
Long-term debt . . . . .	169,934	170,235	121,455	140,259	118,776	116,400	120,848
Series B convertible redeemable preferred stock . . . . .							
	-	-	72,800	72,800	72,800	72,800	72,800
Common stockholders' equity . . . . .	246,799	211,413	84,903	62,324	46,085	32,476	22,456
<b>Other Statistics</b>							
Total debt to total capital (4) . . . . .	40.8%	46.8%	46.0%	53.2%	52.6%	55.1%	56.9%
Net debt to net capital (5) . . . . .	29.7%	34.3%	45.0%	52.2%	51.9%	53.7%	55.1%
Market value of common stockholders' equity . . . . .							
	\$ 949,000	\$ 753,000	\$392,000	\$173,000	\$132,000	\$127,000	\$ 86,000
Current ratio . . . . .	3.8	3.6	2.9	3.1	3.2	3.0	3.0
Average common shares and equivalents outstanding . . . . .							
	27,106	25,253	19,897	19,094	19,140	18,572	26,258

- (1) 1990 includes 53 weeks of operations.
- (2) 1987 includes the operations of G.H. Bass & Co. from date of acquisition, August 21, 1987, and includes a gain on settlement of pension plans of \$3,415, or \$0.13 per share.
- (3) Fully diluted net income per common share has not been presented since the results are either not materially different from primary net income per common share or are anti-dilutive.
- (4) Total capital equals interest-bearing debt, preferred stock and common stockholders' equity.
- (5) Net debt and net capital are total debt and total capital reduced by invested cash.

**FINANCIAL REVIEW**

The past year continued Phillips-Van Heusen's progress toward its goal of establishing a strong, investment-grade financial position while maintaining its well above-average growth in sales and earnings. The Company believes that the most appropriate basis for measuring that progress is the change since the leveraged financial position it was forced to adopt in 1987 when it became the target of a hostile takeover attempt. The following table compares the current financial position of the Company with that at the end of 1987:

(Dollars in thousands)

	January 30, 1994		January 31, 1988	
<b>Capitalization</b>				
Short-Term Debt	\$ 245		\$ 4,840	
Long-Term Debt	169,934		120,848	
Total Debt	170,179	40.8%	125,688	56.9%
Preferred Stock			72,800	32.9%

Common Stockholders' Equity	246,799	59.2%	22,456	10.2%
Total Capitalization	\$416,978	100.0%	\$220,944	100.0%
Invested Cash	\$ 66,064		\$ 8,979	
Market Value of Common Stockholders' Equity	\$949,000		\$ 86,000	
After-Tax Cost of Year-End Debt and Preferred Stock	\$ 8,000		\$ 16,000	

Improvement has been both steady and continuous. However, the two financial events referred to in the President's letter and described more fully below have particular long-term significance. The 1992 sale of common stock and the 1993 issuance of 7.75% debentures allowed the Company to eliminate all of the high cost debt incurred during its 1987 leveraged recapitalization. At the same time, total debt was reduced from 46.0% of total capital at year-end 1991 to 40.8% at the end of 1993. Net of invested cash, the 1993 percentage is 29.7% - well on the way to the Company's target of 25%.

Of course, the achievement of ambitious financial goals is first and foremost a function of operating performance. The Company's compound growth of sales and earnings per share since 1987 has been 14.9% and 20.2%, respectively. While sales and earnings growth in 1993 slowed somewhat to 10.5% and 12.7%, respectively, the development and funding of the strategies discussed in this report were paramount in setting the stage for future growth.

The Company's strategy is to maximize stockholder value by maximizing the value of its brands through strong wholesale distribution coupled with an ability to reach consumers directly through its retail stores. As the Company's store base expanded, retail sales grew from \$481.9 million in 1991, to \$571.8 million in 1992, to \$679.6 million in 1993. This strategy has also allowed the Company to extend its brands to appropriately related products and offer them for sale in its own retail stores. Brand extension has been and continues to be a key feature of the Company's strategic goals. Nowhere is that more evident than at the Bass and Geoffrey Beene retail stores. At Bass, the expansion of a highly profitable accessory business, together with the addition of adult and (in 1994) kids apparel, is transforming footwear stores into lifestyle stores. At Geoffrey Beene, the 1993 addition of a women's business is doubling their product offering.

In addition, the Company believes that further opportunity for expanding its retail operations will result from the 1993 addition of over \$1 billion of new capital into the manufacturers' outlet industry via a series of public offerings by real estate development companies.

#### Results of Operations

The Company analyzes its results of operations by its vertically integrated apparel and footwear segments. Reference should be made to the Segment Data footnote in the consolidated financial statements.

#### Apparel

Net sales of the Company's apparel segment were \$757.5 million in 1993, \$709.4 million in 1992 and \$596.4 million in 1991, representing increases of 6.8% and 18.9%, respectively.

In 1993, the wholesale shirt group was negatively impacted by a cyclically weak period of demand for dress shirts following a strong but short-lived fashion surge in 1992. In spite of this negative market trend, both of the Company's principal shirt brands, Van Heusen and Geoffrey Beene, improved their market share leadership positions. In addition, the Designer Group had great success in its introduction of a new line of 100% cotton dress shirts under the Bass brand. This offering filled a vacant niche in the traditionally styled dress shirt market at upper-moderate price points similar to the Geoffrey Beene brand and above the Van Heusen brand.

Late in the year, the Company announced it would begin shipping its new Wrinkle-Free Van Heusen and Geoffrey Beene dress shirts to department stores in time for Father's Day. These shirts, produced by the Company under an exclusive license for North America, utilize a unique vapor phase technology which transforms garments made from lightweight fabrics into those that remain wrinkle-free after as many as 50 washings. These shirts, which include a cotton content of as much as 60%, attain a softness of hand and have increased fabric breathability and absorbency, giving them superior comfort qualities. The Company believes this major product innovation should reverse the year-long downward trend in dress shirts and further enhance the Company's leadership position in the industry.

Somerset, the Company's knitwear division, was successful in building its new branded sweater business under the Van Heusen and Geoffrey Beene labels. These sweaters, both fashion and basic, are sold nationwide to traditional department and specialty stores. Offsetting these gains was a reduction in chain store sweater sales and in knit shirts sold to professional golf shops. Looking ahead, Somerset's principal focus will be in pursuing its very positive prospects for continued growth in branded and designer sweaters.

Retail sales growth came principally from three areas: the opening of new stores in each apparel format, expansion of the Geoffrey Beene stores to include women's wear, and the remodeling of 95 Van Heusen stores during 1993 and 1992 to a new and more productive store format. Offsetting these positive

factors, in part, was the negative impact of exceptionally bad weather in both the winters of 1994 and 1993.

Operating income of the apparel segment was \$54.1 million in 1993, up from \$49.9 million during 1992 and \$30.1 million in 1991. In 1993, operating margins of both wholesale and retail were negatively impacted by the weak dress shirt environment while sportswear results were very positive. This condition, together with a generally weak sweater market, prevented any major improvement in wholesale margins.

While retail gross margins were negatively impacted by bad weather and a highly promotional environment, substantial progress was made in reducing in-store and central office expenses through a major expense management program. The closing of non-productive stores in the Windsor division at the end of 1992 also favorably impacted 1993. In 1991, the Company reserved \$6.0 million to restructure its Somerset division; the improvement in apparel margins in 1992 is due principally to the non-recurring nature of that charge.

Impacting apparel margins was a LIFO charge of \$.2 million in 1993, a credit of \$1.7 million in 1992 and a charge of \$1.2 million in 1991.

The Company believes it is well-positioned for strong growth in 1994 and beyond. The current trend toward "corporate casual" dressing for men opens up new opportunities to extend the Company's traditional dress shirt offerings. With the successful introduction of the Bass dress shirt and Geoffrey Beene casual wear for women, these brand extensions should become increasingly important in 1994 and beyond. At the same time, introduction of the Wrinkle-Free dress shirt should enhance the Company's growing leadership position in this market. While the Wrinkle-Free introduction will have minimal impact on 1994 net income due to a variety of one-time costs plus substantial media spending to support the introduction, the long-term prospects of brand enhancement, price positioning and market share should be considerable.

#### Footwear

Net sales of the Company's footwear segment, conducted through its Bass division, were \$394.9 million in 1993 compared to \$333.2 million and \$307.7 million in 1992 and 1991, representing increases of 18.5% and 8.3%, respectively.

Sales at wholesale were very strong in 1993 due, in part, to expansion into international markets, particularly Asia and South America, and the introduction of a Bass dress shoe line. Telemarketing efforts and stronger in-store promotional programs for independent retailers also contributed to sales improvement. This performance followed a particularly difficult 1992 which was hampered by a weak market for men's casual footwear. Also favorably impacting 1993 were new styles in the outdoor category, including hiking shoes and "rugged outdoor wear", as well as sandals, which had excellent sell-thru as consumers sought alternatives to traditional athletic footwear. Early 1994 sales indicate that these trends are continuing.

At Bass retail, growth came principally from the addition of new stores offering both footwear and casual apparel. Line extensions in accessories also resulted in very significant increases. Offsetting this were weaker sales in footwear, coming in part, from a generally poor product mix which was identified early in the year; subsequent heavy promotions drove footwear sales so that inventory at the beginning of 1994 was substantially better positioned. Also impacting sales growth was the exceptionally bad weather experienced in both the winters of 1994 and 1993. Going forward, retail should capitalize on the trends noted for wholesale, particularly the increased demand for outdoor shoes and sandals. Shoe stores will continue to be converted into larger "Bass Lifestyle" stores offering both footwear and apparel, and additional growth will come from a Bass Kids line of apparel to be introduced in 34 stores in 1994.

Operating income of the footwear segment was \$39.6 million in 1993, compared to \$35.8 million in 1992 and \$34.0 million in 1991. In 1992, a \$1.6 million charge was recorded to cover the cost of closing the Company's footwear catalog business. Excluding this charge, footwear margins were 10.0% in 1993, compared to 11.2% and 11.1% in 1992 and 1991, respectively. The decline in the current year resulted from extremely heavy markdowns at retail driven by the footwear product mix issue and the poor winter weather. The product mix issue is not expected to recur. Strong improvement in inventory turn achieved in 1993 is anticipated to continue as Bass enhances its just-in-time inventory management systems.

## Corporate Expenses

Corporate expenses were \$13.4 million in 1993, compared to \$15.5 million and \$3.4 million in 1992 and 1991, respectively. In 1992, relocation costs of \$2.4 million were recorded to cover the costs to move to new facilities in Bridgewater, New Jersey and South Portland, Maine. In 1991, the Company recognized a one-time gain of \$5.9 million on the sale of an investment in a privately held specialty retailer. Excluding these one-time items, corporate expenses were \$13.4 million in 1993 and \$13.1 million and \$9.3 million in 1992 and 1991, respectively. The principal reason for the increases in 1993 and 1992 were expenses incurred in connection with the Company's long-term program, adopted in 1992, to achieve a "best practices" standard in its management systems and procedures. Central to this effort is instilling in the corporate culture the concepts of empowerment and continuous improvement in the creation of quality and value.

## Interest Expense

Interest expense increased in 1993 due mainly to an increase in the Company's average debt from the issuance, in late 1992, of \$69 million of Senior Notes due 1996-2002 to secure long-term capital at favorable rates. Partially offsetting the interest expense on these notes was the Company's investment of the unused proceeds in money market instruments. The decrease in interest expense in 1992 was due entirely to reductions in the Company's effective borrowing rate resulting from both lower bank lending spreads as well as reductions in short-term interest rates.

## Income Taxes

The Company's effective tax rate was 32.0% in 1993 compared to 30.5% in 1992 and 29.3% in 1991. An increase in the statutory rate and a higher proportion of income taxed at normal rates versus tax exempt income from operations in Puerto Rico are the principal reasons for the higher rate in 1993.

## Extraordinary Loss - Early Retirement of Debt

In 1993, the Company incurred a loss, net of tax, of \$11.4 million, or \$.42 per share, in connection with the early retirement of long-term debt. See "Liquidity and Capital Resources" below for further discussion of this transaction.

## Seasonality

The Company's business is seasonal, with higher sales and income during its third and fourth quarters, which coincide with the Company's two peak retail selling seasons: the first running from the start of summer vacation in late May and continuing through September; 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 third quarter is the high volume of fall shipments to wholesale customers which are more profitable than spring shipments. The slower spring selling season at wholesale combined with the retail seasonality makes the first quarter particularly weak. As the Company continues to expand its retail business, these seasonal differences are expected to become more significant.

## Liquidity and Capital Resources

The following table shows key cash flow elements over the last three years:

(In thousands)

	1993	1992	1991
Income from operations adjusted for non-cash items	\$59,714	\$ 51,962	\$ 36,693
Used for working capital	(6,254)	(30,448)	(861)
Capital spending, net	(37,883)	(32,034)	(16,471)
Cash dividends on common stock	(3,920)	(3,556)	(2,638)
Cash dividends on preferred stock	-	(2,138)	(8,190)
Issuance of common stock	-	133,949	-
Repurchase of preferred stock	-	(121,148)	-
Exercise of stock options	7,425	8,722	2,270
Early retirement of debt	(11,394)	-	-
Other changes	(1,483)	13,493	7,766
Decrease in borrowing, net of invested cash	\$ 6,205	\$ 18,802	\$ 18,569

A major highlight for 1993 was the reduction in funds used for working capital to \$6.3 million in 1993 from \$30.4 million in 1992. This reduction is principally due to a constant focus on inventory management; inventories in 1993 increased only 4.3% from the prior year, significantly less than the corresponding sales increase. The Company expects this favorable trend in inventory turnover to continue.

Capital expenditures increased during the past two years, principally due to the cost of opening new stores and refurbishing existing stores. In addition, in 1993 the Company began construction of a 500,000 square foot state-of-the-art distribution facility in Jonesville, North Carolina which will become fully operational in early 1995. The Company's move to new facilities in South Portland, Maine and Bridgewater, New Jersey in 1993 and 1992, respectively, resulted in investment in furniture, fixtures and leasehold improvements. Capital expenditures in 1994 are expected to be somewhat higher than 1993 levels as the Company completes the new distribution facility and upgrades its information systems to support current and anticipated business growth.

During the last two years, the Company has taken a number of steps to strengthen its financial position. On May 4, 1992, the Company completed the sale of 6.4 million shares of its common stock. Approximately \$121.1 million of the net proceeds were used to repurchase the Company's preferred stock, with the remaining \$12.8 million used to reduce debt. This transaction improved cash flow on an annual basis by approximately \$8.0 million by eliminating the non-tax deductible 11.25% dividend on the preferred stock plus interest savings on the debt reduction (offset in part by the dividends on the common stock issued in connection with the sale). On October 29, 1992, the Company issued \$69 million of Senior Notes due 1996-2002 at a blended rate of 7.75%. The proceeds were used to repay all the outstanding borrowings under the Company's revolving credit facility, with the remaining proceeds invested in short-term instruments.

Concurrent with the Company achieving an investment grade rating from both Standard & Poor's and Moody's, on November 15, 1993 the Company issued \$100 million of 7.75% Debentures due 2023 with a yield to maturity of 7.80%. The net proceeds were used to redeem the outstanding 11.2% Senior Note due 2002 and the outstanding 9.93% Senior Notes due 1997. Due to prepayment provisions associated with the redeemed notes, the Company incurred the extraordinary loss noted above. The Company believes that securing this long-term capital at favorable rates provides a solid base for financing future growth.

Also in 1993, the Company entered into a new revolving credit agreement with its existing bank group; the interest rate on this facility was reduced from LIBOR plus .75% to LIBOR plus .50%.

Total debt (net of invested cash) as a percentage of total capital was reduced to 29.7% at year-end 1993 compared to 34.3% and 45.0% at year-end 1992 and 1991, respectively.

Overall, the Company has significantly reduced the future cost and extended the maturity of its debt, eliminated its preferred stock and increased common stockholders' equity from \$84.9 million in 1991 to \$246.8 million in 1993, thus substantially improving its financial position.