SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

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

For the fiscal year ended February 1, 2004

OR

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

Commission File Number

001-07572

PHILLIPS-VAN HEUSEN CORPORATION

(Exact name of registrant as specified in its charter)

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

200 Madison Avenue

New York, New York 10016

(Address of principal executive offices)

212-381-3500

(Registrant's telephone number)

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

	Name of Each Exchange
Title of Each Class	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. (X)

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes X No

The aggregate market value of the registrant's voting stock held by nonaffiliates of the registrant (assuming, for purposes of this calculation only, that the registrant's directors, executive officers and greater than 10% shareholders are affiliates of the registrant) based upon the closing sale price of the registrants common stock on March 23, 2004 was $442,485,300.

Number of shares of Common Stock outstanding as of March 23, 2004: 30,719,719.

DOCUMENTS INCORPORATED BY REFERENCE

Document		Location in Form 10-K
		in which incorporated
Registrant's Proxy Statement		
for the Annual Meeting of		**Part III**
Stockholders to be held on June 15, 2004		

* * *

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: Forward-looking statements in this Annual Report on Form 10-K including, without limitation, statements relating to our plans, strategies, objectives, expectations and intentions, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy, and some of which might not be anticipated, including, without limitation, the following: (i) our plans, strategies, objectives, expectations and intentions are subject to change at any time at our discretion; (ii) the levels of sales of our apparel and related products, both to our wholesale customers and in our retail stores, and the levels of sales of our licensees at wholesale and retail, and the extent of discounts and promotional pricing in which we and our licensees are required to engage, all of which can be affected by weather conditions, changes in the economy, fuel prices, reductions in travel, fashion trends and other factors; (iii) our plans and results of operations will be affected by our ability to manage our growth and inventory, including our ability to realize revenue growth from developing and growing Calvin Klein; (iv) our operations and results could be affected by quota restrictions (which, among other things, could limit our ability to produce products in cost-effective countries that have the labor and technical expertise needed), the availability and cost of raw materials (particularly petroleum-based synthetic fabrics, which are currently in high demand), our ability to adjust timely to changes in trade regulations and the migration and development of manufacturers (which can affect where our products can best be produced), and civil conflict, war or terrorist acts, the threat of any of the foregoing or political and labor instability in the United States or any of the countries where our products are or are planned to be produced; (v) disease epidemics and health related concerns, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas; (vi) acquisitions and issues arising with acquisitions and proposed transactions, including without limitation, the ability to integrate an acquired entity into us with no substantial adverse affect on the acquired entity's, or our existing operations, employee relationships, vendor relationships, customer relationships or financial performance; (vii) the failure of our licensees to market successfully licensed products or to preserve the value of our brands, or their misuse of our brands and (viii) other risks and uncertainties indicated from time to time in our filings with the Securities and Exchange Commission.

We do not undertake any obligation to update publicly any forward-looking statement, whether as a result of the receipt of new information, future events or otherwise.

PART I

Item 1. Business

Unless the context otherwise requires, the terms "we," "our" or "us" refer to Phillips-Van Heusen Corporation and its subsidiaries taken as a whole. Our fiscal years are based on the 52-53 week period ending on the Sunday closest to February 1, and are designated by the calendar year in which the fiscal year commences. We derive market share data information used herein from various industry sources. References to the brand names *Calvin Klein Collection, Calvin Klein, ck, ck Calvin Klein, Van Heusen, IZOD, IZOD Club, Bass, G.H. Bass & Co., Geoffrey Beene, Arrow, Kenneth Cole New York, Reaction by Kenneth Cole, BCBG Max Azria* and *MICHAEL Michael Kors* and to other brand names in this report are to registered trademarks owned by us or licensed to us by the owner. References to our acquisition of Calvin Klein refer to our February 2003 acquisition of Calvin Klein, Inc., Calvin Klein (Europe), Inc., Calvin Klein (Europe II) Corp., Calvin Klein Europe S.r.l. and CK Service Corp., which companies we refer to collectively as "Calvin Klein."

Overview

We are one of the largest apparel companies in the world, with a heritage dating back over 120 years. We design and market nationally recognized branded dress shirts, sportswear and, to a lesser degree, footwear and other related products. We believe we market approximately one in three of the dress shirts sold in the United States and have a leading position in men's sportswear tops. Our portfolio of brands includes our own brands, *Van Heusen, G.H. Bass & Co., Bass, IZOD, Calvin Klein Collection, Calvin Klein, ck* and *ck Calvin Klein* and our licensed brands, *Arrow, Geoffrey Beene, Kenneth Cole New York, Reaction by Kenneth Cole* and, beginning in 2004, *BCBG Max Azria* and *MICHAEL Michael Kors*. We recently entered into a contract to license our *Bass* wholesale footwear business.

We design, source and market substantially all of our products on a brand-by-brand basis targeting distinct consumer demographics and lifestyles. We market our brands at multiple price points and across multiple channels of distribution. This allows us to provide products to a broad range of consumers, while minimizing competition among our brands and reducing our reliance on any one demographic group, merchandise preference or distribution channel. Currently, our products are distributed at wholesale through more than 10,000 doors in national and regional department, mid-tier department, mass market, specialty and independent stores in the United States. We also leverage our apparel design and sourcing expertise by offering private label programs to retailers. Our wholesale business represents our core business and we believe that it is the basis for our brand equity. As a profitable complement to our wholesale business, we also market our products directly to consumers through our *Van Heusen, IZOD, Geoffrey Beene* and *Bass* retail stores, primarily located in outlet malls throughout the United States, as well as 11 recently-opened *Calvin Klein* stores, located in premium outlet malls in the United States.

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

We make available, at no cost, on or through our corporate website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we have electronically filed such material with the Securities and Exchange Commission. Our corporate website address is *www.pvh.com*.

The Calvin Klein Acquisition

On February 12, 2003, we acquired Calvin Klein. Over the past 30 years, we believe *Calvin Klein* has become one of the best known designer names in the world. We believe that the *Calvin Klein* brands - *Calvin Klein Collection, ck, Calvin Klein* and *ck Calvin Klein* - complement our existing portfolio of brands by providing us with the opportunity to market products at higher price points, in higher-end distribution channels and to different consumer groups than our other product offerings. Although the *Calvin Klein* brand is well established and, we believe, enjoys strong brand awareness among consumers worldwide, there were numerous product areas in which no products, or only a limited number of products, were offered under any *Calvin Klein* label, including men's and women's better sportswear, footwear and certain accessories. We are in the process of introducing in the United States a *Calvin Klein* men's better sportswear line for the Fall 2004 season, and, through our licensing agreement with Kellwood Company, a women's better sportswear line for the Spring 2004 season. We believe our expertise in brand management, product design, sourcing and other logistics provides us with the ability to successfully expand product offerings and distribution under the *Calvin Klein* brands while preserving the brands' prestige and global presence. As a result, we believe we have the opportunity to realize sales growth and enhanced profitability.

Products sold under the *Calvin Klein* brands are sold primarily under licenses and other arrangements and include jeans, underwear, fragrances, eyewear, men's tailored clothing, ties, shoes, hosiery, socks, swimwear, watches, coats, leather goods, table top and soft home furnishings and accessories. In addition, collections of high-end collection apparel and accessories for men and women are sold under the *Calvin Klein Collection* brand. We believe these collections are an important factor in maintaining the *Calvin Klein* image. The collection apparel and accessories are sold to a limited number of high-end department stores and independent boutiques throughout the world and through three company-operated stores located in New York City, Dallas and Paris. Through calendar 2003, we designed, manufactured and marketed these collections. Commencing with the Spring 2004 collection, the wholesale collection apparel businesses have been licensed to Vestimenta, S.p.A., one of the world's leading

manufacturers and distributors of women's and men's high-end apparel. Calvin Klein controls all design operations and product development for most of its licensees, including Vestimenta. Calvin Klein oversees a worldwide marketing, advertising and promotion program of approximately $200 million, the majority of which is funded by its licensees. We believe that maintaining control over design and advertising through Calvin Klein's dedicated in-house teams plays a key role in the continued strength of the *Calvin Klein* brands.

Our Business

Our business includes the design, sourcing and marketing of a varied selection of branded and private label dress shirts, sportswear and, to a lesser degree, footwear and other related products, as well as the licensing of our brands for an assortment of products. Prior to our acquisition of Calvin Klein, our business was reported in two segments: (1) Apparel and (2) Footwear and Related Products. Our Apparel segment was operated in two groups: dress shirts and sportswear. The acquisition of Calvin Klein impacted the way we manage and analyze our operating results. As a result, we have changed the way we report our segment data, and we now report the following two business segments: (1) Apparel and Related Products and (2) Calvin Klein Licensing.

Apparel and Related Products

Dress Shirts

We market our dress shirts principally under the *Van Heusen*, *Arrow*, *IZOD*, *Geoffrey Beene*, *Calvin Klein*, *Kenneth Cole New York* and *Reaction by Kenneth Cole* brands, and will be introducing a line of *BCBG Max Azria* dress shirts for Fathers' Day 2004 and a line of *MICHAEL Michael Kors* dress shirts for Holiday 2004.

Our dress shirt business, which generated, through the wholesale channel, 20.3% of our fiscal 2003 revenues, includes the design and marketing of dress shirts in a broad selection of styles and colors that are sold at retail price points generally ranging from $20 to $65 a shirt.

The *Van Heusen* dress shirt has provided a strong foundation for us for most of our history and is the best selling dress shirt brand in the United States. The *Van Heusen* dress shirt targets the updated classical consumer, is marketed at opening to moderate price points and is distributed through more than 3,500 doors, principally in department stores, including Belk, Inc., Federated Department Stores, Inc., J.C. Penny Company, Inc., The May Department Stores Company and Saks Inc. and through our *Van Heusen* retail stores.

The *Arrow* dress shirt targets the updated classical consumer, is marketed at opening to moderate price points and is distributed through more than 2,000 doors, principally in mid-tier department stores, including Kohl's Corporation and Sears, Roebuck and Co. The *Arrow* dress shirt is positioned as a mid-tier department store complement to *Van Heusen*. We market *Arrow* dress shirts under a license agreement with Cluett American Corp. that expires on June 30, 2007 and which we may extend through June 30, 2017.

The *IZOD* dress shirt targets the modern traditional consumer, is marketed at moderate price points and is distributed through more than 1,100 doors, principally in department stores, including Belk, JCPenney and May.

The *Geoffrey Beene* dress shirt is the best selling designer dress shirt brand in department stores in the United States. The *Geoffrey Beene* dress shirt targets the more style conscious consumer, is marketed at moderate to upper moderate price points and is distributed through more than 2,500 doors, principally in department stores, including Federated, Marshall Field's, May and Saks, and through our *Geoffrey Beene* retail stores. We market *Geoffrey Beene* dress shirts under a license agreement with Geoffrey Beene Inc. that expires on December 31, 2008 and which we may extend through December 31, 2013.

The *Calvin Klein* dress shirt targets the classical contemporary consumer, is marketed at better price points and currently is distributed through more than 550 doors, principally in department and specialty stores, including Federated, Marshall Field's and May.

The *Kenneth Cole New York* dress shirt targets the modern consumer, is marketed at better price points and is distributed through more than 650 doors, principally in department stores including Dillards, Inc., Federated, Marshall Field's and May. The *Reaction by Kenneth Cole* dress shirt targets the more youthful, modern consumer, is

marketed at opening to better price points and is distributed through more than 350 doors, principally in department stores, including Federated and May. We market the two *Kenneth Cole* brands of dress shirts under a license agreement with K.C.P.L., Inc. that expires on December 31, 2005.

We also offer private label programs to retailers. Private label offerings allow a retailer to sell its own line of exclusive merchandise and give the retailer control over distribution of the product. These programs present an opportunity for us to leverage our design, sourcing and logistics expertise. Our private label customers work with our designers to develop shirts in the styles, sizes and cuts that the customers desire to sell in their stores under their private labels. Private label programs offer the consumer quality product and offer the retailer the opportunity to enjoy product exclusivity at generally higher margins. Private label products, however, generally do not have the same level of consumer recognition as branded products and private label manufacturers do not generally provide retailers with the same breadth of services and in-store sales and promotional support as branded manufacturers. We market private label dress shirts to national department and mass market stores. Our private label programs include *Stafford* for JCPenney, *Grant Thomas* for Lord & Taylor, *Cezani* for Saks and *Puritan* and *George* for Wal-Mart Stores, Inc.

Sportswear

We market our sportswear principally under the *IZOD*, *Van Heusen*, *Arrow* and *Geoffrey Beene* brands. Our sportswear business, which generated 49.2% of our fiscal 2003 revenues, includes men's knit and woven sport shirts, sweaters, bottoms, swimwear, boxers and outerwear marketed at wholesale and sportswear, accessories and other apparel for men and women offered in our *Van Heusen*, *IZOD* and *Geoffrey Beene* retail stores. We are in the process of introducing a *Calvin Klein* men's better sportswear line for the Fall 2004 season.

IZOD is the best selling main floor department store men's sportswear tops brand. *IZOD* apparel consists of active-inspired men's sportswear, including sweaters, knit and woven sport shirts, slacks, fleecewear and microfiber jackets. *IZOD* sportswear targets the active consumer, is marketed at moderate to upper moderate price points and is distributed through more than 2,400 doors, principally in department stores, including Belk, Federated, JCPenney, May and Saks, and through our *IZOD* retail stores. Our *IZOD* stores offer men's and women's active-inspired sportswear, with a focus on golf, travel and resort apparel.

Van Heusen is the best selling main floor department store men's woven sport shirt brand in the United States. *Van Heusen* sportswear also includes knit sport shirts and sweaters. Like *Van Heusen* dress shirts, *Van Heusen* sport shirts and sweaters target the updated classical consumer, are marketed at opening to moderate price points and are distributed through more than 3,500 doors, principally in department stores, including Belk, Federated, JCPenney, May and Saks, and through our *Van Heusen* retail stores. Our *Van Heusen* stores offer a range of men's products from dress furnishings to sportswear, as well as women's sportswear.

Arrow sportswear targets the updated classical consumer, is marketed at moderate price points and is distributed through more than 2,000 doors, principally in mid-tier department stores, including Kohl's and Sears. *Arrow* sportswear consists of men's knit and woven tops, sweaters and bottoms. We market *Arrow* sportswear at wholesale under the same license agreement as *Arrow* dress shirts.

Geoffrey Beene sportswear targets a more style conscious consumer than *IZOD, Van Heusen* and *Arrow* and is positioned as a designer label for men's woven and knit sport shirts on the main floor of department stores. *Geoffrey Beene* sportswear is marketed at upper moderate price points and is distributed through more than 800 doors, principally in department stores, including Federated, Marshall Field's and May, and through our *Geoffrey Beene* retail stores. Our *Geoffrey Beene* stores offer men's furnishings, casual and dress casual sportswear and women's casual and dress casual sportswear, under a license agreement which expires on December 31, 2005, and which we may extend for up to two additional three-year periods, the last of which would end on December 31, 2011. We market *Geoffrey Beene* men's sportswear at wholesale under the same license agreement as *Geoffrey Beene* dress shirts.

Our *Calvin Klein* men's better sportswear line will be targeted to a modern classic consumer. We anticipate that this new line will be distributed though 200 to 250 doors, in better fashion department and specialty stores, and through our *Calvin Klein* retail stores.

Footwear

Sales of our footwear and related *Bass* products generated 21.5% of our fiscal 2003 revenues. The products include casual and dress casual shoes for men, women and children marketed at wholesale and in our *Bass* retail stores and *Bass* apparel and accessories for men and women offered only in our *Bass* retail stores. We recently entered into an exclusive agreement to license our *Bass* wholesale footwear business to Brown Shoe Company, Inc., a leading footwear retailer and wholesaler of branded and private label footwear. Effective February 2, 2004, Brown Shoe has assumed responsibility under the license agreement for the design, sourcing and marketing of footwear at wholesale, on a worldwide basis, under the *Bass* label. The initial term of the license expires on January 31, 2007 and may be extended through January 31, 2013, subject to certain conditions. We will continue to operate our *Bass* retail stores.

The *Bass* brand has a leading position in men's casual footwear in the United States. *Bass* footwear is generally known for its classic American style and is marketed at moderate price points. Our *Bass* retail stores carry an assortment of *Bass* footwear from the wholesale line, as well as styles that are not available at wholesale. Most of our stores also carry *Bass* apparel for men and women, as well as accessories such as handbags, belts and travel gear.

Licensing

We license our brands globally for a broad range of products. The licensing of our brands generated 9.0% of our fiscal 2003 revenues. We believe royalty and other revenues from our licensing partners provide us with a relatively stable flow of revenues and extend and strengthen our brands globally.

We grant licensing partners the right to manufacture and sell at wholesale specified products under one or more of our brands. In addition, certain foreign licensees are granted the right to open retail stores under the licensed brand name and sell only goods under that name in such stores. A substantial portion of the sales by our domestic licensing partners are made to our largest wholesale customers. As compensation under these agreements, each licensing partner pays us royalties based upon its sales of our branded products, subject generally to payment of a minimum royalty. These payments generally range from 3.0% to 7.0% of the licensing partners' sales of the licensed products. In addition, licensing partners are generally required to spend an amount equal to between 2.0% and 5.0% of their sales to advertise our products. We provide support to our business partners and seek to preserve the integrity of our brand names by taking an active role in the design, quality control, advertising, marketing and distribution of each licensed product, most of which are subject to our prior approval and continuing oversight.

We license our *Van Heusen, IZOD, IZOD Club* and *G.H. Bass & Co.* brand names for various products worldwide. We also sublicense to others the *Arrow* and *Geoffrey Beene* brand names for various products. Our largest licensing partners for these brand names as a group in fiscal 2003 by licensing revenues earned by us were:

- Fishman & Tobin, Inc. accounting for approximately 20%
- PG USA Sportswear, Inc. accounting for approximately 15%
- Block Sportswear, Inc. accounting for approximately 9%

We license under approximately 60 license agreements. The products offered by our key domestic licensing partners include:

Licensing Partner		Product Category
Block Sportswear, Inc.		*Van Heusen* and *IZOD* 'big and tall' sportswear
Brown Shoe Company, Inc.		*Bass* wholesale footwear (commenced in 2004)
Custom Leather Canada Limited		*Van Heusen* belts
Fishman & Tobin, Inc.		*Van Heusen* and *IZOD* boys' sportswear
Aptaker Co., Inc. d/b/a Nouveau Eyewear		*Van Heusen* and *G.H. Bass* eyewear
Randa Neckwear Corp.		*Van Heusen* neckwear
Tropical Sportswear International, Inc.		*Van Heusen* men's pants
Westport Corporation		*Van Heusen* small leather goods
Clearvision Optical Company, Inc.		*IZOD* eyewear
Gold Toe Brand, Inc.		*IZOD* and *IZOD Club* hosiery

Humphrey's Accessories LLC		*IZOD* belts
International Home Textiles, Inc.		*IZOD* soft home furnishing products
Kellwood Company		*IZOD* women's sportswear, swimwear, and accessories (commencing in 2004)
Knothe Corporation		*IZOD* sleepwear and loungewear
Mallory & Church Corporation		*IZOD* neckwear
Peerless Delaware, Inc.		*IZOD* tailored clothing
PG USA Sportswear, Inc.		*IZOD Club* men's and women's golf apparel

Additional products sold bearing our marks include *Van Heusen* underwear, handkerchiefs, scarves and hosiery and *IZOD* leather outerwear. A large number of our *Van Heusen* licenses are with foreign licensees that offer dress shirts and sportswear under that brand name.

Calvin Klein Licensing

An important source of revenues for Calvin Klein is its business arrangements with licensees and other third parties worldwide that manufacture and distribute globally a broad array of products under the *Calvin Klein* brands. For fiscal 2003, approximately 54% of revenues from Calvin Klein's business partners was generated by its domestic business partners and approximately 46% was generated by its foreign business partners. Calvin Klein combines its design, marketing and imaging skills with the specific manufacturing, distribution and geographic capabilities of its business partners to enter into new product categories and extend existing lines of business. Calvin Klein's largest business partners in terms of royalty and other revenues earned by Calvin Klein in fiscal 2003 were:

- Warnaco, Inc. accounting for approximately 26%
- Unilever N.V. accounting for approximately 18%
- Marchon Eyewear, Inc. accounting for approximately 10%

Calvin Klein has over 30 licensing arrangements. The products offered by Calvin Klein's key business partners include:

Business Partner		Product Category
Warnaco, Inc.		Men's, women's and children's jeanswear; men's underwear and sleepwear; women's intimate apparel and sleepwear; women's swimwear (commencing in 2005)
Unilever N.V.		Men's, women's and children's fragrance and bath products
Marchon Eyewear, Inc.		Men's and women's optical frames and sunglasses
Onward Kashiyama Co. Ltd. (Japan)		Men's and women's apparel and certain casual attire and women's coats and accessories
CK Jeanswear Europe, S.p.A.		Men's, women's and children's jeanswear and women's belts
CK Jeanswear Asia Ltd.		Men's, women's and children's jeanswear
Design Works Inc.		Soft home furnishing products
CK Watch Co., Ltd. (Swatch SA)		Men's and women's watches and clocks
McGregor Industries, Inc.		Men's and women's socks and women's tights
Peerless Delaware, Inc.		Men's tailored clothing

Additional products sold bearing *Calvin Klein* brands include certain men's furnishings and small leather goods, table top furnishings, women's better footwear and swimwear and men's dress footwear. Kellwood Company, together with G.A.V., introduced a line of women's better sportswear in the United States under the *Calvin Klein* brand which commenced with the Spring 2004 collection. We believe this line will become a prominent brand in the women's better sportswear sector because of the image and strength of the *Calvin Klein* brand. Vestimenta is producing the men's and women's high-end apparel under the *Calvin Klein Collection* label, commencing with the Spring 2004 collection.

With respect to revenues generated from the sale of *Calvin Klein* men's underwear and sleepwear and women's intimate apparel and sleepwear, Warnaco pays us an administration fee based on Warnaco's worldwide sales of underwear, intimate apparel and sleepwear bearing any of the *Calvin Klein* marks under an administration agreement between Calvin Klein and Warnaco. Warnaco controls design and advertising related to the sale of underwear, intimate apparel and sleepwear products bearing the *Calvin Klein* name. See "-Trademarks."

Wholesale Customers

Our wholesale business represents our core business and we believe that it is the basis for our brand equity. Currently, our products are distributed at wholesale through more than 10,000 doors in national and regional department, mid-tier department, mass market, specialty and independent stores in the United States. A few of our customers, including Federated, JCPenney, Kohl's, May and Wal-Mart account for significant portions of our revenues. Sales to our five largest customers were 27.2% of our revenues in fiscal 2003, 30.7% of our revenues in fiscal 2002 and 27.7% of our revenues in fiscal 2001. No single customer accounted for greater than 10% of our revenues in fiscal 2003.

We believe we provide our customers with a significantly high level of service. We have six separate sales forces covering the following products and product categories:

- national brand dress shirts - *Van Heusen*, *Arrow* and *IZOD*

- designer brand dress shirts - Calvin Klein, Geoffrey Beene, Kenneth Cole New York, Reaction by Kenneth Cole, BCBG Max Azria and MICHAEL Michael Kors

- *Van Heusen and Geoffrey Beene* sportswear
- *IZOD* sportswear
- *Arrow* sportswear
- *Calvin Klein* sportswear

Each sales force includes a team of sales professionals that work closely with our customers providing them with a dedicated level of service including designing a focused selling strategy for each brand while ensuring that each brand's particular qualities and identities are strategically positioned to target a distinct consumer base. Our customers offer our dress shirts and men's sportswear on the main floor of their stores and we offer our customers merchandising support with visual display fixtures and in-store marketing. When a line of our products is displayed in a stand-alone area on the main floor, we are able to further enhance brand recognition, to permit more complete merchandising of our lines and to differentiate the presentation of products. We believe the broad appeal of our products, with multiple well known brands offering differing styles at different price points, together with our customer, advertising and marketing support and our ability to offer products with innovative qualities, allow us to expand and develop relationships with apparel retailers in the United States.

We believe that our investments in logistics and supply chain management allow us to respond rapidly to changes in sales trends and consumer demands while enhancing our inventory management efficiencies. We believe our customers can better manage their inventories as a result of our continuous analysis of sales trends, our broad array of product availability and our quick response capabilities. Certain of our products can be ordered at any time through our EDI replenishment systems. For customers who reorder these products, we generally ship these products within one to two days of order receipt.

Retail Stores

We operate over 700 retail stores under the *Van Heusen, IZOD, Bass, Geoffrey Beene* and *Calvin Klein* names. We recently announced that we would close up to 200 under-performing stores over the next two years. Ranging in size from 1,000 to 11,000 square feet, with an average of approximately 4,000 square feet, our stores are primarily located in outlet malls throughout the United States. We believe our profitable retail division is an important complement to our wholesale operations because we believe that the stores further enhance consumer awareness of our brands, including by offering products that are not available in our wholesale lines, while also providing a means for managing excess inventory.

Our *Van Heusen* outlet stores offer men's dress shirts and neckwear, men's and women's sportswear, including woven and knit shirts, sweaters, bottoms and outerwear, and men's and women's accessories. The stores are targeted to the value-conscious, middle American consumer.

Our *IZOD* outlet stores offer men's and women's active-inspired sportswear, including knit and woven shirts, sweaters, bottoms and activewear. These stores focus on golf, travel and resort clothing.

Our *Bass* outlet stores offer a modified assortment of *Bass* footwear from the *Bass* wholesale line, as well as styles not available at wholesale. Most of our stores also carry apparel for men and women, including tops, bottoms and outerwear and accessories such as handbags, wallets, belts and travel gear. We will continue to operate our *Bass* retail stores although we have agreed to license to Brown Shoe, effective February 2004, the design, sourcing and marketing of *Bass* footwear at wholesale.

Our *Geoffrey Beene* outlet stores offer men's dress shirts and neckwear, men's and women's sportswear including woven and knit shirts, sweaters, bottoms and outerwear and men's and women's accessories. These stores are targeted towards a more fashion-conscious, designer- oriented consumer.

We are expanding our retail offerings by opening *Calvin Klein* stores in premium outlet malls that are consistent with the *Calvin Klein* image and in which other prestige designers maintain stores. Since October 29, 2003, we have opened 11 stores in the United States. We currently intend to open as many as 75 *Calvin Klein* outlet stores over time in such premium outlet malls. The *Calvin Klein* stores offer *Calvin Klein* men's and women's apparel and other *Calvin Klein* products to communicate the *Calvin Klein* lifestyle. We also operate three stores that offer *Calvin Klein* men's and women's high-end collection apparel and accessories and other products under the *Calvin Klein* brands. These stores are located in New York City, Dallas and Paris.

Design

Our business depends on our ability to stimulate consumer tastes and demands, as well as on our ability to remain competitive in the areas of quality and price.

A significant factor that plays a key role in the continued strength of our brands is our in-house design teams. We form separate teams of designers and merchandisers for each of our brands, and with respect to Calvin Klein, for each product category, creating a structure that focuses on the special qualities and identity of each brand and product. These designers and merchandisers consider consumer taste and lifestyle and trends when creating a brand or product plan for a particular season. The process from initial design to finished product varies greatly, but generally spans six to ten months prior to each selling season. Our product lines are developed primarily for two major selling seasons, Spring and Fall. However, certain of our product lines offer more frequent introductions of new merchandise.

Calvin Klein has developed a cohesive team of senior design directors who share a vision for the *Calvin Klein* brands and who each lead a separate design team. We have maintained the in-house design teams of Calvin Klein since the acquisition. These teams control all design operations and product development for most licensees and other strategic alliances. In addition, new teams sharing the same vision have been assembled for our men's better sportswear line, and for overseeing all design operation and product development in connection with the licensing of the women's better sportswear line.

Sourcing and Production

To address the needs of our customers, we are continuing to make investments and develop strategies to enhance our ability to provide our customers with timely product availability and delivery. Our investments in sophisticated systems should allow us to reduce the cycle time between the design of products to the delivery of those products to our customers. We believe the enhancement of our supply chain efficiencies and working capital management through the effective use of our distribution network and overall infrastructure will allow us to better control costs and provide improved service to our customers.

In 2003, approximately 225 different manufacturers produced our products in over 300 factories worldwide. During fiscal 2003, in excess of 95% of our products were produced by manufacturers located in foreign countries. We source finished products and raw materials. Raw materials include fabric, buttons, thread, labels and similar materials. Raw materials and production commitments are generally made two to six months prior to production and quantities are finalized at that time. We believe we are one of the largest procurers of shirting fabric in the world. Finished products consist of manufactured and fully assembled products ready for shipment to our customers and our stores. Most of our dress shirts and all of our sportswear are sourced and manufactured to our specifications by independent manufacturers in the Far East, Indian subcontinent, Middle East, Caribbean and Central America who meet our quality, cost and human rights requirements. Our footwear is sourced and manufactured to our specifications by independent manufacturers who meet our quality, cost and human rights requirements, principally located in the Far East, Europe, South America and the Caribbean. No single supplier is critical to our production needs, and we believe

that an ample number of alternative suppliers exist should we need to secure additional or replacement production capacity and raw materials. Given our extensive network of sourcing partners, we believe we are able to obtain goods at low cost and on a timely basis.

Our foreign offices and buying agents enable us to monitor the quality of the goods manufactured by, and the delivery performance of, our suppliers, which includes the enforcement of human rights standards through our ongoing approval and monitoring system. In addition, sales are monitored regularly at both the retail and wholesale levels and modifications in production can be made either to increase or reduce inventories. We continually seek

additional suppliers throughout the world for our sourcing needs and place our orders in a manner designed to limit the risk that a disruption of production at any one facility could cause a serious inventory problem. We have not experienced significant production delays or difficulties in importing goods. Our purchases from our suppliers are effected through individual purchase orders specifying the price and quantity of the items to be produced.

Approximately 7% of our dress shirts are manufactured in our domestic apparel manufacturing facility located in Ozark, Alabama. This facility, which we own, is approximately 108,000 square feet, and is utilized by us primarily as a quick response facility, including by fulfilling product replenishment orders.

Warehousing and Distribution

To facilitate distribution, our products are shipped from manufacturers to our wholesale and retail warehousing and distribution centers for inspection, sorting, packing and shipment to our customers. Ranging in size from 67,000 to 575,000 square feet, our centers are located in North Carolina, Tennessee, Pennsylvania, Georgia, Arkansas and Maine. Each of our centers is generally dedicated to serving either our wholesale customers or our retail stores. Our warehousing and distribution centers are designed to provide responsive service to our customers and our retail stores, as the case may be, on a cost-effective basis. This includes the use of various forms of electronic communications to meet customer needs, including advance shipping notices for all major customers. Our Maine facilities will be closed in 2004 in connection with the licensing of the *Bass* brand to Brown Shoe for wholesale footwear. Continuing operations for our *Bass* retail operations that were performed at the Maine facilities will be moved to another of our facilities. We believe that our distribution centers and capabilities compare favorably on a cost and service basis with those of our competitors and that these constitute part of our core competencies.

Advertising and Promotion

We market substantially all of our products on a brand-by-brand basis targeting distinct consumer demographics and lifestyles. Our marketing programs are an integral feature of our product offerings. Advertisements generally portray a lifestyle rather than a specific item. We intend for each of our brands to be a leader in its respective market segment, with strong consumer awareness and consumer loyalty. We believe that our brands are successful in their respective segments because we have strategically positioned each brand to target a distinct consumer demographic. We will continue to design and market our products to complement each other, satisfy lifestyle needs, emphasize product features important to our target consumers and produce consumer loyalty.

We advertise our brands primarily in national print media, including fashion, entertainment/human interest, business, men's, women's, niche and sports magazines and *The New York Times*. We also participate in cooperative advertising programs with our customers, as we believe that brand awareness and in-store positioning are further strengthened by our contributions to such programs.

With respect to our retail operations, we rely 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.

In acquiring Calvin Klein, we believe we acquired one of the best known designer names in the world. One of the efforts that has helped to establish the *Calvin Klein* image has been its high-profile, cutting-edge advertising campaigns that have stimulated admiration, publicity, curiosity and debate. Calvin Klein has a dedicated in-house advertising agency, CRK Advertising, with experienced in-house creative and media teams that develop and execute a substantial portion of the advertising for products under the *Calvin Klein* brands. The teams work closely with other functional areas within Calvin Klein and its licensing and other business partners to deliver a consistent and unified brand message to the consumer. Calvin Klein oversees a worldwide marketing, advertising and promotion program of approximately $200 million, a majority of which is funded by its licensees.

Calvin Klein products are advertised primarily in national print media, through outdoor signage and, with respect to fragrances, in television advertising spots. We believe promotional activities throughout the year further strengthen brand awareness of the *Calvin Klein* brands. The Spring and Fall *Calvin Klein* high-end apparel collections are presented at major fashion shows in New York City and Milan, which typically generate extensive

media coverage. Other Calvin Klein promotional efforts include in-store appearances by fashion models, providing wardrobes to celebrities for award ceremonies, product launches, gift-with-purchase programs, charity events and special corporate-sponsored events.

We have continued the Calvin Klein advertising and promotional practices and strategies since the acquisition. We have not reduced, and do not intend to reduce, the Calvin Klein marketing and advertising teams and continue to maintain the Calvin Klein advertising and promotions budget at or above recent historical levels.

Trademarks

We own the *Van Heusen*, *Bass*, *G.H. Bass & Co.*, *IZOD* and *IZOD Club* brands, as well as related trademarks and lesser-known names. As a result of our acquisition of Calvin Klein, we beneficially own the *Calvin Klein Collection*, *Calvin Klein*, *ck* and *ck Calvin Klein* marks. Calvin Klein and Warnaco are co-owners of the Calvin Klein Trademark Trust, which is the sole and exclusive title owner of substantially all registered *Calvin Klein Collection*, *Calvin Klein*, *ck* and *ck Calvin Klein* trademarks. The sole purpose of the trust is to hold these marks. Calvin Klein maintains and protects the marks on behalf of the trust pursuant to a servicing agreement. The trust exclusively licenses to Warnaco on a perpetual, royalty-free basis the use of the marks on men's underwear and sleepwear and women's intimate apparel and sleepwear, and to Calvin Klein on a perpetual, royalty-free basis the use of the marks on all other products. Warnaco pays us a fee based on Warnaco's worldwide sales of underwear, intimate apparel and sleepwear products bearing any of the *Calvin Klein* marks under an administration agreement between Calvin Klein and Warnaco.

In acquiring the *Calvin Klein Collection*, *Calvin Klein*, *ck* and *ck Calvin Klein* marks, we agreed to allow Mr. Calvin Klein to retain the right to use his name, on a non-competitive basis, with respect to his right of publicity, unless those rights were already being used in the Calvin Klein business. We also granted Mr. Klein a royalty-free worldwide right to use the *Calvin Klein* mark with respect to certain personal businesses and activities, such as motion picture, television and video businesses, a book business, writing, speaking and/or teaching engagements, non-commercial photography, charitable activities and architectural and industrial design projects, subject to certain limitations designed to protect the image and prestige of the *Calvin Klein* brands and to avoid competitive conflicts.

Our trademarks are the subject of registrations and pending applications throughout the world for use on a variety of apparel, footwear and related products, and we continue to expand our worldwide usage and registration of new and related trademarks. In general, trademarks remain valid and enforceable as long as the marks continue to be used in connection with the products and services with which they are identified and, as to registered trade names, the required registration renewals are filed. In markets outside of the United States, particularly those where products bearing any of our brands are not sold by us or any of our licensees or other authorized users, our rights to the use of trademarks may not be clearly established.

We regard the license to use our trademarks and our other intellectual property rights in and to the trademarks as valuable assets in marketing our products and, on a worldwide basis, vigorously seek to protect them against infringement. We are susceptible to others imitating our products and infringing our intellectual property rights. This is especially the case since our acquisition of Calvin Klein, as the *Calvin Klein* brands enjoy significant worldwide consumer recognition and their generally higher pricing provides significant opportunity and incentive for counterfeiters and infringers. Calvin Klein has a broad, proactive enforcement program, which we believe has been generally effective in controlling the sale of counterfeit products in the United States and in major markets abroad. We have taken enforcement action with respect to our other marks on an as needed basis.

Our Relationship with Mr. Klein

In order to assist in a seamless transition of our acquisition of Calvin Klein, we have entered into a three-year consulting agreement with Mr. Klein for $1.0 million per year. Mr. Klein is available to consult on advertising, marketing, design, promotion and publicity aspects of Calvin Klein.

Prior to our acquisition of Calvin Klein, Calvin Klein was obligated to pay Mr. Klein and his heirs in perpetuity a percentage of sales of certain products bearing any of the *Calvin Klein* brands under a design services letter agreement. In connection with our acquisition of Calvin Klein, we bought all of Mr. Klein's rights under that agreement in consideration of a warrant to purchase our common stock and for granting him the right to receive from

us contingent purchase price payments for a period of 15 years based on a percentage of total worldwide net sales of products bearing any of the *Calvin Klein* brands. In addition, Mr. Klein was released from all of his obligations under that agreement, including his obligation to render design services to Calvin Klein, and the design services letter agreement was terminated. Our obligation to make contingent purchase price payments to Mr. Klein in connection with our acquisition of Calvin Klein is guaranteed by our Calvin Klein subsidiaries and is secured by a subordinated pledge of all of the equity interests in our Calvin Klein subsidiaries and a subordinated lien on substantially all of our domestic Calvin Klein subsidiaries' assets. Events of default under the agreements governing the collateral for our contingent payment obligations to Mr. Klein, include, but are not limited to (1) our failure to make payments to Mr. Klein when due, (2) covenant defaults, (3) cross-defaults to other indebtedness in excess of an agreed amount, (4) events of bankruptcy, (5) monetary judgment defaults and (6) a change of control, including the sale of any portion of the equity interests in our Calvin Klein subsidiaries. An event of default under those agreements would permit Mr. Klein to foreclose on his security interest in the collateral. In addition, if we fail to pay Mr. Klein a contingent purchase price payment when due and such failure to pay continues for 60 days or more after a final judgment by a court is rendered relating to our failure to pay, Mr. Klein will no longer be restricted from competing with us as he otherwise would be under the non- competition provisions contained in the purchase agreement relating to our acquisition of Calvin Klein, although he would still not be able to use any of the *Calvin Klein* brands or any similar trademark in any competing business.

Competition

The apparel industry is competitive as a result of its fashion orientation, its mix of large and small producers, the flow of domestic and imported merchandise and the wide diversity of retailing methods. Some of our larger branded apparel competitors include Polo/Ralph Lauren, Tommy Hilfiger, Nautica, Perry Ellis and Chaps. As a result of our acquisition of Calvin Klein, we believe Donna Karan, Ralph Lauren's Purple Label, Giorgio Armani, Gucci and Prada also are our competitors. In addition, we face significant competition from retailers, including our own wholesale customers, through their private label programs.

The footwear industry is characterized by fragmented competition. Consequently, retailers and consumers have a wide variety of choices regarding brands, style and price. However, over the years, the *Bass* brand has maintained an important position in casual footwear, while we have extended the brand's offerings to modern, contemporary casual and dress casual styles. We believe that few of our competitors have the overall men's and women's brand recognition of *Bass.* Our primary footwear competitors include Dockers, Timberland, Rockport, Sperry and Naturalizer.

We compete primarily on the basis of style, quality and service. Our business depends on our ability to stimulate consumer tastes and demands, as well as on our ability to remain competitive in the areas of quality, service and price. We believe we are particularly well- positioned to compete in the apparel and footwear industries. Our diversified portfolio of apparel brands and apparel and footwear products and our use of multiple channels of distribution has allowed us to develop a business that produces results which are not dependent on any one demographic group, merchandise preference or distribution channel. We have developed a portfolio of brands that appeal to a broad spectrum of consumers. Our owned brands have long histories and enjoy high recognition within their respective consumer segments. We develop our owned and licensed brands to complement each other and to generate strong consumer loyalty. The acquisition of Calvin Klein and its prestigious brands provides us with the opportunity to develop businesses that target different consumer groups at higher price points and in higher-end distribution channels than our other brands, as well as with significant global opportunities due to the worldwide recognition of the *Calvin Klein* brands.

Tariffs and Import Restrictions

A substantial portion of our products is manufactured by contractors located outside the United States. These products are imported and are subject to U.S. customs laws, which impose tariffs as well as import quota restrictions for textiles and apparel established by the U.S. government. In addition, a portion of our imported products is eligible for certain duty-advantaged programs commonly known as NAFTA, AGOA, CBTPA and CBI. While importation of goods from some countries from which we obtain goods may be subject to embargo by U.S. Customs authorities if shipments exceed quota limits, we closely monitor import quotas and can, in most cases, shift production to contractors located in countries with available quotas. The existence of import quotas has, therefore, not had a material adverse effect on our business. Moreover, with the gradual elimination of textile and apparel

quotas over the next few years by the World Trade Organization, these quota restrictions will no longer affect our business in most countries.

Environmental Matters

Our facilities and operations are subject to various environmental, health and safety laws and regulations, including the proper maintenance of asbestos-containing materials. In addition, we may incur liability under environmental statutes and regulations with respect to the contamination of sites that we own or operate or previously owned or operated (including contamination caused by prior owners and operators of such sites, abutters or other persons) and the off-site disposal of hazardous materials. We believe our operations are in compliance with terms of all applicable laws and regulations.

Employees

As of February 1, 2004, we employed approximately 5,000 persons on a full-time basis and approximately 4,000 persons on a part-time basis. Approximately 4% of our employees are represented for the purpose of collective bargaining by five different unions. Additional persons, some represented by these five unions, are employed from time to time based upon our manufacturing schedules and retailing seasonal needs. Our collective bargaining agreements generally are for three-year terms. We believe that our relations with our employees are satisfactory.

Executive Officers

The following table sets forth the name, age and position of each of our executive officers:

Name	Age	Position
Bruce J. Klatsky	55	Chairman and Chief Executive Officer; Director
Mark Weber	55	President and Chief Operating Officer; Director
Emanuel Chirico	46	Executive Vice President and Chief Financial Officer
Francis K. Duane	47	Vice Chairman, Sportswear
Allen E. Sirkin	61	Vice Chairman, Dress Shirts
Michael Zaccaro	58	Vice Chairman, Retail Apparel

Mr. Bruce J. Klatsky has been employed by us in various capacities over the last 30 years, and was our President from 1987 to March 1998. Mr. Klatsky was named Chief Executive Officer in June of 1993 and Chairman of the Board in June of 1994.

Mr. Mark Weber has been employed by us in various capacities over the last 30 years, had been a Vice President since 1988, was Vice Chairman since 1995 and was named President and Chief Operating Officer in 1998.

Mr. Emanuel Chirico joined us as Vice President and Controller in 1993. Mr. Chirico was named Executive Vice President and Chief Financial Officer in 1999.

Mr. Francis K. Duane became our Vice Chairman, Sportswear in 2001, after serving as President of our Izod division since May 1998.

Mr. Allen E. Sirkin has been employed by us since 1985. He served as Chairman of our Apparel Group from 1990 until 1995 and was named Vice Chairman, Dress Shirts in 1995.

Mr. Michael Zaccaro became our Vice Chairman, Retail Apparel in April 2002. Prior to that he was Group President, Van Heusen and Izod Retail from August 2001 until April 2002, President, Izod Retail from January 1999 until July 2001 and President, Van Heusen Retail from August 1996 until December 1998.

Each of our executive officers holds the office indicated until his or her successor is chosen and qualified at the regular meeting of the board of directors held immediately following the annual meeting of stockholders.

Risk Factors

Our substantial level of debt could impair our financial condition.

We currently have a substantial amount of debt. Our significant level of debt could have important consequences to investors, including:

- requiring a substantial portion of our cash flows from operations be used for the payment of interest on our debt, therefore reducing the funds available to us for our operations or other capital needs;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate because our available cash flow after paying principal and interest on our debt may not be sufficient to make the capital and other expenditures necessary to address these changes;
- increasing our vulnerability to general adverse economic and industry conditions because, during periods in which we experience lower earnings and cash flow, we will be required to devote a proportionally greater amount of our cash flow to paying principal and interest on our debt;
- limiting our ability to obtain additional financing in the future to fund working capital, capital expenditures, acquisitions and general corporate requirements;
- placing us at a competitive disadvantage to other relatively less leveraged competitors that have more cash flow available to fund working capital, capital expenditures and general corporate requirements; and
- any borrowings we make at variable interest rates, including our revolving credit facility, leave us vulnerable to increases in interest rates generally.

We may not be able to realize revenue growth from Calvin Klein.

A significant portion of our business strategy involves growing the Calvin Klein business. Our realization of any revenue growth from Calvin Klein will depend largely upon our ability to:

- develop, and obtain selling space for, a *Calvin Klein* men's better sportswear line and successfully design and market that line over time;
- successfully develop the licensing relationship with Kellwood and G.A.V. for a *Calvin Klein* women's better sportswear line;
- successfully develop the licensing relationship with Vestimenta for the men's and women's high-end collection apparel businesses;
- open and successfully operate a chain of *Calvin Klein* retail outlet stores in premium outlet malls;
- maintain and enhance the distinctive brand identity of *Calvin Klein;*
- maintain good working relationships with Calvin Klein's licensees and enter into new licensing arrangements; and
- execute our strategies for Calvin Klein without adversely impacting our existing business.

We cannot assure you that we can successfully execute any of these actions or our growth strategy for the *Calvin Klein* brands or that the launch of our *Calvin Klein* men's better sportswear line or the launch of any other *Calvin Klein* branded products by us or our licensees will achieve the degree of consistent success necessary to generate profits or positive cash flow. Our ability to successfully carry out our growth strategy may be affected by, among other things, our ability to enhance our relationships with existing customers to obtain additional selling space and develop new relationships with apparel retailers, economic and competitive conditions, changes in consumer spending patterns and changes in consumer tastes and style trends. If we fail to develop and grow successfully the Calvin Klein business, our financial condition and results of operations may be materially and adversely affected.

A substantial portion of our revenues and gross profit is derived from a small number of large customers and the loss of any of these customers could substantially reduce our revenues.

A few of our customers, including Federated, JCPenney, Kohl's, May and Wal-Mart, account for significant portions of our revenues. Sales to our five largest customers were 27.2% of our revenues in fiscal 2003, 30.7% of our revenues in fiscal 2002 and 27.7% of our revenues in fiscal 2001. We do not have long-term agreements with any of our customers and purchases generally occur on an order-by-order basis. A decision by any of our major customers, whether motivated by competitive conditions, financial difficulties or otherwise, to decrease significantly the amount of merchandise purchased from us or our licensing or other business partners, or to change their manner of doing business with us or our licensing or other business partners, could substantially reduce our revenues and have a material adverse effect on our financial condition and results of operations. The retail industry has, in the past, experienced a great deal of consolidation and other ownership changes. Retailers, in the future, may further consolidate, undergo restructurings or reorganizations, or realign their affiliations, any of which could decrease the number of stores that carry our products or increase the ownership concentration within the retail industry. These changes could increase our reliance on a smaller number of large customers.

Our business could be adversely affected by financial instability experienced by our customers.

During the past several years, various retailers have experienced significant financial difficulties, which have resulted in bankruptcies, liquidations and store closings. We sell our products primarily to national and regional department, mid-tier department and mass market stores in the United States on credit and evaluate each customer's financial condition on a regular basis in order to determine the credit risk we take in selling goods to them. The financial difficulties of a customer could cause us to curtail business with that customer and we may be unable to shift sales to another viable customer. We may also assume more credit risk relating to receivables of a customer experiencing financial instability. Should these circumstances arise with respect to our customers, our inability to shift sales or to collect on our trade accounts receivable from any one of our customers could substantially reduce our revenues and have a material adverse effect on our financial condition and results of operations.

We primarily use foreign suppliers for our products and raw materials, which poses risks to our business operations.

During fiscal 2003, in excess of 95% of our apparel products and 95% of our raw materials for apparel were produced by and purchased or procured from independent manufacturers located in countries in the Far East, Indian subcontinent, Middle East, Caribbean and Central America. We believe that we are one of the largest procurers of shirting fabric in the world. Additionally, 100% of our footwear products and of the raw materials therefor were produced by and purchased or procured from independent manufacturers located in countries in the Far East, Europe, South America and the Caribbean. Although no single supplier and no one country is critical to our production needs, any of the following could materially and adversely affect our ability to produce or deliver our products and, as a result, have a material adverse effect on our business, financial condition and results of operations:

- political or labor instability in countries where contractors and suppliers are located;
- political or military conflict involving the United States, which could cause a delay in the transportation of our products and raw materials to us and an increase in transportation costs;
- heightened terrorism security concerns, which could subject imported or exported goods to additional, more frequent or more thorough inspections, leading to delays in deliveries or impoundment of goods for extended periods or could result in decreased scrutiny by customs officials for counterfeit goods, leading to lost sales, increased costs for our anti-counterfeiting measures and damage to the reputation of our brands;
- a significant decrease in availability or increase in cost of raw materials, particularly petroleum-based synthetic fabrics, which are currently in high demand;
- disease epidemics and health related concerns, such as the SARS outbreak and the mad cow and hoof and mouth disease outbreaks in recent years, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas;

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- the migration and development of manufacturers, which can affect where our products are or are planned to be produced;
- imposition of regulations and quotas relating to imports and our ability to adjust timely to changes in trade regulations, which, among other things, could limit our ability to produce products in cost-effective countries that have the labor and expertise needed;
- imposition of duties, taxes and other charges on imports;
- significant fluctuation of the value of the dollar against foreign currencies; and
- restrictions on transfers of funds out of countries where our foreign licensees are located.

If our manufacturers fail to use acceptable ethical business practices, our business could suffer.

We require our manufacturers to operate in compliance with applicable laws, rules and regulations regarding working conditions, employment practices and environmental compliance. Additionally, we impose upon our business partners, operating guidelines that require additional obligations in those areas in order to promote ethical business practices, and our staff periodically visits and monitors the operations of our independent manufacturers to determine compliance. However, we do not control our independent manufacturers or their labor and other business practices. If one of our manufacturers violates labor or other laws or implements labor or other business practices that are generally regarded as unethical in the United States, the shipment of finished products to us could be interrupted, orders could be cancelled, relationships could be terminated and our reputation could be damaged. Any of these events could have a material adverse effect on our revenues and, consequently, our results of operations.

Our reliance on independent manufacturers could cause delay and damage customer relationships.

In fiscal 2003, we relied upon independent third parties for the manufacture of more than 95% of our apparel products and 100% of our footwear products. We do not have long-term contracts with any of our suppliers. A manufacturer's failure to ship products to us in a timely manner or to meet required quality standards could cause us to miss the delivery date requirements of our customers for those products. As a result, customers may cancel their orders, refuse to accept deliveries or demand reduced prices. Any of these actions taken by our customers may have a material adverse effect on our revenues and, consequently, our results of operations.

As a result of our acquisition of Calvin Klein, we have increased our dependence on revenues from royalties.

In fiscal 2003, $143.1 million, or 9.0%, of our revenues were derived from licensing royalties and other revenues, principally in our Calvin Klein Licensing segment. A few of Calvin Klein's business partners, including Warnaco, Unilever and Marchon Eyewear account for significant portions of its revenues. Royalty

and other revenues from Calvin Klein's three largest business partners accounted for approximately 54% of its royalty and other revenues in fiscal 2003. The operating profit associated with Calvin Klein's royalty and other revenues is significant because the operation expenses directly associated with administering and monitoring an individual licensing or similar agreement are minimal. Therefore, the loss of a significant business partner, whether due to the termination or expiration of the relationship, the cessation of the business partner's operations or otherwise, (including as a result of financial difficulties), without an equivalent replacement, could materially affect our profitability. For example, Warnaco accounted for approximately 26% of Calvin Klein's royalty and other revenues in fiscal 2003. Although Warnaco has emerged from bankruptcy proceedings, no assurance can be given as to its future financial stability. While we generally have significant control over our business partners' products and advertising, we rely on our business partners for, among other things, operational and financial controls over their businesses. Our business partners' failure to successfully market licensed products or our inability to replace our existing business partners could adversely affect our revenues both directly from reduced royalty and other revenues received and indirectly from reduced sales of our other products. Risks are also associated with a business partner's ability to:

- obtain capital;
- manage its labor relations;

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- maintain relationships with its suppliers;
- manage its credit risk effectively; and
- maintain relationships with its customers.

In addition, we rely on our business partners to preserve the value of our brands. Although we make every attempt to protect our brands through, among other things, approval rights over design, production quality, packaging, merchandising, distribution, advertising and promotion of our products, we cannot assure you that we can control the use by our business partners of each of our licensed brands. The misuse of our brands by a business partner could have a material adverse effect on our business, financial condition and results of operations. For example, Calvin Klein in the past has been involved in legal proceedings with Warnaco with respect to certain quality and distribution issues. As a result of our acquisition of Calvin Klein, Warnaco is entitled to control design and advertising related to the sale of underwear, intimate apparel and sleepwear products bearing the *Calvin Klein* brands. We cannot assure you that Warnaco will maintain the same standards of design and advertising previously maintained by Calvin Klein, although we believe they are generally obligated to do so.

Our retail stores are heavily dependent on the ability and desire of consumers to travel and shop.

Our retail stores are located principally in outlet malls, which are typically located in or near vacation destinations or away from large population centers where department stores and other traditional retailers are concentrated. As a result, fuel shortages, increased fuel prices, travel restrictions, travel concerns and other circumstances, including as a result of war, terrorist attacks or the perceived threat of war or terrorist attacks, which would lead to decreased travel, could have a material adverse affect on us, as was the case after the September 11th terrorist attacks. Other factors which could affect the success of our stores include:

- the location of the mall or the location of a particular store within the mall;
- the other tenants occupying space at the mall;
- increased competition in areas where the outlet malls are located;
- a downturn in the economy generally or in a particular area where an outlet mall is located; and
- the amount of advertising and promotional dollars spent on attracting consumers to the malls.

We may be unable to protect our trademarks and other intellectual property rights.

Our trademarks and other intellectual property rights are important to our success and our competitive position. We are susceptible to others imitating our products and infringing our intellectual property rights. Since our acquisition of Calvin Klein, we are more susceptible to infringement of our intellectual property rights, as the *Calvin Klein* brands enjoy significant worldwide consumer recognition and the generally higher pricing of *Calvin Klein* branded products creates additional incentive for counterfeiters and infringers. Imitation or counterfeiting of our products or infringement of our intellectual property rights could diminish the value of our brands or otherwise adversely affect our revenues. We cannot assure you that the actions we have taken to establish and protect our trademarks and other intellectual property rights will be adequate to prevent imitation of our products by others or to prevent others from seeking to invalidate our trademarks or block sales of our products as a violation of the trademarks and intellectual property rights of others. In addition, we cannot assure you that others will not assert rights in, or ownership of, trademarks and other intellectual property rights of ours or in marks that are similar to ours or marks that we license and/or market or that we will be able to successfully resolve these types of conflicts to our satisfaction. In some cases, there may be trademark owners who have prior rights to our marks because the laws of certain foreign countries may not protect intellectual property rights to the same extent as do the laws of the United States. In other cases, there may be holders who have prior rights to similar marks. For example, we were involved in a proceeding relating to a company's claim of prior rights to the *IZOD* mark in Mexico, and Calvin Klein was involved in a proceeding relating to a company's claim of prior rights to the *Calvin Klein* mark in Chile. We are currently involved in opposition and cancellation proceedings with respect to marks similar to some of our brands, both domestically and internationally.

The success of Calvin Klein depends on the value of our Calvin Klein brands, and if the value of those brands were to diminish, our business could be adversely affected.

Our success depends on our brands and their value. The *Calvin Klein* name is integral to the existing Calvin Klein business, as well as to the implementation of our strategies for growing and expanding Calvin Klein. Although Mr. Klein will continue as a consultant until February 2006, he is no longer a member of management. Our Calvin Klein business could be adversely affected if there is a perception by consumers that, as a result of the sale of the business, Mr. Klein's role has changed in a manner that is disadvantageous to the Calvin Klein business. The *Calvin Klein* brands could be adversely affected if Mr. Klein's public image or reputation were to be tarnished. We may seek in the future stockholder approval to change the name of our company to "Calvin Klein Inc." or a similar name. Any such name change could increase our risks related to the public perception of the *Calvin Klein* name. In addition, we market some of our products under the names and brands of other recognized designers: Geoffrey Beene, Kenneth Cole, Max Azria and Michael Kors. Our sales of those products could be materially and adversely affected if any of those designer's images or reputations were to be negatively impacted.

Our revenues and profits are cyclical and sensitive to general economic conditions, consumer confidence and spending patterns.

The apparel and footwear industries in which we operate have historically been subject to substantial cyclical variations and are particularly affected by adverse trends in the general economy, with consumer spending tending to decline during recessionary periods. The success of our operations depends on consumer spending. Consumer spending is impacted by a number of factors, including actual and perceived economic conditions affecting disposable consumer income (such as unemployment, wages and salaries), business conditions, interest rates, availability of credit and tax rates in the general economy and in the international, regional and local markets where our products are sold. Any significant deterioration in general economic conditions or increases in interest rates could reduce the

level of consumer spending and inhibit consumers' use of credit. In addition, war, terrorist activity or the threat of war and terrorist activity may adversely affect consumer spending, and thereby have a material adverse effect on our financial condition and results of operations.

We face intense competition in the apparel and footwear industries.

Competition is strong in the segments of the apparel and footwear industries in which we operate. We compete with numerous domestic and foreign designers, brands and manufacturers of apparel, accessories and footwear, some of which are significantly larger or more diversified or have greater resources than we do. In addition, through their use of private label programs, we compete directly with our wholesale customers. We compete within the apparel and footwear industries primarily on the basis of:

- anticipating and responding to changing consumer tastes and demands in a timely manner and developing attractive, quality products;
- maintaining favorable brand recognition;
- appropriately pricing products and creating an acceptable value proposition for customers;
- providing strong and effective marketing support;
- ensuring product availability and optimizing supply chain efficiencies with third-party manufacturers and retailers; and
- obtaining sufficient retail floor space and effective presentation of our products at retail.

We attempt to minimize risks associated with competition, including risks related to changing style trends and product acceptance, by closely monitoring retail sales trends. The failure, however, to compete effectively or to keep pace with rapidly changing markets could have a material adverse effect on our business, financial condition and results of operations. In addition, if we misjudge the market for our products, we may be faced with significant excess inventories for some products and missed opportunities with others.

The loss of members of our executive management and other key employees could have a material adverse effect on our business.

We depend on the services and management experience of Bruce J. Klatsky, Mark Weber and other of our executive officers who have substantial experience and expertise in our business. We also depend on key employees involved in our licensing, design and advertising operations. Competition for qualified personnel in the apparel and footwear industries is intense, and competitors may use aggressive tactics to recruit our key employees. The unexpected loss of services of one or more of these individuals could materially adversely affect us.

Significant influence by certain stockholders.

In connection with our acquisition of Calvin Klein, affiliates of Apax Managers, Inc. and Apax Partners Europe Managers Limited purchased our Series B convertible preferred stock, which, as of February 1, 2004, was convertible by them into 38.2% of our outstanding common stock. If we elect not to pay a cash dividend for any quarter, then the Series B convertible preferred stock will be treated for purposes of the payment of future dividends and upon conversion, redemption or liquidation as if an in-kind dividend has been paid. As a result, it is possible that if we do not pay a cash dividend on the Series B convertible preferred stock in any quarter through the first quarter of fiscal 2010 (assuming no further issuances of common stock, including as a result of the exercise of stock options), a change in control will result under our existing various indentures and certain other agreements.

While the holders of our Series B convertible preferred stock are prohibited from initiating a takeover, in certain circumstances, they may be able to participate in a bidding process initiated by a third party. As long as affiliates of the Apax affiliates own at least 50% of the shares of our Series B convertible preferred stock initially sold to the Apax affiliates, they will have the ability to prevent a change of control, or a sale of all or substantially all of our assets. Additionally, as long as 50% of our Series B convertible preferred stock remains outstanding, the holders of our Series B convertible preferred stock will have a right to purchase their pro rata share of newly-issued securities. The holders of our Series B convertible preferred stock have certain additional rights, including the right to approve the issuance of certain new series of our preferred stock, which could also have the effect of discouraging a third party from pursuing a non-negotiated takeover, and preventing changes in control, of our company.

As a result of the rights related to their ownership of our Series B convertible preferred stock, the Apax affiliates have substantial influence over us, including by virtue of their right to elect separately as a class three directors and to have one of their directors serve on the audit, compensation, nominating and executive committees of our board subject to applicable law, rule and regulation.

Item 2. Properties

The general location, use, ownership status and approximate size of the principal properties which we currently occupy are set forth below:

			Approximate
		Ownership	Area in
Location	Use	Status	Square Feet
New York, New York	Corporate and apparel administrative offices and showrooms	Leased	138,000
New York, New York	Calvin Klein administrative offices and showrooms	Leased	159,000
Bridgewater, New Jersey	Corporate and apparel administrative offices	Leased	163,000
S. Portland, Maine	Footwear administrative offices	Leased	99,000
Ozark, Alabama	Apparel manufacturing facilities	Owned	108,000
Reading, Pennsylvania	Apparel warehouse and distribution center	Owned	410,000
Chattanooga, Tennessee	Apparel warehouse and distribution center	Owned	451,000
Chattanooga, Tennessee	Apparel storage	Leased	60,000
Schuylkill Haven, Pennsylvania	Apparel warehouse and distribution center	Owned	251,000
Schuylkill Haven, Pennsylvania	Apparel storage	Leased	53,000

Pennsylvania	Apparel storage	Leased	33,000
Austell, Georgia	Apparel warehouse and distribution center	Leased	421,000
Brinkley, Arkansas	Apparel warehouse and distribution center	Owned	112,000
Wilton, Maine	Footwear warehouse and distribution center	Owned	352,000
North Jay, Maine	Footwear warehouse and distribution center	Owned	67,000
Jonesville, North Carolina	Apparel and footwear warehouse and distribution		
	center	Owned	575,000

In addition, we lease certain other administrative/support offices and showrooms in various domestic and international locations. We also currently operate and lease over 700 apparel and footwear retail stores principally in the United States.

In connection with our acquisition of Calvin Klein, we acquired leases for a warehouse and distribution center, which also housed administrative offices, in North Bergen, New Jersey. We have closed the North Bergen, New Jersey facility (where we occupied 180,000 square feet) in connection with our licensing arrangement with Vestimenta.

In connection with our licensing of the *Bass* brand to Brown Shoe for wholesale footwear, we will be closing our South Portland, Maine offices and Wilton, Maine and North Jay, Maine warehouses and distribution centers. Continuing operations relating to our *Bass* retail business will be relocated to other facilities.

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

Item 3. Legal Proceedings

We are a party to certain litigation which, in management's judgment based in part on the opinions of legal counsel, will not have a material adverse effect on our financial position.

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

None.

PART II

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

Certain information with respect to the market for our common stock, which is listed on the New York Stock Exchange, and related security holder matters appear in the Notes to Consolidated Financial Statements under the headings "Other Comments" on page F-24 "Selected Quarterly Financial Data" on page F-25 and "Ten Year Financial Summary" on pages F-27 and F-28. As of March 23, 2004, there were 1,040 stockholders of record of our common stock. The closing price of our common stock on March 23, 2004 was $18.03.

Item 6. Selected Financial Data

Selected Financial Data appears under the heading "Ten Year Financial Summary" on pages F-27 and F-28.

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

OVERVIEW

The following discussion and analysis is intended to help you understand us, our operations and financial performance. It should be read in conjunction with our consolidated financial statements and the accompanying notes.

Business Description

We are one of the largest apparel companies in the world. Our portfolio of brands includes *Van Heusen*, *Calvin Klein*, *IZOD*, *G.H. Bass & Co.* and *Bass*, which are owned, and *Arrow*, *Geoffrey Beene*, *Kenneth Cole New York*, *Reaction by Kenneth Cole* and, beginning in mid and late 2004, *BCBG Max Azria* and *MICHAEL Michael Kors*, which are licensed. We acquired Calvin Klein, Inc., a lifestyle design and marketing company in February 2003. The addition of *Calvin Klein*, one of the world's most highly recognized designer brands, provides us with an additional platform for growth in revenues and profitability, and a significant royalty stream.

We believe that our strategy of managing and marketing a portfolio of nationally recognized brands across multiple product categories through multiple channels of distribution provides a stable and broad-based platform that helps diversify our risk profile. In addition, we leverage our sourcing, warehousing, distribution and information technology expertise across all of our brands, which allows us to respond rapidly to changes in sales trends and customer demands.

The year 2003 was both exciting and challenging. Early in the year, we completed the acquisition of Calvin Klein and, at that time, outlined a series of initiatives focused on integration, achieving targeted cost savings and beginning to take advantage of the global growth opportunities available to the brand. The financial results for 2003 include specific integration activities which are comprised of (i) the sales, cost of sales and operating expenses directly attributable to the *Calvin Klein* men's and women's high-end collection apparel businesses which were transferred to Vestimenta S.p.A. under a license agreement which went into full effect on January 1, 2004 and (ii) the costs of certain duplicative personnel and facilities during the integration of various Calvin Klein logistical and back office functions.

In the fourth quarter of 2003, we took certain initiatives to further align our strategic energies to supporting and growing our dress shirt, sportswear and Calvin Klein businesses. We announced we would exit the wholesale footwear business by licensing the *Bass* brand for wholesale distribution of footwear to Brown Shoe and announced the closing of up to 200 underperforming retail outlet stores across our *Van Heusen*, *IZOD*, *Bass* and *Geoffrey Beene* retail outlet chains. We have estimated that the pre-tax costs to be incurred in connection with these actions are approximately $40.0 million, of which $20.7 million was incurred prior to year end. (Please see the note entitled "Asset Impairments, Restructuring, Activity Exit Costs and Other Charges" in the Notes to Consolidated Financial Statements included in Item 8 of this report.) Overall, including the liquidation of working capital associated with

exiting the wholesale footwear business and the outlet store closing program, these actions are expected to provide positive net cash flow.

RESULTS OF OPERATIONS

Operations Overview

The following table summarizes our results of operations in 2003, 2002 and 2001.

(in millions, except percentages)

	2003		2002		2001
Net sales	$1,438.9		$1,393.2		$1,421.0
Royalty and other revenues	143.1		11.8		10.8
Total revenues	1,582.0		1,405.0		1,431.9
Gross profit	657.5		531.2		506.2
% of total revenues	*41.6%*		*37.8%*		*35.4%*
Selling, general and					
administrative expenses	601.8		462.2		465.1
% of total revenues	*38.0%*		*32.9%*		*32.5%*
Gain on sale of investment	3.5				
Income before interest and taxes	59.3		69.0		41.1
Interest expense	37.5		23.9		24.8
Interest income	1.1		1.2		0.3
Income before taxes	22.9		46.3		16.7
Income tax expense	8.2		15.9		6.0
Net income	$ 14.7		$ 30.4		$ 10.7

We generate net sales from (i) the wholesale distribution of apparel, principally under the brand names *Van Heusen*, *Calvin Klein*, *IZOD*, *Arrow*, *Geoffrey Beene*, *Kenneth Cole New York*, *Reaction by Kenneth Cole* and various private labels, and, through the end of 2003, footwear under the *Bass* brand, and (ii) the sale, through approximately 700 company operated retail stores, of apparel, footwear and accessories under the brand names *Van Heusen*, *IZOD*, *Geoffrey Beene*, *Bass* and, beginning at the end of the third quarter of 2003, *Calvin Klein*. Our stores operate in an outlet format, except for three *Calvin Klein* image stores located in New York City, Dallas and Paris selling men's and women's high-end collection apparel and accessories, soft home furnishings and tableware.

We generate royalty and other revenues from fees for licensing the use of our trademarks. Prior to 2003, royalty and other revenues related principally to licensing the *IZOD* and *Van Heusen* trademarks. In 2003, royalty and other revenues increased significantly due to the acquisition of Calvin Klein. Calvin Klein royalty and other revenues are derived under licenses and other arrangements primarily for jeans, underwear, fragrances, eyewear, watches, table top and soft home furnishings.

In 2003, net sales were 91.0% and royalty and other revenues were 9.0% of our total revenues.

Gross profit on total revenues is total revenues less cost of goods sold. We include as cost of goods sold costs of production and procurement of product, including inbound freight, purchasing and receiving, inspection and internal transfer costs. Since there is no cost of goods sold associated with royalty and other revenues, 100% of such revenues are included in gross profit. Due to the above factors, our gross profit may not be comparable to that of other entities.

Selling, general and administrative expenses include all operating expenses other than expenses included in cost of goods sold. Salaries and related fringe benefits are the largest component of selling, general and administrative expenses, comprising 49.8% of such expenses in 2003. Rent and occupancy for offices, warehouses and retail stores is the next largest expense, comprising 20.7% of selling, general and administrative expenses in 2003.

Net Sales

The 2003 net sales increase of $45.7 million is principally attributable to the net sales increases described below, offset, in part by the net sales decreases described below.

Net sales *increases* in 2003 include:

- $36.0 million attributable to the Calvin Klein businesses which we acquired on February 12, 2003. Of such amount, $14.2 million relate to the three *Calvin Klein* image stores which we currently plan to continue to operate, and $21.8 million relate to wholesale distribution of *Calvin Klein* men's and women's high-end collection apparel products. The high-end wholesale collection apparel business has been transferred to Vestimenta under a license agreement which went into full effect on January 1, 2004.
- $44.9 million attributable to our wholesale apparel business. Significant sales increases were achieved in *IZOD* and *Arrow* brand sportswear and *Calvin Klein* brand dress shirts, and, to a lesser extent, in *Van Heusen* brand sportswear and *Arrow* brand dress shirts.

Net sales *decreases* in 2003 include:

- A $20.1 million decline in our retail outlet divisions due to a difficult retail environment, particularly in the first three quarters of the year. Sales in our retail stores open at least two years declined 3.6% in 2003. Such decreases, when considered with prior year decreases, were deemed an impairment indicator which caused us to evaluate our chain of outlet stores in the fourth quarter of 2003. In connection therewith, an impairment of long-lived assets was recorded for approximately 200 stores. Many of these stores are expected to be closed over the next two years.
- A $15.1 million decrease attributable to reduced wholesale sales of footwear and private label sportswear.

In 2002, the $27.8 million net sales decrease related principally to a weak apparel environment, particularly in dress shirts, as well as a weak overall retail environment, as sales in our retail stores open at least two years declined 3.2%. Also contributing to the 2002 decrease was a reduction in promotional and close-out dress shirt sales used to liquidate excess inventory during 2001.

Net sales in 2004 are expected to include the effect of exiting and starting various businesses, including, without limitation, the following:

- The loss of the net sales attributable to the wholesale distribution of footwear under the *Bass* brand, which in 2003 were $61.3 million. The *Bass* wholesale footwear business has been transferred to Brown Shoe under a license that went into effect on February 2, 2004 and has an initial term that continues through January 31, 2007.

- The loss of the net sales attributable to store closings. We announced at the end of 2003, our intention to close up to 200 underperforming retail outlet stores over the next two years.
- The loss of the net sales from the wholesale distribution of the *Calvin Klein* men's and women's high-end collection apparel businesses, which businesses have been transferred under the license with Vestimenta. The net sales of the businesses were $21.8 million in 2003.
- The addition of net sales attributable to our planned launch of a *Calvin Klein* men's better sportswear line to be marketed to upscale specialty and department stores for the Fall 2004 season.
- The addition of net sales from *Calvin Klein* retail outlet stores in premium outlet malls, which we have begun to open. We currently intend to open as many as 75 *Calvin Klein* outlet stores over the next four to five years.

The net effect of these items, as well as anticipated changes in our ongoing businesses, is currently expected to result in an increase in 2004 net sales of 1.0%-2.5%.

Royalty and Other Revenues

The 2003 royalty and other revenues increase of $131.3 million is principally attributable to royalty and other revenues of the Calvin Klein Licensing segment. We currently expect that royalty and other revenues of the segment will increase in the future, both as a result of growth in the businesses of existing licensees, as well as signing additional license agreements.

Gross Profit on Total Revenues

The increase in the 2003 gross profit on total revenues percentage compared with 2002 is due principally to the increase in royalty and other revenues as a percentage of total revenues. Since royalty and other revenues do not carry a cost of sales, the gross profit percentage on such revenues is 100.0%. We currently expect that royalty and other revenues will continue to increase as a percentage of total revenues. If this occurs, the gross profit on total revenues percentage should increase.

Partially offsetting the gross profit percentage improvement from the revenue mix was the impact of the wholesale distribution of *Calvin Klein* men's and women's high-end collection apparel products. These businesses had a 120 basis point negative impact on the 2003 percentage. Their elimination by virtue of the license with Vestimenta, combined with our closing of underperforming retail outlet stores, is expected to have a positive effect on our gross profit percentage in 2004.

The increase in the 2002 gross profit on total revenues percentage compared with 2001 related principally to the cost benefits realized from the closure, at the beginning of 2002, of three dress shirt manufacturing facilities, as well as the reduction in promotional and close-out dress shirt sales used to liquidate excess inventory during 2001.

Selling, General and Administrative Expenses

The increased 2003 selling, general and administrative expense as a percentage of total revenues is principally related to two factors:

- Revenues associated with the Calvin Klein Licensing segment are principally royalty and other revenues which do not carry a cost of sales. Thus, all operating expenses associated with the Calvin Klein Licensing segment's royalty and other revenues are classified as selling, general and administrative expenses, which increases our selling, general and administrative expense as a percentage of total revenues.

- In 2003, we incurred approximately $36.4 million of selling, general and administrative expenses associated with (i) the wholesale distribution of *Calvin Klein* men's and women's high-end collection products, and (ii) the costs of certain duplicative personnel and facilities incurred during the integration of various Calvin Klein logistical and back office functions. The 2003 year also includes an $11.1 million charge for the impairment of long-lived assets in certain of our retail outlet stores, and related severance and lease termination costs.

While the transitional and impairment expenses are not expected to recur in 2004, increased expenses for Calvin Klein advertising and licensing administration, as well as expenses related to exiting the wholesale footwear business, are expected to keep the 2004 selling, general and administrative expense percentage relatively flat.

Gain on Sale of Investment

In the second quarter of 2003, we sold our minority interest in Gant Company AB for $17.2 million, net of related expenses, which resulted in a pre-tax gain of $3.5 million.

Interest Expense and Interest Income

Interest expense in 2003 increased significantly over 2002 and 2001 due to the acquisition of Calvin Klein. The $401.6 million net cash purchase price was funded by issuing $250.0 million of convertible redeemable preferred stock with the balance being funded by use of our cash and a term loan from the holders of the convertible redeemable preferred stock. The term loan carried an interest rate of 10%, and had a principal amount of between $100.0 million and $125.0 million from February 12, 2003 through May 5, 2003. The term loan was repaid on May 5, 2003 with the proceeds from our issuance of $150.0 million of 8 1/8% senior unsecured notes due 2013. Amortization of fees associated with the 8 1/8% senior unsecured notes also contributed to the increased interest expense in 2003.

On February 18, 2004, we issued $150.0 million of 7 1/4% senior unsecured notes due 2011. We used the net proceeds of the issuance towards the purchase and redemption of our 9 1/2% senior subordinated notes due 2008. In connection with the purchase and redemption, we paid a prepayment penalty of $7.3 million, and wrote off debt issuance costs of $1.7 million. The penalty and the write-off of debt issuance costs will be included in interest expense in the first quarter of 2004. As a result, interest expense in 2004 is expected to increase substantially over 2003. Excluding the effect of the prepayment penalty and the write-off of debt issuance costs, we currently expect that interest expense in 2004 will decrease below 2003 levels, as the benefits of the lower interest rate of the 7 1/4% senior unsecured notes are realized.

Income Taxes

Income tax expense as a percentage of pre-tax income was as follows:

2003	2002	2001
35.8%	34.3%	36.0%

The increased rate for 2003 compared with 2002 relates principally to (i) lower pre-tax income, which causes state and local franchise taxes that are not based on income to become a higher percentage, and (ii) increased non-deductible expenses included in pre-tax book income, principally related to the sale of our minority interest in Gant.

The decreased rate in 2002 compared with 2001 relates principally to (i) higher pre-tax income, which causes state and local franchise taxes which are not based on income to become a lower percentage, (ii) certain state tax saving strategies implemented by us and (iii) the cessation, upon adoption of FASB Statement No. 142, of amortizing for book purposes goodwill which is not tax deductible.

LIQUIDITY AND CAPITAL RESOURCES

Our capital structure and cash flows were impacted significantly by the Calvin Klein acquisition. To finance the acquisition, we issued $250.0 million of convertible redeemable preferred stock. The preferred stock has a conversion price of $14.00 per share and a dividend rate of 8.0% per annum, payable quarterly, in cash. If we elect not to pay a cash dividend for any quarter, then the convertible preferred stock will be treated for purposes of the payment of future dividends and upon conversion, redemption or liquidation as if an in-kind dividend had been paid. During the first three quarters of 2003, we did not pay the preferred dividends in cash, and as a result, the liquidation preference of the preferred stock increased to $264.7 million. We paid the fourth quarter dividend in cash during the first quarter of 2004. We currently plan to continue to pay future dividends on the preferred stock in cash. However, we, at our option, may choose not to pay a cash dividend in future quarters.

We also obtained a term loan from the preferred stockholders to finance the acquisition. The term loan was repaid in May 2003 with the net proceeds of our issuance of $150.0 million of 8 1/8% senior unsecured notes due 2013. As a result of this debt issuance, as well as our February 2004 issuance of 7 1/4% senior unsecured notes due 2011 and repurchase and redemption of our 9 1/2% senior subordinated notes due 2008 with the proceeds thereof, we have no maturities of long-term debt until February 15, 2011. In addition, the preferred stockholders cannot require redemption of the convertible redeemable preferred stock until 2013.

Cash provided by operating activities was $56.2 million in 2003 compared with $105.2 million in 2002. Cash provided by operating activities was impacted significantly by the Calvin Klein acquisition. Cash flow from net income, adjusted for noncash depreciation, deferred taxes and the impairment of long-lived assets, decreased $11.0 million compared with 2002. The remaining decrease in operating cash flow relates to changes in operating assets and liabilities as follows:

- Cash flow from receivables decreased $9.6 million, due principally to the timing of royalty payments related to the Calvin Klein Licensing segment.
- Cash flow from inventories increased $24.3 million, due principally to liquidating inventories associated with the *Calvin Klein* men's and women's high-end collection apparel businesses in connection with the transfer of the businesses pursuant to the license with Vestimenta.
- Cash outflow for accounts payable and accrued expenses increased $30.4 million, due principally to the Calvin Klein acquisition, including professional fees and restructuring initiatives, which included severance and lease exit costs.
- We made a voluntary $17.0 million contribution to our pension plan in January 2004 to improve our funding status.

We currently expect our cash flow from operating activities in 2004 to be in a range of $95.0 million to $105.0 million. Capital expenditures in 2004 are currently expected to be in a range of $38.0 million to $40.0 million, contingent purchase price payments in 2004 to Mr. Klein are currently expected to be in a range of $20.0 million to $22.0 million, and cash dividends in 2004 on both our common and preferred stock are currently expected to aggregate $25.0 million to $26.0 million. As a result, we currently expect to generate $10.0 million to $20.0 million of cash flow in 2004.

Beyond 2004, we currently expect that our net income will increase as a result of the growth in our businesses, principally related to Calvin Klein. Such earnings growth, if it materializes, is likely to increase our cash flow. From a cash flow perspective, any future earnings growth may be partially offset by, among other factors, increased working capital requirements or an increase in contingent purchase price payments to Mr. Klein.

For near-term liquidity, in addition to our cash balance, we have a secured revolving credit facility which provides for revolving credit borrowings, as well as the issuance of letters of credit. We may, at our option, borrow and repay amounts up to a maximum of $325.0 million under both the revolving credit borrowings and the issuance of letters of credit. Based on our working capital projections, we believe that our borrowing capacity under this

secured revolving credit facility provides us with adequate liquidity for our peak seasonal needs for the foreseeable future. As of February 1, 2004, we had no borrowings and $139.2 million outstanding letters of credit under this facility.

In the longer term, we believe that our ability to generate earnings and cash flow will be adequate to service our debt and fund any required working capital to support our growth. We believe that with the conversion price of our convertible redeemable preferred stock at $14.00 per share, the preferred stock in the future will be converted to common stock rather than redeemed. However, due to the extended date at which redemption could be required, and given our projections of future profitability, we believe that adequate financing could be secured, if necessary, to obtain additional funds for redemption, or, if opportunities present themselves, future acquisitions.

Contractual Obligations and Off-Balance Sheet Arrangements

The following table summarizes, as of February 1, 2004, unless otherwise noted, our contractual cash obligations by future period:

Contractual Cash Obligations					
		Payments Due by Period			
Description	Total Obligations	2004	2005-2006	2007-2008	Thereafter
	(in millions)				
Long-term debt (1)	$ 400.0				$400.0
Interest payments on long-term debt(1)	342.0	$ 30.3	$ 61.6	$ 61.6	188.5
Operating leases (2)	293.2	69.9	89.7	53.1	80.5
Inventory purchase commitments	373.5	373.5			
Minimum contractual royalty payments(3)	51.0	10.4	20.6	11.4	8.6
Supplemental defined benefit plan (4)	15.8				15.8
Total contractual cash obligations	$1,475.5	$484.1	$171.9	$126.1	$693.4

(1) Long-term debt and related interest payment obligations include $150.0 million of 7 1/4% senior unsecured notes which we issued on February 18, 2004, and exclude $150.0 million of 9 1/2% senior subordinated notes which we purchased and redeemed with the use of the net proceeds from the issuance of the 7 1/4% senior unsecured notes and available funds. In connection with the purchase and redemption, we paid a prepayment penalty of $7.3 million, which is not reflected in the table.

(2) Includes store operating leases, which generally provide for payment of direct operating costs in addition to rent. These obligation amounts include future minimum lease payments and exclude such direct operating costs.

(3) We currently anticipate that future payments required under our license agreements will exceed significantly the contractual minimums shown in the table.

(4) We have an unfunded supplemental defined benefit plan covering 23 executives under which the participants will receive a predetermined amount during the 10 years following the attainment of age 65.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have a material current effect, or that are reasonably likely to have a material future effect, on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

MARKET RISK - INTEREST AND EXCHANGE RATE SENSITIVITY

Financial instruments held by us include cash equivalents and long-term debt. Based upon the amount of cash equivalents held at February 1, 2004 and the average net amount of cash equivalents that we currently anticipate holding during 2004, we believe that a change of 100 basis points in interest rates would not have a material effect on our financial position or results of operations. The note entitled "Long-Term Debt" in the Notes to the Consolidated Financial Statements included in Item 8 of this report outlines the principal amounts, interest rates, fair values and other terms required to evaluate the expected sensitivity of interest rate changes on the fair value of our fixed rate long- term debt.

Substantially all of our sales and expenses are currently denominated in United States dollars. However, certain of our operations and license agreements, particularly in the Calvin Klein Licensing segment, expose us to fluctuations in foreign currency exchange rates, primarily the rate of exchange of the United States dollar against the Euro and the Yen. Exchange rate fluctuations can cause the United States dollar equivalent of the foreign currency cash flows to vary. This exposure arises as a result of (i) license agreements that require licensees to make royalty and other payments to us based on the local currency in which the licensees operate, with us bearing the risk of exchange rate fluctuations and (ii) our retail and administrative operations that require cash outflows in foreign currencies. To a certain extent, there is a natural hedge of exchange rate changes in that the foreign license agreements generally produce cash inflows and the foreign retail and administrative operations generally produce cash outflows. We may from time to time purchase foreign currency forward exchange contracts to hedge against changes in exchange rates. No forward exchange contracts were held as of February 1, 2004. We believe that future exchange rate changes will not have a material effect on our financial condition or results of operations.

SEASONALITY

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

Also contributing to the strength of the second half is the high volume of Fall shipments to wholesale customers, which are generally more profitable than Spring shipments. The less profitable Spring selling season at wholesale combines with retail seasonality to make the first quarter weaker than the other quarters. Due to the Calvin Klein acquisition, in particular the impact of the substantial level of royalty and other revenues generated from the Calvin Klein Licensing segment, which tend to be earned more evenly throughout the year, some of this historical seasonality has been moderated in 2003, and additional moderation may occur in the future.

ACCOUNTING POLICIES INVOLVING SIGNIFICANT ESTIMATES

Our financial statements are based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions. We believe that the following are the more critical judgmental areas in the application of our accounting policies that currently affect our financial condition and results of operations:

Sales allowance accrual - We have arrangements with many of our department and specialty store customers to support their sales of our products. We establish accruals which, based on a review of the individual customer arrangements and the expected performance of our products in their stores, we believe will be required to satisfy our obligations. It is possible that the accrual estimates could vary from actual results, which would require adjustment to the allowance accruals.

Inventories - We state our inventories at the lower of cost or market. When market conditions indicate that inventories may need to be sold below cost, inventories are written down to the estimated net realizable value. We believe that all inventory writedowns required at February 1, 2004 have been recorded. If market conditions were to change, it is possible that the required level of inventory reserves would need to be adjusted.

Income taxes - As of February 1, 2004, we have deferred tax assets of $54.3 million related to tax loss and credit carryforwards which begin to expire principally in 2008. Realization of these carryforwards is primarily dependent upon the achievement of future taxable income. Based on the extended expiration dates and projections of future taxable income, we have determined that realization of these assets is more likely than not. If future changes to market conditions require a change in judgment as to realization, it is possible that material adjustments to these deferred tax assets may be required.

Goodwill and other intangible assets - As discussed in the Notes to the Consolidated Financial Statements included in Item 8 of this report, in 2002, we adopted FASB Statement No. 142. This statement requires, among other things, that goodwill and other indefinitely lived intangible assets no longer be amortized, and instead be tested for impairment based on fair value. An impairment loss could have a material adverse impact on our financial condition and results of operations. Performance of the goodwill impairment tests requires significant judgments regarding the allocation of net assets to the reporting unit level, which is the level at which the impairment tests are required. The determination of whether an impairment exists also depends on, among other factors, the estimated fair value of the reporting units, which itself depends in part on market conditions.

Medical claims accrual - We self-insure a significant portion of our employee medical costs. Based on trends and the number of covered employees, we record estimates of medical claims which have been incurred but not paid. If actual medical claims varied significantly from these estimates, an adjustment to the medical claims accrual would be required.

Pension benefits - Included in the calculations of expense and liability for our pension plans are various assumptions, including return on assets, discount rate and future compensation increases. Based on these assumptions, and due in large part to decreases in discount rates and the poor performance of U.S. equity markets in 2001 and 2002, we have significant unrecognized costs for our pension plans at February 1, 2004. Depending on future asset performance and discount rates, such costs could be required to be amortized in the future which could have a material effect on future pension expense. We are currently estimating that our 2004 pension expense will increase by approximately $4.0 million compared with 2003.

Long-lived asset impairment - During the fourth quarter of 2003, we determined that the long-lived assets in approximately 200 of our retail outlet stores were not recoverable, which resulted in us recording an impairment charge of $9.0 million. In order to calculate the impairment charge, we estimated each store's undiscounted future cash flows and the fair value of the related long-lived assets. The undiscounted future cash flows for each store were estimated assuming the 2003 sales trends continued in the future. If different assumptions had been used for future sales trends, the number of impaired stores could have been significantly higher or lower. The fair value of the long- lived assets was estimated based on our experience in disposing of leasehold improvements of stores which we had closed.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Item 8. Financial Statements and Supplementary Data

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

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

None.

Item 9A. Controls and Procedures

As of February 1, 2004, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the

design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of February 1, 2004. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There have been no changes in our internal control over financial reporting during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information required by Item 10 is incorporated herein by reference to the section entitled "Election of Directors" in our proxy statement for the Annual Meeting of Stockholders to be held on June 15, 2004. Information with regard to compliance by our officers and directors with Section 16(a) of the Securities Exchange Act is incorporated herein by reference to the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in our proxy statement for the Annual Meeting of Stockholders to be held on June 15, 2004. Information with regard to our executive officers is contained in the section entitled "Executive Officers of the Registrant" in Part I, Item 1 of this report. Information with regard to our Audit Committee Financial Expert and our Code of Ethics is incorporated herein by reference to the sections entitled "Election of Directors" and "Other Information," respectively, in our proxy statement for the Annual Meeting of Stockholders to be held on June 15, 2004.

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" in our proxy statement for the Annual Meeting of Stockholders to be held on June 15, 2004.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information with respect to the Security Ownership of Certain Beneficial Owners and Management and Equity Compensation Plan Information is incorporated herein by reference to the sections entitled "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in our proxy statement for the Annual Meeting of Stockholders to be held on June 15, 2004.

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" in our proxy statement for the Annual Meeting of Stockholders to be held on June 15, 2004.

Item 14. Principal Accounting Fees and Services

Information required by Item 14 is incorporated herein by reference to the section entitled "Selection of Auditors" in our proxy statement for the Annual Meeting of Stockholders to be held on June 15, 2004.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a)(1) See page F-1 for a listing of the consolidated financial statements included in Item 8 of this report.

(a)(2) See page F-1 for a listing of financial statement schedules submitted as part of this report.

(a)(3) The following exhibits are included in this report:

Exhibit Number		
	2.1	Stock Purchase Agreement, dated December 17, 2002, among Phillips-Van Heusen Corporation, Calvin Klein, Inc., Calvin Klein (Europe), Inc., Calvin Klein (Europe II) Corp., Calvin Klein Europe S.r.l., CK Service Corp., Calvin Klein, Barry Schwartz, Trust for the Benefit of the Issue of Calvin Klein, Trust for the Benefit of the Issue of Barry Schwartz, Stephanie Schwartz-Ferdman and Jonathan Schwartz (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on December 20, 2002). The registrant agrees to furnish supplementally a copy of any omitted schedules to the Commission upon request.
	3.1	Certificate of Incorporation (incorporated by reference to Exhibit 5 to our 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 our Annual Report on Form 10-K for the fiscal year ended February 3, 1985).
	3.3	Certificate of Designation of Series A Cumulative Participating Preferred Stock, filed June 10, 1986 (incorporated by reference to Exhibit A of the document filed as Exhibit 3 to our Quarterly Report on Form 10-Q for the period ended May 4, 1986).
	3.4	Amendment to Certificate of Incorporation, filed June 2, 1987 (incorporated by reference to Exhibit 3(c) to our Annual Report on Form 10-K for the fiscal year ended January 31, 1988).
	3.5	Amendment to Certificate of Incorporation, filed June 1, 1993 (incorporated by reference to Exhibit 3.5 to our Annual Report on Form 10-K for the fiscal year ended January 30, 1994).
	3.6	Amendment to Certificate of Incorporation, filed June 20, 1996 (incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q for the period ended July 28, 1996).
	3.7	Certificate of Designations, Preferences, and Rights of Series B Convertible Preferred Stock of Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed on February 26, 2003).
	3.8	Corrected Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock of Phillips-Van Heusen Corporation, dated April 17, 2003 (incorporated by reference to Exhibit 3.9 to our Annual Report on Form 10-K for the fiscal year ended February 2, 2003).
	3.9	By-Laws of Phillips-Van Heusen Corporation, as amended through June 18, 1996 (incorporated by reference to Exhibit 3.2 to our Quarterly Report on Form 10-Q for the period ended July 28, 1996).
	4.1	Specimen of Common Stock certificate (incorporated by reference to Exhibit 4 to our 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 our Quarterly Report 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 our Annual Report on Form 10-K for the year ended February 2, 1987).
	4.4	Supplemental Rights Agreement and Second Amendment to the Rights Agreement, dated as of July 30, 1987, between PVH and The Chase Manhattan Bank, N.A. (incorporated by reference to Exhibit (c)(4) to our Schedule 13E-4, Issuer Tender Offer Statement, dated July 31, 1987).

	4.5	Third Amendment to Rights Agreement, dated June 30, 1992, from Phillips-Van Heusen Corporation to The Chase Manhattan Bank, N.A. and The Bank of New York (incorporated by reference to Exhibit 4.5 to our Quarterly Report on Form 10-Q for the period ended April 30, 2000).
	4.6	Notice of extension of the Rights Agreement, dated June 5, 1996, from Phillips-Van Heusen Corporation to The Bank of New York (incorporated by reference to Exhibit 4.13 to our Quarterly Report on Form 10-Q for the period ended April 28, 1996).
	4.7	Fourth Amendment to Rights Agreement, dated April 25, 2000, from Phillips-Van Heusen Corporation to The Bank of New York (incorporated by reference to Exhibit 4.7 to our Quarterly Report on Form 10-Q for the period ended April 30, 2000).
	4.8	Supplemental Rights Agreement and Fifth Amendment to the Rights Agreement dated February 12, 2003, between Phillips-Van Heusen Corporation and The Bank of New York (successor to The Chase Manhattan Bank, N.A.), as rights agent (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K, filed on February 26, 2003).
	4.9	Indenture, dated as of April 22, 1998, with PVH as issuer and Union Bank of California, N.A., as Trustee (incorporated by reference to Exhibit 4.7 to our Quarterly Report on Form 10-Q for the period ended May 3, 1998).
	4.10	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 our Registration Statement on Form S-3 (Reg. No. 33-50751) filed on October 26, 1993).
	4.11	First Supplemental Indenture, dated as of October 17, 2002 to Indenture dated as of November 1, 1993 between PVH and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.15 to our Quarterly Report on Form 10-Q for the period ended November 3, 2002).
	4.12	Second Supplemental Indenture, dated as of February 12, 2002 to Indenture, dated as of November 1, 1993, between Phillips-Van Heusen Corporation and the Bank Of New York, As Trustee (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K, filed on February 26, 2003).
	4.13	Indenture, dated as of May 5, 2003, between Phillips-Van Heusen Corporation and SunTrust Bank, as Trustee (incorporated by reference to Exhibit 4.13 to our Quarterly Report on Form 10-Q for the period ended May 4, 2003).
	+4.14	Indenture, dated as of February 18, 2004 between Phillips-Van Heusen Corporation and SunTrust Bank as Trustee.
	*10.1	1987 Stock Option Plan, including all amendments through April 29, 1997 (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended May 4, 1997).

	*10.2	Phillips-Van Heusen Corporation Special Severance Benefit Plan, as amended through March 7, 2002 (incorporated by reference to Exhibit 10.2 to our Annual Report on Form 10-K for the period ended February 3, 2002).
	*10.3	Phillips-Van Heusen Corporation Capital Accumulation Plan (incorporated by reference to our Current Report on Form 8-K filed on January 16, 1987).
	*10.4	Phillips-Van Heusen Corporation Amendment to Capital Accumulation Plan (incorporated by reference to Exhibit 10(n) to our Annual Report on Form 10-K for the fiscal year ended February 2, 1987).
	*10.5	Form of Agreement amending Phillips-Van Heusen Corporation Capital Accumulation Plan with respect to individual participants (incorporated by reference to Exhibit 10(1) to our Annual Report on Form 10-K for the fiscal year ended January 31, 1988).
	*10.6	Form of Agreement amending Phillips-Van Heusen Corporation Capital Accumulation Plan with respect to individual participants (incorporated by reference to Exhibit 10.8 to our Quarterly Report on Form 10-Q for the period ending October 29, 1995).
	*10.7	Agreement amending Phillips-Van Heusen Corporation Capital Accumulation Plan with respect to Bruce J. Klatsky (incorporated by reference to Exhibit 10.13 to our Quarterly Report on Form 10-Q for the period ended May 4, 1997).

	*10.8	Phillips-Van Heusen Corporation Supplemental Defined Benefit Plan, dated January 1, 1991, as amended and restated on June 2, 1992 (incorporated by reference to Exhibit 10.10 to our Annual Report on Form 10-K for the fiscal year ended January 31, 1993).
	*10.9	Phillips-Van Heusen Corporation Supplemental Savings Plan, effective as of January 1, 1991 and amended and restated as of April 29, 1997 (incorporated by reference to Exhibit 10.10 to our Quarterly Report on Form 10-Q for the period ended May 4, 1997).
	*10.10	Phillips-Van Heusen Corporation 1997 Stock Option Plan, effective as of April 29, 1997, as amended through December 18, 2001 (incorporated by reference to Exhibit 10.10 to our Annual Report on Form 10-K for the period ended February 3, 2002).
	*10.11	Phillips-Van Heusen Corporation Senior Management Bonus Program for fiscal year 1999 (incorporated by reference to Exhibit 10.13 to our Quarterly Report on Form 10-Q for the period ended August 1, 1999).
	*10.12	Phillips-Van Heusen Corporation Long-Term Incentive Plans for the 21 month period ending February 4, 2001 and the 33 month period ending February 3, 2002 (incorporated by reference to Exhibit 10.14 to our Annual Report on Form 10-K for the fiscal year ended January 30, 2000).
	*10.13	Phillips-Van Heusen Corporation 2000 Stock Option Plan, effective as of April 27, 2000, as amended through December 18, 2001 (incorporated by reference to Exhibit 10.13 to our Annual Report on Form 10-K for the period ended February 3, 2002).
	*10.14	Phillips-Van Heusen Corporation Performance Incentive Bonus Plan, effective as of March 2, 2000, as amended through March 7, 2001 (incorporated by reference to Exhibit 10.15 to our Annual Report on Form 10-K for the fiscal year ended February 4, 2001).
	*10.15	Phillips-Van Heusen Corporation Long-Term Incentive Plan, effective as of January 31, 2000 (incorporated by reference to Exhibit 10.17 to our Quarterly Report on Form 10-Q for the period ended July 30, 2000).
	*10.16	Phillips-Van Heusen Corporation 2003 Stock Option Plan, effective as of May 1, 2003, as amended through June 10, 2003 (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended May 4, 2003).

	10.17	Revolving Credit Agreement, dated as of October 17, 2002, among PVH, The IZOD Corporation, PVH Wholesale Corp., PVH Retail Corp., izod.com.inc., G.H. Bass Franchises Inc., CD Group Inc., and the lender parties thereto, JP Morgan Chase Bank, as Administrative Agent and Collateral Agent, Lead Arranger and Sole Bookrunner, Fleet Retail Finance Inc., as Co-Arranger and Co-Syndication Agent, SunTrust Bank, as Co-Syndication Agent, The CIT Group/Commercial Services, Inc., as Co-Documentation Agent, and Bank of America, N.A., as Co-Documentation Agent (incorporated by reference to Exhibit 10.01 to our Quarterly Report on Form 10-Q for the period ended November 3, 2002).
	10.18	Securities Purchase Agreement, dated December 16, 2002, among Phillips-Van Heusen Corporation, Lehman Brothers Inc. and the Investors named therein (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on December 20, 2002).
	10.19	Warrant, issued on February 12, 2003, by Phillips-Van Heusen Corporation to the Calvin Klein 2001 Revocable Trust (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on February 26, 2003).
	10.20	Term Loan Agreement, dated as of December 16, 2002, by and between Phillips-Van Heusen Corporation, each of the lenders listed therein, and Apax Managers, Inc., as administrative agent for the lenders (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K, filed on February 26, 2003).
	10.21	First Amendment to the Term Loan Agreement, dated as of February 12, 2003, by and between Phillips-Van Heusen Corporation, each of the lenders listed therein, and Apax Managers, Inc., as administrative agent for the lenders (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K, filed on February 26, 2003).
	10.22	First Amendment and Waiver Agreement, dated as of December 13, 2002 to the Revolving Credit Agreement, dated as of October 17, 2002, among Phillips-Van Heusen Corporation, The IZOD Corporation, PVH Wholesale Corp., PVH Retail Corp., izod.com.inc., G.H. Bass Franchises Inc., CD Group Inc., and the lender parties thereto, JPMorgan Chase Bank, as Administrative Agent and Collateral Agent, Lead Arranger and Sole Bookrunner, Fleet Retail Finance Inc., as Co-Arranger and Co-Syndication Agent, SunTrust Bank, as Co-Syndication Agent, The CIT Group/Commercial Services, Inc., as Co-Documentation Agent, and Bank of

		America, N.A., as Co-Documentation Agent (incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K, filed on February 26, 2003).
	10.23	Consent dated as of February 12, 2003 among Phillips-Van Heusen Corporation, The IZOD Corporation, PVH Wholesale Corp., PVH Retail Corp., izod.com.inc., G.H. Bass Franchises Inc., CD Group Inc., and the lender parties thereto, JPMorgan Chase Bank, as Administrative Agent and Collateral Agent, Lead Arranger and Sole Bookrunner, Fleet Retail Finance Inc., as Co-Arranger and Co-Syndication Agent, SunTrust Bank, as Co-Syndication Agent, The CIT Group/Commercial Services, Inc., as Co-Documentation Agent, and Bank of America, N.A., as Co- Documentation Agent (incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K, filed on February 26, 2003).
	10.24	Registration Rights Agreement, dated as of February 12, 2003, by and among Phillips-Van Heusen Corporation, the Calvin Klein 2001 Revocable Trust, Barry Schwartz, Trust for the Benefit of the Issue of Calvin Klein, Trust for the Benefit of the Issue of Barry Schwartz, Stephanie Schwartz-Ferdman and Jonathan Schwartz, and the Investors listed therein (incorporated by reference to Exhibit 10.7 to our Current Report on Form 8-K, filed on February 26, 2003).
	10.25	Investors' Rights Agreement, dated as of February 12, 2003, by and among Phillips-Van Heusen Corporation and the Investors listed therein (incorporated by reference to Exhibit 10.8 to our Current Report on Form 8-K, filed on February 26, 2003).

	+10.26	Second Amendment and Waiver Agreement, dated as of January 30, 2004, to the Revolving Credit Agreement, dated as of October 17, 2003, among Phillips-Van Heusen Corporation, The IZOD Corporation, PVH Wholesale Corp., PVH Retail Corp., izod.com.inc, G.H. Bass Franchises Inc., CD Group Inc., and the lender parties thereto, JPMorgan Chase Bank, as Administrative Agent and Collateral Agent, Lead Arranger and Sole Bookrunner, Fleet Retail Finance Inc., as Co-Arranger and Co-Syndication Agent, SunTrust Bank, as Co-Syndication Agent, The CIT Group/Commercial Services, Inc., as Co-Documentation Agent, and Bank of America, N.A., as Co-Documentation Agent.
	+21	Phillips-Van Heusen Subsidiaries.
	+23	Consent of Independent Auditors.
	+99.1	Certification Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002, 18 U.S.C. Section 1350.
	+99.2	Certification Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002, 18 U.S.C. Section 1350.
	+99.3	Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002.
	+99.4	Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002.

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* Management contract or compensatory plan or arrangement required to be identified pursuant to Item 15(c) of this report.

+ Filed herewith.

(b) Reports on Form 8-K filed during the fourth quarter of 2003:

We filed a report on Form 8-K, dated as of January 29, 2004, to disclose the issuance of a press release by us. The purpose of such press release was to announce our commencement of a cash tender offer to purchase our 9 1/2% Senior Subordinated Notes due 2008 and a related consent solicitation.

(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.

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.

Dated: April 7, 2004

	PHILLIPS-VAN HEUSEN CORPORATION
	By: /s/ Bruce J. Klatsky
	Bruce J. Klatsky
	Chairman, Chief Executive
	Officer and Director

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**
/s/ Bruce J. Klatsky Bruce J. Klatsky	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	April 7, 2004
/s/ Mark Weber Mark Weber	President, Chief Operating Officer and Director	April 15, 2004
/s/ Emanuel Chirico Emanuel Chirico	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	April 7, 2004
/s/ Vincent A. Russo Vincent A. Russo	Vice President and Controller (Principal Accounting Officer)	April 14, 2004
/s/ Edward H. Cohen Edward H. Cohen	Director	April 9, 2004
/s/ Joseph B. Fuller Joseph B. Fuller	Director	April 9, 2004
/s/ Joel H. Goldberg Joel H. Goldberg	Director	April 7, 2004
/s/ Marc Grosman Marc Grosman	Director	April 9, 2004
/s/ David A. Landau David A. Landau	Director	April 12, 2004
/s/ Harry N.S. Lee Harry N.S. Lee	Director	April 14, 2004
/s/ Bruce Maggin Bruce Maggin	Director	April 7, 2004
/s/ Henry Nasella Henry Nasella	Director	April 9, 2004

/s/ Christian Näther Christian Näther	Director	April 2, 2004
/s/ Peter J. Solomon Peter J. Solomon	Director	April 6, 2004

FORM 10-K-ITEM 15(a)(1) and 15(a)(2)

PHILLIPS-VAN HEUSEN CORPORATION

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

15(a)(1) The following consolidated financial statements and supplementary data are included in Item 8 of this report:

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

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.

PHILLIPS-VAN HEUSEN CORPORATION

CONSOLIDATED INCOME STATEMENTS

(In thousands, except per share data)

	2003	2002	2001
Net sales	$1,438,891	$1,393,207	$1,421,046
Royalty and other revenues	143,120	11,766	10,846
Total revenues	1,582,011	1,404,973	1,431,892
Cost of goods sold	924,477	873,743	925,662
Gross profit	657,534	531,230	506,230
Selling, general and administrative expenses	601,752	462,195	465,091
Gain on sale of investment	3,496		
Income before interest and taxes	59,278	69,035	41,139
Interest expense	37,476	23,892	24,753
Interest income	1,104	1,163	302
Income before taxes	22,906	46,306	16,688
Income tax expense	8,200	15,869	6,008
Net income	14,706	30,437	10,680
Preferred stock dividends	20,027		
Net income (loss) available to common stockholders	$ (5,321)	$ 30,437	$ 10,680
Basic net income (loss) per common share	$ (0.18)	$ 1.10	$ 0.39
Diluted net income (loss) per common share	$ (0.18)	$ 1.08	$ 0.38

See notes to consolidated financial statements.

PHILLIPS-VAN HEUSEN CORPORATION

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	February 1, 2004	February 2, 2003
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 132,988	$117,121
Accounts receivable, less allowances for doubtful accounts of $5,863 and $2,872	96,691	69,765
Inventories	218,428	230,971
Other, including deferred taxes of $17,164 and $19,404	40,805	33,270
Total Current Assets	488,912	451,127
Property, Plant and Equipment	138,537	142,635
Goodwill	160,391	94,742
Tradenames and Other Intangible Assets	628,773	18,233
Other Assets, including deferred taxes of $32,043 as of February 2, 2003	22,670	64,963
	$1,439,283	$771,700
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 49,772	$ 40,638
Accrued expenses	133,092	86,801
Total Current Liabilities	182,864	127,439
Long-Term Debt	399,097	249,012
Other Liabilities, including deferred taxes of $178,269 as of February 1, 2004	296,419	123,022
Series B convertible redeemable preferred stock; par value $100 per share; 10,000 shares authorized, issued and outstanding	264,746	
Stockholders' Equity:		
Preferred stock, par value $100 per share; 140,000 shares authorized (125,000 shares designated as Series A; 15,000 shares undesignated); no shares outstanding		
Common stock, par value $1 per share; 100,000,000 shares authorized; shares issued 30,645,744 and 27,812,954	30,646	27,813
Additional capital	155,397	123,645
Retained earnings	145,649	155,525
Accumulated other comprehensive loss	(35,081)	(34,370)
	296,611	272,613
Less: 33,045 and 28,581 shares of common stock held in treasury-at cost	(454)	(386)
Total Stockholders' Equity	296,157	272,227
	$1,439,283	$771,700

See notes to consolidated financial statements.

PHILLIPS-VAN HEUSEN CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	2003	2002	2001
Operating activities:			
Net income	$14,706	$ 30,437	$ 10,680
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	28,570	25,678	25,734
Deferred income taxes	3,944	14,203	4,756
Impairment of long-lived assets	12,147		
Changes in operating assets and liabilities:			
Receivables	3,603	13,180	17,888
Inventories	27,039	2,733	39,331
Accounts payable and accrued expenses	(17,316)	13,081	(23,737)
Employer pension contributions	(18,359)	(2,005)	(5,371)
Prepaids and other-net	1,889	7,921	(5,628)
Net Cash Provided By Operating Activities	56,223	105,228	63,653
Investing activities:			
Purchase of property, plant and equipment	(31,970)	(29,451)	(33,406)
Sale of investment in Gant Company AB, net of related fees	17,234		
Acquisition of Calvin Klein, net of acquired cash	(401,565)		
Contingent purchase price payments to Mr. Klein	(16,955)		
Other acquisitions			(5,600)
Net Cash Used By Investing Activities	(433,256)	(29,451)	(39,006)
Financing activities:			
Proceeds from issuance of 10% secured term loan	125,000		
Repayment of 10% secured term loan	(125,000)		
Proceeds from issuance of 8 1/8% senior unsecured notes, net			
of related fees	144,696		
Proceeds from issuance of Series B convertible redeemable			
preferred stock, net of related fees	249,250		
Proceeds from revolving line of credit	16,500		58,300
Payments on revolving line of credit	(16,500)		(58,300)
Exercise of stock options	3,577	1,985	2,845
Acquisition of treasury shares	(68)	(60)	
Cash dividends on common stock	(4,555)	(4,160)	(4,136)
Net Cash Provided (Used) By Financing Activities	392,900	(2,235)	(1,291)
Increase in cash	15,867	73,542	23,356
Cash at beginning of period	117,121	43,579	20,223
Cash at end of period	$132,988	$117,121	$ 43,579

See notes to consolidated financial statements.

PHILLIPS-VAN HEUSEN CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands, except share data)

				Accumulated		

	Common Stock				Other		
	Shares	$1 par Value	Additional Capital	Retained Earnings	Comprehensive Loss	Treasury Stock	Stockholders' Equity
February 4, 2001	27,428,108	$27,428	$118,755	$122,704		$(326)	$268,561
Net income				10,680			10,680
Minimum pension liability,							
net of tax benefit of $7,700					$ (12,500)		(12,500)
Total comprehensive loss							(1,820)
Stock options exercised	218,064	218	2,627				2,845
Tax benefit from exercise							
of stock options			277				277
Cash dividends on common							
stock				(4,136)			(4,136)
February 3, 2002	27,646,172	27,646	121,659	129,248	(12,500)	(326)	265,727
Net income				30,437			30,437
Minimum pension liability,							
net of tax benefit of $13,300					(21,870)		(21,870)
Total comprehensive income							8,567
Stock options exercised	166,782	167	1,818				1,985
Tax benefit from exercise							
of stock options			168				168
Cash dividends on common							
stock				(4,160)			(4,160)
Acquisition of 3,954							
treasury shares						(60)	(60)
February 2, 2003	27,812,954	27,813	123,645	155,525	(34,370)	(386)	272,227
Net income				14,706			14,706
Minimum pension liability,							
net of tax benefit of $400					(530)		(530)
Foreign currency translation							
adjustments, net of tax							
benefit of $111					(181)		(181)
Total comprehensive income							13,995
Stock options exercised	296,864	297	3,280				3,577
Tax benefit from exercise							
of stock options			371				371
Issuance of common stock and							
warrant related to Calvin							
Klein acquisition	2,535,926	2,536	28,101				30,637
Cash dividends on common							
stock				(4,555)			(4,555)
Preferred stock dividends				(20,027)			(20,027)
Acquisition of 4,464							
treasury shares						(68)	(68)
February 1, 2004	30,645,744	$30,646	$155,397	$145,649	$(35,081)	$ (454)	$296,157

See notes to consolidated financial statements.

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar and share amounts in thousands, except per share data)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the accounts of Phillips-Van Heusen Corporation and its subsidiaries, taken as a whole (the "Company"). Significant intercompany accounts and transactions have been eliminated in consolidation.

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

Fiscal Year - Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. Results for 2003, 2002 and 2001 represent the 52 weeks ended February 1, 2004, February 2, 2003 and February 3, 2002, respectively.

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

Goodwill and Intangible Assets - In 2002, the Company adopted FASB Statement No. 142, "Goodwill and Other Intangible Assets." This standard requires that goodwill and other indefinitely lived intangible assets not be amortized, but instead be tested for impairment. Goodwill is tested for impairment annually, and between annual tests if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Impairment testing for goodwill is done at a reporting unit level. Under FASB Statement No. 142, reporting units are defined as an operating segment or one level below the operating segment, called a component. However, two or more components of an operating segment shall be aggregated and deemed a single reporting unit if the components have similar economic characteristics. Under these criteria, as of February 1, 2004, the Company had nine reporting units. The Company's goodwill relates to and is directly assigned to three of its reporting units. An impairment loss would be recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit and the carrying amount of reporting unit goodwill is determined to exceed the implied fair value of that goodwill. The estimated fair value of a reporting unit is calculated based on the reporting unit's percentage contribution of earnings to the Company and applied to the estimated fair market value of the Company.

Indefinitely lived intangible assets not subject to amortization are tested for impairment annually, and between annual tests if an event occurs or circumstances change that would indicate that the carrying amount may be impaired. Intangible assets with a definite life, which are thus subject to amortization, are tested for impairment whenever events or circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss would be recognized when the carrying amount of the asset exceeds the fair value of the asset, which is determined using the estimated undiscounted cash flows associated with the asset's use. The amount of the impairment loss to be recorded is calculated by the excess of the asset's carrying value over its fair value.

No impairment of goodwill or other intangible assets resulted from the Company's required annual impairment tests in 2003 and 2002.

Asset Impairments - The Company reviews for and records impairment losses on long-lived assets (excluding goodwill and other indefinitely lived intangible assets) in accordance with FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The Company records impairment losses when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by the related assets are less than the carrying amounts of those assets.

Inventories - Inventories, comprised principally of finished goods, are stated at the lower of cost or market. Cost for certain apparel inventories of $116,353 (2003) and $121,129 (2002) is determined using the last-in, first-out method (LIFO). Cost for all other inventories is determined using the first-in, first-out method (FIFO). At February 1, 2004 and February 2, 2003, no LIFO reserve was recorded because LIFO cost approximated FIFO cost.

Property, Plant and Equipment - Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the related assets on a straight-line basis. The range of useful lives is as follows: Buildings and building improvements: 15-40 years; machinery, software and equipment: 3-10 years; furniture and fixtures: 7-10 years. Leasehold improvements are amortized using the straight-line method over the lesser of the term of the related lease or the estimated useful life of the asset. Major additions and betterments are capitalized, and repairs and maintenance are charged to operations in the period incurred.

Contributions from Landlords - The Company receives build out contributions from landlords primarily as an incentive for the Company to lease retail store space from the landlords. Such amounts are amortized as a reduction of rent expense over the life of the related lease.

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

Revenue Recognition - Sales are recognized upon shipment of products to customers since title passes upon shipment and, in the case of sales by the Company's outlet stores, when goods are sold to consumers. Allowances for estimated returns and discounts are provided when sales are recorded. Royalty revenue, including licensee contributions toward advertising, is recognized when licensed products are sold by the Company's licensees. For licensees whose sales are not expected to exceed contractual sales minimums, royalty revenue is recognized based on contractual minimums.

Advertising - Advertising costs are expensed as incurred and are included in selling, general and administrative expenses. Included in advertising expenses are costs associated with cooperative advertising programs, under which the Company generally shares the cost of a customer's advertising expenditures. Advertising expenses totalled $77,013 (2003), $33,544 (2002) and $33,132 (2001). Advertising expenses increased significantly in 2003 due to advertising and promotion associated with Calvin Klein, which the Company acquired on February 12, 2003.

Shipping and Handling Fees and Costs - Shipping and handling fees billed to customers are included in net sales. Internal and external shipping and handling costs are included in cost of sales. Such costs include inbound freight costs, purchasing and receiving costs, inspection costs, internal transfer costs and other product procurement related charges.

Cost of Sales and Selling, General and Administrative Expenses - Costs associated with the production and procurement of product are included in cost of sales, including inbound freight costs, purchasing and receiving costs, inspection costs, internal transfer costs and other product procurement related charges. All other expenses, excluding interest and income taxes, are included in selling, general and administrative expenses, including warehousing and distribution expenses as the predominant expenses associated therewith are general and administrative in nature, including rent, utilities and payroll.

Reclassifications - For comparative purposes, certain prior period amounts have been reclassified to conform to the current period's presentation.

(Dollar and share amounts in thousands, except per share data)

Derivative Financial Investments - The Company from time to time purchases foreign currency forward exchange contracts to hedge against changes in exchange rates. Forward exchange contracts are not held for the purpose of trading or speculation. The Company classifies such contracts as cash flow hedges because the principal terms of the forward exchange contracts are the same as the underlying forecasted foreign currency cash flows. Therefore, changes in the fair value of the forward contracts should be highly effective in offsetting changes in the expected foreign currency cash flows, and accordingly, changes in the fair value of forward exchange contracts are recorded in accumulated other comprehensive loss until the contracts mature. At February 1, 2004 and February 2, 2003, the Company owned no forward exchange contracts, and thus no amounts are recorded in accumulated other comprehensive loss.

Stock-Based Compensation - The Company accounts for its stock options under the intrinsic value method of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and complies with the disclosure requirements of FASB Statement No. 123, "Accounting for Stock- Based Compensation," as amended by FASB Statement No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." Under APB Opinion No. 25, the Company does not recognize compensation expense because the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant.

The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of FASB Statement No. 123:

	2003	2002	2001
Net income - as reported	$14,706	$30,437	$10,680
Deduct: Stock-based employee			
compensation expense determined under fair			
value method, net of related tax effects	3,385	3,368	2,998
Net income - as adjusted	$11,321	$27,069	$ 7,682
Net income (loss) per common share:			
Basic - as reported	$ (0.18)	$ 1.10	$ 0.39
Diluted - as reported	$ (0.18)	$ 1.08	$ 0.38
Basic - as adjusted	$ (0.29)	$ 0.98	$ 0.28
Diluted - as adjusted	$ (0.29)	$ 0.97	$ 0.28

The assumptions used to calculate the fair value of stock options at their grant dates are presented in the note entitled "Stockholders' Equity."

ACQUISITION OF CALVIN KLEIN

On February 12, 2003, the Company purchased all of the issued and outstanding stock of Calvin Klein, Inc. and certain affiliated companies. The Company paid $401,565 in cash, net of $6,435 cash acquired, and issued 2,536 shares of the Company's common stock, valued at $30,000, in connection with the acquisition. The purchase price also included, in consideration of Mr. Klein's sale to the Company of all of his rights under a design services letter agreement with Calvin Klein, Inc., a nine-year warrant in favor of Mr. Klein to purchase 320 shares of the Company's common stock at $28.00 per share, which the Company has valued at $637 based on the Black-Scholes model, and contingent purchase price payments for 15 years based on 1.15% of total worldwide net sales of products bearing any of the *Calvin Klein* brands. Such contingent purchase price payments are charged to goodwill. The Company and the former stockholders of the acquired entities are in the process of finalizing the closing date net book value of the acquired entities; thus the amount paid is subject to adjustment.

Please see the notes entitled "Convertible Redeemable Preferred Stock," "Goodwill and Other Intangible Assets," "Long-Term Debt" and "Noncash Investing and Financing Transactions" in relation to the acquisition.

If the acquisition, including the issuance of convertible redeemable preferred stock, had occurred on the first day of fiscal 2002 instead of on February 12, 2003, the Company's proforma consolidated results of operations would have been:

	2003	2002
Total revenues	$1,586,575	$1,576,965
Net income	$ 14,336	$ 37,959
Basic net income (loss) per common share	$ (0.20)	$ 0.59
Diluted net income (loss) per common share	$ (0.20)	$ 0.58

(Dollar and share amounts in thousands, except per share data)

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

Current assets, including acquired cash of $6,435	$ 55,687
Intangible assets	610,600
Other non-current assets	4,592
Total assets acquired	$670,879
Current liabilities	$ 72,581
Deferred taxes	208,355
Total liabilities assumed	$280,936
Net assets acquired	$389,943

In connection with the acquisition, the Company recorded a liability of $19,724 in accordance with EITF 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination," principally related to severance and termination benefits for certain employees of the acquired entities and lease and other contractual obligations related to certain facilities which the Company no longer operates. Through 2003, $9,607 was charged to this liability, leaving $10,117 in this liability at February 1, 2004.

In connection with the acquisition, the Company recorded $48,694 in goodwill. Included in intangible assets are tradenames valued at $524,000, perpetual license rights valued at $86,000 and a covenant not to compete valued at $600, which the Company recorded based upon third- party valuations. In addition, the Company recorded a deferred tax liability of $231,800 in relation to the acquisition of the tradenames and perpetual license rights.

EARNINGS PER SHARE

The Company computed its basic and diluted net income (loss) per common share as follows:

	2003	2002	2001
Net income	$14,706	$30,437	$10,680
Less: Preferred stock dividends	20,027		
Net income (loss) available to common			
stockholders for basic and diluted net income			
(loss) per common share	$ (5,321)	$30,437	$10,680
Weighted average common shares			
outstanding for basic net income (loss)			
per common share	30,314	27,770	27,595
Impact of dilutive employee stock options		395	452
Total shares for diluted net income (loss)			
per common share	30,314	28,165	28,047
Basic net income (loss) per common share	$ (0.18)	$ 1.10	$ 0.39
Diluted net income (loss) per common share	$ (0.18)	$ 1.08	$ 0.38

(Dollar and share amounts in thousands, except per share data)

Options to purchase 1,334; 2,159 and 1,499 shares of common stock were excluded from the computation of diluted net income (loss) per common share for 2003, 2002 and 2001, respectively, because the options were not dilutive. In addition, employee stock options to purchase 695 common shares, which would have been dilutive had net income available to common stockholders been positive, were excluded from the computation of diluted net loss per common share for 2003 because 2003 net income available to common stockholders was a loss; the inclusion of such dilutive stock options thereof would have been antidilutive to the net loss per share computation. Conversion of the Company's convertible redeemable preferred stock into approximately 17,930 common shares outstanding for 2003 was not assumed because the inclusion thereof would have been antidilutive.

SALE OF INVESTMENT

In the second quarter of 2003, the Company sold its minority interest in Gant Company AB for $17,234, net of related fees, which resulted in a one-time pre-tax gain of $3,496.

INCOME TAXES

Income taxes consist of:

	2003	2002	2001
Federal:			
Deferred	$3,944	$14,203	$4,284
State, foreign and local:			
Current	4,256	1,666	1,252
Deferred			472
	$8,200	$15,869	$6,008

Taxes paid were $4,389 (2003), $1,197 (2002) and $1,454 (2001).

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

	2003	2002
Depreciation and amortization	$ (14,909)	$(19,343)
Employee compensation and benefits	14,324	16,796
Tax loss and credit carryforwards	54,265	32,983
Minimum pension liability	21,400	21,000
Book versus tax basis difference related to identifiable intangible		
assets	(231,800)	
Acquisition costs	(3,472)	(541)
Other-net	(913)	552
	$(161,105)	$ 51,447

Included in the tax loss and credit carryforwards at the end of 2003 is $7,988 of alternative minimum tax credits which never expire. The balance of the tax loss and credit carryforwards expires principally between 2008 and 2023.

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

	2003	2002	2001
Statutory 35% Federal tax	$ 8,017	$16,207	$5,841
State, foreign and local income and withholding taxes,			
net of Federal income tax benefit	3,903	1,082	1,019
U.S. Federal tax credit for foreign withholding taxes	(3,233)	(337)	(264)
Other-net	(487)	(1,083)	(588)
Income tax expense	$ 8,200	$15,869	$6,008

The foreign and domestic components of income (loss) before provision for income taxes were as follows:

	2003	2002	2001
Domestic	$33,249	$46,306	$16,688
Foreign	(10,343)		

	$22,906	$46,306	$16,688

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Dollar and share amounts in thousands, except per share data)

PROPERTY, PLANT AND EQUIPMENT

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

	2003	2002
Land	$ 1,090	$ 1,139
Buildings and building improvements	26,036	28,004
Machinery, software and equipment	142,493	131,733
Furniture and fixtures	81,295	94,313
Leasehold improvements	70,303	73,350
	321,217	328,539
Less: Accumulated depreciation		
and amortization	(182,680)	(185,904)
	$138,537	$142,635

LONG-TERM DEBT

Long-term debt is as follows:

	2003	2002
9 1/2% senior subordinated notes due 2008	$149,596	$149,521
7 3/4% debentures due 2023	99,501	99,491
8 1/8% senior unsecured notes due 2013	150,000	
	$399,097	$249,012

The Company issued $150,000 of 9 1/2% senior subordinated notes due 2008 on April 22, 1998 with a yield to maturity of 9.58%. Interest is payable semi-annually. On February 18, 2004, the Company issued $150,000 of senior unsecured notes due 2011. The notes accrue interest at the rate of 7 1/4% per annum, which is payable semi-annually. The Company used the net proceeds of the issuance of the 7 1/4% senior unsecured notes and available cash to purchase and redeem its 9 1/2% senior subordinated notes due 2008. In connection with the 7 1/4% senior unsecured notes, the Company must maintain, among other things, a certain interest coverage ratio in order to make restricted payments, as defined in the indenture governing the notes, including cash dividends.

The Company issued $100,000 of 7 3/4% debentures due 2023 on November 15, 1993 with a yield to maturity of 7.80%. Interest is payable semi-annually. Based on current market conditions, the Company estimates that the fair value of these debentures on February 1, 2004, using discounted cash flow analyses, was approximately $77,700. In connection with the debentures, the Company must maintain a certain level of stockholders' equity in order to make restricted payments, as defined in the indenture governing the debentures, including cash dividends.

In connection with the Calvin Klein acquisition, the Company entered into a 10% secured term loan agreement for $125,000 with affiliates of Apax Managers, Inc. and Apax Partners Europe Managers Limited (collectively, "Apax"). The Company borrowed $100,000 in connection with the closing of the Calvin Klein acquisition and borrowed the remaining $25,000 on March 14, 2003. On May 5, 2003, the Company issued $150,000 of senior unsecured notes due 2013. The net proceeds of the offering after related fees were $144,696. The Company used the net proceeds of the offering to repay the $125,000 10% secured term loan from Apax, plus accrued interest. The notes accrue interest at the rate of 8 1/8% per annum, which is payable semi-annually. Based on current market conditions, the Company estimates that the fair value of these notes on February 1, 2004, using discounted cash flow analyses, was approximately $148,400. In connection with the notes, the Company must maintain, among other things, a certain interest coverage ratio in order to make restricted payments, as defined in the indenture governing the notes, including cash dividends.

The Company has a secured revolving credit facility which provides for revolving credit borrowings, as well as the issuance of letters of credit. The Company may, at its option, borrow and repay amounts up to a maximum of $325,000 under both the revolving credit borrowings and the issuance of letters of credit. Borrowing spreads and letters of credit fees are based on spreads above Eurodollar and other available interest rates, with the spreads changing based upon a pricing grid. For example, revolving credit spreads range from 175 to 275 basis points over Eurodollar loan rates and 100 to 200 basis points on outstanding letters of credit. All outstanding borrowings and letters of credit under this credit facility are due October 17, 2007. As of February 1, 2004, the Company had no borrowings and $139,187 outstanding letters of credit under this facility.

In connection with the revolving credit facility and the 7 3/4% debentures due 2023, substantially all of the Company's assets have been pledged as collateral.

Interest paid was $32,993 (2003), $23,782 (2002) and $24,805 (2001).

As a result of the Company's issuance of $150,000 7 1/4% senior unsecured notes on February 18, 2004 and the subsequent redemption of its $150,000 9 1/2% senior subordinated notes, there are no scheduled maturities of long-term debt until 2011.

STOCKHOLDERS' EQUITY

Preferred Stock Rights - On June 10, 1986, the Company's 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 per fractional share. 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 $0.05 per Right. The rights are currently scheduled to expire on June 16, 2006.

Stock Options - Under the Company's stock option plans, non-qualified and incentive stock options ("ISOs") may be granted. Options are granted with an exercise price equal to the closing price of the common stock on the trading date immediately preceding the date of grant. ISOs and non-qualified options granted have a ten-year duration. Depending upon which plan options have been granted under, options are cumulatively exercisable in either three installments commencing three years after the date of grant or in four installments commencing one year after the date of grant.

For purposes of the required disclosure requirements of FASB Statement No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," as illustrated in the Summary of Significant Accounting Policies, the Company estimated the fair value of stock options granted at the date of grant using the Black-Scholes model. The estimated fair value of the options is then amortized to expense over the options' vesting period.

(Dollar and share amounts in thousands, except per share data)

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

	2003	2002	2001
Risk-free interest rate	3.48%	4.75%	5.30%
Expected option life	6 Years	7 Years	7 Years
Expected volatility	29.5%	30.4%	30.7%
Expected dividends per share	$ 0.15	$ 0.15	$ 0.15
Weighted average estimated fair			
value per share of options granted	$ 3.79	$ 5.55	$ 5.17

Other data with respect to stock options follows:

		Option Price			Weighted Average
	Shares	Per Share			Price Per Share
Outstanding at February 4, 2001	4,017	$ 6.81	-	$31.63	$11.99
Granted	922	9.65	-	17.40	13.43
Exercised	218	9.38	-	14.75	13.05
Cancelled	315	9.00	-	16.50	13.46
Outstanding at February 3, 2002	4,406	6.81	-	31.63	12.13
Granted	894	10.61	-	15.72	14.80
Exercised	167	7.50	-	14.75	11.90
Cancelled	267	9.38	-	22.38	12.33
Outstanding at February 2, 2003	4,866	6.81	-	31.63	12.62
Granted	1,038	12.34	-	16.70	12.55
Exercised	297	6.81	-	15.13	12.05
Cancelled	284	9.38	-	31.63	13.09
Outstanding at February 1, 2004	5,323	$ 6.81	-	$27.88	$12.61

Additional information regarding stock options outstanding at February 1, 2004 follows:

			Weighted-Average		Weighted-Average
		Weighted-Average	Exercise Price		Exercise Price
Range of	Number of	Remaining	Per Share	Number of	Per Share
Exercise	Shares	Contractual	of Options	Shares	of Exercisable
Prices Per Share	Outstanding	Life	Outstanding	Exercisable	Options
$ 6.81 - $ 9.94	1,211	5.9	$ 9.46	870	$ 9.41
$10.90 - $13.16	1,842	5.1	12.66	992	12.94
$13.40 - $14.50	1,341	6.0	13.79	855	13.90
$14.55 - $17.40	928	7.1	14.92	356	14.84
$27.88	1	0.4	27.88	1	27.88
	5,323	5.8	$12.61	3,074	$12.43

Stock options available for grant at February 1, 2004 and February 2, 2003 amounted to 5,624 and 1,007 shares, respectively.

LEASES

The Company leases retail stores, manufacturing facilities, warehouses, showrooms, 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 February 1, 2004, minimum annual rental commitments under non-cancellable operating leases, including leases for new retail stores which had not begun operating at February 1, 2004, are as follows:

	2004	$ 69,914
	2005	51,186
	2006	38,526
	2007	29,822
	2008	23,288
	Thereafter	80,469
	Total minimum lease payments	$293,205

(Dollar and share amounts in thousands, except per share data)

	Total minimum lease payments	$293,283

Rent expense is as follows:

	2003	2002	2001
Minimum	$75,626	$65,843	$65,010
Percentage and other	14,015	13,009	11,138
	$89,641	$78,852	$76,148

RETIREMENT AND BENEFIT PLANS

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

The Company and its domestic subsidiaries also provide certain postretirement health care and life insurance benefits. Employees become eligible for these benefits if they reach retirement age while working for the Company. Retirees contribute to the cost of this plan, which is unfunded. During 2002, the postretirement plan was amended to eliminate benefits for active participants who, as of January 1, 2003, had not attained age 55 and 10 years of service.

The measurement date used to determine pension and postretirement measurements for the pension plans and postretirement plan for each year is December 31.

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

	Pension Plans		Postretirement Plan	
	2003	2002	2003	2002
Beginning of year	$172,934	$148,960	$35,670	$37,408
Service cost	3,982	3,211		67
Interest cost	11,514	10,998	2,444	2,012
Benefit payments, net	(8,388)	(8,822)	(2,667)	(2,494)
Actuarial loss	14,713	18,587	3,550	7,974
Plan amendments				(9,297)
End of year	$194,755	$172,934	$38,997	$35,670

The accumulated benefit obligation for the pension plans was $186,112 and $162,634 at the end of 2003 and 2002, respectively.

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

	2003	2002
Beginning of year	$111,658	$123,187
Actual return	22,031	(8,239)
Benefits paid, net	(8,388)	(8,822)
Company contributions	1,791	5,532
End of year	$127,092	$111,658

The following table illustrates the percentage of the fair value of total pension plan assets for each major category:

	2003	2002
U.S. equities	61%	40%
International equities	11%	10%
Fixed income investments	27%	49%
Other (including cash)	1%	1%
	100%	100%

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Dollar and share amounts in thousands, except per share data)

The pension plan assets are invested with the objective of being able to meet current and future benefit payment needs, while controlling pension expense volatility and future contributions. Plan assets are diversified among U.S. equities, international equities, fixed income investments and cash. The strategic target allocation is approximately 55% U.S. equities, 15% international equities and 30% fixed income investments.

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

	Pension Plans			Postretirement Plan		
	2003	2002	2001	2003	2002	2001
Service cost, including						
expenses	$ 4,156	$ 3,371	$ 2,997		$ 67	$ 669
Interest cost	11,514	10,998	10,474	$2,444	2,012	2,677
Amortization of net loss	3,867	161	112	1,166	388	339
Amortization of transition						
(asset) obligation		(21)	(40)			273
Expected return on						
plan assets	(11,796)	(12,393)	(11,949)			
Amortization of prior						
service cost	1,856	1,949	2,140	(444)	(444)	104
	$ 9,597	$ 4,065	$ 3,734	$3,166	$2,023	$4,062

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

	Pension Plans		Postretirement Plan	
	2003	2002	2003	2002
Projected benefit obligation at year-end	$ 194,755	$172,934	$ 38,997	$ 35,670
Unrecognized prior service cost	(3,569)	(5,412)	4,879	5,323
Unrecognized losses	(64,948)	(65,567)	(18,052)	(15,651)
Employer contributions made after 12/31/03	(17,612)			
Minimum pension liability	56,300	55,370		
Plan assets at fair value	(127,092)	(111,658)		
Amount recognized in other liabilities	$ 37,834	$ 45,667	$ 25,824	$ 25,342

The Company currently estimates that in 2004, it will contribute approximately $10,000 to the pension plans and make postretirement claim payments of approximately $3,100 to the postretirement plan.

The health care cost trend rate assumed for 2004 is 10.0% and is assumed to decrease by 0.5% per year through 2014. Thereafter, the rate assumed is 5.0%. If the assumed health care cost trend rate increased or decreased by 1%, the aggregate effect on the service and interest cost components of the net postretirement benefit cost for 2003 and on the postretirement projected benefit obligation at February 1, 2004 would be as follows:

	1% Increase	1% Decrease
Impact on service and interest cost	$ 202	$ (177)
Impact on year-end projected benefit obligation	$3,443	$(2,990)

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Dollar and share amounts in thousands, except per share data)

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

	2003	2002	2001
Discount rate	6.25%	6.75%	7.50%
Rate of increase in compensation			
levels (applies to pension plans only)	4.00%	4.00%	4.00%
Long-term rate of return on assets	8.25%	8.75%	9.00%

(Dollar and share amounts in thousands, except per share data)

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The Company has an unfunded supplemental defined benefit plan covering 23 current and retired executives under which the participants will receive a predetermined amount during the 10 years following the attainment of age 65, provided that prior to the termination of employment with the Company, the participant has been in the plan for at least 10 years and has attained age 55. At February 1, 2004 and February 2, 2003, $15,789 and $14,471, respectively, are included in other liabilities as the accrued cost of this plan.

The Company has a savings and retirement plan and a supplemental savings plan for the benefit of its eligible employees who elect to participate. The Company matches a portion of employee contributions to the plans. Matching contributions were $3,863 (2003), $3,061 (2002) and $3,082 (2001).

CONVERTIBLE REDEEMABLE PREFERRED STOCK

In connection with the Calvin Klein acquisition, the Company issued to Apax $250,000 of convertible redeemable preferred stock. The cash proceeds from this issuance after related fees were $249,250. The convertible redeemable preferred stock has a conversion price of $14.00 per share and a dividend rate of 8% per annum, payable quarterly, in cash. If the Company elects not to pay a cash dividend for any quarter, then the convertible redeemable preferred stock will be treated for purposes of the payment of future dividends and upon conversion, redemption or liquidation as if an in-kind dividend had been paid. As of February 1, 2004, the liquidation preference of the convertible redeemable preferred stock was $264,746, as the Company elected not to pay cash dividends for each of the first three quarters of 2003 but did declare a cash dividend in the fourth quarter of 2003 that was paid in the first quarter of 2004. Conversion may occur any time at Apax's option. Conversion may occur at the Company's option on or after February 12, 2007, if the market value of the Company's common stock equals or exceeds 225% of the conversion price then in effect for 60 consecutive days. Apax can require the Company to redeem for cash all of the then outstanding shares of convertible redeemable preferred stock on or after November 1, 2013. On all matters put to a vote to holders of common stock, each holder of shares of the convertible redeemable preferred stock is entitled to the number of votes equal to the number of shares that would be issued upon conversion of the convertible redeemable preferred stock into common stock.

GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for 2003, by segment, are as follows:

	Apparel and Related Products	Calvin Klein Licensing	Total
Balance as of February 2, 2003	$94,742		$ 94,742
Goodwill recorded related to Calvin Klein acquisition		$48,694	48,694
Contingent purchase price payments to Mr. Klein		16,955	16,955
Balance as of February 1, 2004	$94,742	$65,649	$160,391

The goodwill recorded related to the Calvin Klein acquisition is not expected to be tax deductible.

Intangible assets subject to amortization consist of the following:

	2003		
	Gross Carrying Amount	Accumulated Amortization	Net
Covenant not to compete	$600	$60	$540

(Dollar and share amounts in thousands, except per share data)

Amortization expense of the covenant not to compete was $60 in 2003, and is expected to be $60 in each of the next nine years.

Intangible assets not subject to amortization consist of the following:

	2003	2002
Tradenames	$542,233	$18,233
Perpetual license rights	86,000	
Total	$628,233	$18,233

At the end of 2003, accumulated amortization was $16,849 for goodwill and $527 for other intangible assets. At the end of each of 2002 and 2001, accumulated amortization was $16,849 for goodwill and $467 for other intangible assets.

If goodwill and other indefinitely lived intangible assets had not been amortized in 2001, the Company's adjusted net income and earnings per share would have been as follows:

	2001		
		Basic Net	Diluted Net
	Net	Income Per	Income Per
	Income	Common Share	Common Share
As reported	$10,680	$0.39	$0.38
Amortization of goodwill and other indefinitely lived intangible assets, net of tax	2,849	0.10	0.10
As adjusted	$13,529	$0.49	$0.48

OTHER ACQUISITIONS

Costs associated with other acquisitions on the Consolidated Statements of Cash Flows for 2001 consist principally of certain inventory purchases related to the Company entering into a license to market dress shirts and sportswear under the *Arrow* brand and its acquisition of the license to market dress shirts under the *Kenneth Cole* brands on July 24, 2000.

COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table sets forth the detail of accumulated other comprehensive loss, net of related taxes:

	2003	2002
Minimum pension liability adjustment	$(34,900)	$(34,370)
Foreign currency translation adjustments	(181)	
	$(35,081)	$(34,370)

(Dollar and share amounts in thousands, except per share data)

ASSET IMPAIRMENTS, RESTRUCTURING, ACTIVITY EXIT COSTS AND OTHER CHARGES

Licensing the Bass Wholesale Business

In the fourth quarter of 2003, the Company announced the licensing of the *Bass* brand for wholesale distribution of footwear to Brown Shoe Company, Inc. and the Company's exiting of the wholesale footwear business. In connection with exiting the wholesale footwear business, the Company is relocating its retail footwear operations from South Portland, Maine to its New York, New York and Bridgewater, New Jersey offices. The Company is accounting for these actions under FASB Statement No. 146, "Accounting for Costs Associated with Exit and Disposal Activities."

Costs associated with these activities are as follows:

	Total Expected to be Incurred	Incurred in 2003	Liability at 2/1/04
Severance and termination benefits	$ 7,306	$1,709	$1,660
Long-lived asset impairments	3,130	3,130	
Inventory liquidation costs	3,407	3,407	
Lease termination costs	2,200		
Other wholesale footwear exit costs	4,244	1,353	
Relocation of retail operations costs	5,633		
Total	$25,920	$9,599	$1,660

The expected lease termination costs relate to the Company's facility in South Portland, Maine. Under FASB Statement No. 146, such costs will be recorded based on their fair value at the earlier of when an agreement is reached to terminate the lease, or when the facility ceases to be used. The Company presently expects to cease using the facility in the third quarter of 2004. The long-lived asset impairments relate principally to leasehold improvements in the South Portland, Maine facility and to various information systems that specifically supported the Company's wholesale footwear business. Costs associated with severance and termination benefits, long-lived asset impairments and other wholesale footwear exit costs are included in selling, general and administrative expenses of the Apparel and Related Products segment. Inventory liquidation costs are included in cost of goods sold of the Apparel and Related Products segment.

Retail Store Asset Impairment and Store Closings

Over the last two years, the Company's retail factory outlet stores have been under significant competitive pressure, which has resulted in negative same store sale comparisons and reduced overall profitability. This condition was an impairment indicator which caused the Company to evaluate its portfolio of stores to determine whether the net book value of the long-lived assets within the stores, principally leasehold improvements, was recoverable.

Based on this evaluation, during the fourth quarter of 2003, the Company determined that the long-lived assets in approximately 200 stores were not recoverable, which resulted in the Company recording an impairment of $9,017. This determination was made by comparing each store's expected undiscounted future cash flows to the carrying amount of the long-lived assets, and for each store in which the long-lived assets were not deemed recoverable, the net book value of the long-lived assets in excess of the fair value was written off. Fair value was estimated based on the Company's past experience in disposing of leasehold improvements of stores which it has closed.

In connection with the recording of the impairment of long-lived assets, the Company determined it would close a significant number of the impaired stores. Severance and lease termination costs for these actions are expected to total approximately $4,800, of which $2,123 was incurred in 2003. Of the $2,123, approximately $1,500 is included in accrued expenses as of February 1, 2004.

The charges for the asset impairment and severance and lease termination costs are included in selling, general and administrative expenses of the Apparel and Related Products segment.

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Dollar and share amounts in thousands, except per share data)

2001 Restructuring and Other Charges

In the fourth quarter of 2001, the Company recorded restructuring and other charges of $21,000 related to streamlining certain corporate and divisional operations, exiting three dress shirt manufacturing facilities and liquidating related dress shirt inventories. These charges were accounted for under EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity." While EITF Issue No. 94-3 was nullified by FASB Statement No. 146 in 2002, the Company has appropriately continued to account for this charge under the accounting and disclosure rules of EITF Issue No. 94-3.

The cost components of the charges are as follows:

Termination benefits for approximately 1,200 employees	$ 8,900
Inventory liquidations included in cost of goods sold	5,400
Lease terminations and other exit obligations	5,200
Asset write-offs	1,500
	$21,000

Other than inventory liquidations which were charged to cost of goods sold, all of the charges were included in selling, general and administrative expenses.

The actions related to these charges have been completed by the Company as planned. However, due to the extended terms of certain contractual obligations associated with these actions, $900 remains in this liability as of February 1, 2004. These obligations will be paid in 2004.

NONCASH INVESTING AND FINANCING TRANSACTIONS

Omitted from the Company's Investing Activities and Financing Activities sections of the Consolidated Statements of Cash Flows for 2003 were certain noncash transactions related to the Calvin Klein acquisition. As part of the purchase price, the Company issued shares of its common stock, valued at $30,000, to the selling shareholders. In addition, the Company issued a nine-year warrant to purchase the Company's common stock to Mr. Klein, valued at $637. Please see the note entitled "Acquisition of Calvin Klein."

Excluded from the Financing Activities section of the Consolidated Statements of Cash Flows for 2003 were preferred dividends of $20,027, as the Company elected not to pay a cash dividend in each of the first three quarters of 2003, and declared a cash dividend in the fourth quarter of 2003 that was paid in the first quarter of 2004, on the Company's convertible redeemable preferred stock that was issued to finance the acquisition. Please see the note entitled "Convertible Redeemable Preferred Stock."

SEGMENT DATA

The Calvin Klein acquisition has impacted significantly the way the Company manages and analyzes its operating results. As such, the Company has changed the way it reports its segment data. The Company manages and analyzes its operating results by two business segments: (i) Apparel and Related Products segment and (ii) Calvin Klein Licensing segment. In identifying its reportable segments, the Company evaluated its operating divisions and product offerings. The Company aggregates the results of its dress shirt and sportswear divisions into the Apparel and Related Products segment. This segment derives revenues from marketing dress shirts and sportswear and, to a lesser extent, footwear and other accessories, principally under the brand names *Van Heusen, Izod, Geoffrey Beene, Arrow, Kenneth Cole New York, Reaction by Kenneth Cole, Bass/G.H. Bass & Co., Calvin Klein* and *ck Calvin*

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Dollar and share amounts in thousands, except per share data)

Klein. The Calvin Klein Licensing segment derives revenues from (a) licensing and similar arrangements worldwide of the *Calvin Klein Collection, Calvin Klein* and *ck Calvin Klein* brands for a broad array of products and (b) the marketing, directly by the Company, of high-end apparel and accessories collections for men and women under the *Calvin Klein Collection* brand. The Company includes the *Calvin Klein Collection* businesses in the Calvin Klein Licensing segment because management views the purpose of the *Calvin Klein Collection* businesses as building and marketing the *Calvin Klein* brands, which supports and benefits all of the brands' licensing businesses.

	Segment Data		
	2003	2002	2001
Revenues - Apparel and Related Products			
Net sales	$1,402,877	$1,393,207	$1,421,046
Royalty and other revenues	14,228	11,766	10,846
Total	1,417,105	1,404,973	1,431,892
Revenues - Calvin Klein Licensing			
Net sales	36,014		
Royalty and other revenues	128,892		
Total	164,906		
Total revenues			

(Dollar and share amounts in thousands, except per share data)

Total revenues			
Net sales	1,438,891	1,393,207	1,421,046
Royalty and other revenues	143,120	11,766	10,846
Total	$1,582,011	$1,404,973	$1,431,892
Operating income - Apparel and Related Products	$ 74,636(1)	$ 94,514	$ 64,515(3)
Operating income - Calvin Klein Licensing	9,366(2)		
Corporate expenses	24,724	25,479	23,376
Income before interest and taxes	$ 59,278	$ 69,035	$ 41,139

Corporate expenses represent overhead operating expenses that the Company does not allocate to its segments and include expenses for senior corporate management, corporate finance and information technology related to corporate infrastructure. Corporate expenses for 2003 include a one-time pre-tax gain of $3,496 related to the Company's sale of its minority interest in Gant.

(1) Operating income for the Apparel and Related Products segment in 2003 includes $20,739 associated with the impairment and closing of certain retail outlet stores and licensing the *Bass* brand for wholesale distribution of footwear to Brown Shoe and exiting the wholesale footwear business.

(2) Operating income for the Calvin Klein Licensing segment in 2003 includes of $36,366 of costs related to the integration of Calvin Klein, which consist of (a) the operating losses of certain Calvin Klein businesses, principally relating to the men's and women's wholesale collection apparel businesses, which the Company has closed or licensed, and associated costs in connection therewith and (b) the costs of certain duplicative personnel and facilities incurred during the integration of various logistical and back office functions.

(3) Operating income in 2001 includes $21,000 of restructuring and other charges.

	2003	2002	2001
Identifiable assets			
Apparel and Related Products	$ 518,866	$474,822	$498,481
Calvin Klein Licensing	632,490		
Corporate	287,927	296,878	210,452
	$1,439,283	$771,700	$ 708,933
Depreciation and Amortization			
Apparel and Related Products	$ 24,003	$ 22,753	$ 24,083
Calvin Klein Licensing	1,583		
Corporate	2,984	2,925	1,651
	$ 28,570	$ 25,678	$ 25,734
Identifiable Capital Expenditures			
Apparel and Related Products	$ 28,179	$ 26,519	$ 30,538
Calvin Klein Licensing	1,388		
Corporate	2,403	2,932	2,868
	$ 31,970	$ 29,451	$ 33,406

Revenues for the Apparel and Related Products segment occur principally in the United States. Revenues for the Calvin Klein Licensing segment occurred as follows for 2003:

Domestic	$ 93,958
Foreign	70,948
	$164,906

OTHER COMMENTS

The Company has guaranteed the payment of certain purchases made by one of the Company's suppliers from three raw material vendors. The amount guaranteed at February 1, 2004 was $693. The maximum amount guaranteed under all three contracts is $4,500. The guarantees expire on January 31, 2005.

One of the Company's directors, Mr. Harry N.S. Lee, is a director of TAL Apparel Limited, an apparel manufacturer and exporter based in Hong Kong. During 2003, 2002 and 2001, the Company purchased approximately $13,507, $14,390 and $2,681, respectively, of products from TAL Apparel Limited and certain related companies.

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

During each of 2003, 2002 and 2001, the Company paid four $0.0375 per share cash dividends on its common stock.

PHILLIPS-VAN HEUSEN CORPORATION

SELECTED QUARTERLY FINANCIAL DATA - UNAUDITED

(In thousands, except per share data)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	2003(1)	2002	2003(2)	2002	2003(3)	2002	2003(4)	2002
Total revenues(5)	$383,677	$349,421	$382,322	$331,192	$458,923	$409,103	$357,089	$315,257
Gross profit(5)	161,614	118,880	161,027	129,660	183,651	150,500	151,242	132,190
Net income (loss)	(2,153)	(831)	8,977	7,853	17,034	17,689	(9,152)	5,726
Basic net income (loss)								
per common share	(0.22)	(0.03)	0.13	0.28	0.39	0.64	(0.47)	0.21
Diluted net income								
(loss) per common share	(0.22)	(0.03)	0.13	0.28	0.34	0.63	(0.47)	0.20
Price range of common								
stock per share								
High	13.74	16.00	15.20	16.46	17.23	14.20	18.30	14.20
Low	11.16	10.35	12.65	11.00	13.72	10.80	16.27	11.22

(1) The first quarter of 2003 includes charges of $15,126 related to Calvin Klein integration costs. The tax effect of these charges was a benefit of $5,143. Calvin Klein integration costs consist of (a) the operating losses of certain Calvin Klein businesses that the Company has closed or licensed, and associated costs in connection therewith and (b) the costs of certain duplicative personnel and facilities incurred during the integration of various logistical and back office functions.

(2) The second quarter of 2003 includes charges of $7,198 related to Calvin Klein integration costs and a $3,496 gain resulting from the Company's sale of its minority interest in Gant. The net tax effect of these items was a benefit of $1,071.

(3) The third quarter of 2003 includes charges of $6,030 related to Calvin Klein integration costs. The tax effect of these charges was a benefit of $1,604.

(4) The fourth quarter of 2003 includes charges of $8,012 related to Calvin Klein integration costs, charges of $9,599 associated with licensing the *Bass* brand to Brown Shoe for wholesale distribution of footwear and exiting the wholesale footwear business, and charges of $11,140 associated with the impairment and closing of certain retail outlet stores. The tax effect of these charges was a benefit of $9,997.

(5) In the fourth quarter of 2003, the Company reclassified its recording of advertising contributions received from its licensees. As a result, the Company's previously disclosed totals for revenues and gross profit in quarterly SEC filings for 2003 differ from the amounts shown above. The reclassification had no effect on net income.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Stockholders and the Board of Directors

Phillips-Van Heusen Corporation

We have audited the accompanying consolidated balance sheets of Phillips-Van Heusen Corporation and subsidiaries as of February 1, 2004 and February 2, 2003, and the related consolidated income statements, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for each of the three years in the period ended February 1, 2004. Our audits also included the financial statement schedule included in Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Phillips-Van Heusen Corporation and subsidiaries at February 1, 2004 and February 2, 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended February 1, 2004 in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

As described in the summary of significant accounting policies, the Company adopted FASB Statement No. 142, "Goodwill and Other Intangible Assets," effective February 4, 2002.

E&Y SIGNATURE STAMP

New York, New York

March 8, 2004

PHILLIPS-VAN HEUSEN CORPORATION

TEN YEAR FINANCIAL SUMMARY

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

	2003[1]	2002	2001[2]	2000[3]	1999
Summary of Operations					
Revenues					
Apparel and Related Products	$1,417,105	$1,404,973	$1,431,892	$1,455,548	$1,271,490
Calvin Klein Licensing	164,906				
	1,582,011	1,404,973	1,431,892	1,455,548	1,271,490
Cost of goods sold and expenses	1,522,733	1,335,938	1,390,753	1,385,011	1,223,180
Income (loss) before interest and taxes	59,278	69,035	41,139	70,537	48,310
Interest expense, net	36,372	22,729	24,451	22,322	22,430
Income tax expense (benefit)	8,200	15,869	6,008	18,115	9,007
Net income (loss)	$ 14,706	$ 30,437	$ 10,680	$ 30,100	$ 16,873
Per Share Statistics					
Basic net income (loss) per common share	$ (0.18)	$ 1.10	$ 0.39	$ 1.10	$ 0.62
Diluted net income (loss) per common share	(0.18)	1.08	0.38	1.10	0.62
Dividends paid per common share	0.15	0.15	0.15	0.15	0.15
Stockholders' equity per common share	9.68	9.80	9.62	9.80	8.86
Financial Position					
Current assets	488,912	451,127	405,300	436,381	425,970
Current liabilities	182,864	127,439	114,358	138,095	124,580
Working capital	306,048	323,688	290,942	298,286	301,390
Total assets	1,439,283	771,700	708,933	724,364	673,748
Long-term debt	399,097	249,012	248,935	248,851	248,784
Convertible redeemable preferred stock	264,746				
Stockholders' equity	$ 296,157	$ 272,227	$ 265,727	$ 268,561	$ 241,685
Other Statistics					
Total debt to total capital[7]	41.6%	47.8%	48.4%	48.1%	50.7%
Net debt to net capital[8]	32.2%	32.6%	43.6%	46.0%	38.9%
Current ratio	2.7	3.5	3.5	3.2	3.4
Average common shares outstanding	30,314	27,770	27,595	27,305	27,289

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(1) 2003 includes pre-tax charges of $36,366 related to integration costs associated with the Company's acquisition of Calvin Klein, Inc. and certain affiliated companies, pre-tax charges of $9,599 associated with licensing the *Bass* brand to Brown Shoe for wholesale distribution of footwear and exiting the wholesale footwear business, pre-tax charges of $11,140 associated with the impairment and closing of certain retail outlet stores and a pre-tax gain of $3,496 resulting from the Company's sale of its minority interest in Gant. Calvin Klein integration costs consist of (a) the operating losses of certain Calvin Klein businesses which the Company has closed or licensed, and associated costs in connection therewith and (b) the costs of certain duplicative personnel and facilities incurred during the integration of various logistical and back office functions.

(2) 2001 includes pre-tax charges of $21,000 for restructuring and other expenses.

(3) 2000 and 1996 include 53 weeks of operations.

(4) 1997 includes pre-tax charges of $132,700 for restructuring and other expenses.

(5) 1995 includes pre-tax charges of $27,000 for restructuring and other expenses.

(6) 1994 includes pre-tax charges of $7,000 for restructuring and other expenses.

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

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

PHILLIPS-VAN HEUSEN CORPORATION

TEN YEAR FINANCIAL SUMMARY (CONTINUED)

	1998	1997[4]	1996[3]	1995[5]	1994[6]
Summary of Operations					
Revenues					
Apparel and Related Products	$1,303,085	$1,350,007	$1,359,593	$1,464,128	$1,255,466
Calvin Klein Licensing					
	1,303,085	1,350,007	1,359,593	1,464,128	1,255,466
Cost of goods sold and expenses	1,259,600	1,437,160	1,311,855	1,443,555	1,205,764
Income (loss) before interest and taxes	43,485	(87,153)	47,738	20,573	49,702
Interest expense, net	27,743	20,672	23,164	23,199	12,793

Interest expense, net	27,743	20,672	23,164	23,199	12,793
Income tax expense (benefit)	3,915	(41,246)	6,044	(2,920)	6,894
Net income (loss)	$ 11,827	$ (66,579)	$ 18,530	$ 294	$ 30,015
Per Share Statistics					
Basic net income (loss) per common share	$ 0.43	$ (2.46)	$ 0.69	$ 0.01	$ 1.13
Diluted net income (loss) per common share	0.43	(2.46)	0.68	0.01	1.11
Dividends paid per common share	0.15	0.15	0.15	0.15	0.15
Stockholders' equity per common share	8.39	8.11	10.73	10.20	10.35
Financial Position					
Current assets	368,017	385,018	362,958	444,664	429,670
Current liabilities	132,686	133,335	122,266	183,126	114,033
Working capital	235,331	251,683	240,692	261,538	315,637
Total assets	674,313	660,459	657,436	749,055	596,284
Long-term debt	248,723	241,004	189,398	229,548	169,679
Convertible redeemable preferred stock					
Stockholders' equity	$ 228,888	$ 220,305	$ 290,158	$ 275,292	$ 275,460
Other Statistics					
Total debt to total capital[7]	54.0%	53.0%	43.1%	52.3%	38.2%
Net debt to net capital[8]	53.0%	51.8%	41.7%	50.8%	24.5%
Current ratio	2.8	2.9	3.0	2.4	3.8
Average common shares outstanding	27,218	27,108	27,004	26,726	26,563

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(1) 2003 includes pre-tax charges of $36,366 related to integration costs associated with the Company's acquisition of Calvin Klein, Inc. and certain affiliated companies, pre-tax charges of $9,599 associated with licensing the *Bass* brand to Brown Shoe for wholesale distribution of footwear and exiting the wholesale footwear business, pre-tax charges of $11,140 associated with the impairment and closing of certain retail outlet stores and a pre-tax gain of $3,496 resulting from the Company's sale of its minority interest in Gant. Calvin Klein integration costs consist of (a) the operating losses of certain Calvin Klein businesses which the Company has closed or licensed, and associated costs in connection therewith and (b) the costs of certain duplicative personnel and facilities incurred during the integration of various logistical and back office functions.

(2) 2001 includes pre-tax charges of $21,000 for restructuring and other expenses.

(3) 2000 and 1996 include 53 weeks of operations.

(4) 1997 includes pre-tax charges of $132,700 for restructuring and other expenses.

(5) 1995 includes pre-tax charges of $27,000 for restructuring and other expenses.

(6) 1994 includes pre-tax charges of $7,000 for restructuring and other expenses.

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

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

SCHEDULE II

PHILLIPS-VAN HEUSEN CORPORATION

VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Column A	**Column B**	**Column C**			**Column D**	**Column E**
		Additions				
Description	**Balance at Beginning of Period**	**Recorded in Relation to Acquisition**	**Charged to Costs and Expense**	**Charged to Other Accounts**	**Deductions**	**Balance at End of Period**
Year Ended February 1, 2004						
Deducted from asset accounts:						
Allowance for doubtful						
accounts	$2,872	$1,305(a)	$1,924(b)	$27(c)	$265(d)	$5,863
Year Ended February 2, 2003						

Deducted from asset accounts:						
Allowance for doubtful						
accounts	$2,496		$ 658(b)	$ 19(c)	$ 301(d)	$2,872
Year Ended February 3, 2002						
Deducted from asset accounts:						
Allowance for doubtful						
accounts	$2,051		$ 829(b)	$ 76(c)	$ 460(d)	$2,496

(a) Related to Calvin Klein Acquisition

(b) Provisions for doubtful accounts.

(c) Recoveries of doubtful accounts previously written off.

(d) Primarily uncollectible accounts charged against the allowance provided.

$150,000,000

PHILLIPS-VAN HEUSEN CORPORATION

as Issuer

7 1/4% Senior Notes Due February 15, 2011

INDENTURE

Dated as of February 18, 2004

SUNTRUST BANK

as Trustee

CROSS-REFERENCE TABLE

TIA Section	Indenture Section
310 (a)(1)	8.10
(a)(2)	8.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	N.A.
(b)	8.08; 8.10
(c)	N.A.
311 (a)	8.11
(b)	8.11
(c)	N.A.
312 (a)	2.05
(b)	11.03
(c)	11.03
313 (a)	8.06
(b)(1)	N.A.
(b)(2)	8.06
(c)	8.06; 11.02
(d)	8.06
314 (a)	5.02; 11.02; 5.12
(b)	N.A.
(c)(1)	11.04

(c)(2)	11.04
(c)(3)	N.A.
(d)	N.A.
(e)	11.05
(f)	N.A.
315 (a)	8.01
(b)	8.05; 11.02
(c)	8.01
(d)	8.01
(e)	7.11
316 (a)(last sentence)	11.06
(a)(1)(A)	7.05
(a)(1)(B)	7.04
(a)(2)	N.A.
(b)	7.07
(c)	7.10
317 (a)(1)	7.08
(a)(2)	7.09
(b)	2.04
318 (a)	11.01
(b)	11.01
(c)	11.01

N.A. means Not Applicable.

Note: This Cross-Reference Table shall not, for any purpose, be deemed to be part of this Indenture.

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ARTICLE 3

REDEMPTION

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ARTICLE 11

MISCELLANEOUS

INDENTURE, dated as of February 18, 2004, among Phillips-Van Heusen Corporation, a Delaware corporation (the "Company"), the Subsidiary Guarantors, if any, from time to time party hereto and SunTrust Bank, a state banking corporation, as Trustee (the "Trustee").

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Company's Initial Securities, Exchange Securities and Private Exchange Securities (collectively, the "Securities" or "Notes"):

ARTICLE 1

Definitions and Incorporation by Reference

SECTION 1.01. Definitions.

"Additional Assets" means:

(1) any property, plant or equipment used in a Related Business;

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or another Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary;

provided, however, that any such Restricted Subsidiary described in clause (2) or (3) above is primarily engaged in a Related Business.

"Additional Securities" means, subject to the Company's compliance with Section 5.03, any additional 7 1/4% Senior Notes due February 15, 2011 issued from time to time after the Issue Date under the terms of this Indenture (other than pursuant to Section 2.06, 2.07, 2.09, 3.06 or 10.05 of this Indenture or Section 2.3 of the Appendix and other than Exchange Securities or Private Exchange Securities issued pursuant to an exchange offer for other Securities outstanding under this Indenture).

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. For purposes of Section 5.04, Section 5.06 and Section 5.07 only, "Affiliate" shall also mean any beneficial owner of Capital Stock representing 10% or more of the total voting power of the Voting Stock (on a fully diluted basis) of the Company or of rights or warrants to purchase such Capital Stock (whether or not currently exercisable).

"Asset Disposition" means (a) an Asset Swap or (b) any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Company or any Restricted Subsidiary, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a "disposition"), of:

(1) any shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary);

(2) all or substantially all the assets of any division or line of business of the Company or any Restricted Subsidiary; or

(3) any other assets of the Company or any Restricted Subsidiary outside of the ordinary course of business of the Company or such Restricted Subsidiary

(other than, in the case of clauses (1), (2) and (3) above,

(A) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary (other than a Securitization Subsidiary);

(B) for purposes of Section 5.06 only, (x) a disposition that constitutes a Restricted Payment permitted by Section 5.04 or a Permitted Investment and (y) a disposition of all or substantially all the assets of the Company in accordance with Article 6;

(C) a disposition of assets with a fair market value of less than $2.0 million;

(D) disposals of obsolete, damaged or worn out equipment or property or property that is no longer useful in the conduct of the Company's business and that, in either case, is disposed of in the ordinary course of business; and

(E) any disposition of accounts receivable, licensing royalties and related assets to or of a Securitization Subsidiary pursuant to a Qualified Securitization Transaction.

"Asset Swap" means any exchange of property or assets of the Company or any Restricted Subsidiary (including shares of Capital Stock of a Restricted Subsidiary) for property or assets of another Person (including shares of Capital Stock of a Person whose primary business is a Related Business) that are intended to be used by the Company or any Restricted Subsidiary in a Related Business, including, to the extent

necessary to equalize the value of the assets being exchanged, cash of any party to such asset swap.

"Attributable Debt" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Notes, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"Average Life" means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing:

(1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of or redemption or similar payment with respect to such Indebtedness multiplied by the amount of such payment by

(2) the sum of all such payments.

"Board of Directors" means the Board of Directors of the Company or any committee thereof duly authorized to act on behalf of such Board.

"Borrowing Base" means, as of any date of determination, an amount equal to (x) the sum without duplication of (1) 80% of the book value of the accounts receivable of the Company and its Restricted Subsidiaries on a consolidated basis and (2) 65% of the book value of the inventory of the Company and its Restricted Subsidiaries on a consolidated basis, in each case as of the most recently ended fiscal quarter of the Company preceding the date on which the Indebtedness is Incurred, less (y) the Foreign Borrowing Base of any Foreign Restricted Subsidiary to the extent that Indebtedness of such Foreign Restricted Subsidiary Incurred under Section 5.03(b)(14)(A) is then outstanding.

"Business Day" means each day which is not a Legal Holiday.

"Capital Lease Obligation" means an obligation that is required to be classified and accounted for as a capital lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. For purposes of Section 5.09, a Capital Lease Obligation will be deemed to be secured by a Lien on the property being leased.

"Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"CK Amount" for any period means the Design Services Purchase Payments (as defined in the CK Purchase Agreement) paid or payable by the Company or any of its Subsidiaries to Mr. Calvin Klein or the Klein Heirs (as defined in the CK Purchase Agreement) for such period pursuant to the CK Purchase Agreement.

"CK Purchase Agreement" means the Stock Purchase Agreement, dated as of December 17, 2002, among the Company, Calvin Klein, Inc., Calvin Klein (Europe), Inc., Calvin Klein (Europe II) Corp., Calvin Klein Europe S.R.L., CK Service Corp., Calvin Klein, Barry Schwartz, Trust for the Benefit of the Issue of Calvin Klein, Trust for the Benefit of the Issue of Barry Schwartz, Stephanie Schwartz-Ferdman and Jonathan Schwartz, as the same may be amended from time to time.

"Change of Control" means:

(1) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause (1) such person shall be deemed to have "beneficial ownership" of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company; (for the purposes of this clause (1), such person shall be deemed to beneficially own any Voting Stock of a Person (the "specified person") held by any other Person (the "parent entity"), if such person is the beneficial owner (as defined above in this clause (1)), directly or indirectly, of more than 50% of the voting power of the Voting Stock of the parent entity and the Permitted Holders beneficially own (as defined in this proviso), directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of such parent entity and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of the parent entity);

(2) individuals who on the Issue Date constituted the Board of Directors (together with any new directors whose election by the Board of Directors or whose nomination for election by the stockholders of the Company was approved by a vote of a majority of the directors of the Company then still in office who were either directors on the Issue Date or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office;

(3) the adoption of a plan relating to the liquidation or dissolution of the Company; or

(4) any merger, consolidation, reorganization, sale or other similar transaction in connection with which any holder of the Series B Preferred Stock exercises the right to deem such transaction a liquidation event pursuant to the terms of the Series B Preferred Stock.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commodity Agreement" means any commodity or raw materials futures contract, commodity or raw materials option, or any other agreement designed to protect against or manage exposure to fluctuations in commodity or raw materials pricing.

"Company" means the party named as such in this Indenture until a successor replaces it and, thereafter, means the successor and, for purposes of any provision contained herein and required by the TIA, each other obligor on the indenture securities.

"Consolidated Coverage Ratio" as of any date of determination means the ratio of (x) the aggregate amount of EBITDA for the period of the most recent four consecutive fiscal quarters for which financial statements are available on or prior to the date of such determination to (y) Consolidated Interest Expense for such four fiscal quarters; provided, however, that:

(1) if the Company or any Restricted Subsidiary has Incurred any Indebtedness since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, or both, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period;

(2) if the Company or any Restricted Subsidiary has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Consolidated Coverage Ratio, EBITDA and Consolidated Interest Expense for such period shall be calculated on a pro forma basis as if such discharge had occurred on the first day of such period and as if the Company or such Restricted Subsidiary has not earned the interest income actually

earned during such period in respect of cash or Temporary Cash Investments used to repay, repurchase, defease or otherwise discharge such Indebtedness;

(3) if since the beginning of such period the Company or any Restricted Subsidiary shall have made any Asset Disposition, EBITDA for such period shall be reduced by an amount equal to EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period, or increased by an amount equal to EBITDA (if negative), directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Company or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Company and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(4) if since the beginning of such period the Company or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period; and

(5) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Disposition, any Investment or acquisition of assets that would have required an adjustment pursuant to clause (3) or (4) above if made by the Company or a Restricted Subsidiary during such period, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto as if such Asset Disposition, Investment or acquisition occurred on the first day of such period.

For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets (including Capital Stock), the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness Incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting Officer of the Company in accordance with GAAP. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months).

"Consolidated Current Liabilities" as of the date of determination means the aggregate amount of liabilities of the Company and its consolidated Restricted Subsidiaries which may properly be classified as current liabilities (including taxes accrued as estimated), on a consolidated basis, after eliminating:

(1) all intercompany items between the Company and any Restricted Subsidiary; and

(2) all current maturities of long-term Indebtedness, all as determined in accordance with GAAP consistently applied.

"Consolidated Interest Expense" means, for any period, the total interest expense of the Company and its consolidated Restricted Subsidiaries, plus, to the extent not included in such total interest expense, and to the extent incurred by the Company or its Restricted Subsidiaries, without duplication:

(1) interest expense attributable to capital leases and the interest expense attributable to leases constituting part of a Sale/Leaseback Transaction;

(2) amortization of debt discount and debt issuance cost;

(3) capitalized interest;

(4) non-cash interest expense;

(5) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing;

(6) net payments pursuant to Hedging Obligations;

(7) dividends declared and paid or payable in cash or Disqualified Stock in respect of (A) all Disqualified Stock of the Company and (B) all Preferred Stock of Restricted Subsidiaries, in each case held by Persons other than the Company or a Wholly Owned Subsidiary; provided, however, that such dividends will be multiplied by a fraction, the numerator of which is one and the

denominator of which is one minus the effective combined tax rate of the issuer of such stock (expressed as a decimal) for such period (as estimated by the Chief Financial Officer of the Company in good faith);

(8) interest incurred in connection with Investments in discontinued operations;

(9) interest accruing on any Indebtedness of any other Person to the extent such Indebtedness is Guaranteed by (or secured by the assets of) the Company or any Restricted Subsidiary; and

(10) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Company) in connection with Indebtedness Incurred by such plan or trust.

"Consolidated Net Income" means, for any period, the net income of the Company and its consolidated Subsidiaries; provided, however, that there shall not be included in such Consolidated Net Income:

(1) any net income of any Person (other than the Company) if such Person is not a Restricted Subsidiary, except that:

(A) subject to the exclusion contained in clause (4) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

(B) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent of any cash actually contributed by the Company or a Restricted Subsidiary to such Person during such period;

(2) any net income (or loss) of any Person acquired by the Company or a Subsidiary in a pooling of interests transaction for any period prior to the date of such acquisition;

(3) any net income of any Restricted Subsidiary if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such

Restricted Subsidiary, directly or indirectly, to the Company, except that:

(A) subject to the exclusion contained in clause (4) below, the Company's equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to another Restricted Subsidiary, to the limitation contained in this clause); and

(B) the Company's equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining such Consolidated Net Income;

(4) any gain (or loss) realized upon the sale or other disposition of any assets of the Company, its consolidated Subsidiaries or any other Person (including pursuant to any Sale/Leaseback Transaction) which is not sold or otherwise disposed of in the ordinary course of business and any gain (or loss) realized upon the sale or other disposition of any Capital Stock of any Person;

(5) extraordinary gains or losses; and

(6) the cumulative effect of a change in accounting principles.

Notwithstanding the foregoing, for the purposes of Section 5.04 only, there shall be excluded from Consolidated Net Income any repurchases, repayments or redemptions of Investments, proceeds realized on the sale of Investments or return of capital to the Company or a Restricted Subsidiary to the extent such repurchases, repayments, redemptions, proceeds or returns increase the amount of Restricted Payments permitted under Section 5.04 pursuant to clause (a)(3)(D) thereof.

"Consolidated Net Tangible Assets" as of any date of determination, means the total amount of assets (less accumulated depreciation and amortization, allowances for doubtful receivables, other applicable reserves and other properly deductible items) which would appear on a consolidated balance sheet of the Company and its consolidated Restricted Subsidiaries, determined on a consolidated basis in accordance with GAAP, and after giving effect to purchase accounting and after deducting therefrom Consolidated Current Liabilities and, to the extent otherwise included, the amounts of:

(1) minority interests in consolidated Subsidiaries held by Persons other than the Company or a Restricted Subsidiary;

(2) excess of cost over fair value of assets of businesses acquired, as determined in good faith by the Board of Directors;

(3) any revaluation or other write-up in book value of assets subsequent to the Issue Date as a result of a change in the method of valuation in accordance with GAAP consistently applied;

(4) unamortized debt discount and expenses and other unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, licenses, organization or developmental expenses and other intangible items;

(5) cash set apart and held in a sinking or other analogous fund established for the purpose of redemption or other retirement of Capital Stock to the extent such obligation is not reflected in Consolidated Current Liabilities; and

(6) Investments in and assets of Unrestricted Subsidiaries.

"Credit Agreement" means the Revolving Credit Agreement dated as of October 17, 2002, by and among the Company, the Subsidiaries of the Company referred to therein, the lenders referred to therein, JPMorgan Chase Bank, as Administrative Agent and Collateral Agent, Lead Arranger and Sole Bookrunner, Fleet Retail Finance Inc., as Co-Arranger and Co-Syndication Agent, Sun Trust Bank, as Co-Syndication Agent, and the CIT Group/Commercial Services, Inc. and Bank of America, N.A., as Co-Documentation Agents, together with the related documents thereto (including any guarantees and security documents, whether in effect on the Issue Date or entered into thereafter), as amended, extended, renewed, restated, replaced, restructured, supplemented or otherwise modified (in whole or in part, and without limitation as to amount of Indebtedness which may be Incurred thereunder, terms, conditions, covenants and other provisions) from time to time, and any agreement (and related document) governing Indebtedness incurred to Refinance, in whole or in part, the borrowings and commitments then outstanding or permitted to be outstanding under such Credit Agreement or a successor Credit Agreement, whether by the same or any other lender or group of lenders.

"Currency Agreement" means in respect of a Person any foreign exchange contract, currency swap agreement or other similar agreement designed to protect such Person against fluctuations in currency values.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder) or upon the happening of any event:

(1) matures or is mandatorily redeemable (other than redeemable only for Capital Stock of such Person which is not itself Disqualified Stock) pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable at the option of the holder for Indebtedness or Disqualified Stock; or

(3) is mandatorily redeemable or must be purchased upon the occurrence of certain events or otherwise, in whole or in part;

in each case on or prior to the date that is 91 days after the Stated Maturity of the Notes; provided, however, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the first anniversary of the Stated Maturity of the Notes shall not constitute Disqualified Stock if:

(1) the "asset sale" or "change of control" provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the terms applicable to the Notes pursuant to Section 5.06 and Article 4; and

(2) any such requirement only becomes operative after compliance with such terms applicable to the Notes, including the purchase of any Notes tendered pursuant thereto.

The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined pursuant to this Indenture; provided, however, that if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person. For avoidance of doubt, the Series B Preferred Stock on the terms thereof in effect on the Issue Date is deemed not to constitute Disqualified Stock.

"EBITDA" for any period means Consolidated Net Income less the CK Amount, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) all income tax expense of the Company and its consolidated Restricted Subsidiaries;

(2) Consolidated Interest Expense;

(3) depreciation and amortization expense of the Company and its consolidated Restricted Subsidiaries (excluding amortization expense attributable to a prepaid operating expense that was paid in cash in a prior period);

(4) all other non-cash charges of the Company and its consolidated Restricted Subsidiaries (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period);

(5) transition costs of up to $24.0 million in connection with the acquisition of Calvin Klein, Inc. incurred no later than the fourth quarter of the Company's 2003 fiscal year; and

(6) the amount of any deduction in Consolidated Net Income for such period from a write-off of goodwill attributable to the payment of the CK Amount; provided, that such amount shall in no event be greater than the CK Amount deducted in calculating EBITDA;

in each case for such period. Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization and noncash charges of, a Restricted Subsidiary shall be added to Consolidated Net Income to compute EBITDA only to the extent (and in the same proportion, including by reason of minority interest) that the net income of such Restricted Subsidiary was included in calculating Consolidated Net Income and only if a corresponding amount could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (which other Restricted Subsidiary could also have made such dividend or other distribution).

"Equity Offering" means a primary public or private offering of common stock of the Company.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Existing Notes" means the Company's 9 1/2% Senior Subordinated Notes due 2008 issued under an Indenture dated as of April 22, 1998 between the Company and Union Bank of California, N.A., as trustee, the Company's 7 3/4% Debentures due 2023 issued under an Indenture dated as of November 1, 1993 between the Company and the Bank of New York, as trustee, as amended, and the Company's 8 1/8% Senior Notes due 2013 issued under an Indenture dated May 5, 2003 between the Company and SunTrust Bank, as trustee.

"Foreign Borrowing Base" means, as of any date of determination and with respect to any Foreign Restricted Subsidiary, an amount equal to (x) the sum without duplication of (1) 80% of the book value of the accounts receivable of such

Foreign Restricted Subsidiary and (2) 65% of the book value of the inventory of such Foreign Restricted Subsidiary, in each case as of the most recently ended fiscal quarter of the Company preceding the date on which the Indebtedness is Incurred, less (y) any portion of such amount included in the Borrowing Base, but only to the extent such portion is used to determine the amount of Indebtedness which could be Incurred and is then outstanding under Section 5.03(b)(1)(B).

"Foreign Restricted Subsidiary" means any Restricted Subsidiary not incorporated or organized under the laws of the United States, any State thereof or the District of Columbia.

"GAAP" means generally accepted accounting principles in the United States as in effect as of the Issue Date, including those set forth in:

(1) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants;

(2) statements and pronouncements of the Financial Accounting Standards Board;

(3) such other statements by such other entity as approved by a significant segment of the accounting profession; and

(4) the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, however, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Guaranty Agreement" means a supplemental indenture, in a form satisfactory to the Trustee, pursuant to which a Subsidiary Guarantor guarantees the Company's obligations with respect to the Notes on the terms provided for in this Indenture.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement entered into in the ordinary course of business.

"Holder" or "Noteholder" means the Person in whose name a Note is registered on the Registrar's books.

"Incur" means issue, assume, Guarantee, incur or otherwise become liable for; provided, however, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Restricted Subsidiary. The term "Incurrence" when used as a noun shall have a correlative meaning.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication):

(1) the principal in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable, including, in each case,

any premium on such indebtedness to the extent such premium has become due and payable;

(2) all Capital Lease Obligations of such Person and all Attributable Debt in respect of Sale/Leaseback Transactions entered into by such Person;

(3) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith);

(4) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction;

(5) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock of such Person or, with respect to any Preferred Stock of

any Subsidiary of such Person, the principal amount of such Preferred Stock to be determined in accordance with this Indenture;

(6) all obligations of the type referred to in clauses (1) through (5) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Guarantee;

(7) all obligations of the type referred to in clauses (1) through (6) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets and the amount of the obligation so secured; and

(8) to the extent not otherwise included in this definition, Hedging Obligations of such Person.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date; provided, however, that in the case of Indebtedness sold at a discount, the amount of such Indebtedness at any time will be the accreted value thereof at such time.

"Independent Qualified Party" means an investment banking firm, accounting firm or appraisal firm of national standing; provided, however, that such firm is not an Affiliate of the Company.

"Interest Rate Agreement" means in respect of a Person any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other financial agreement or arrangement including, without limitation, any such arrangement whereby, directly or indirectly, such Person is entitled to receive from time to time periodic payments calculated by applying either a fixed or floating rate of interest on a stated notional amount in exchange for periodic payments made by such Person calculated by applying a fixed or floating rate of interest on the same notional amount.

"Investment" in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the lender) or other extensions of credit (including by way of Guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person. Except as otherwise

provided for herein, the amount of an Investment shall be its fair value at the time the Investment is made and without giving effect to subsequent changes in value.

For purposes of the definition of "Unrestricted Subsidiary", the definition of "Restricted Payment" and Section 5.04:

(1) "Investment" shall include the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of any Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary equal to an amount (if positive) equal to (A) the Company's "Investment" in such Subsidiary at the time of such redesignation less (B) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation; and

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors.

"Issue Date" means the date on which the Notes (other than any Additional Notes) are originally issued.

"Investment Grade" means (1) with respect to Standard & Poor's Ratings Group, any of the ratings categories from and including AAA to and including BBB- and (2) with respect to Moody's Investor Service, Inc., any of the ratings categories from and including Aaa to and including Baa3.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions are not required to be open in the State of New York.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Limited Originator Recourse" means a reimbursement obligation of the Company in connection with a drawing on a letter of credit, revolving loan commitment, cash collateral account or other such credit enhancement issued to support Indebtedness of a Securitization Subsidiary that the Board of Directors determines is necessary to effectuate a Qualified Securitization Transaction; provided, that the available amount of any such form of credit enhancement at any time shall not exceed 10% of the principal amount of such Indebtedness at such time and provided, further, that such reimbursement obligation is permitted to be Incurred by the Company pursuant to Section 5.03 and that any such Lien securing such reimbursement obligation is permitted pursuant to Section 5.09.

"Net Available Cash" from an Asset Disposition means cash payments received therefrom (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to such properties or assets or received in any other noncash form), in each case net of:

(1) all legal, accounting, financial advisory, title and recording tax expenses, commissions and other fees and expenses incurred, and all Federal, state, provincial, foreign and local taxes required to be accrued as a liability under GAAP, as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds of such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders in Restricted Subsidiaries as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the property or other assets disposed in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition; provided, however, that any reduction in such reserve after consummation of the Asset Disposition will be deemed a new Asset Disposition with Net Available Cash equal to the amount of such reduction.

"Net Cash Proceeds", with respect to any issuance or sale of Capital Stock or Indebtedness, means (A) the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof and (B) solely for purposes of Section 5.04(a)(3)(B), the fair market value (as of the date of the transaction and as determined in good faith by the Board of

Directors) of the Capital Stock (other than Disqualified Stock) of a Person (whose primary business is a Related Business) that thereupon becomes a Restricted Subsidiary (other than a Securitization Subsidiary), which Capital Stock constitutes the proceeds received by the Company from an issuance or sale of its Capital Stock, net of the fees and taxes described in clause (A) above.

"Notes" means the Notes to be issued pursuant to this Indenture.

"Obligations" means with respect to any Indebtedness all obligations for principal, premium, interest, penalties, fees, indemnifications, reimbursements and other amounts payable pursuant to the documentation governing such indebtedness.

"Offering Circular" means the offering circular, together with any documents incorporated therein by reference, prepared by the Company and relating to the Notes, dated as of February 12, 2004.

"Officer" means the Chairman of the Board, the President, any Vice President, the Treasurer or the Secretary of the Company.

"Officers' Certificate" means a certificate signed by two Officers.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee.

"Permitted Guarantees" means any guarantee by a Restricted Subsidiary (i) outstanding on the Issue Date after giving effect to the use of the net proceeds of the sale of the Notes as described in the Offering Circular, (ii) of Indebtedness of the Company Incurred under Section 5.03(b)(1) and (iii) of Indebtedness of the Company Incurred under a bank credit facility that is Incurred in compliance with Section 5.03 and secured in compliance with Section 5.09.

"Permitted Holders" means Apax Managers, Inc. and Apax Partners Europe Managers Limited and their Affiliates.

"Permitted Investment" means an Investment by the Company or any Restricted Subsidiary in:

(1) the Company, a Restricted Subsidiary (other than a Securitization Subsidiary) or a Person that will, upon the making of such Investment, become a Restricted Subsidiary (other than a Securitization Subsidiary); provided, however, that the primary business of such Restricted Subsidiary is a Related Business;

(2) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary; provided, however, that such Person's primary business is a Related Business;

(3) cash and Temporary Cash Investments;

(4) receivables owing to the Company or any Restricted Subsidiary if created or acquired in the ordinary course of business and

payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances;

(5) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) loans or advances to employees made in the ordinary course of business consistent with past practices of the Company or such Restricted Subsidiary but in any event not to exceed $2.0 million in the aggregate outstanding at any one time;

(7) stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor;

(8) any Person to the extent such Investment represents the non-cash portion of the consideration received for an Asset Disposition as permitted pursuant to Section 5.06;

(9) Hedging Obligations in compliance with Section 5.03;

(10) any Person to the extent such Investment is in existence on the Issue Date (after giving effect to the use of the net proceeds of the sale of the Notes as described in the Offering Circular);

(11) a Securitization Subsidiary in connection with a Qualified Securitization Transaction which Investments are customary for such transaction; and

(12) any Person engaged principally in a Related Business prior to such Investment if (i) at the time of such Investment and after giving pro forma effect thereto, the Company is entitled to Incur an additional $1.00 of Indebtedness pursuant to Section 5.03(a) and (ii) the aggregate amount of all Investments made pursuant to this clause (12) does not exceed $15.0 million at any one time outstanding; provided that Investments of up to $5.0 million in the aggregate at any one time outstanding shall be permitted under this clause (12) without regard to the requirements of clause (i) of this clause (12).

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated

organization, government or any agency or political subdivision thereof or any other entity.

"Preferred Stock", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"principal" of a Note means the principal of the Note plus the premium, if any, payable on the Note which is due or overdue or is to become due at the relevant time.

"Purchase Money Indebtedness" means any Indebtedness of a Person to any seller or other Person incurred to finance the acquisition or construction of any property or assets and which is incurred substantially concurrently therewith, is secured only by the assets so financed and the principal amount of which does not exceed the cost of the assets acquired or constructed.

"Qualified Securitization Transaction" means any accounts receivable or licensing royalty financing facility or arrangement pursuant to which a Securitization Subsidiary purchases or otherwise acquires accounts receivable or licensing royalties and related assets from the Company or any Restricted Subsidiary and enters into a third party financing thereof on customary market terms that the Board of Directors has concluded are fair to the Company and its Restricted Subsidiaries.

"Refinance" means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such Indebtedness.

"Refinanced" and "Refinancing" shall have correlative meanings.

"Refinancing Indebtedness" means Indebtedness that Refinances any Indebtedness of the Company or any Restricted Subsidiary existing on the Issue Date (after giving effect to the use of the net proceeds of the sale of the Notes as described in the Offering Circular) or Incurred in compliance with this Indenture, including Indebtedness that Refinances Refinancing Indebtedness; provided, however, that:

(1) such Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced;

(2) such Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being Refinanced; and

(3) unless otherwise permitted to be Incurred pursuant to Section 5.03, such Refinancing Indebtedness has an aggregate principal

amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding or committed (plus fees and expenses, including any premium and defeasance costs) under the Indebtedness being Refinanced;

provided, further, however, that Refinancing Indebtedness shall not include (A) Indebtedness of a Subsidiary that Refinances Indebtedness of the Company or (B) Indebtedness of the Company or a Restricted Subsidiary that Refinances Indebtedness of an Unrestricted Subsidiary.

"Related Business" means any business in which the Company or any Restricted Subsidiary was engaged on the Issue Date and any business related, ancillary or complementary to any business of the Company or any Restricted Subsidiary in which the Company or any Restricted Subsidiary was engaged on the Issue Date.

"Restricted Payment" with respect to any Person means:

(1) the declaration or payment of any dividends or any other distributions of any sort in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving such Person) or similar payment to the direct or indirect holders of its Capital Stock (other than dividends or distributions payable solely in its Capital Stock (other than Disqualified Stock) and dividends or distributions payable solely to the Company or a Restricted Subsidiary, and other than pro rata dividends or other distributions made by a Subsidiary that is not a Wholly Owned Subsidiary to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation));

(2) the purchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company held by any Person or of any Capital Stock of a Restricted Subsidiary held by any Affiliate of the Company (other than a Restricted Subsidiary), including in connection with any merger or consolidation and including the exercise of any option to exchange any Capital Stock (other than into Capital Stock of the Company that is not Disqualified Stock);

(3) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment of any Subordinated Obligations of such Person (other than the purchase, repurchase or other acquisition of Subordinated Obligations purchased in anticipation of satisfying a sinking fund

obligation, principal installment or final maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition); or

(4) the making of any Investment (other than a Permitted Investment) in any Person.

"Restricted Subsidiary" means any Subsidiary of the Company that is not an Unrestricted Subsidiary.

"Sale/Leaseback Transaction" means any arrangement with any Person providing for the leasing by the Company or any Restricted Subsidiary of the Company, for a period of more than three years, of any real or tangible personal property, which property has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person in contemplation of such leasing.

"SEC" means the U.S. Securities and Exchange Commission.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Securitization Subsidiary" means a Wholly Owned Subsidiary of the Company

(1) that is designated a "Securitization Subsidiary" by the Board of Directors;

(2) that does not engage in any activities other than Qualified Securitization Transactions and any activity necessary or incidental thereto;

(3) no portion of the Indebtedness or any other obligation, contingent or otherwise, of which

(A) is Guaranteed by the Company or any Restricted Subsidiary other than pursuant to Standard Securitization Undertakings or Limited Originator Recourse,

(B) is recourse to or obligates the Company or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings or Limited Originator Recourse, or

(C) subjects any property or asset of the Company or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof other than pursuant to Standard Securitization Undertakings or Limited Originator Recourse; and

(4) with respect to which neither the Company nor any Restricted Subsidiary has any obligation to maintain or preserve its financial condition or cause it to achieve certain levels of operating results.

"Senior Indebtedness" means with respect to any Person:

(1) Indebtedness of such Person, whether outstanding on the Issue Date (after giving effect to the use of the net proceeds of the sale of the Notes as described in the Offering Circular) or thereafter Incurred; and

(2) all other Obligations of such Person (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to such Person whether or not post-filing interest is allowed in such proceeding) in respect of Indebtedness described in clause (1) above;

unless, in the case of clauses (1) and (2), in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such Indebtedness or other Obligations are subordinate in right of payment to the Notes or the Subsidiary Guaranty of such Person, as the case may be; provided, however, that Senior Indebtedness shall not include:

(1) any obligation of such Person to any Subsidiary;

(2) any liability for Federal, state, local or other taxes owed or owing by such Person;

(3) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);

(4) any Indebtedness or other Obligation of such Person which is subordinate or junior in any respect to any other Indebtedness or other Obligation of such Person;

(5) that portion of any Indebtedness which at the time of Incurrence is Incurred in violation of this Indenture; or

(6) any Capital Stock.

"Series B Preferred Stock" means the Company's Series B Convertible Preferred Stock outstanding on the Issue Date and any additional shares thereof issued in payment of dividends thereon.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "Significant Subsidiary" of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"Standard Securitization Undertakings" means representations, warranties, covenants and indemnities entered into by the Company or any Restricted Subsidiary that are reasonably customary in accounts receivable or licensing royalty securitization transactions, as the case may be.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Subordinated Obligation" means, with respect to a Person, any Indebtedness of such Person (whether outstanding on the Issue Date (after giving effect to the use of the net proceeds of the sale of the Notes as described in the Offering Circular) or thereafter Incurred) which is subordinate or junior in right of payment to the Notes or a Subsidiary Guaranty of such Person, as the case may be, pursuant to a written agreement to that effect.

"Subsidiary" means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Voting Stock is at the time owned or controlled, directly or indirectly, by:

(1) such Person;

(2) such Person and one or more Subsidiaries of such Person; or

(3) one or more Subsidiaries of such Person.

"Subsidiary Guarantor" means each Restricted Subsidiary of the Company that delivers a Guaranty Agreement pursuant to Section 5.11.

"Subsidiary Guaranty" means a Guarantee by a Subsidiary Guarantor of the Company's obligations with respect to the Notes.

"Temporary Cash Investments" means any of the following:

(1) any investment in direct obligations of the United States or any agency thereof or obligations guaranteed by the United States or any agency thereof;

(2) investments in time deposit accounts, certificates of deposit and money market deposits maturing within 365 days of the date of

acquisition thereof issued by a bank or trust company which is organized under the laws of the United States, any State thereof or any foreign country recognized by the United States, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of $50.0 million (or the foreign currency equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money-market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank meeting the qualifications described in clause (2) above;

(4) investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of or any foreign country recognized by the United States with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's Investors Service, Inc. or "A-1" (or higher) according to Standard and Poor's Ratings Group; and

(5) investments in securities with maturities of 270 days or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, or by any political subdivision or taxing authority thereof, and rated at least "A" by Standard & Poor's Ratings Group or "A" by Moody's Investors Service, Inc.

"Trustee" means SunTrust Bank, a state banking corporation, until a successor replaces it and, thereafter, means the successor.

"Trust Indenture Act" means the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb) as in effect on the Issue Date.

"Trust Officer" means the Chairman of the Board, the President or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States is pledged and which are not callable at the issuer's option.

"Unrestricted Subsidiary" means:

(1) any Subsidiary of an Unrestricted Subsidiary; and

(2) any Subsidiary of the Company which is designated after the Issue Date as an Unrestricted Subsidiary by a resolution of the Board of Directors of the Company;

provided that a Subsidiary may be so designated as an Unrestricted Subsidiary only if

(A) such designation is in compliance with Section 5.04;

(B) such Subsidiary does not own any Capital Stock or Indebtedness of, or hold any Lien on any property of, the Company or any Restricted Subsidiary;

(C) no Default or Event of Default has occurred and is continuing or results therefrom; and

(D) neither the Company nor any Restricted Subsidiary will at any time

(i) provide a guarantee of, or similar credit support to, any Indebtedness of such Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness),

(ii) be directly or indirectly liable for any Indebtedness of such Subsidiary, or

(iii) be directly or indirectly liable for any other Indebtedness which provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon (or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity) upon the occurrence of a default with respect to any other Indebtedness that is Indebtedness of such Subsidiary (including any corresponding right to take enforcement action against such Subsidiary),

except in the case of clause (i) or (ii) above to the extent

(i) that the Company or such Restricted Subsidiary could otherwise provide such a guarantee or incur such Indebtedness pursuant to Section 5.03(a); and

(ii) the provision of such guarantee and the incurrence of such Indebtedness otherwise would be permitted under Section 5.04.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided, however, that immediately after giving effect to such designation (A) the Company could Incur $1.00 of additional Indebtedness under Section 5.03(a) and (B) no Default or Event of Default shall have occurred and be continuing.

Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

"Voting Stock" of a Person means all classes of Capital Stock or other interests (including partnership interests) of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

"Wholly Owned Subsidiary" means a Restricted Subsidiary all the Capital Stock of which (other than directors' qualifying shares) is owned by the Company or one or more Wholly Owned Subsidiaries.

SECTION 1.01. Other Definitions.

Term	Defined in Section
"Affiliate Transaction"	5.07
"Appendix"	2.01
"Bankruptcy Law"	7.01
"covenant defeasance option"	9.01(b)
"Custodian"	7.01
"Event of Default"	7.01
"Exchange Securities"	Appendix
"Initial Securities"	Appendix
"legal defeasance option"	9.01(b)
"Paying Agent"	2.03
"Private Exchange Securities"	Appendix
"Registrar"	2.03
"Registration Rights Agreement"	Appendix
"Successor Company"	6.01(1)

SECTION 1.02. Incorporation by Reference of Trust Indenture Act. This Indenture is subject to the mandatory provisions of the TIA, which are incorporated by reference in and made a part of this Indenture. The following TIA terms have the following meanings:

"Commission" means the SEC;

"indenture securities" means the Securities and each Subsidiary Guaranty;

"indenture security holder" means a Holder;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee; and

"obligor" on the indenture securities means the Company, each Subsidiary Guarantor and any other obligor on the indenture securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

SECTION 1.03. Rules of Construction. Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) "including" means including without limitation;

(5) words in the singular include the plural and words in the plural include the singular;

(6) unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness merely by virtue of its nature as unsecured Indebtedness;

(7) the principal amount of any non-interest bearing or other discount security at any date shall be the principal amount thereof that would be shown on a balance sheet of the issuer dated such date prepared in accordance with GAAP;

(8) the principal amount of any Preferred Stock shall be (i) the maximum liquidation value of such Preferred Stock or (ii) the maximum mandatory redemption or mandatory repurchase price with respect to such Preferred Stock, whichever is greater; and

(9) all references to the date the Securities were originally issued shall refer to the Issue Date.

ARTICLE 2

The Securities

SECTION 2.01. Form and Dating. Provisions relating to the Initial Securities, the Private Exchange Securities and the Exchange Securities are set forth in the Rule 144A/Regulation S Appendix attached hereto (the "Appendix") which is hereby incorporated in and expressly made part of this Indenture. The Initial Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit 1 to the Appendix which is hereby incorporated in and expressly made a part of this Indenture. The Exchange Securities, the Private Exchange Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A, which is hereby incorporated in and expressly made a part of this Indenture. The Securities may have notations, legends or endorsements required by law, stock exchange rule, agreements to which the Company is subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Company). Each Security shall be dated the date of its authentication. The terms of the Securities set forth in the Appendix and Exhibit A are part of the terms of this Indenture.

SECTION 2.02. Execution and Authentication. Two Officers shall sign the Securities for the Company by manual or facsimile signature. The Company's seal

shall be impressed, affixed, imprinted or reproduced on the Securities and may be in facsimile form.

If an Officer, whose signature is on a Security no longer holds that office at the time the Trustee authenticates the Security, the Security shall be valid nevertheless.

A Security shall not be valid until an authorized signatory of the Trustee manually signs the certificate of authentication on the Security. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

On the Issue Date, the Trustee shall authenticate and deliver $150 million of 7 1/4% Senior Notes due February 15, 2011, and, at any time and from time to time thereafter, the Trustee shall authenticate and deliver Securities for original issue in an aggregate principal amount specified in such order, in each case upon a written order of the Company signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company. Such order shall specify the amount of the Securities to be authenticated and the date on which the original issue of Securities is to be authenticated and, in the case of an issuance of Additional Securities pursuant to Section 2.13 after the Issue Date, shall certify that such issuance is in compliance with Section 5.03.

The Trustee may appoint an authenticating agent reasonably acceptable to the Company to authenticate the Securities. Unless limited by the terms of such appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as any Registrar, Paying Agent or agent for service of notices and demands.

SECTION 2.03. Registrar and Paying Agent. The Company shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange (the "Registrar") and an office or agency where Securities may be presented for payment (the "Paying Agent"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may have one or more co-registrars and one or more additional paying agents. The term "Paying Agent" includes any additional paying agent.

The Company shall enter into an appropriate agency agreement with any Registrar, Paying Agent or co-registrar not a party to this Indenture, which shall incorporate the terms of the TIA. The agreement shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee in writing of the name and address of any such agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation and indemnity therefor pursuant to Section 8.07. The Company or any Wholly Owned Subsidiary incorporated or organized within the United States may act as Paying Agent, Registrar, co-registrar or transfer agent.

The Company initially appoints the Trustee as Registrar and Paying Agent in connection with the Securities.

SECTION 2.04. Paying Agent To Hold Money in Trust. No later than 10:00 a.m. New York City time on each due date of the principal and interest on any Security, the Company shall deposit with the Paying Agent a sum sufficient to pay such principal and interest when so becoming due. The Company shall require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of or interest on the Securities and shall notify the Trustee in writing of any default by the Company in making any such payment. If the Company or a Wholly Owned Subsidiary acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed by the Paying Agent. Upon complying with this Section 2.04, the Paying Agent shall have no further liability for the money delivered to the Trustee.

SECTION 2.05. Holder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee, in writing at least five Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders.

SECTION 2.06. Transfer and Exchange. The Securities shall be issued in registered form and shall be transferable only upon the surrender of a Security for registration of transfer. When a Security is presented to the Registrar or a co-registrar with a request to register a transfer, the Registrar shall register the transfer as requested if the requirements of this Indenture and Section 8-401(1) of the Uniform Commercial Code are met. When Securities are presented to the Registrar or a co-registrar with a request to exchange them for an equal principal amount of Securities of other denominations, the Registrar shall make the exchange as requested if the same requirements are met. No service charge shall be made for any registration of transfer or exchange or redemption of the Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or other similar governmental charge payable upon exchanges pursuant to Article 4 or Section 2.09, 3.06, 5.06 or 10.05).

SECTION 207. Replacement Securities. If a mutilated Security is surrendered to the Registrar or if the Holder of a Security claims that the Security has been lost, destroyed or wrongfully taken, the Company shall issue and the Trustee shall authenticate a replacement Security if the requirements of Section 8-405 of the Uniform Commercial Code are met and the Holder satisfies any other reasonable requirements of the Trustee. If required by the Trustee or the Company, such Holder shall furnish an affidavit of lost certificate and indemnity bond or other indemnity sufficient in the judgment of the Company and the Trustee to protect the Company, the Trustee, the Paying Agent, the Registrar and any co-registrar from any loss which any of them may

suffer if a Security is replaced. The Company and the Trustee may charge the Holder for their expenses in replacing a Security, including reasonable fees and expenses of counsel, and for any tax imposed in replacing such Security.

Every replacement Security is an additional obligation of the Company.

SECTION 2.08. Outstanding Securities. Securities outstanding at any time are all Securities authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation and those described in this Section 2.08 as not outstanding. A Security does not cease to be outstanding because the Company or an Affiliate of the Company holds the Security.

If a Security is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee and the Company receive proof satisfactory to them that the replaced Security is held by a bona fide purchaser.

If the Paying Agent segregates and holds in trust, in accordance with this Indenture, on a redemption date or maturity date money sufficient to pay all principal and interest payable on that date with respect to the Securities (or portions thereof) to be redeemed or maturing, as the case may be, then on and after that date such Securities (or portions thereof) cease to be outstanding and interest on them ceases to accrue.

SECTION 2.09. Temporary Securities. Until definitive Securities are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Securities and deliver them in exchange for temporary Securities.

SECTION 2.10. Cancellation. The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel and destroy (subject to the record retention requirements of the Exchange Act) all Securities surrendered for registration of transfer, exchange, payment or cancellation in accordance with the Trustee's customary procedures. The Company may not issue new Securities to replace Securities it has redeemed, paid or delivered to the Trustee for cancellation.

SECTION 2.11. Defaulted Interest. If the Company defaults in a payment of interest on the Securities, the Company shall pay defaulted interest as provided in the Securities (plus interest on such defaulted interest to the extent lawful) in any lawful manner. The Company may pay the defaulted interest to the Persons who are Holders on a subsequent special record date. The

Company shall fix or cause to be fixed any such special record date and payment date to the reasonable satisfaction of the Trustee and shall promptly mail to each Holder a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

SECTION 2.12. CUSIP Numbers. The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use) and, if so, the Trustee shall use CUSIP numbers in notices of redemption or exchange as a convenience to Holders; provided, however, that any such notice may state that no representation is made as to the correctness of such CUSIP numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will notify the Trustee in writing of any change in a CUSIP number. The Temporary Regulation S Global Security (as defined in Section 2.1(a) of the Appendix hereto) and the Rule 144A Global Security (as defined in Section 2.1(a) of the Appendix hereto) shall be assigned separate CUSIP numbers.

SECTION 2.13. Issuance of Additional Securities. The Company shall be entitled, subject to its compliance with Section 5.03, to issue Additional Securities under this Indenture, which shall have identical terms as the Initial Securities issued on the Issue Date, other than with respect to the date of issuance, the date from which interest will accrue thereon, the issue price and the amount of interest payable upon a registration default as provided under a registration rights agreement related thereto (and if such Additional Securities shall be issued in the form of Exchange Securities, other than with respect to transfer restrictions). The Initial Securities issued on the Issue Date, any Additional Securities and all Exchange Securities or Private Exchange Securities issued in exchange therefor shall be treated as a single class for all purposes under this Indenture.

With respect to any Additional Securities, the Company shall set forth in a resolution of the Board of Directors and an Officers' Certificate, a copy of each of which shall be delivered to the Trustee, the following information:

(1) the aggregate principal amount of such Additional Securities to be authenticated and delivered pursuant to this Indenture;

(2) the issue price, the issue date and the CUSIP numbers of such Additional Securities; provided, however, that no Additional Securities may be issued at a price that would cause such Additional Securities to have "original issue discount" within the meaning of Section 1273 of the Code; and

(3) whether such Additional Securities shall be Transfer Restricted Securities (as defined in the Appendix hereto) and issued in the form of Initial Securities as set forth in the Appendix to this Indenture or shall be issued in the form of Exchange Securities as set forth in Exhibit A.

ARTICLE 3

Redemption

SECTION 3.01. Notices to Trustee. If the Company elects to redeem Securities pursuant to paragraph 5 of the Securities, it shall notify the Trustee in writing of the redemption date, the principal amount of Securities to be redeemed and the paragraph of the Securities pursuant to which the redemption will occur.

The Company shall give notice to the Trustee provided for in this Section 3.01 at least 30 but not more than 60 days before the redemption date unless the Trustee consents in writing to a shorter period. Such notice shall be accompanied by an Officers' Certificate from the Company to the effect that such redemption will comply with the conditions herein.

SECTION 3.02. Selection of Securities To Be Redeemed. If fewer than all of the Securities are to be redeemed, the Trustee shall select the Securities to be redeemed on a pro rata basis or by lot or by a method that complies with applicable legal and securities exchange requirements, if any, and that the Trustee in its sole discretion shall deem to be fair and appropriate and in accordance with methods generally used at the time of selection by fiduciaries in similar circumstances. The Trustee shall make the selection from outstanding Securities not previously called for redemption. The Trustee may select for redemption portions of the principal of Securities that have denominations larger than $1,000. Securities and portions of them the Trustee selects shall be in principal amounts of $1,000 or a whole multiple of $1,000. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Company promptly of the Securities or portions of Securities to be redeemed.

SECTION 3.03. Notice of Redemption. At least 30 days but not more than 60 days before a date for redemption of Securities, the Company shall mail a notice of redemption by first-class mail to each Holder of Securities to be redeemed at such Holder's registered address.

The notice shall identify the Securities to be redeemed and shall state:

(1) the redemption date;

(2) the redemption price;

(3) the name and address of the Paying Agent;

(4) that Securities called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(5) if fewer than all of the outstanding Securities are to be redeemed, the identification and principal amounts of the particular Securities to be redeemed;

(6) that, unless the Company defaults in making such redemption payment, interest on Securities (or a portion thereof) called for redemption ceases to accrue on and after the redemption date; and

(7) that no representation is made as to the correctness or accuracy of the CUSIP numbers, if any, listed in such notice or printed on the Securities.

At the Company's written request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense. In such event, the Company shall provide the Trustee with the information required by this Section 3.03.

SECTION 3.04. Effect of Notice of Redemption. Once notice of redemption is mailed, Securities called for redemption become due and payable on the redemption date and at the redemption price stated in the notice. Upon surrender to the Paying Agent, such Securities shall be paid at the redemption price stated in the notice, plus accrued interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the related interest payment date). Failure to give notice or any defect in the notice to any Holder shall not affect the validity of the notice to any other Holder.

SECTION 3.05. Deposit of Redemption Price. No later than 10:00 a.m. New York City time on the redemption date, the Company shall deposit with the Paying Agent (or, if the Company or a Subsidiary is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the redemption price of and accrued interest on all Securities to be redeemed on that date other than Securities or portions of Securities called for redemption which have been delivered by the Company to the Trustee for cancellation.

SECTION 3.06. Securities Redeemed in Part. Upon surrender of a Security that is redeemed in part, the Company shall execute and the Trustee shall authenticate for the Holder (at the Company's expense) a new Security equal in principal amount to the unredeemed portion of the Security surrendered.

ARTICLE 4

Change of Control

SECTION 4.01. Repurchase Right. Upon the occurrence of a Change of Control, each Holder shall have the right to require that the Company repurchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

SECTION 4.02. Notices; Method of Exercising Repurchase Rights, Etc. (a) Within 30 days following any Change of Control, the Company will mail a notice to each Holder with a copy to the Trustee (the "Change of Control Offer") stating:

(1) that a Change of Control has occurred and that such Holder has the right to require the Company to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any,

to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest on the relevant interest payment date);

(2) the circumstances and relevant facts regarding such Change of Control;

(3) the purchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and

(4) the instructions, as determined by the Company, consistent with the Section described hereunder, that a Holder must follow in order to have its Notes purchased.

(b) Holders electing to have a Note purchased will be required to surrender the Note, with an appropriate form duly completed, to the Company at the address specified in the notice at least three Business Days prior to the purchase date. Holders will be entitled to withdraw their election if the Trustee or the Company receives, not later than one Business Day prior to the purchase date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Security which was delivered for purchase by the Holder and a statement that such Holder is withdrawing his election to have such Note purchased.

(c) On the purchase date, all Notes purchased by the Company under this Section 4.02 shall be delivered by the Company to the Trustee for cancellation, and the Company shall pay the purchase price plus accrued and unpaid interest, if any, to the Holders entitled thereto.

(d) Notwithstanding the foregoing provisions of this Section 4.02, the Company will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

(e) The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, the Company will comply with the

applicable securities laws and regulations and shall not be deemed to have breached the Company's obligations under the covenant described hereunder by virtue of the Company's compliance with such securities laws or regulations.

ARTICLE 5

Covenants

SECTION 5.01. Payment of Securities. The Company shall promptly pay in lawful currency of the United States the principal of and interest on the Securities on the dates and in the manner provided in the Securities and in this Indenture. Principal and interest shall be considered paid on the date due if no later than 10:00 a.m. New York City time on such date the Trustee or the Paying Agent holds in accordance with this Indenture money sufficient to pay all principal and interest then due.

The Company shall pay interest on overdue principal at the rate specified therefor in the Securities, and it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

SECTION 5.02. SEC Reports. Notwithstanding that the Company may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company will file with the SEC (to the extent that the SEC will accept such filing) and provide the Trustee (and, only if the Company is no longer subject to such reporting requirements, the Holders) with such annual reports and such information, documents and other reports as are specified in Sections 13 and 15(d) of the Exchange Act and applicable to a U.S. corporation subject to such Sections, such information, documents and other reports to be so filed and provided at the times specified for the filings of such information, documents and reports under such Sections.

In addition, the Company will furnish to the Holders and to prospective investors, upon the requests of such Holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Notes are not freely transferable under the Securities Act.

SECTION 5.03. Limitation on Indebtedness. (a) The Company will not, and will not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Indebtedness; provided, however, that the Company and any future Subsidiary Guarantor will be entitled to Incur Indebtedness if, on the date of such Incurrence and after giving effect thereto on a pro forma basis, no Default has occurred and is continuing and the Consolidated Coverage Ratio would be greater than 2.0 to 1.

(b) Notwithstanding the foregoing paragraph (a), the Company and the Restricted Subsidiaries will be entitled to Incur any or all of the following Indebtedness:

(1) Indebtedness Incurred by the Company and the Restricted Subsidiaries (including Restricted Subsidiaries that become Subsidiaries after the Issue Date) pursuant to the Credit Agreement; provided, however, that, after giving effect to any such Incurrence, the aggregate principal amount of all

Indebtedness Incurred under this clause (1) and then outstanding does not exceed the greater of (A) $325.0 million and (B) the Borrowing Base, less in the case of clause (A) the sum of all mandatory principal payments with respect to such Indebtedness pursuant to Section 5.06(a)(3)(A) (which principal payments in the case of revolving loans are accompanied by a corresponding permanent commitment reduction);

(2) Indebtedness owed to and held by the Company or a Restricted Subsidiary (other than a Securitization Subsidiary); provided, however, that any subsequent issuance or transfer of any Capital Stock which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or a Restricted Subsidiary (other than a Securitization Subsidiary)) shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the obligor thereon;

(3) the Notes and the Exchange Securities (other than any Additional Notes);

(4) the Existing Notes and any other Indebtedness outstanding on the Issue Date after giving effect to the use of the net proceeds of the sale of the Notes as described in the Offering Circular (other than Indebtedness described in clause (1), (2), (3) or (10) of this Section 5.03(b));

(5) Indebtedness of a Restricted Subsidiary Incurred and outstanding on or prior to the date on which such Subsidiary was acquired by the Company (other than Indebtedness Incurred in connection with, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Subsidiary became a Subsidiary or was acquired by the Company); provided, however, that at the time of such acquisition and after giving pro forma effect thereto, the aggregate principal amount of all Indebtedness Incurred pursuant to this clause (5) and then outstanding does not exceed $5.0 million (including any Refinancing Indebtedness with respect thereto);

(6) Refinancing Indebtedness in respect of Indebtedness Incurred pursuant to Section 5.03(a) or pursuant to clause (3), (4) or (5) or this clause (6) of this Section 5.03(b); provided, however, that to the extent such Refinancing Indebtedness directly or indirectly Refinances Indebtedness of a Subsidiary Incurred pursuant to Section 5.03(b)(5), such Refinancing Indebtedness shall be Incurred only by such Subsidiary;

(7) Hedging Obligations consisting of Interest Rate Agreements, Currency Agreements or Commodity Agreements not entered into for speculative purposes;

(8) obligations in respect of performance, bid and surety bonds and completion guarantees provided by the Company or any Restricted Subsidiary in the ordinary course of business;

(9) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within two Business Days of its Incurrence;

(10) Indebtedness of the Company consisting of (A) guarantees of payments of accounts payable of third-party manufacturing facilities up to the amount of the commitment therefor on the Issue Date but in any event not to exceed $4.5 million and (B) obligations of Calvin Klein, Inc. for the payment of letters of credit issued on its behalf up to the amount of the commitment therefor on the Issue Date but in any event not to exceed $1.5 million.

(11) Purchase Money Indebtedness and Capital Lease Obligations Incurred by the Company or a Restricted Subsidiary to acquire property in the ordinary course of business and which do not in the aggregate exceed $10.0 million at any time outstanding;

(12) the Subsidiary Guaranty of a Subsidiary Guarantor;

(13) any Permitted Guarantee by a Restricted Subsidiary described in clause (iii) of the definition of "Permitted Guarantees" or any Indebtedness Incurred by a Restricted Subsidiary as a co-borrower of Indebtedness of the Company described in clause (iii) of the definition of "Permitted Guarantees";

(14) Indebtedness of a Foreign Restricted Subsidiary which at any time outstanding does not exceed the greater of (A) the Foreign Borrowing Base of such Foreign Restricted Subsidiary and (B) an amount which, when taken together with all Indebtedness Incurred by all other Foreign Restricted Subsidiaries and then outstanding, does not exceed $5.0 million in the aggregate;

(15) Indebtedness Incurred by a Securitization Subsidiary in a Qualified Securitization Transaction; and

(16) Indebtedness of the Company and any future Subsidiary Guarantors in an aggregate principal amount which, when taken together with all other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the date of such Incurrence (other than Indebtedness permitted by clauses (1) through (15) above or Section 5.03(a)) does not exceed $30.0 million.

(c) Notwithstanding the foregoing, neither the Company nor any Subsidiary Guarantor will Incur any Indebtedness pursuant to the foregoing paragraph (b) if the proceeds thereof are used, directly or indirectly, to Refinance any Subordinated Obligations of the Company or any Subsidiary Guarantor unless such Indebtedness shall

be subordinated to the Notes or the applicable Subsidiary Guaranty to at least the same extent as such Subordinated Obligations.

(d) For purposes of determining compliance with this Section 5.03:

(1) any Indebtedness remaining outstanding under the Credit Agreement after the application of the net proceeds of the sale of the Notes will be treated as Incurred on the Issue Date under Section 5.03(b)(1) above;

(2) in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, the Company, in its sole discretion, will classify such item of Indebtedness at the time of Incurrence and will only be required to include the amount and type of such Indebtedness in one of the above clauses; and

(3) the Company will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described above.

(e) Notwithstanding any other provision of this Section 5.03, the accrual of interest, the accretion or amortization of original issue discount and the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms will not be deemed to be an incurrence of Indebtedness for purposes of this covenant; provided, however, that the amount thereof is included in Consolidated Interest Expense of the Company and its consolidated Restricted Subsidiaries as accrued.

SECTION 5.04. Limitation on Restricted Payments. (a) The Company will not, and will not permit any Restricted Subsidiary, directly or indirectly, to make a Restricted Payment if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(1) a Default shall have occurred and be continuing (or would result therefrom);

(2) the Company is not entitled to Incur an additional $1.00 of Indebtedness pursuant to Section 5.03(a); or

(3) the aggregate amount of such Restricted Payment and all other Restricted Payments since May 5, 2003 would exceed the sum of (without duplication):

(A) 50% of the Consolidated Net Income accrued during the period (treated as one accounting period) from the beginning of the fiscal quarter immediately following the fiscal quarter during which May 5, 2003 occured to the end of the most recent fiscal quarter for which financial statements are available on or prior to the date of such Restricted Payment (or, in case such Consolidated Net Income shall be a deficit, minus 100% of such deficit); plus

(B) 100% of the aggregate Net Cash Proceeds received by the Company from the issuance or sale of its Capital Stock, including Capital Stock issued pursuant to a stock option or similar plan established by the Company (other than Disqualified Stock) subsequent to May 5, 2003 (other than an issuance or sale to a Subsidiary of the Company and other than an issuance or sale to an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees) and 100% of any cash capital contribution received by the Company from its stockholders subsequent to May 5, 2003; plus

(C) the amount by which Indebtedness of the Company is reduced on the Company's balance sheet upon the conversion or exchange subsequent to May 5, 2003 of any Indebtedness of the Company convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the fair value of any other property, distributed by the Company upon such conversion or exchange); provided, however, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Company or any Restricted Subsidiary from the sale of such Indebtedness (excluding Net Cash Proceeds of sales to a Subsidiary of the Company or to an employee stock ownership plan or a trust established by the Company or any of its Subsidiaries for the benefit of their employees); plus

(D) an amount equal to the sum of (x) the reduction, net of costs, in the Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in any Person resulting from repurchases, repayments or redemptions of such Investments by such Person, proceeds realized on the sale of such Investment and proceeds representing the return of capital (excluding dividends and distributions), in each case received by the Company or any Restricted Subsidiary, and (y) to the extent such Person is an Unrestricted Subsidiary, the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of such Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary; provided, however, that the foregoing sum shall not exceed, in the case of any such Person or Unrestricted Subsidiary, the amount of Investments (excluding Permitted Investments) previously made (and treated as a Restricted Payment) by the Company or any Restricted Subsidiary in such Person or Unrestricted Subsidiary; plus

(E) $7.5 million.

(b) The preceding provisions will not prohibit:

(1) any Restricted Payment made out of the Net Cash Proceeds of the substantially concurrent sale of, or made by exchange for, Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or

sold to a Subsidiary of the Company or an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees) or a substantially concurrent cash capital contribution received by the Company from its stockholders; provided, however, that (A) such Restricted Payment shall be excluded in the calculation of the amount of Restricted Payments and (B) the Net Cash Proceeds of such sale or such cash capital contribution (to the extent so used for such Restricted Payment) shall be excluded from the calculation of amounts under Section 5.04(a)(3)(B);

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations of the Company or any Subsidiary Guarantor made by exchange for, or out of the proceeds of the substantially concurrent sale of, Indebtedness which is permitted to be Incurred pursuant to Section 5.03; provided, however, that such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value shall be excluded in the calculation of the amount of Restricted Payments;

(3) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with this covenant; provided, however, that at the time of payment of such dividend, no other Default shall have occurred and be continuing (or result therefrom); provided further, however, that such dividend shall be included in the calculation of the amount of Restricted Payments;

(4) the payment of dividends by the Company on its common stock in an annual amount of up to $0.15 per outstanding share of common stock; provided, however, that such payment will be included in the calculation of the amount of Restricted Payments;

(5) repurchases by the Company of Capital Stock deemed to occur upon the exercise of options or warrants if such Capital Stock represents all or a portion of the exercise price thereof; provided, however, that such repurchases will be excluded from the calculation of the amount of Restricted Payments; and

(6) other Restricted Payments not exceeding $15.0 million in the aggregate at any one time outstanding; provided, however, that (A) at the time of such Restricted Payments, no Default or Event of Default shall have occurred and be continuing (or result therefrom) and (B) such Restricted Payments will be excluded in the calculation of the amount of Restricted Payments.

(c) For purposes of determining compliance with this Section 5.04, in the event that a Restricted Payment meets the criteria of more than one of the types of Restricted Payments described above, the Company may order and classify, and from time to time may reclassify, such Restricted Payment if that classification would have been permitted at the time such Restricted Payment was made and at the time of the reclassification.

SECTION 5.05. Limitation on Restrictions on Distributions from Restricted Subsidiaries. The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to (a) pay dividends or make any other distributions on its Capital Stock to the Company or a Restricted Subsidiary or pay any Indebtedness owed to the Company, (b) make any loans or advances to the Company or (c) transfer any of its property or assets to the Company, except:

(1) with respect to clauses (a), (b) and (c) of this Section 5.05,

(A) any encumbrance or restriction pursuant to an agreement in effect at or entered into on the Issue Date (after giving effect to the use of the net proceeds of the sale of the Notes as described in the Offering Circular);

(B) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Indebtedness Incurred by such Restricted Subsidiary on or prior to the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by the Company) and outstanding on such date;

(C) any encumbrance or restriction pursuant to an agreement effecting a Refinancing of Indebtedness Incurred pursuant to an agreement referred to in clause (A) or (B) of this Section 5.05(1) or this clause (C) or contained in any amendment to an agreement referred to in clause (A) or (B) of this Section 5.05(1) or this clause (C); provided, however, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such refinancing agreement or amendment are no less favorable in any material respect to the Noteholders than encumbrances and restrictions with respect to such Restricted Subsidiary contained in such predecessor agreements;

(D) any encumbrance or restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition and so long as the consummation of such transaction would not result in a Default or Event of Default;

(E) any encumbrance or restriction under applicable corporate law or regulation relating to the payment of dividends or distributions;

(F) any encumbrance or restriction contained in the terms of any Indebtedness permitted to be Incurred under this Indenture; provided that such encumbrances or restrictions are ordinary and customary with respect to the type of Indebtedness being Incurred if the Board of Directors determines that any such encumbrance or restriction will not adversely affect the Company's ability to make principal or interest payments on the Notes; and

(G) any encumbrance or restriction with respect to Indebtedness or other contractual requirements of a Securitization Subsidiary in connection with and, in the good faith determination of the Board of Directors, necessary to effectuate, a Qualified Securitization Transaction; provided, however, that such encumbrance or restriction applies only to such Securitization Subsidiary; and

(2) with respect to clause (c) of this Section 5.05 only,

(A) any encumbrance or restriction consisting of customary nonassignment provisions in leases governing leasehold interests to the extent such provisions restrict the transfer of the lease or the property leased thereunder; and

(B) any encumbrance or restriction contained in security agreements or mortgages securing Indebtedness of a Restricted Subsidiary to the extent such encumbrance or restriction restricts the transfer of the property subject to such security agreements or mortgages.

SECTION 5.06. Limitation on Sales of Assets and Subsidiary Stock. (a) The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, consummate any Asset Disposition unless:

(1) the Company or such Restricted Subsidiary receives consideration at the time of such Asset Disposition at least equal to the fair market value (including as to the value of all non-cash consideration), as determined in good faith by the Board of Directors, of the shares and assets subject to such Asset Disposition;

(2) in the case of an Asset Disposition other than an Asset Swap, at least 75% of the consideration thereof received by the Company or such Restricted Subsidiary is in the form of cash or cash equivalents; and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company (or such Restricted Subsidiary, as the case may be)

(A) to the extent the Company elects (or is required by the terms of any Indebtedness), to prepay, repay, redeem or purchase Senior Indebtedness of the Company or Indebtedness (other than any Disqualified Stock) of a Restricted Subsidiary (in each case other than Indebtedness owed to the Company or an Affiliate of the Company) within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash;

(B) to the extent the Company elects, to acquire Additional Assets within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; and

(C) to the extent of the balance of such Net Available Cash after application in accordance with clauses (A) and (B), to make an offer to the Holders (and to holders of other Senior Indebtedness of the Company designated by the Company) to purchase Notes (and such other Senior Indebtedness of the Company) pursuant to and subject to the conditions contained in this Indenture;

provided, however, that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to clause (A) or (C) above, the Company or such Restricted Subsidiary shall permanently retire such Indebtedness and shall cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased.

Notwithstanding the foregoing provisions of this Section 5.06, the Company and the Restricted Subsidiaries will not be required to apply any Net Available Cash in accordance with this Section 5.06 except to the extent that the aggregate Net Available Cash from all Asset Dispositions which is not applied in accordance with this Section 5.06 exceeds $20.0 million. Pending application of Net Available Cash pursuant to this Section 5.06, such Net Available Cash shall be invested in Temporary Cash Investments or applied to temporarily reduce revolving credit indebtedness.

(b) For the purposes of this Section 5.06, the following are deemed to be cash or cash equivalents:

(1) the assumption of Indebtedness of the Company or any Restricted Subsidiary and the release of the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition; and

(2) securities, notes or other obligations received by the Company or any Restricted Subsidiary from the transferee to the extent

converted within 90 days by the Company or such Restricted Subsidiary into cash or Temporary Cash Investments.

(c) In the event of an Asset Disposition that requires the purchase of Notes (and other Senior Indebtedness of the Company) pursuant to clause (a)(3)(C) of this Section 5.06, the Company will purchase Notes tendered pursuant to an offer by the Company for the Notes (and such other Senior Indebtedness) at a purchase price of 100% of their principal amount (or, in the event such other Senior Indebtedness of the Company was issued with significant original issue discount, 100% of the accreted value thereof) without premium, plus accrued but unpaid interest (or, in respect of such other Senior Indebtedness of the Company, such lesser price, if any, as may be provided for by the terms of such Senior Indebtedness) in accordance with the procedures (including prorating in the event of oversubscription) set forth in this Indenture. If the aggregate purchase price of the securities tendered exceeds the Net Available Cash allotted to their purchase, the Company will select the securities to be purchased on a pro rata basis but in round denominations, which in the case of the Notes will be denominations of $1,000 principal amount or multiples thereof. The Company shall not be required to make such an offer to purchase Notes (and other Senior Indebtedness of the Company) pursuant to this Section 5.06 if the Net Available Cash available therefor is less than $10.0 million (which lesser amount shall be carried forward for purposes of determining whether such an offer is required with respect to the Net Available Cash from any subsequent Asset Disposition).

(d) The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this Section 5.06. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Section 5.06, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Section 5.06 by virtue of its compliance with such securities laws or regulations.

SECTION 5.07. Limitation on Affiliate Transactions. (a) The Company will not, and will not permit any Restricted Subsidiary to, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property, employee compensation arrangements or the rendering of any service) with, or for the benefit of, any Affiliate of the Company (an "Affiliate Transaction") unless:

(1) the terms of the Affiliate Transaction are no less favorable to the Company or such Restricted Subsidiary than those that could be obtained at the time of the Affiliate Transaction in arm's-length dealings with a Person who is not an Affiliate;

(2) if such Affiliate Transaction involves an amount in excess of $5.0 million, the terms of the Affiliate Transaction are set forth in writing and a majority of the non-employee directors of the Company disinterested with respect to such Affiliate Transaction have determined in good faith that the criteria set forth in clause (1) of this Section 5.07 are satisfied and have approved the relevant

Affiliate Transaction as evidenced by a resolution of the Board of Directors; and

(3) if such Affiliate Transaction involves an amount in excess of $17.5 million, the Board of Directors shall also have received a written opinion from an Independent Qualified Party to the effect that such Affiliate Transaction is fair, from a financial standpoint, to the Company and its Restricted Subsidiaries or is not less favorable to the Company and its Restricted Subsidiaries than could reasonably be expected to be obtained at the time in an arm's-length transaction with a Person who was not an Affiliate.

(b) The provisions of the preceding paragraph (a) will not prohibit:

(1) any Investment (other than a Permitted Investment) or other Restricted Payment, in each case permitted to be made pursuant to Section 5.04;

(2) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans in the ordinary course of business;

(3) loans or advances to employees in the ordinary course of business in accordance with the past practices of the Company or its Restricted Subsidiaries, but in any event not to exceed $2.0 million in the aggregate outstanding at any one time;

(4) the payment of fees and compensation to, and the provision of employee benefit arrangements and indemnity for the benefit of, directors, officers and employees of the Company or any of its Restricted Subsidiaries entered into in the ordinary course of business;

(5) any transaction between the Company and a Restricted Subsidiary or between Restricted Subsidiaries (other than Securitization Subsidiaries);

(6) any transaction with a Restricted Subsidiary or joint venture or similar entity which would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary owns an equity interest in or otherwise controls such Restricted Subsidiary, joint venture or similar entity;

(7) the issuance or sale of any Capital Stock (other than Disqualified Stock) of the Company;

(8) any agreement or arrangement in effect on the Issue Date (after giving effect to the use of the net proceeds of the sale of the Notes as described in the Offering Circular) or any amendment or replacement thereof; provided, however, that any such amendment or replacement is not less favorable in any material respect to the Company or any of its Restricted Subsidiaries than that in effect on the Issue Date;

(9) sales or other dispositions of accounts receivable or licensing royalties and related assets to a Securitization Subsidiary in a Qualified Securitization Transaction which are customarily transferred in such a transaction; and

(10) purchases by the Company or any Restricted Subsidiary from TAL Apparel Limited and related companies in the ordinary course of business on terms no less favorable to the Company or such Restricted Subsidiary than those that could be obtained at the time in arm's length dealings with an unrelated Person.

SECTION 5.08. Limitation on the Sale or Issuance of Capital Stock of Restricted Subsidiaries. The Company:

(1) will not, and will not permit any Restricted Subsidiary to, sell, lease, transfer or otherwise dispose of any Capital Stock of any Restricted Subsidiary to any Person (other than the Company or a Restricted Subsidiary other than a Securitization Subsidiary), and

(2) will not permit any Restricted Subsidiary to issue any of its Capital Stock (other than, if necessary, shares of its Capital Stock constituting directors' or other legally required qualifying shares) to any Person (other than the Company or a Restricted Subsidiary other than a Securitization Subsidiary),

unless

(A) immediately after giving effect to such issuance, sale or other disposition, neither the Company nor any of its Subsidiaries own any Capital Stock of such Restricted Subsidiary;

(B) immediately after giving effect to such issuance, sale or other disposition, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any Investment in such Person remaining after giving effect thereto is treated as a new Investment by the Company and such Investment would be permitted to be made under Section 5.04 if made on the date of such issuance, sale or other disposition; or

(C) immediately after giving effect to such issuance, sale or other disposition of Capital Stock, other than Disqualified Stock, such Restricted Subsidiary would continue to be a Restricted Subsidiary,

and in the case of each of (A), (B) and (C), such issuance, sale or other disposition complies with, and the proceeds thereof are applied in accordance with, Section 5.06.

SECTION 5.09. Limitation on Liens. The Company will not, and will not permit any Restricted Subsidiary to, issue, assume or guarantee any Indebtedness for borrowed money secured by any Lien on any property or asset now owned or hereafter acquired by the Company or such Restricted Subsidiary without making effective provision whereby any and all Notes then or thereafter outstanding will be secured by a Lien equally and ratably with (or, if the obligation to be secured by such Lien is subordinated in right of payment to the Notes, prior to) any and all other obligations thereby secured for so long as any such obligations shall be so secured.

The foregoing restriction does not, however, apply to:

(1) Liens existing on the Issue Date after giving effect to the use of the net proceeds of the sale of the Notes as described in the Offering Circular;

(2) Liens securing Hedging Obligations so long as such Hedging Obligations relate to Indebtedness that is, and is permitted to be under this Indenture, secured by a Lien on the same property securing such Hedging Obligations;

(3) Liens to secure Purchase Money Indebtedness that is otherwise permitted under this Indenture; provided that (i) any such Lien is created solely for the purpose of securing Indebtedness representing, or incurred to finance, the cost of the acquisition or construction that is the subject of the Purchase Money Indebtedness and (ii) such Lien is limited in the manner described in the definition of Purchase Money Indebtedness;

(4) Liens securing Capital Lease Obligations; provided, however, that such Lien does not extend to any property other than that subject to the underlying lease;

(5) Liens in favor of landlords contained in leases and subleases of real property granted by the Company or any Restricted Subsidiary or inventory or fixtures located on the leased real property; provided, however, that such Liens are in the ordinary course of business, are on terms customary for leases of such type and do not materially impair the use of the liened property in the operation of the business of the Company or the Restricted Subsidiary;

(6) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(7) Liens imposed by law, including, carriers', warehousemen's and mechanics' Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings; provided that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(8) Liens for taxes, assessments and governmental charges not yet subject to penalties for non-payment or which are being contested in good faith and by appropriate proceedings; provided that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(9) Liens securing Indebtedness Incurred under Section 5.03(b)(1);

(10) Liens securing Indebtedness owed by a Restricted Subsidiary to the Company or to any other Restricted Subsidiary (other than a Securitization Subsidiary);

(11) Liens on the property of any Restricted Subsidiary existing at the time such Person becomes a Subsidiary and not incurred as result of (or in connection with or in anticipation of) such Person becoming a Subsidiary; provided, however, that such Liens do not extend to or cover any property or assets of the Company or any of the Restricted Subsidiaries other than the property encumbered at the time such Person becomes a Subsidiary and do not secure Indebtedness with a principal amount in excess of the principal amount outstanding at such time;

(12) Liens securing the Notes and the Exchange Securities;

(13) Liens to secure taxes not yet due or which are being contested in good faith by the Company or a Restricted Subsidiary;

(14) Liens securing Refinancing Indebtedness incurred to refinance Indebtedness that was previously so secured; provided that such Lien extends to or covers only the same property that secures the Indebtedness being refinanced;

(15) Liens (excluding in all cases Liens securing Limited Originator Recourse obligations) on (i) accounts receivable and related assets transferred to, or on accounts receivable and related assets of, a Securitization Subsidiary in connection with a Qualified Securitization Transaction and (ii) licensing royalties and related assets transferred to, or on licensing royalties and related assets of, a Securitization Subsidiary in connection with a Qualified Securitization Transaction in an aggregate amount of up to 15% of the total revenues from royalties or similar licensing payments of the Company and its Restricted Subsidiaries;

(16) Liens securing Indebtedness Incurred under Section 5.03(b)(14); or

(17) Liens (exclusive of any Lien of any type otherwise permitted under clauses (1) through (16) of this Section 5.09) securing Indebtedness for borrowed money of the Company or any Restricted Subsidiary in an aggregate principal amount which, together with the aggregate amount of Attributable Indebtedness deemed to be outstanding in respect of all Sale/Leaseback Transactions entered into pursuant to Section 5.10(a) (exclusive of any such Sale/Leaseback Transactions otherwise permitted under clauses (1) through (16) of this Section

5.09), does not at the time such Indebtedness is incurred exceed the greater of $40.0 million and 15% of Consolidated Net Tangible Assets, as determined based on the consolidated balance sheet of the Company as of the end of the most recent fiscal quarter for which financial statements are available.

Any Lien created for the benefit of the Holders pursuant to the preceding sentence shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the initial Lien.

SECTION 5.10. Limitation on Sale/Leaseback Transactions. The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale/Leaseback Transaction with respect to any property unless (a) the Company or such Subsidiary would be entitled to (1) incur Indebtedness in an amount equal to the Attributable Debt with respect to such Sale/Leaseback Transaction pursuant to Section 5.03 and (2) create a Lien on such property securing such Attributable Debt without equally and ratably securing the Notes pursuant to Section 5.09, (b) the net proceeds received by the Company or any Restricted Subsidiary in connection with such Sale/Leaseback Transaction are at least equal to the fair value (as determined by the Board of Directors) of such property and (c) the Company applies the proceeds of such transaction in compliance with Section 5.06.

SECTION 5.11. Future Subsidiary Guarantees. The Company will not permit any Restricted Subsidiary, directly or indirectly, to Guarantee any Indebtedness of the Company (other than Permitted Guarantees) or to Incur any Indebtedness under Section 5.03(a) or Section 5.03(b)(16) unless such Restricted Subsidiary simultaneously executes and delivers a Guaranty Agreement providing for the unconditional and irrevocable Guarantee of the Notes by such Restricted Subsidiary, jointly and severally with all other Subsidiary Guarantors. If the Indebtedness to be Guaranteed is subordinated to the Notes, the Guarantee of such Indebtedness will be subordinated to the Guarantee of the Notes to the same extent as the Indebtedness to be Guaranteed is subordinated to the Notes. Notwithstanding the foregoing, any such Guarantee by a Restricted Subsidiary of the Notes will provide by its terms that it will be automatically and unconditionally released and discharged upon either:

(1) the release or discharge of such Guarantee of payment of such other Indebtedness, except a discharge by or as a result of payment under such Guarantee; or

(2) any sale or transfer, other than to the Company or a Subsidiary of the Company, of all of the Company's Capital Stock in, or all or substantially all the assets of, such Restricted Subsidiary, which sale or transfer is made in compliance with the applicable provisions of this Indenture.

SECTION 5.12. Compliance Certificate. The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company an Officers'

Certificate stating that in the course of the performance by the signers of their duties as officers of the Company they would normally have knowledge of any Default and whether or not the signers know of any Default that occurred during such period. If they do, the certificate shall describe the Default, its status and what action the Company is taking or proposes to take with respect thereto. The Company also shall comply with TIA Section 314(a)(4).

SECTION 5.13. Further Instruments and Acts. Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

SECTION 5.14. Covenant Removal. Notwithstanding any other provision of this Indenture, during any period of time that both (1) the Notes are rated Investment Grade by each of Moody's Investor Service, Inc. and Standard & Poor's Ratings Group and (2) no Default or Event of Default shall have occurred and be continuing, the Company and its Restricted Subsidiaries will not be subject to the covenants set forth in Sections 5.03, 5.04, 5.05, 5.06, 5.07, 5.08 and clause (3) of Section 6.01.

ARTICLE 6

Merger and Consolidation

SECTION 6.01. When Company May Merge or Transfer Assets. The Company will not consolidate with or merge with or into, or convey, transfer or lease, in one transaction or a series of transactions, directly or indirectly, all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "Successor Company") shall be a Person organized and existing under the laws of the United States, any State thereof or the District of Columbia and the Successor Company (if not the Company) shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Company under the Notes and this Indenture;

(2) immediately after giving pro forma effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Company or any Subsidiary as a result of such transaction as having been Incurred by such Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving pro forma effect to such transaction, the Successor Company would be able to Incur an additional $1.00 of Indebtedness pursuant to Section 5.03(a); and

(4) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with this Indenture;

provided, however, that clauses (3) and (4) will not be applicable to (A) a Restricted Subsidiary consolidating with, merging into or transferring all or part of its properties and assets to the Company or (B) the Company merging with an Affiliate of the Company solely for the purpose and with the sole effect of reincorporating the Company in another jurisdiction.

For purposes of this Article 6, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Successor Company shall be the successor to the Company and shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture, and the predecessor Company, except in the case of a lease, shall be released from the obligation to pay the principal of and interest on the Notes.

SECTION 6.02. When a Subsidiary Guarantor May Merge or Transfer Assets. The Company will not permit any Subsidiary Guarantor to consolidate with or merge with or into, or convey, transfer or lease, in one transaction or a series of transactions, all or substantially all of its assets to any Person unless:

(1) except in the case of a Subsidiary Guarantor that has been disposed of in its entirety to another Person (other than to the Company or an Affiliate of the Company), whether through a merger, consolidation or sale of Capital Stock or assets, if in connection therewith the Company provides an Officers' Certificate to the Trustee to the effect that the Company will comply with its obligations under Section 5.06 in respect of such disposition, the resulting, surviving or transferee Person (if not such Subsidiary) shall be a Person organized and existing under the laws of the jurisdiction under which such Subsidiary was organized or under the laws of the United States, or any State thereof or the District of Columbia, and such Person shall expressly assume, by a Guaranty Agreement, in a form satisfactory to the Trustee, all the obligations of such Subsidiary, if any, under its Subsidiary Guaranty;

(2) immediately after giving effect to such transaction or transactions on a pro forma basis (and treating any Indebtedness which becomes an obligation of the resulting, surviving or transferee Person as a result of such transaction as having been issued by such Person at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

(3) the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such Guaranty Agreement, if any, complies with this Indenture.

ARTICLE 7

Defaults and Remedies

SECTION 7.01. Events of Default. Each of the following is an "Event of Default":

(1) a default in the payment of interest on the Notes when due, which continues for 30 days;

(2) a default in the payment of principal of any Note when due at its Stated Maturity, upon optional redemption, upon required purchase, upon declaration of acceleration or otherwise;

(3) subject to Section 5.14, the failure by the Company to comply with its obligations under Article 6.

(4) subject to Section 5.14, the failure by the Company to comply for 30 days after notice with any of its obligations under Article 4 (other than a failure to purchase Notes) or under Sections 5.02, 5.03, 5.04, 5.05, 5.06 (other than a failure to purchase Notes), 5.07, 5.08, 5.09, 5.10 or 5.11;

(5) the failure by the Company or any Restricted Subsidiary to comply for 60 days after notice with its other covenants, obligations, warranties or agreements contained in this Indenture;

(6) Indebtedness of the Company, any Subsidiary Guarantor or any Significant Subsidiary is not paid within any applicable grace period after final maturity or is accelerated by the holders thereof because of a default and the total amount of such Indebtedness unpaid or accelerated exceeds $15.0 million (the "cross acceleration provision");

(7) the Company, a Subsidiary Guarantor or any Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law (the "bankruptcy provisions");

(A) commences a voluntary case;

(B) consents to the entry of an order for relief against it in an involuntary case;

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property; or

(D) makes a general assignment for the benefit of its creditors;

or takes any comparable action under any foreign laws relating to insolvency;

(8) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company, a Subsidiary Guarantor or any Significant Subsidiary in an involuntary case;

(B) appoints a Custodian of the Company, a Subsidiary Guarantor or any Significant Subsidiary or for all or substantially all of the property of any of them; or

(C) orders the winding up or liquidation of the Company, a Subsidiary Guarantor or any Significant Subsidiary;

or any similar relief is granted under any foreign laws and the order or decree remains unstayed and in effect for 60 days;

(9) a judgment or order is rendered against the Company, a Subsidiary Guarantor or any Significant Subsidiary, which requires the payment in money by the Company, a Subsidiary Guarantor or any Significant Subsidiary either individually or in the aggregate, of an amount (to the extent not covered by insurance) in excess of $15.0 million and such judgment or order remains unsatisfied, undischarged, unvacated, unbonded and unstayed for 60 days (the "judgment default provision"); or

(10) a Subsidiary Guaranty ceases to be in full force and effect (other than in accordance with the terms of such Subsidiary Guaranty) or a Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guaranty.

The foregoing will constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

The term "Bankruptcy Law" means Title 11, United States Code, or any similar Federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

A default under clauses (4) and (5) will not constitute an Event of Default until the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes notify the Company of the default and the Company does not cure such default within the time specified after receipt of such notice. Such notice must specify the Default, demand that it be remedied and state that such notice is a "Notice of Default".

The Company shall deliver to the Trustee, within 30 days after the occurrence thereof, written notice in the form of an Officers' Certificate of any Event of Default under clause (6) or (10) and any event which with the giving of notice or the lapse of time would become an Event of Default under clause (4) or (5) or (9), its status and what action the Company is taking or proposes to take with respect thereto.

SECTION 7.02. Acceleration. If an Event of Default (other than an Event of Default specified in Section 7.01(7) or (8) with respect to the Company) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in principal amount of the Securities by notice to the Company and the Trustee, may declare the principal of and accrued but unpaid interest on all the Securities to be due and payable. Upon such a declaration, such principal and interest shall be due and payable immediately. If an Event of Default specified in Section 7.01(7) or (8) with respect to the Company occurs, the principal of and interest on all the Securities shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. The Holders of a majority in principal amount of the Securities by notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of acceleration. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

SECTION 7.03. Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

SECTION 7.04. Waiver of Past Defaults. The Holders of a majority in principal amount of the Securities by notice to the Trustee may waive an existing Default and its consequences except (i) a Default in the payment of the principal of or interest on a Security (ii) a Default arising from the failure to redeem or purchase any Security when required pursuant to this Indenture or (iii) a Default in respect of a provision that under Section 10.02 cannot be amended without the consent of each Holder affected. When a Default is waived, it is deemed cured, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

SECTION 7.05. Control by Majority. The Holders of a majority in principal amount of the Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction

that conflicts with law or this Indenture or, subject to Section 8.01, that the Trustee determines is unduly prejudicial to the rights of other Holders or would involve the Trustee in personal liability; provided, however, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Prior to taking any action hereunder, the Trustee shall be entitled to reasonable indemnification against all losses and expenses caused by taking or not taking such action.

SECTION 7.06. Limitation on Suits. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Holder may pursue any remedy with respect to this Indenture or the Securities unless:

(1) such Holder has previously given the Trustee written notice stating that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding Securities make a written request to the Trustee to pursue the remedy;

(3) such Holder has offered the Trustee reasonable security or indemnity against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt thereof and the offer of security or indemnity; and

(5) Holders of a majority in principal amount of the outstanding Securities have not given the Trustee a direction inconsistent with such request during such 60-day period.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

SECTION 7.07. Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal of and interest on the Securities held by such Holder, on or after the respective due dates expressed in the Securities, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 7.08. Collection Suit by Trustee. If an Event of Default specified in Section 7.01(1) or (2) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount then due and owing (together with interest on any unpaid interest to the extent lawful) and the amounts provided for in Section 8.07.

SECTION 7.09. Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders allowed in any judicial proceedings relative to the Company, its creditors or its property and, unless prohibited by law or applicable regulations, may vote on behalf of the Holders in any election of a

trustee in bankruptcy or other Person performing similar functions, and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and its counsel, and any other amounts due the Trustee under Section 8.07.

SECTION 7.10. Priorities. If the Trustee collects any money or property pursuant to this Article 7, it shall pay out the money or property in the following order:

FIRST: to the Trustee for amounts due under Section 8.07;

SECOND: to Holders for amounts due and unpaid on the Securities for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal and interest, respectively; and

THIRD: to the Company.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 7.10. At least 15 days before such record date, the Company shall mail to each Holder and the Trustee a notice that states the record date, the payment date and amount to be paid.

SECTION 7.11. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 7.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 7.07 or a suit by Holders of more than 10% in principal amount of the Securities.

SECTION 7.12. Waiver of Stay or Extension Laws. The Company (to the extent it may lawfully do so) shall not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the

Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and shall not hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 8

Trustee

SECTION 8.01. Duties of Trustee. (a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

(b) Except during the continuance of an Event of Default:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section 8.01;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 7.05.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to this Section 8.01.

(e) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company.

(f) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its

duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(h) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 8.01 and to the provisions of the TIA.

SECTION 8.02. Rights of Trustee. (a) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, however, that the Trustee's conduct does not constitute willful misconduct or negligence.

(e) The Trustee may consult with counsel, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Securities shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

SECTION 8.03. Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar, co-registrar or co-paying agent may do the same with like rights. However, the Trustee must comply with Sections 8.10 and 8.11.

SECTION 8.04. Trustee's Disclaimer. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds of the Securities, and it shall not be responsible for any statement of the Company in this Indenture or in any document issued in connection with the sale of the Securities or in the Securities other than the Trustee's certificate of authentication.

SECTION 8.05. Notice of Defaults. If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Holder notice of the Default within 90 days after it occurs. Except in the case of a Default in payment of principal of or interest on any Security (including payments pursuant to the mandatory

redemption provisions of such Security, if any), the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the best interests of Holders.

SECTION 8.06. Reports by Trustee to Holders. As promptly as practicable after each February 15 beginning with the February 15 following the date of this Indenture, and in any event prior to April 15 in each year, the Trustee shall mail to each Holder a brief report dated as of February 15 that complies with TIA Section 313(a). The Trustee also shall comply with TIA Section 313(b)(2).

A copy of each report at the time of its mailing to Holders shall be filed with the SEC and each stock exchange (if any) on which the Securities are listed. The Company agrees to notify promptly the Trustee whenever the Securities become listed on any stock exchange and of any delisting thereof.

SECTION 8.07. Compensation and Indemnity. The Company shall pay to the Trustee from time to time reasonable compensation for its services as the Company and the Trustee shall agree in writing. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts. Except as otherwise provided in this Section 8.07, the Company shall indemnify the Trustee against any and all loss, claim, damage, liability or expense (including reasonable attorneys' fees) incurred by it in connection with the administration of this trust and the performance of its duties hereunder. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder except to the extent that the Company has been materially prejudiced by such failure. The Company shall defend the claim and the Trustee may have separate counsel; provided, that the Trustee shall pay the reasonable fees and expenses of such separate counsel unless (a) the Company and the Trustee shall have mutually agreed to the contrary, (b) the Company has failed within a reasonable time to retain counsel reasonably satisfactory to the Trustee, (c) the Trustee shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the Company or (d) the named parties in any claim (including any impleaded parties) include both the Company and the Trustee and representation of both the Company and the Trustee by the same counsel would be inappropriate due to actual or potential differing interests between the Company and the Trustee. The Trustee shall not, without the prior written consent of the Company, effect any settlement of any action in respect of which the Trustee is indemnified by the Company hereunder. The Company need not reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee through the Trustee's own willful misconduct, negligence or bad faith.

To secure the Company's payment obligations in this Section 8.07, the Trustee shall have a lien prior to the Securities on all money or property held or collected

by the Trustee other than money or property held in trust to pay principal of and interest on particular Securities.

The Company's payment and indemnification obligations pursuant to this Section 8.07 shall survive the discharge of this Indenture. When the Trustee incurs expenses after the occurrence of a Default specified in Section 7.01(7) or (8) with respect to the Company, the expenses are intended to constitute expenses of administration under the Bankruptcy Law.

SECTION 8.08. Replacement of Trustee. The Trustee may resign at any time by so notifying the Company in writing at least 30 days prior to the date of the proposed resignation. The Holders of a majority in principal amount of the Securities may remove the Trustee by so notifying the Trustee in writing and may appoint a successor Trustee. The Company shall remove the Trustee if:

(1) the Trustee fails to comply with Section 8.10;

(2) the Trustee is adjudged bankrupt or insolvent;

(3) a receiver or other public officer takes charge of the Trustee or its property; or

(4) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns, is removed by the Company or by the Holders of a majority in principal amount of the Securities and such Holders do not reasonably promptly appoint a successor Trustee, or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Company shall promptly appoint a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 8.07.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee or the Holders of 10% in principal amount of the Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 8.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Notwithstanding the replacement of the Trustee pursuant to this Section 8.08, the Company's obligations under Section 8.07 shall continue for the benefit of the retiring Trustee.

SECTION 8.09. Successor Trustee by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture any of the Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Securities so authenticated; and in case at that time any of the Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Securities or in this Indenture provided that the certificate of the Trustee shall have.

SECTION 8.10. Eligibility; Disqualification. The Trustee shall at all times satisfy the requirements of TIA Section 310(a)(1) and Section 310(a)(2). The Trustee shall have a combined capital and surplus of at least $50.0 million as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA Section 310(b); provided, however, that there shall be excluded from the operation of TIA Section 310(b)(1) any indenture or indentures under which other securities or certificates of interest or participation in other securities of the Company are outstanding if the requirements for such exclusion set forth in TIA Section 310(b)(1) are met.

SECTION 8.11. Preferential Collection of Claims Against Company. The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE 9

Discharge of Indenture; Defeasance

SECTION 9.01. Discharge of Liability on Securities; Defeasance. (a) When (1) the Company delivers to the Trustee all outstanding Securities (other than Securities replaced pursuant to Section 2.07) for cancellation or (2) all outstanding Securities have become due and payable, whether at maturity or on a redemption date as a result of the mailing of a notice of redemption pursuant to Article 3 hereof and the Company irrevocably deposits with the Trustee funds sufficient to pay at maturity or upon redemption all outstanding Securities, including interest thereon to maturity or such redemption date (other than Securities replaced pursuant to Section 2.07), and if in either

case the Company pays all other sums payable hereunder by the Company, then this Indenture shall, subject to Section 9.01(c), cease to be of further effect. The Trustee shall acknowledge satisfaction and discharge of this Indenture, upon written direction of the Company, accompanied by an Officers' Certificate and an Opinion of Counsel at the cost and expense of the Company.

(b) Subject to Sections 9.01(c) and 9.02, the Company at any time may terminate (1) all its obligations under the Securities and this Indenture ("legal defeasance option") or (2) its obligations under Sections 4.01, 4.02, 5.02, 5.03, 5.04, 5.05, 5.06, 5.07, 5.08, 5.09, 5.10 and 5.11 and the operation of Sections 7.01(4), 7.01(6), 7.01(7), 7.01(8) and 7.01(9) (but, in the case of Sections 7.01(7) and (8), with respect only to Significant Subsidiaries and Subsidiary Guarantors) and the limitations contained in Section 6.01(3) ("covenant defeasance option"). The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option.

If the Company exercises its legal defeasance option, payment of the Securities may not be accelerated because of an Event of Default with respect thereto. If the Company exercises its covenant defeasance option, payment of the Securities may not be accelerated because of an Event of Default specified in Sections 7.01(4), 7.01(6), 7.01(7), 7.01(8) and 7.01(9) (but, in the case of Sections 7.01(7) and (8), with respect only to Significant Subsidiaries and Subsidiary Guarantors) or because of the failure of the Company to comply with Section 6.01(3). If the Company exercises its legal defeasance option or its covenant defeasance option, each Subsidiary Guarantor, if any, shall be released from all its obligations with respect to its Subsidiary Guaranty.

Upon satisfaction of the conditions set forth herein and upon written request of the Company, the Trustee shall acknowledge in writing the discharge of those obligations that the Company terminates.

(c) Notwithstanding clauses (a) and (b) above, the Company's obligations in Sections 2.03, 2.04, 2.05, 2.06, 2.07, 2.08, 8.07 and 8.08 and in this Article 9 shall survive until the Securities have been paid in full. Thereafter, the Company's obligations in Sections 8.07, 9.04 and 9.05 shall survive.

SECTION 9.02. Conditions to Defeasance. The Company may exercise its legal defeasance option or its covenant defeasance option only if:

(1) the Company irrevocably deposits in trust with the Trustee money or U.S. Government Obligations for the payment of principal of and interest on the Securities to maturity or redemption, as the case may be;

(2) the Company delivers to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government obligations plus any deposited money without investment will provide cash at such times and in such amounts as will be

sufficient to pay principal and interest when due on all the Securities to maturity or redemption, as the case may be;

(3) 123 days pass after the deposit is made and during the 123-day period no Default specified in Section 7.01(7) or (8) with respect to the Company occurs which is continuing at the end of the period;

(4) the exercise does not result in or constitute a Default or Event of Default under this Indenture;

(5) the deposit does not constitute a default under any other agreement binding on the Company;

(6) the Company delivers to the Trustee an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the Investment Company Act of 1940;

(7) in the case of the legal defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of this Indenture there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred;

(8) in the case of the covenant defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; and

(9) the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of the securities as contemplated by this Article 9 have been complied with.

Before or after a deposit, the Company may make arrangements satisfactory to the Trustee for the redemption of Securities at a future date in accordance with Article 3.

SECTION 9.03. Application of Trust Money. The Trustee shall hold in trust money or U.S. Government obligations deposited with it pursuant to this Article 9. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest on the Securities.

SECTION 9.04. Repayment to Company. The Trustee and the Paying Agent shall promptly turn over to the Company upon written request any excess money or securities held by them at any time.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Company upon written request any money held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, Holders entitled to the money must look to the Company for payment as general creditors.

SECTION 9.05. Indemnity for Government Obligations. The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against deposited U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations.

SECTION 9.06. Reinstatement. If the Trustee or Paying Agent is unable to apply any money or U.S. Government obligations in accordance with this Article 9 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to this Article 9 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article 9; provided, however, that, if the Company has made any payment of interest on or principal of any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE 10

Supplements and Amendments

SECTION 10.01. Without Consent of Holders. The Company, the Subsidiary Guarantors and the Trustee may amend or supplement this Indenture and the Securities without notice to or the consent of any Holder:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to provide for the assumption by a successor corporation of the obligations of the Company or any Subsidiary Guarantor under this Indenture;

(3) to provide for uncertificated Securities in addition to or in place of certificated Securities; provided, however, that the uncertificated Securities are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Securities are described in Section 163(f)(2)(B) of the Code;

(4) to add guarantees with respect to the Securities, including any Subsidiary Guaranties, or to secure the Securities;

(5) to add to the covenants of the Company or a Subsidiary Guarantor for the benefit of the Holders or to surrender any right or power herein conferred upon the Company or a Restricted Subsidiary;

(6) to make any change that does not adversely affect the rights of any Holder; or

(7) to comply with any requirement of the SEC in connection with the qualification of this Indenture under the TIA.

After an amendment or supplement under this Section 10.01 becomes effective, the Company shall mail to Holders a notice briefly describing such amendment or supplement. The failure to give such notice to all Holders, or any defect therein, shall not impair or affect the validity of an amendment or supplement under this Section 10.01.

SECTION 10.02. With Consent of Holders. The Company, the Subsidiary Guarantors and the Trustee may amend, or waive any past Default or noncompliance with any provision of, this Indenture or the Securities without notice to any Holder but with the written consent of the Holders of at least a majority in principal amount of the Securities then outstanding (including consents obtained in connection with a tender offer or exchange for the Securities). However, without the consent of each Holder affected thereby, an amendment or waiver may not:

(1) reduce the amount of Securities whose Holders must consent to an amendment;

(2) reduce the rate of or extend the time for payment of interest on any Security;

(3) reduce the principal amount of or extend the Stated Maturity of any Security;

(4) reduce the amount payable upon the redemption of any Security or change the time at which any Security may be redeemed in accordance with Article 3;

(5) make any Security payable in money other than that stated in the Security;

(6) impair the right of any Holder to receive payment of principal of and interest on such Holder's Securities on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Securities;

(7) make any change in the amendment provisions that require each Holder's consent or in the waiver provisions of this Indenture;

(8) make any change in the ranking or priority of any Security that would adversely affect the Holders; or

(9) make any change in any Subsidiary Guaranty that would adversely affect the Holders.

It shall not be necessary for the consent of the Holders under this Indenture to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof.

After an amendment under this Indenture becomes effective, the Company is required to mail to Holders a notice briefly describing such amendment. However, the failure to give such notice to all Holders, or any defect therein, will not impair or affect the validity of the amendment.

SECTION 10.03. Compliance with Trust Indenture Act. Every amendment to this Indenture or the Securities shall comply with the TIA as then in effect.

SECTION 10.04. Revocation and Effect of Consents and Waivers. A consent to an amendment or a waiver by a Holder of a Security shall bind the Holder and every subsequent Holder of that Security or portion of the Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent or waiver is not made on the Security. However, any such Holder or subsequent Holder may revoke the consent or waiver as to such Holder's Security or portion of the Security if the Trustee receives the notice of revocation before the date the amendment or waiver becomes effective. After an amendment or waiver becomes effective, it shall bind every Holder. An amendment or waiver becomes effective upon the execution of such amendment or waiver by the Trustee.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to give their consent or take any other action described above or required or permitted to be taken pursuant to this Indenture. If a record date is fixed, then notwithstanding the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 120 days after such record date.

SECTION 10.05. Notation on or Exchange of Securities. If an amendment or waiver changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security regarding the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for

the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms. Failure to make the appropriate notation or to issue a new Security shall not affect the validity of such amendment or waiver.

SECTION 10.06. Trustee To Sign Amendments. The Trustee shall sign any amendment authorized pursuant to this Article 10 if the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may but need not sign it. In signing such amendment the Trustee shall be entitled to receive indemnity reasonably satisfactory to it and to receive, and (subject to Section 8.01) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that such amendment is authorized or permitted by this Indenture.

SECTION 10.07. Payment for Consent. Neither the Company nor any Affiliate of the Company shall, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Securities unless such consideration is offered to be paid to all Holders that so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or agreement to amend.

ARTICLE 11

Miscellaneous

SECTION 11.01. Trust Indenture Act Controls. If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

SECTION 11.02. Notices. Any notice or communication shall be in writing and delivered in person or mailed by first-class mail addressed as follows:

if to the Company or any Subsidiary Guarantor:

Phillips-Van Heusen Corporation

200 Madison Avenue

New York, NY 10016

Attention: Secretary

with a copy to:

Katten Muchin Zavis Rosenman

575 Madison Avenue

New York, NY 10022-2585

Attention: David H. Landau, Esq.

if to the Trustee:

SunTrust Bank

25 Park Place, 24th Floor

Atlanta, GA 30303

Attention: Jack Ellerin

with a copy to:

Powell Goldstein Frazer & Murphy LLP

191 Peachtree Street, N.E., 16th Floor

Atlanta, GA 30303

Attention: Gregory H. Worthy, Esq.

The Company, any Subsidiary Guarantor or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any such notice or communication mailed to a Holder shall be mailed to the Holder at such Holder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

Failure to mail a notice or communication to a Holder or any defect in the notice or communication shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives such notice or communication.

SECTION 11.03. Communication by Holders with Other Holders. Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Securities. The Company, any Subsidiary Guarantor, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

SECTION 11.04. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Trustee to take or refrain from taking any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 11.05. Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a covenant or condition provided for in this Indenture shall include:

(1) a statement that the individual making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such individual, such covenant or condition has been complied with.

SECTION 11.06. When Securities Disregarded. In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company shall be disregarded and deemed not to be outstanding, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities which the Trustee knows are so owned shall be so disregarded. Also, subject to the foregoing, only Securities outstanding at the time shall be considered in any such determination.

SECTION 11.07. Rules by Trustee, Paying Agent and Registrar. The Trustee may make reasonable rules for action by or a meeting of Holders. The Registrar and the Paying Agent may make reasonable rules for their functions.

SECTION 11.08. Legal Holidays. If a payment date is a Legal Holiday, payment shall be made on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period. If a regular record date is a Legal Holiday, the record date shall not be affected.

SECTION 11.09. Governing Law. This Indenture and the Securities shall be governed by, and construed in accordance with, the laws of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

SECTION 11.10. No Recourse Against Others. No director, officer, employee, incorporator or stockholder, as such, of the Company or any Subsidiary shall have any liability for any obligations of the Company or such Subsidiary under the Securities, any Subsidiary Guaranty or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder, by accepting a Security, waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Securities. Such waiver and release may not be effective to waive liabilities under the U.S. Federal securities laws, and it is the view of the SEC that such a waiver is against public policy.

SECTION 11.11. Successors. All agreements of the Company in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 11.12. Multiple Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

SECTION 11.13. Table of Contents; Headings. The table of contents, cross-reference sheet and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

PHILLIPS-VAN HEUSEN CORPORATION

By: /s/ Mark D. Fischer
Name: Mark D. Fischer
Title: Vice President, General Counsel and Secretary

SUNTRUST BANK,
as Trustee

By: /s/ Jack Ellerin
Name: Jack Ellerin
Title: Assistant Vice President

RULE 144A/REGULATION S APPENDIX

PROVISIONS RELATING TO INITIAL SECURITIES,
PRIVATE EXCHANGE SECURITIES
AND EXCHANGE SECURITIES

1. Definitions

1.1 Definitions

Capitalized terms used but not otherwise defined in this Appendix shall have the meanings assigned in the Indenture. For the purposes of this Appendix the following terms shall have the meanings indicated below:

"Applicable Procedures" means, with respect to any transfer or transaction involving a Temporary Regulation S Global Security or beneficial interest therein, the rules and procedures of the Depository, Euroclear and Clearstream for such a Temporary Regulation S Global Security, in each case to the extent applicable to such transaction and as in effect from time to time.

"Clearstream" means Clearstream Banking, Société Anonyme, or any successor securities clearing agency.

"Definitive Security" means a certificated Initial Security or Exchange Security or Private Exchange Security bearing, if required, the restricted securities legend set forth in Section 2.3(e).

"Depository" means The Depository Trust Company, its nominees and their respective successors.

"Distribution Compliance Period", with respect to any Securities, means the period of 40 consecutive days beginning on and including the later of (i) the day on which such Securities are first offered to Persons other than distributors (as defined in Regulation S under the Securities Act) in reliance on Regulation S and (ii) the Issue Date with respect to such Securities.

"Euroclear" means Euroclear Bank S.A., as operator of the Euroclear System or any successor securities clearing agency.

"Exchange Securities" means (1) the 7 1/4% Senior Notes due February 15, 2011 issued pursuant to the Indenture in connection with the Registered Exchange offer pursuant to the Registration Rights Agreement and (2) Additional Securities, if any, issued pursuant to a registration statement filed with the SEC under the Securities Act.

"Initial Purchasers" means with respect to the Initial Securities issued on the Issue Date, Credit Suisse First Boston Corporation, J.P. Morgan Securities Inc., Lehman Brothers Inc. and Fleet Securities, Inc. and (2) with respect to each issuance of Additional Securities, the Persons purchasing such Additional Securities under the related Purchase Agreement.

"Initial Securities" means $150,000,000 aggregate principal amount of 7 1/4% Senior Notes due February 15, 2011 issued on the Issue Date and (2) Additional Securities, if any, issued in a transaction exempt from the registration requirements of the Securities Act.

"Private Exchange" means the offer by the Company, pursuant to a Registration Rights Agreement, to the Initial Purchasers to issue and deliver to each Initial Purchaser, in exchange for the Initial Securities held by the Initial Purchaser as part of its initial distribution, a like aggregate principal amount of Private Exchange Securities.

"Private Exchange Securities" means any 7 1/4% Senior Notes due February 15, 2011 issued in connection with a Private Exchange.

"Purchase Agreement" means (1) with respect to the Initial Securities issued on the Issue Date, the Purchase Agreement dated February 12, 2004, among the Company and the Initial Purchasers and (2) with respect to each issuance of Additional Securities, the purchase agreement or underwriting agreement among the Issuer, the Company, any Subsidiary Guarantors and the Persons purchasing such Additional Securities.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Registered Exchange Offer" means the offer by the Company, pursuant to a Registration Rights Agreement, to certain Holders of Initial Securities, to issue and deliver to such Holders, in exchange for the Initial Securities, a like aggregate principal amount of Exchange Securities registered under the Securities Act.

"Registration Rights Agreement" means (1) with respect to the Initial Securities issued on the Issue Date, the Registration Rights Agreement dated February 12, 2004, among the Company and the Initial Purchasers and (2) with respect to each issuance of Additional Securities issued in a transaction exempt from the registration requirements of the Securities Act, the registration rights agreement, if any, among the Issuer, the Company and the Persons purchasing such Additional Securities under the related Purchase Agreement.

"Securities Custodian" means the custodian with respect to a Global Security (as appointed by the Depository) or any successor Person thereto, and shall initially be the Trustee.

"Shelf Registration Statement" means the registration statement issued by the Company in connection with the offer and sale of Initial Securities or Private Exchange Securities pursuant to a Registration Rights Agreement.

"Transfer Restricted Securities" means Securities that bear or are required to bear the legend set forth in Section 2.3(e) hereto.

1.2 Other Definitions

Term	Defined in Section:
"Agent Members"	2.1(b)
"Global Securities"	2.1(a)
"Permanent Regulation S Global Security"	2.1(a)
"Regulation S"	2.1(a)
"Rule 144A"	2.1(a)
"Rule 144A Global Security"	2.1(a)
"Temporary Regulation S Global Security"	2.1(a)

2. The Securities.

2.1 (a) Form and Dating. The Initial Securities will be offered and sold by the Company pursuant to a Purchase Agreement. The Initial Securities will be resold initially only to (i) QIBs in reliance on Rule 144A under the Securities Act ("Rule 144A") and (ii) Persons other than U.S. Persons (as defined in Regulation S) in reliance on Regulation S under the Securities Act ("Regulation S"). Initial Securities may thereafter be transferred to QIBs, purchasers in reliance on Regulation S and others as provided in the Securities, in each case subject to the restrictions on transfer set forth herein. Initial Securities initially resold pursuant to Rule 144A shall be issued initially in the form of one or more permanent global Securities in definitive, fully registered form (collectively, the "Rule 144A Global Security") and Initial Securities initially resold pursuant to Regulation S shall be issued initially in the form of one or more temporary global securities in definitive, fully registered form (collectively, the "Temporary Regulation S Global Security"), in each case without interest coupons and with the global securities legend and restricted securities legend set forth in Exhibit 1 hereto, which shall be deposited on behalf of the purchasers of the Initial Securities represented thereby with the Securities Custodian, and registered in the name of the Depository or a nominee of the Depository, duly executed by the Company and authenticated by the Trustee as provided in the Indenture. Except as set forth in this Section 2.1(a), beneficial ownership interests in the Temporary Regulation S Global Security (x) will not be exchangeable for interests in the Rule 144A Global Security, a permanent global security (the "Permanent Regulation S Global Security") or any other Security without a legend containing restrictions on transfer of such Security, prior to the expiration of the Distribution Compliance Period and (y) then only upon certification in form reasonably satisfactory to the Trustee that beneficial ownership interests in such Temporary Regulation S Global

Security are owned either by non-U.S. persons or U.S. persons who purchased such interests in a transaction that did not require registration under the Securities Act.

Beneficial interests in the Temporary Regulation S Global Security may be exchanged for interests in Rule 144A Global Securities only if (1) such exchange occurs in connection with a transfer of Securities in compliance with Rule 144A, and (2) the transferor of the beneficial interest in the Temporary Regulation S Global Security first delivers to the Trustee a written certificate (in the form provided in Exhibit 1 hereto) to the effect that the beneficial interest in the Temporary Regulation S Global Security is being transferred to a Person (a) who the transferor reasonably believes to be a QIB (b) purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A, and (c) in accordance with all applicable securities laws of the States of the United States and other jurisdictions.

Beneficial interests in the Rule 144A Global Security may be transferred to a Person who takes delivery in the form of an interest in the Regulation S Global Security, whether before or after the expiration of the Distribution Compliance Period, only if the transferor first delivers to the trustee a written certificate (in the form provided in Exhibit 1 hereto) to the effect that if such transfer is being made in accordance with rule 903 or 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the Distribution Compliance Period, the interest transferred will be held immediately thereafter through Euroclear Bank S.A./N.A. or Clearstream Banking Société Anonyme.

The Rule 144A Global Security, the Temporary Regulation S Global Security and the Permanent Regulation S Global Security are collectively referred to herein as "Global Securities". The aggregate principal amount of the Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depository or its nominee as hereinafter provided.

(b) Book-Entry Provisions. This Section 2.1(b) shall apply only to a Global Security deposited with or on behalf of the Depository.

The Company shall execute and the Trustee shall, in accordance with this Section 2.1(b), authenticate and deliver initially one or more Global Securities that (a) shall be registered in the name of the Depository for such Global Security or Global Securities or the nominee of such Depository and (b) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instructions or held by the Trustee as custodian for the Depository.

Members of, or participants in, the Depository ("Agent Members") shall have no rights under the Indenture with respect to any Global Security held on their behalf by the Depository or by the Trustee as the custodian of the Depository or under such Global Security, and the Company, the Trustee and any agent of the Company or the Trustee shall be entitled to treat the Depository as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from

giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices of such Depository governing the exercise of the rights of a holder of a beneficial interest in any Global Security.

(c) Certificated Securities. Except as provided in this Section 2.1 or Section 2.3 or 2.4, owners of beneficial interests in Global Securities shall not be entitled to receive physical delivery of Definitive Securities.

2.2 Authentication. The Trustee shall authenticate and deliver: (1) on the Issue Date, an aggregate principal amount of $150.0 million 7 1/4% Senior Notes due February 15, 2011, (2) any Additional Securities for an original issue in an aggregate principal amount specified in the written order of the Company pursuant to Section 2.02 of the Indenture and (2) Exchange Securities or Private Exchange Securities for issue only in a Registered Exchange Offer or a Private Exchange, respectively, pursuant to the Registration Rights Agreement, for a like principal amount of Initial Securities, in each case upon a written order of the Company signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company. Such order shall specify the amount of the Securities to be authenticated and the date on which the original issue of Securities is to be authenticated and, in the case of any issuance of Additional Securities pursuant to Section 2.13 of the Indenture, shall certify that such issuance is in compliance with Section 4.03 of the Indenture..

2.3 Transfer and Exchange. (a) Transfer and Exchange of Definitive Securities. When Definitive Securities are presented to the Registrar or a co-registrar with a request:

(x) to register the transfer of such Definitive Securities; or

(y) to exchange such Definitive Securities for an equal principal amount of Definitive Securities of other authorized denominations,

the Registrar or co-registrar shall register the transfer or make the exchange as requested if its reasonable requirements for such transaction are met; provided, however, that the Definitive Securities surrendered for transfer or exchange:

(i) shall be duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Company and the Registrar or co-registrar, duly executed by the Holder thereof or its attorney duly authorized in writing; and

(ii) if such Definitive Securities are required to bear a restricted securities legend, they are being transferred or exchanged pursuant to an effective registration statement under the Securities Act, pursuant to Section 2.3 (b) or pursuant to clause (A), (B) or (C) below, and are accompanied by the following additional information and documents, as applicable:

(A) if such Definitive Securities are being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, a certification from such Holder to that effect; or

(B) if such Definitive Securities are being transferred to the Company, a certification to that effect; or

(C) if such Definitive Securities are being transferred (x) pursuant to an exemption from registration in accordance with Rule 144A, Regulation S or Rule 144 under the Securities Act; or (y) in reliance upon another exemption from the requirements of the Securities Act: (i) a certification to that effect (in the form set forth on the reverse of the Security) and (ii) if the Company so requests, an opinion of counsel or other evidence reasonably satisfactory to it as to the compliance with the restrictions set forth in the legend set forth in Section 2.3(e)(i).

(b) Restrictions on Transfer of a Definitive Security for a Beneficial Interest in a Global Security. A Definitive Security may not be exchanged for a beneficial interest in a Rule 144A Global Security or a Permanent Regulation S Global Security except upon satisfaction of the requirements set forth below. Upon receipt by the Trustee of a Definitive Security, duly endorsed or accompanied by appropriate instruments of transfer, in form satisfactory to the Trustee, together with:

(i) certification, in the form set forth on the reverse of the Security, that such Definitive Security is either (A) being transferred to a QIB in accordance with Rule 144A or (B) is being transferred after expiration of the Distribution Compliance Period by a Person who initially purchased such Security in reliance on Regulation S to a buyer who elects to hold its interest in such Security in the form of a beneficial interest in the Permanent Regulation S Global Security; and

(ii) written instructions directing the Trustee to make, or to direct the Securities Custodian to make, an adjustment on its books and records with respect to such Rule 144A Global Security (in the case of a transfer pursuant to clause (b)(i)(A)) or Permanent Regulation S Security (in the case of a transfer pursuant to clause (b)(i)(B)) to reflect an increase in the aggregate principal amount of the Securities represented by the Rule 144A Global Security or Permanent Regulation S Global Security, as applicable, such instructions to contain information regarding the Depository account to be credited with such increase,

then the Trustee shall cancel such Definitive Security and cause, or direct the Securities Custodian to cause, in accordance with the standing instructions and procedures existing between the Depository and the Securities Custodian, the aggregate principal amount of Securities represented by the Rule 144A Global Security or Permanent Regulation S Global Security, as applicable, to be increased by the aggregate principal amount of the Definitive Security to be exchanged and shall credit or cause to be credited to the account of the Person specified in such instructions a beneficial interest in the Rule 144A Global

Security or Permanent Regulation S Global Security, as applicable, equal to the principal amount of the Definitive Security so canceled. If no Rule 144A Global Securities or Permanent Regulation S Global Securities, as applicable, are then outstanding, the Company shall issue and the Trustee shall authenticate, upon written order of the Company in the form of an Officers' Certificate, a new Rule 144A Global Security or Permanent Regulation S Global Security, as applicable, in the appropriate principal amount.

(c) Transfer and Exchange of Global Securities. (i) The transfer and exchange of Global Securities or beneficial interests therein shall be effected through the Depository, in accordance with the Indenture (including applicable restrictions on transfer set forth herein, if any) and the procedures of the Depository therefor. A transferor of a beneficial interest in a Global Security shall deliver to the Registrar a written order given in accordance with the Depository's procedures containing information regarding the participant account of the Depository to be credited with a beneficial interest in the Global Security. The Registrar shall, in accordance with such instructions, instruct the Depository to credit to the account of the Person specified in such instructions a beneficial interest in the Global Security and to debit the account of the Person making the transfer the beneficial interest in the Global Security being transferred.

(ii) If the proposed transfer is a transfer of a beneficial interest in one Global Security to a beneficial interest in another Global Security, the Registrar shall reflect on its books and records the date and an increase in the principal amount of the Global Security to which such interest is being transferred in an amount equal to the principal amount of the interest to be so transferred, and the Registrar shall reflect on its books and records the date and a corresponding decrease in the principal amount of the Global Security from which such interest is being transferred.

(iii) Notwithstanding any other provisions of this Appendix (other than the provisions set forth in Section 2.4), a Global Security may not be transferred except as a whole and not in part by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

(iv) In the event that a Global Security is exchanged for Definitive Securities pursuant to Section 2.4 of this Appendix prior to the consummation of a Registered Exchange Offer or the effectiveness of a Shelf Registration Statement with respect to such Securities, such Securities may be exchanged only in accordance with such procedures as are substantially consistent with the provisions of this Section 2.3 (including the certification requirements set forth on the reverse of the Initial Securities intended to ensure that such transfers comply with Rule 144A or Regulation S, as the case may be) and such other procedures as may from time to time be adopted by the Company.

(d) Restrictions on Transfer of Temporary Regulation S Global Securities. During the Distribution Compliance Period, beneficial ownership interests in Temporary Regulation S Global Securities may only be sold, pledged or transferred through Euroclear or Clearstream in accordance with the Applicable Procedures and only (i) to the Company, (ii) so long as such Security is eligible for resale pursuant to Rule 144A, to a Person whom the selling holder reasonably believes is a QIB that purchases for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction in accordance with Regulation S (other than a transaction resulting in an exchange for interest in a Permanent Regulation S Global Security), (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if applicable) under the Securities Act or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States.

(e) Legend.

(i) Except as permitted by the following paragraphs (ii), (iii) and (iv), each Security certificate evidencing the Global Securities (and all Securities issued in exchange therefore or in substitution thereof), in the case of Securities offered otherwise than in reliance on Regulation S, shall bear a legend in substantially the following form:

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THIS SECURITY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO THE COMPANY, (II) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (III) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (IV) PURSUANT TO EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT

UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (V) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

Each certificate evidencing a Security offered in reliance on Regulation S shall, in lieu of the foregoing, bear a legend in substantially the following form:

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

Each Definitive Security will also bear the following additional legend:

IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH REGISTRAR AND TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

(ii) Upon any sale or transfer of a Transfer Restricted Security (including any Transfer Restricted Security represented by a Global Security) pursuant to Rule 144(k) under the Securities Act, the Registrar shall permit the transferee thereof to exchange such Transfer Restricted Security for a certificated Security that does not bear the legend set forth above and rescind any restriction on the transfer of such Transfer Restricted Security, if the transferor thereof certifies in writing to the Registrar that such sale or transfer was made in reliance on Rule 144(k) (such certification to be in the form set forth on the reverse of the Security).

(iii) After a transfer of any Initial Securities or Private Exchange Securities pursuant to and during the period of the effectiveness of a Shelf Registration Statement with respect to such Initial Securities or Private Exchange Securities, as the case may be, all requirements pertaining to legends on such Initial Security or such Private Exchange Security will cease to apply, the

requirements requiring any such Initial Security or such Private Exchange Security issued to certain Holders be issued in global form will cease to apply, and a certificated Initial Security or Private Exchange Security or an Initial Security or Private Exchange Security in global form, in each case without restrictive transfer legends, will be available to the transferee of the Holder of such Initial Securities or Private Exchange Securities upon exchange of such transferring Holders certificated Initial Security or Private Exchange Security or appropriate directions to transfer such Holder's interest in the Global Security, as applicable.

(iv) Upon the consummation of a Registered Exchange Offer with respect to the Initial Securities, all requirements pertaining to such Initial Securities that Initial Securities issued to certain Holders be issued in global form will still apply with respect to Holders of such Initial Securities that do not exchange their Initial Securities, and Exchange Securities in certificated or global form, in each case without the restrictive securities legend set forth in Exhibit 1 hereto will be available to Holders that exchange such Initial Securities in such Registered Exchange Offer.

(v) Upon the consummation of a Private Exchange with respect to the Initial Securities, all requirements pertaining to such Initial Securities that Initial Securities issued to certain Holders be issued in global form will still apply with respect to Holders of such Initial Securities that do not exchange their Initial Securities, and Private Exchange Securities in global form with the global securities legend and the Restricted Securities Legend set forth in Exhibit 1 hereto will be available to Holders that exchange such Initial Securities in such Private Exchange.

(f) Cancellation or Adjustment of Global Security. At such time as all beneficial interests in a Global Security have either been exchanged for Definitive Securities, redeemed, purchased or canceled, such Global Security shall be returned to the Depository for cancellation or retained and canceled by the Trustee. At any time prior to such cancellation, if any beneficial interest in a Global Security is exchanged for certificated Securities, redeemed, purchased or canceled, the principal amount of Securities represented by such Global Security shall be reduced and an adjustment shall be made on the books and records of the Trustee (if it is then the Securities Custodian for such Global Security) with respect to such Global Security, by the Trustee or the Securities Custodian, to reflect such reduction.

(g) Obligations with Respect to Transfers and Exchanges of Securities.

(i) To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Definitive Securities and Global Securities at the Registrar's or co-registrar's request.

(ii) No service charge shall be made for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any

transfer tax, assessments, or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments or similar governmental charge payable upon exchange or transfer pursuant to Article 4 or Sections 2.09, 3.06, 5.06 or 10.05 of the Indenture).

(iii) The Registrar or co-registrar shall not be required to register the transfer of or exchange of (a) any Definitive Security selected for redemption in whole or in part pursuant to Article 3 of the Indenture, except the unredeemed portion of any Definitive Security being redeemed in part, or (b) any Security for a period beginning 15 Business Days before the mailing of a notice of an offer to repurchase or redeem Securities or 15 Business Days before an interest payment date.

(iv) Prior to the due presentation for registration of transfer of any Security, the Company, the Trustee, the Paying Agent, the Registrar or any co-registrar may deem and treat the person in whose name a security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of and interest on such Security and for all other purposes whatsoever, whether or not such Security is overdue, and none of the Company, the Trustee, the Paying Agent, the Registrar or any co-registrar shall be affected by notice to the contrary.

(v) All Securities issued upon any transfer or exchange pursuant to the terms of the Indenture shall evidence the same debt and shall be entitled to the same benefits under the Indenture as the Securities surrendered upon such transfer or exchange.

(h) No obligation of the Trustee.

(i) The Trustee shall have no responsibility or obligation to any beneficial owner of a Global Security, a member of, or a participant in the Depository or other Person with respect to the accuracy of the records of the Depository or its nominee or of any participant or member thereof, with respect to any ownership interest in the Securities or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depository) of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such Securities. All notices and communications to be given to the Holders and all payments to be made to Holders under the Securities shall be given or made only to or upon the order of the registered Holders (which shall be the Depository or its nominee in the case of a Global Security). The rights of beneficial owners in any Global Security shall be exercised only through the Depository subject to the applicable rules and procedures of the Depository. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depository with respect to its members, participants and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under the Indenture or under applicable law with respect to any transfer of any interest in any Security (including any transfers between or among Depository participants, members or beneficial owners in any Global Security) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of the Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

2.4 Certificated Securities.

(a) A Global Security deposited with the Depository or with the Trustee as Custodian for the Depository pursuant to Section 2.1 shall be transferred to the beneficial owners thereof in the form of Definitive Securities in an aggregate principal amount equal to the principal amount of such Global Security, in exchange for such Global Security, only if such transfer complies with Section 2.3 hereof and (i) the Depository notifies the Company that it is unwilling or unable to continue as Depository for such Global Security or if at any time such Depository ceases to be a "clearing agency" registered under the Exchange Act and, in either case, a successor Depository is not appointed by the Company within 90 days of such notice, or (ii) an Event of Default has occurred and is continuing or (iii) the Company, in its sole discretion, notifies the Trustee in writing that it elects to cause the issuance of Definitive Securities under the Indenture.

(b) Any Global Security that is transferable to the beneficial owners thereof pursuant to this Section 2.4 shall be surrendered by the Depository to the Trustee located at its principal corporate trust office in Atlanta, Georgia, to be so transferred, in whole or from time to time in part, without charge, and the Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Security, an equal aggregate principal amount of Definitive Securities of authorized denominations. Any portion of a Global Security transferred pursuant to this Section 2.4 shall be executed, authenticated and delivered only in denominations of $1,000 principal amount and any integral multiple thereof and registered in such names as the Depository shall direct. Any Definitive Security delivered in exchange for an interest in the Transfer Restricted Security shall, except as otherwise provided by Section 2.3 (e) hereof, bear the restricted securities legend and definitive security legend set forth in Exhibit 1 hereto.

(c) Subject to the provisions of Section 2.4(b) hereof, the registered Holder of a Global Security shall be entitled to grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under the Indenture or the Securities.

(d) In the event of the occurrence of one of the events specified in Section 2.4 (a) hereof, the Company shall promptly make available to the Trustee a

reasonable supply of Definitive Securities in definitive, fully registered form without interest coupons.

EXHIBIT 1 to RULE 144A/REGULATION S APPENDIX

[FORM OF FACE OF INITIAL SECURITY**]**

[Global Securities Legend**]**

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

[For Permanent Regulation S Global Security**]**

UNTIL 40 DAYS AFTER THE COMMENCEMENT OF THE OFFERING, AN OFFER OR SALE OF NOTES WITHIN THE UNITED STATES BY A DEALER (AS DEFINED IN THE U.S. SECURITIES ACT) MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT IF SUCH OFFER OR SALE IS MADE OTHERWISE THAN IN ACCORDANCE WITH THE RULE 144A THEREUNDER.

[For Securities Offered Otherwise than in Reliance on Regulation S**]**

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THIS SECURITY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO THE COMPANY, (II) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (III) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (IV) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (V) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

[For Securities Offered in Reliance on Regulation S**]**

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE ``SECURITIES ACT''), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

[For Temporary Regulation S Global Security**]**

EXCEPT AS SET FORTH BELOW, BENEFICIAL OWNERSHIP INTERESTS IN THIS TEMPORARY REGULATION S GLOBAL SECURITY WILL NOT BE EXCHANGEABLE FOR INTERESTS IN THE PERMANENT REGULATION S GLOBAL SECURITY OR ANY OTHER SECURITY REPRESENTING AN INTEREST IN THE SECURITIES REPRESENTED HEREBY WHICH DO NOT CONTAIN A LEGEND CONTAINING RESTRICTIONS ON TRANSFER, UNTIL THE EXPIRATION OF THE "40-DAY DISTRIBUTION COMPLIANCE PERIOD" (WITHIN THE MEANING OF RULE 903(b)(2) OF REGULATION S UNDER THE SECURITIES ACT) AND THEN ONLY UPON CERTIFICATION IN FORM REASONABLY SATISFACTORY TO THE TRUSTEE THAT SUCH BENEFICIAL INTERESTS ARE OWNED EITHER BY NON-U.S. PERSONS OR U.S. PERSONS WHO PURCHASED SUCH INTERESTS IN A TRANSACTION THAT DID NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT. DURING SUCH 40-DAY DISTRIBUTION COMPLIANCE PERIOD, BENEFICIAL OWNERSHIP INTERESTS IN THIS TEMPORARY REGULATION S GLOBAL SECURITY MAY

ONLY BE SOLD, PLEDGED OR TRANSFERRED THROUGH EUROCLEAR BANK S.A./N.A., AS OPERATOR OF THE EUROCLEAR SYSTEM OR CLEARSTREAM BANKING, SOCIÉTÉ ANONYME AND ONLY (I) TO THE COMPANY, (II) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (III) OUTSIDE THE UNITED STATES IN A TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, OR (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND OTHER JURISDICTIONS. HOLDERS OF INTERESTS IN THIS TEMPORARY REGULATION S GLOBAL SECURITY WILL NOTIFY ANY PURCHASER OF THIS SECURITY OF THE RESALE RESTRICTIONS REFERRED TO ABOVE, IF THEN APPLICABLE.

BENEFICIAL INTERESTS IN THIS TEMPORARY REGULATION S GLOBAL SECURITY MAY BE EXCHANGED FOR INTERESTS IN A RULE 144A GLOBAL SECURITY ONLY IF (1) SUCH EXCHANGE OCCURS IN CONNECTION WITH A TRANSFER OF THE SECURITIES IN COMPLIANCE WITH RULE 144A AND (2) THE TRANSFEROR OF THE REGULATION S GLOBAL SECURITY FIRST DELIVERS TO THE TRUSTEE A WRITTEN CERTIFICATE (IN THE FORM ATTACHED TO THIS CERTIFICATE) TO THE EFFECT THAT THE REGULATION S GLOBAL SECURITY IS BEING TRANSFERRED TO A PERSON (A) WHO THE TRANSFEROR REASONABLY BELIEVES TO BE A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (B) WHO IS PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, AND (C) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

BENEFICIAL INTEREST IN A RULE 144A GLOBAL SECURITY MAY BE TRANSFERRED TO A PERSON WHO TAKES DELIVERY IN THE FORM OF AN INTEREST IN THE REGULATION S GLOBAL SECURITY, WHETHER BEFORE OR AFTER THE EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD, ONLY IF THE TRANSFEROR FIRST DELIVERS TO THE TRUSTEE A WRITTEN CERTIFICATE (IN THE FORM ATTACHED TO THIS CERTIFICATE) TO THE EFFECT THAT SUCH TRANSFER IS BEING MADE IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S OR RULE 144 (IF AVAILABLE) AND THAT, IF SUCH TRANSFER OCCURS PRIOR TO THE EXPIRATION OF THE 40- DAY DISTRIBUTION COMPLIANCE PERIOD, THE INTEREST TRANSFERRED WILL BE HELD IMMEDIATELY THEREAFTER THROUGH EUROCLEAR BANK S.A./N.A. OR CLEARSTREAM BANKING SOCIÉTÉ ANONYME.

[For Definitive Securities**]**

IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH REGISTRAR AND TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

CUSIP No. _____

No. _____ $ _____

7 1/4% Senior Notes due February 15, 2011

Phillips-Van Heusen Corporation, a Delaware corporation, promises to pay to Cede & Co., or registered assigns, the principal sum of Ÿ Dollars on February 15, 2011.

Interest Payment Dates: February 15 and August 15.

Record Dates: February 1 and August 1.

Additional provisions of this Security are set forth on the other side of this Security.

Dated:

Phillips-Van Heusen Corporation

By:
Name:
Title:

By:
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

SUNTRUST BANK,
as Trustee, certifies

that this is one of
the Securities referred to
in the Indenture.

by

Authorized Signatory

[FORM OF REVERSE SIDE OF INITIAL SECURITY]

[FORM OF REVERSE SIDE OF SECURITY]

7 1/4% Senior Notes due February 15, 2011

1. Interest

Phillips-Van Heusen Corporation, a Delaware corporation (such corporation, and its successors and assigns under the Indenture hereinafter referred to, being herein called the "Company"), promises to pay interest on the principal amount of this Security at the rate per annum shown above; provided, however, that if a Registration Default (as defined in the Registration Rights Agreement) occurs, additional interest will accrue on this Security at a rate of 0.25% per annum (increasing by an additional 0.25% per annum after each consecutive 90-day period that occurs after the date on which such Registration Default occurs up to a maximum additional interest rate of 1.00%) from and including the date on which any such Registration Default shall occur to but excluding the date on which all Registration Defaults have been cured or otherwise cease to exist. The Company will pay interest semiannually in arrears on February 15 and August 15 of each year, commencing August 15, 2004. Interest on the Securities will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from February 18, 2004. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company will pay interest on overdue principal at the above rate and will pay interest on overdue installments of interest at such rate to the extent lawful.

2. Method of Payment

The Company will pay interest on the Securities (except defaulted interest) to the Persons who are registered holders of Securities at the close of business on the February 1 or August 1 immediately preceding the interest payment date even if Securities are canceled after the record date and on or before the interest payment date. Holders must surrender Securities to a Paying Agent to collect principal payments. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Securities represented by a Global Security (including principal, premium, if any, and interest) will be made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company. The Company will make all payments in respect of a certificated Security (including principal, premium, if any, and interest) by mailing a check to the registered address of each Holder thereof; provided, however, that payments on a certificated Security will be made by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

3. Paying Agent and Registrar

Initially, SunTrust Bank, a state banking corporation (the "Trustee") will act as Paying Agent and Registrar. The Company may appoint and change any Paying Agent, Registrar or co-registrar without notice. The Company or any of its domestically incorporated Wholly Owned Subsidiaries may act as Paying Agent, Registrar or co-registrar.

4. Indenture

The Company issued the Securities under an Indenture dated as of February 18, 2004 (the "Indenture"), between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb) as in effect on the date of the Indenture (the "Act"). Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Holders are referred to the Indenture and the Act for a statement of those terms.

The Securities are general unsecured obligations of the Company. The Company shall be entitled, subject to its compliance with Section 5.03 of the Indenture, to issue Additional Securities pursuant to Section 2.13 of the Indenture. The Securities issued on the Issue Date and any Additional Securities will be treated as a single class for all purposes under the Indenture. Subject to Section 5.14, the Indenture contains covenants that limit the ability of the Company and its subsidiaries to incur or guarantee additional indebtedness; pay dividends or make distributions on, or redeem or repurchase capital stock or subordinated indebtedness; make other restricted payments, including investments; sell or otherwise dispose of assets, including capital stock of subsidiaries; enter into transactions with affiliates; create certain liens; issue stock of subsidiaries; enter into sale/leaseback transactions; or consolidate or merge or sell all or substantially all of the Company's assets and the assets of its subsidiaries. These covenants are subject to important exceptions and qualifications.

5. Optional Redemption

Except as set forth below, the Company shall not be entitled to redeem the Securities at its option prior to February 15, 2008.

On and after February 15, 2008, the Company shall be entitled at its option to redeem all or a portion of the Securities upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed in percentages of principal amount on the redemption date), plus accrued interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on February 15 of the years set forth below:

Period	Price
2008	103.625%
2009	101.813%
2010 and thereafter	100.000%

In addition, prior to February 15, 2007, the Company shall be entitled at its option on one or more occasions to redeem Securities (which includes Additional Securities, if any) in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Securities (which includes Additional Securities, if any originally issued at a redemption price (expressed as a percentage of principal amount) of 107.25%, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more Equity Offerings; *provided, however* that:

(6) at least 65% of such aggregate principal amount of Securities (which includes Additional Securities, if any) remains outstanding immediately after the occurrence of each such redemption (other than Securities held, directly or indirectly, by the Company or its Affiliates); and

(7) each such redemption occurs within 90 days after the date of the related Equity Offering.

6. Notice of Redemption

Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder of Securities to be redeemed at its registered address. Securities in denominations larger than $1,000 principal amount may be redeemed in part but only in whole multiples of $1,000. If money sufficient to pay the redemption price of and accrued interest on all Securities (or portions thereof) to be redeemed on the redemption date is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied, on and after such date interest ceases to accrue on such Securities (or such portions thereof) called for redemption.

7. Put Provisions

Upon a Change of Control, any Holder of Securities will have the right to cause the Company to repurchase all or any part of the Securities of such Holder at a repurchase price equal to 101% of the principal amount of the Securities to be repurchased plus accrued and unpaid interest, if any, to the date of repurchase (subject to the right of holders of record on the relevant record date to receive interest due on the related interest payment date) as provided in, and subject to the terms of, the Indenture.

8. Guarantee

The payment by the Company of the principal of, and premium and interest on, the Securities is guaranteed by the Subsidiary Guarantors, if any, on a joint and several basis, on the terms set forth in the Indenture.

9. Denominations; Transfer; Exchange

The Securities are in registered form without coupons in denominations of $1,000 principal amount and whole multiples of $1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer or exchange of any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities for a period of 15 days before a selection of Securities to be redeemed or 15 days before an interest payment date.

10. Persons Deemed Owners

The registered Holder of this Security may be treated as the owner of it for all purposes.

11. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its written request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

12. Discharge and Defeasance

Subject to certain conditions, the Company at any time shall be entitled to terminate some or all of its obligations under the Securities and the Indenture if the Company deposits with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Securities to redemption or maturity, as the case may be.

13. Amendment, Waiver

Subject to certain exceptions set forth in the Indenture, (i) the Indenture and the Securities may be amended with the written consent of the Holders of at least a majority in principal amount outstanding of the Securities and (ii) any default or noncompliance with any provision may be waived with the written consent of the Holders of a majority in principal amount outstanding of the Securities. Subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the Company, the Subsidiary Guarantors and the Trustee shall be entitled to amend the Indenture or the Securities to cure any ambiguity, omission, defect or inconsistency, or to comply with Article 6 of the Indenture, or to provide for uncertificated Securities in addition to or in place of certificated Securities, or to add guarantees with respect to the Securities, including Subsidiary Guaranties, or to secure the Securities, or to add additional covenants or surrender rights and powers conferred on the Company or a Restricted Subsidiary, or to comply with any requirement of the SEC in connection with qualifying the Indenture

under the Act, or to make any change that does not adversely affect the rights of any Holder.

14. Defaults and Remedies

Under the Indenture, Events of Default include (i) default in payment of interest on the Securities when due, continued for 30 days; (ii) default in payment of principal on the Securities when due at maturity, upon redemption pursuant to paragraph 5 of the Securities, upon required purchase, upon acceleration or otherwise, or failure by the Company to redeem or purchase Securities when required; (iii) failure by the Company to comply with other agreements in the Indenture or the Securities, in certain cases subject to notice and lapse of time; (iv) certain accelerations or payment default in respect of other Indebtedness of the Company, any Subsidiary Guarantor or any Significant Subsidiary if the amount accelerated (or if the amount of such Indebtedness with respect to which such a payment is not made after expiration of any applicable grace period) exceeds $15.0 million; (v) certain events of bankruptcy or insolvency with respect to the Company, any Subsidiary Guarantor and the Significant Subsidiaries; (vi) certain judgments or decrees for the payment of money in excess of $15.0 million; and (vii) certain defaults with respect to Subsidiary Guaranties. If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Securities may declare all the Securities to be due and payable immediately. Certain events of bankruptcy or insolvency are Events of Default which will result in the Securities being due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives indemnity or security reasonably satisfactory to it. Subject to certain limitations, Holders of a majority in principal amount of the Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing Default (except a Default in payment of principal or interest) if it determines that withholding notice is in the best interest of the Holders.

15. Trustee Dealings with the Company

Subject to certain limitations imposed by the Trust Indenture Act, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee.

16. No Recourse Against Others

No director, officer, employee, incorporator or stockholder, as such, of the Company or any Subsidiary shall have any liability for any obligations of the Company or such Subsidiary under the Securities, any Subsidiary Guaranty or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By

accepting a Security, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

17. Authentication

This Security shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Security.

18. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with rights of survivorship and not as tenants in common), CUST (= custodian), and U/G/M/A (= Uniform Gift to Minors Act).

19. CUSIP Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Company has caused CUSIP numbers to be printed on the Securities and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Securities or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

20. Governing Law.

THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Company will furnish to any Holder upon written request and without charge to the Holder a copy of the Indenture which has in it the text of this Security in larger type. Requests may be made to:

Phillips-Van Heusen Corporation

200 Madison Avenue

New York, NY 10016

Attention: Secretary

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to

(Print or type assignee's name, address and zip code)

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint ; agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Date: Your Signature:

Sign exactly as your name appears on the other side of this Security.

In connection with any transfer of any of the Securities evidenced by this certificate occurring prior to the expiration of the period referred to in Rule 144(k) under the Securities Act after the later of the date of original issuance of such Securities and the last date, if any, on which such Securities were owned by the Company or any Affiliate of the Company, the undersigned confirms that such Securities are being transferred in accordance with its terms:

CHECK ONE BOX BELOW

(1) ☐ to the Company; or

(2) ☐ pursuant to an effective registration statement under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or

(3) ☐ inside the United States to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act; or

(4) ☐ outside the United States in an offshore transaction within the meaning of Regulation S under the Securities Act in compliance with Rule 904 of Regulation S under the Securities Act; or

(5) ☐ pursuant to the exemption from registration provided by Rule 144 under the Securities Act.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Securities evidenced by this certificate in the name of any person other than the registered holder thereof; provided, however, that if box (4) or (5) is checked, the Trustee shall be entitled to require, prior to registering any such transfer of the Securities, such legal opinions, certifications and other information as the Company or Registrar has reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, such as the exemption provided by Rule 144 under such Act.

Signature

Signature Guarantee:

Signature must be guaranteed Signature

Signatures must be guaranteed by an "eligible guarantor institution" 'meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

TO BE COMPLETED BY PURCHASER IF (3) ABOVE IS CHECKED

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Date:

NOTICE: To be executed by an executive officer

[TO BE ATTACHED TO GLOBAL SECURITIES]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY

The following increases or decreases in this Global Security have been made:

Date of Exchange	Amount of decrease in principal amount of this Global Security	Amount of increase in principal amount of this Global Security	Principal amount of this Global Security following such decrease or increase	Signature of authorized officer of Trustee or Securities Custodian

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased by the Company pursuant to Article 4 or Section 5.06 of the Indenture, check the box:

☐

If you want to elect to have only part of this Security purchased by the Company pursuant to Article 4 or Section 5.06 of the Indenture, state the amount in principal amount: $·

Date: Your Signature:

(Sign exactly as your name appears on the other side of this Security.)

Signature Guarantee:

(Signature must be guaranteed)

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT A

[FORM OF FACE OF EXCHANGE SECURITY
OR PRIVATE EXCHANGE SECURITY * **

* If the Security is to be issued in global form add the Global Securities Legend from Exhibit 1 to Appendix A and the attachment from such Exhibit 1 captioned "TO BE ATTACHED TO GLOBAL SECURITIES - SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY".

** If the Security is a Private Exchange Security issued in a Private Exchange to an Initial Purchaser holding an unsold portion of its initial allotment, add the Restricted Securities Legend from Exhibit 1 to Appendix A and replace the Assignment Form included in this Exhibit A with the Assignment Form included in such Exhibit 1.

Exhibit A-1

CUSIP No. ____

No. _____ $_____

7 1/4% Senior Notes due February 15, 2011

Phillips-Van Heusen Corporation, a Delaware corporation, promises to pay to Cede & Co., or registered assigns, the principal sum of · Dollars on February 15, 2011.

Interest Payment Dates: February 15 and August 15.

Record Dates: February 1 and August 1.

Additional provisions of this Security are set forth on the other side of this Security.

Dated:

Phillips-Van Heusen Corporation

By:
Name:
Title:

By:
Name:
Title:

TRUSTEE'S CERTIFICATE OF
AUTHENTICATION

SUNTRUST BANK,
as Trustee, certifies
that this is one of
the Securities referred to
in the Indenture.

by

Authorized Signatory

Exhibit A-2

[FORM OF REVERSE SIDE OF EXCHANGE SECURITY
OR PRIVATE EXCHANGE SECURITY]

[FORM OF REVERSE SIDE OF SECURITY]

7 1/4% Senior Notes due February 15, 2011

1. Interest

Phillips-Van Heusen Corporation, a Delaware corporation (such corporation, and its successors and assigns under the Indenture hereinafter referred to, being herein called the "Company"), promises to pay interest on the principal amount of this Security at the rate per annum shown above**[; provided, however, that if a Registration Default (as defined in the Registration Rights Agreement) occurs, additional interest will accrue on this Security at a rate of 0.25% per annum (increasing by an additional 0.25% per annum after each consecutive 90-day period that occurs after the date on which such Registration Default occurs up to a maximum additional interest rate of 1.00%) from and including the date on which any such Registration Default shall occur to but excluding the date on which all Registration Defaults have been cured or otherwise cease to exist.][1]** The Company will pay interest semiannually in arrears on February 15 and August 15 of each year, commencing August 15, 2004. Interest on the Securities will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from February 18, 2004. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company will pay interest on overdue principal at the above rate and will pay interest on overdue installments of interest at such rate to the extent lawful.

2. Method of Payment

The Company will pay interest on the Securities (except defaulted interest) to the Persons who are registered holders of Securities at the close of business on the February 1 or August 1 immediately preceding the interest payment date even if Securities are canceled after the record date and on or before the interest payment date. Holders must surrender Securities to a Paying Agent to collect principal payments. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Securities represented by a Global Security (including principal, premium, if any, and interest) will be made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company. The Company will make all payments in

1 Insert if at the date of issuance of the Exchange Security or Private Exchange Security (as the case may be) any Registration Default has occurred with respect to the related Initial Securities during the interest period in which such date of issuance occurs.

Exhibit A-3

respect of a certificated Security (including principal, premium, if any, and interest) by mailing a check to the registered address of each Holder thereof; provided, however, that payments on a certificated Security will be made by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

3. Paying Agent and Registrar

Initially, SunTrust Bank, a state banking corporation (the "Trustee") will act as Paying Agent and Registrar. The Company may appoint and change any Paying Agent, Registrar or co-registrar without notice. The Company or any of its domestically incorporated Wholly Owned Subsidiaries may act as Paying Agent, Registrar or co-registrar.

4. Indenture

The Company issued the Securities under an Indenture dated as of February 18, 2004 (the "Indenture"), between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb) as in effect on the date of the Indenture (the "Act"). Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Holders are referred to the Indenture and the Act for a statement of those terms.

The Securities are general unsecured obligations of the Company. The Company shall be entitled, subject to its compliance with Section 5.03 of the Indenture, to issue Additional Securities pursuant to Section 2.13 of the Indenture. The Securities issued on the Issue Date and any Additional Securities will be treated as a single class for all purposes under the Indenture. Subject to Section 5.14, the Indenture contains covenants that limit the ability of the Company and its subsidiaries to incur or guarantee additional indebtedness; pay dividends or make distributions on, or redeem or repurchase capital stock or subordinated indebtedness; make other restricted payments, including investments; sell or otherwise dispose of assets, including capital stock of subsidiaries; enter into transactions with affiliates; create certain liens; issue stock of subsidiaries; enter into sale/leaseback transactions; or consolidate or merge or sell all or substantially all of the Company's assets and the assets of its subsidiaries. These covenants are subject to important exceptions and qualifications.

5. Optional Redemption

Except as set forth below, the Company shall not be entitled to redeem the Securities at its option prior to February 15, 2008.

On and after February 15, 2008, the Company shall be entitled at its option to redeem all or a portion of the Securities upon not less than 30 nor more than 60 days'

notice, at the redemption prices (expressed in percentages of principal amount on the redemption date), plus accrued interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on February 15 of the years set forth below:

Period	Price
2008	103.625%
2009	101.813%
2010 and thereafter	100.000%

In addition, prior to February 15, 2007, the Company shall be entitled at its option on one or more occasions to redeem Securities (which includes Additional Securities, if any) in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Securities (which includes Additional Securities, if any originally issued at a redemption price (expressed as a percentage of principal amount) of 107.25%, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more Equity Offerings; *provided, however* that:

(1) at least 65% of such aggregate principal amount of Securities (which includes Additional Securities, if any) remains outstanding immediately after the occurrence of each such redemption (other than Securities held, directly or indirectly, by the Company or its Affiliates); and

(2) each such redemption occurs within 90 days after the date of the related Equity Offering.

6. Notice of Redemption

Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder of Securities to be redeemed at its registered address. Securities in denominations larger than $1,000 principal amount may be redeemed in part but only in whole multiples of $1,000. If money sufficient to pay the redemption price of and accrued interest on all Securities (or portions thereof) to be redeemed on the redemption date is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied, on and after such date interest ceases to accrue on such Securities (or such portions thereof) called for redemption.

7. Put Provisions

Upon a Change of Control, any Holder of Securities will have the right to cause the Company to repurchase all or any part of the Securities of such Holder at a repurchase price equal to 101% of the principal amount of the Securities to be repurchased plus accrued and unpaid interest, if any, to the date of repurchase (subject to the right of holders of record on the relevant record date to receive interest due on the related interest payment date) as provided in, and subject to the terms of, the Indenture.

8. Guarantee

The payment by the Company of the principal of, and premium and interest on, the Securities is guaranteed by the Subsidiary Guarantors, if any, on a joint and several basis, on the terms set forth in the Indenture.

9. Denominations; Transfer; Exchange

The Securities are in registered form without coupons in denominations of $1,000 principal amount and whole multiples of $1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer or exchange of any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities for a period of 15 days before a selection of Securities to be redeemed or 15 days before an interest payment date.

10. Persons Deemed Owners

The registered Holder of this Security may be treated as the owner of it for all purposes.

11. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its written request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

12. Discharge and Defeasance

Subject to certain conditions, the Company at any time shall be entitled to terminate some or all of its obligations under the Securities and the Indenture if the Company deposits with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Securities to redemption or maturity, as the case may be.

13. Amendment, Waiver

Subject to certain exceptions set forth in the Indenture, (i) the Indenture and the Securities may be amended with the written consent of the Holders of at least a majority in principal amount outstanding of the Securities and (ii) any default or noncompliance with any provision may be waived with the written consent of the Holders of a majority in principal amount outstanding of the Securities. Subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the Company, the Subsidiary Guarantors and the Trustee shall be entitled to amend the Indenture or the Securities to

cure any ambiguity, omission, defect or inconsistency, or to comply with Article 6 of the Indenture, or to provide for uncertificated Securities in addition to or in place of certificated Securities, or to add guarantees with respect to the Securities, including Subsidiary Guaranties, or to secure the Securities, or to add additional covenants or surrender rights and powers conferred on the Company or a Restricted Subsidiary, or to comply with any requirement of the SEC in connection with qualifying the Indenture under the Act, or to make any change that does not adversely affect the rights of any Holder.

14. Defaults and Remedies

Under the Indenture, Events of Default include (i) default in payment of interest on the Securities when due, continued for 30 days; (ii) default in payment of principal on the Securities when due at maturity, upon redemption pursuant to paragraph 5 of the Securities, upon required purchase, upon acceleration or otherwise, or failure by the Company to redeem or purchase Securities when required; (iii) failure by the Company to comply with other agreements in the Indenture or the Securities, in certain cases subject to notice and lapse of time; (iv) certain accelerations or payment default in respect other Indebtedness of the Company, any Subsidiary Guarantor or any Significant Subsidiary if the amount accelerated (or if the amount of such Indebtedness with respect to which such a payment is not made after expiration of any applicable grace period) exceeds $15.0 million; (v) certain events of bankruptcy or insolvency with respect to the Company, any Subsidiary Guarantor and the Significant Subsidiaries; (vi) certain judgments or decrees for the payment of money in excess of $15.0 million; and (vii) certain defaults with respect to Subsidiary Guaranties. If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Securities may declare all the Securities to be due and payable immediately. Certain events of bankruptcy or insolvency are Events of Default which will result in the Securities being due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives indemnity or security reasonably satisfactory to it. Subject to certain limitations, Holders of a majority in principal amount of the Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing Default (except a Default in payment of principal or interest) if it determines that withholding notice is in the best interest of the Holders.

15. Trustee Dealings with the Company

Subject to certain limitations imposed by the Trust Indenture Act, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee.

16. No Recourse Against Others

No director, officer, employee, incorporator or stockholder, as such, of the Company or any Subsidiary shall have any liability for any obligations of the Company or such Subsidiary under the Securities, any Subsidiary Guaranty or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

17. Authentication

This Security shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Security.

18. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with rights of survivorship and not as tenants in common), CUST (= custodian), and U/G/M/A (= Uniform Gift to Minors Act).

19. CUSIP Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Company has caused CUSIP numbers to be printed on the Securities and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Securities or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

20. Governing Law.

THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Company will furnish to any Holder upon written request and without charge to the Holder a copy of the Indenture which has in it the text of this Security in larger type. Requests may be made to:

Phillips-Van Heusen Corporation

200 Madison Avenue

New York, NY 10016

Attention: Secretary

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to

(Print or type assignee's name, address and zip code)

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint ; agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Date: Your Signature:

Sign exactly as your name appears on the other side of this Security.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased by the Company pursuant to Article 4 or Section 5.06 of the Indenture, check the box:

☐

If you want to elect to have only part of this Security purchased by the Company pursuant to Article 4 or Section 5.06 of the Indenture, state the amount in principal amount: $

Date: Your Signature:

(Sign exactly as your name appears on the other side of this Security.)

Signature Guarantee:

(Signature must be guaranteed)

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Exhibit 10.26

SECOND AMENDMENT AND WAIVER AGREEMENT

SECOND AMENDMENT AND WAIVER AGREEMENT, dated as of January 30, 2004 (this "Amendment Agreement"), to the Credit Agreement, dated as of October 17, 2002, as amended by the First Amendment and Waiver Agreement, dated as of December 13, 2002 (as the same may be further amended, supplemented or modified from time to time in accordance with its terms, the "Credit Agreement") among PHILLIPS-VAN HEUSEN CORPORATION, a Delaware corporation, THE IZOD CORPORATION, a Pennsylvania corporation, PVH WHOLESALE CORP., a Delaware corporation, PVH RETAIL CORP., a Delaware corporation, IZOD.COM INC., a Delaware corporation, G.H. BASS FRANCHISES INC., a Delaware corporation, CD GROUP INC., a Delaware corporation, the LENDERS party thereto, JPMORGAN CHASE BANK, as Administrative Agent and Collateral Agent, Lead Arranger and Sole Bookrunner, FLEET RETAIL FINANCE INC., as Co-Arranger and Co-Syndication-Agent, SUN TRUST BANK, as Co-Syndication Agent, THE CIT GROUP/COMMERCIAL SERVICES, INC., as Co-Documentation Agent and BANK OF AMERICA, N.A., as Co-Documentation Agent. Terms used herein and not otherwise defined herein shall have the meanings attributed thereto in the Credit Agreement.

WHEREAS, Section 5.11 of the Credit Agreement requires that each newly formed subsidiary of any Borrower will provide security to the extent required therein; and

WHEREAS, the Borrowers are requesting that each of such newly formed subsidiaries become a Borrower under the Credit Agreement; and

WHEREAS, the Borrowers have requested that the Lenders amend certain provisions of the Credit Agreement on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the fulfillment of the conditions set forth below, the parties hereto agree as follows:

SECTION 1. AMENDMENTS UNDER CREDIT AGREEMENT

1.1 PVH CK Stores, Inc., a Delaware corporation ("PVH CK"), PVH Ohio, Inc., a Delaware corporation ("PVH Ohio"), PVH Michigan, Inc., a Delaware corporation ("PVH Michigan"), PVH Pennsylvania, Inc., a Delaware corporation ("PVH Pennsylvania"), PVH Wholesale New Jersey, Inc., a Delaware corporation ("PVH New Jersey") and PVH Retail Management Corp., a Delaware corporation ("PVH Retail") shall be added as parties to the Credit Agreement and each such party shall become a "Borrower" as such term is defined in the Credit Agreement. By execution and delivery of this Amendment Agreement, (a) PVH CK, PVH Ohio, PVH Michigan, PVH Pennsylvania, PVH New Jersey and PVH Retail agree to be bound by the terms and provisions of the Credit Agreement applicable to a Borrower and (b) PVH CK, which is presently a Guarantor, shall cease to be a Guarantor and shall instead become a "Borrower" and agrees to be bound by the terms and provisions of the Credit Agreement applicable to a Borrower.

1.2 Section 1.01 of the Credit Agreement is hereby amended by adding the following defined term in the correct alphabetical order:

"'Eligible Licensing Receivables' means such receivables created by the Borrowers and the Guarantors in the ordinary course of business arising out of the licensing of goods or trademarks by the Borrowers and the Guarantors which are, and at all times shall continue to be, acceptable to the Administrative Agent in all respects. Standards of eligibility may be fixed and revised from time to time solely by the Administrative Agent in the Administrative Agent's exclusive judgment exercised in good faith in accordance with its customary credit policies. In general, without limiting the foregoing, a Licensing Receivable shall in no event be deemed to be an Eligible Licensing Receivable unless (a) the amount of such Receivable represents a fixed contractual minimum amount irrevocably payable under the applicable licensing agreement, payable at least quarterly pursuant to an invoice rendered to the licensee or, if not for a fixed contractual minimum amount, is payable at such times and on such terms and conditions, as is acceptable to the Administrative Agent in all respects, after completion of the Administrative Agent's due diligence and consultation with the Lenders as to appropriate amounts and advance rates, (b) the payment due is not more than 120 days past its invoice date, (c) the licensee has not asserted a dispute, offset, deduction or setoff, (d) the Administrative Agent shall have a first priority security interest, (e) such Licensing Receivable is denominated in dollars and payable in the United States, and (f) such Licensing Receivable would not otherwise be excluded as eligible by reason of the applicable criteria set forth in the definition of "Eligible Receivable."

1.3 The definition of "Availability Reserves" in Section 1.01 of the Credit Agreement is hereby amended by deleting the last sentence therein and by adding the following sentence at the end thereof:

"At any time that Covenant Availability is less than $70,000,000, there shall be a reserve with respect to the Design Service Payments in the amount of $5,000,000."

1.4 The definition of "Cash Interest Expense" in Section 1.01 of the Credit Agreement is hereby amended by inserting the phrase ", and the one time costs (including call premium) associated with repayment of the Subordinated Debt required to be treated as an interest expense under GAAP" immediately before the closed parenthesis at the end thereof.

1.5 The definition of "Permitted Investments" in Section 1.01 of the Credit Agreement is hereby amended by deleting subsections (b) and (d) in their entirety and substituting in lieu thereof the following:

"(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, a credit rating of at least A2 from Standard & Poor's or P2 from Moody's Investors Service, Inc.;"; and

"(d) investments in money market mutual funds having portfolio assets in excess of $2,000,000,000 that comply with the criteria set forth in Securities and Exchange Commission Rule 2a-7 under the Investment Company Act of 1940 and are rated at least A by Standard & Poor's and at least A by Moody's Investors Services, Inc.;".

1.6 Section 2.01 of the Credit Agreement is hereby amended by inserting "(x)" immediately following subsection (i) as it appears therein and inserting the following phrase "and (y) up to eighty percent (80%) of the Eligible Licensing Receivables" immediately following the words "Net Amount of Eligible Receivables" as it appears in subsection (i).

1.7 Section 6.01 of the Credit Agreement is hereby amended by adding the following subsections at the end thereof:

"(j) unsecured line of credit not to exceed 10,000,000 euros at any time outstanding offered by CK Service Corp. to Calvin Klein Europe S.r.l. (Italy);

(k) Derivative Obligations entered into in the ordinary course of business to hedge or mitigate risks to which PVH or any subsidiary is exposed in the conduct of its business or the management of its liabilities with any Lender or an Affiliate of any Lender in an aggregate principal amount for all such Obligations not to exceed $150,000,000 at any one time outstanding; and

(l) unsecured Indebtedness incurred solely for the purpose of effecting the redemption of the Subordinated Debt not to exceed $150,000,000 provided that such Indebtedness may not mature prior to May 1, 2008, may not have an interest rate greater than 8.5% per annum and shall contain such other terms and conditions as shall be reasonably acceptable to the Administrative Agent."

1.8 Section 6.06(d) of the Credit Agreement is hereby amended by deleting such section in its entirety and substituting in lieu thereof the following:

"PVH may acquire shares of its common stock only and declare and pay cash dividends with respect to its common and preferred stock (including its Preferred Stock (Convertible); provided that Restricted Payments made pursuant to clause (d) shall not exceed (i) $20,000,000 in the aggregate in any fiscal year from fiscal year 2002 through and including fiscal year 2003, (i)shall not exceed (i) $27,500,000 in the aggregate in fiscal year 2004, (iii) $28,500,000 in the aggregate in fiscal year 2005, (iv) $29,000,000 in the aggregate in fiscal year 2006, (v) $29,500,000 in the aggregate in fiscal year 2007 or (vi) $121,000,000 in the aggregate during the Availability Period; provided, further, that PVH may not acquire shares of its common stock or pay cash dividends pursuant to clause (d) in any fiscal quarter to the extent that (i) the Restricted Payment would not be permitted in such fiscal quarter under the Subordinated Debt Documents, (ii) Average Availability for the 30 day period (60 day period with respect to cash dividends on the Preferred Stock (Convertible)) prior to the date of such Restricted Payment, both before and immediately after giving effect to such Restricted Payment, shall be less than $70,000,000 or, solely in the case of fiscal year 2003, if such cash dividend is with respect to its common stock, $50,000,000, (iii) on the date of such Restricted Payment, both before and immediately after giving effect to such Restricted Payment, Covenant Availability shall

be less than $70,000,000 or, solely in the case of fiscal year 2003, if such cash dividend is with respect to its common stock, $50,000,000 or (iv) a Default exists or the making of such Restricted Payment would result in a Default."

SECTION 2. WAIVERS UNDER CREDIT AGREEMENT

2.1 The Required Lenders hereby waive compliance by the Borrowers with the provisions of (a) Section 6.03 of the Credit Agreement solely for the purposes of permitting the investment in and transfer of assets by PVH and PVH Wholesale Corp. to PVH CK, PVH Ohio, PVH Michigan, PVH Pennsylvania, PVH New Jersey and PVH Retail and (b) Section 6.05 of the Credit Agreement solely for the purposes of permitting PVH to redeem the Subordinated Debt.

SECTION 3. CONFIRMATION OF SECURITY DOCUMENTS

Each Borrower and Guarantor, by its execution and delivery of this Amendment Agreement, irrevocably and unconditionally ratifies and confirms in favor of the Administrative Agent that it consents to the terms and conditions of the Credit Agreement as it has been amended by this Amendment Agreement and that notwithstanding this Amendment Agreement, each Security Document to which such Borrower or Guarantor is a party shall continue in full force and effect in accordance with its terms and is and shall continue to be applicable to all of the Obligations.

SECTION 4. CONDITIONS PRECEDENT

This Amendment Agreement shall become effective (the "Effective Date") upon the execution and delivery of counterparts hereof by the parties listed below and the fulfillment of the following conditions:

(a) All representations and warranties contained in this Amendment Agreement or otherwise made in writing to the Administrative Agent in connection herewith shall be true and correct.

(b) No unwaived event has occurred and is continuing which constitutes a Default under the Credit Agreement.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent may reasonably request relating to the organization, existence and good standing of PVH Ohio, PVH Michigan, PVH Pennsylvania, PVH New Jersey and PVH Retail and any other matters relating to PVH Ohio, PVH Michigan, PVH Pennsylvania, PVH New Jersey and PVH Retail, all in form and substance reasonably satisfactory to the Administrative Agent.

(d) The Administrative Agent shall have received all documents (including Uniform Commercial Code financing statements) required by law or requested by the Administrative Agent to create in favor of the Administrative Agent perfected Liens with respect

to Collateral relating to PVH Ohio, PVH Michigan, PVH Pennsylvania, PVH New Jersey and PVH Retail.

(e) The Administrative Agent shall have received for the ratable benefit of the applicable Lenders an amendment fee in an amount equal to 10bps of the Commitment of each Lender that has executed this Amendment Agreement on or before January 30, 2004.

(f) The Administrative Agent shall have received replacement Notes reflecting the Borrowers added by this Amendment Agreement in form and substance satisfactory to the Administrative Agent. The Lenders agree to return their old Notes upon receipt of the replacement Notes.

(g) The Security Agreement shall have been amended to include PVH Ohio, PVH Michigan, PVH Pennsylvania, PVH New Jersey and PVH Retail as a "Pledgor" as such term is defined in therein. By execution and delivery of this Amendment Agreement PVH Ohio, PVH Michigan, PVH Pennsylvania, PVH New Jersey and PVH Retail (i) agree to be bound by all the terms and provisions of the Security Agreement, (ii) hereby, and thereby, grant a security interest in all assets owned by it which meet the description of Collateral set forth in the Security Agreement to secure all Secured Obligations and (iii) agree and confirm that it and such assets shall be subject to the terms and provisions of the Security Agreement.

(h) The Administrative Agent shall have received a fully completed and duly executed (i) Pledgor Addendum covering the Collateral relating to PVH Ohio, PVH Michigan, PVH Pennsylvania, PVH New Jersey and PVH Retail and (ii) Pledge Amendment duly executed and delivered by PVH.

(i) The Administrative Agent shall have received all fees and other amounts due and payable, on or prior to the Second Amendment Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrowers under the Credit Agreement or any other Financing Document.

(j) The Administrative Agent shall have received a favorable written opinion of counsel for the Borrowers with respect to the matters set forth in this Amendment Agreement in form and substance reasonably satisfactory to the Administrative Agent and such other documents (including, without limitation, updated schedules and any necessary modifications to the Borrowing Base Certificate, to reflect the inclusion of Eligible Licensing Receivables) as the Administrative Agent or the Administrative Agent's counsel shall reasonably deem necessary.

SECTION 5. MISCELLANEOUS

5.1 Each Borrower and each Guarantor reaffirms and restates the representations and warranties set forth in Article III of the Credit Agreement and all such representations and warranties shall be true and correct on the date hereof with the same force and effect as if made on such date, except as they may specifically refer to an earlier date and except as they may have been modified pursuant to the Schedules, if any, annexed to this Amendment Agreement in which event they shall be true and correct after giving effect to such modifications. Each Borrower and each Guarantor represents and warrants (which

representations and warranties shall survive the execution and delivery hereof) to the Administrative Agent that:

(a) it has the corporate power and authority to execute, deliver and carry out the terms and provisions of this Amendment Agreement and the transactions contemplated hereby and has taken or caused to be taken all necessary corporate action to authorize the execution, delivery and performance of this Amendment Agreement and the transactions contemplated hereby;

(b) no consent of any other person (including, without limitation, shareholders or creditors of any Borrower or any Guarantor), and no action of, or filing with any governmental or public body or authority is required to authorize, or is otherwise required in connection with the execution, delivery and performance of this Amendment Agreement;

(c) this Amendment Agreement has been duly executed and delivered on behalf of each Borrower and each Guarantor by a duly authorized officer, and constitutes a legal, valid and binding obligation of each Borrower and each Guarantor enforceable in accordance with its terms, subject to bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the enforcement of creditors' rights generally and the exercise of judicial discretion in accordance with general principles of equity;

(d) the execution, delivery and performance of this Amendment Agreement will not violate any law, statute or regulation, or any order or decree of any court or governmental instrumentality, or conflict with, or result in the breach of, or constitute a default under any contractual obligation of any Borrower or any Guarantor; and

(e) as of the date hereof (after giving effect to the consummation of the transactions contemplated under this Amendment Agreement) there exists no Default.

By its signature below, each Borrower and each Guarantor agree that it shall constitute an Event of Default if any representation or warranty made above should be false or misleading in any material respect.

5.2 Each Borrower and each Guarantor confirms in favor of the Administrative Agent and each Lender that it agrees that it has no defense, offset, claim, counterclaim or recoupment with respect to any of its obligations or liabilities under the Credit Agreement or any other Financing Document and that, except for the specific waiver(s) provided for herein, nothing herein shall be deemed to be a waiver of any covenant or agreement contained in the Credit Agreement, and except as herein expressly amended, the Credit Agreement and other Financing Documents are each ratified and confirmed in all respects and shall remain in full force and effect in accordance with their respective terms.

5.3 All references to the Credit Agreement and the other Financing Documents in the Credit Agreement, the Financing Documents and the other documents and instruments delivered pursuant to or in connection therewith shall mean such agreements as amended hereby and as each may in the future be amended, restated, supplemented or modified from time to time.

5.4 Upon presentation of its invoice, the Borrowers covenant and agree to pay in full all legal fees charged, and all costs and expenses incurred, by Kaye Scholer LLP, counsel to the Administrative Agent, in connection with the transactions contemplated under this Amendment Agreement.

5.5 This Amendment Agreement may be executed by the parties hereto individually or in combination, in one or more counterparts, each of which shall be an original and all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page by telecopier shall be effective as delivery of a manually executed counterpart.

5.6 THIS AMENDMENT AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES THEREOF THAT WOULD CALL FOR THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION.

5.7 The parties hereto shall, at any time and from time to time following the execution of this Amendment Agreement, execute and deliver all such further instruments and take all such further action as may be reasonably necessary or appropriate in order to carry out the provisions of this Amendment Agreement.

PHILLIPS-VAN HEUSEN CORPORATION, Borrower

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

THE IZOD CORPORATION, Borrower

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

PVH WHOLESALE CORP., Borrower

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

PVH RETAIL CORP., Borrower

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

IZOD.COM. INC., Borrower

By: /s/ Mark D. Fischer
Name: Mark D. Fischer
Title: Vice President

G.H. BASS FRANCHISES INC., Borrower

By: /s/ Mark D. Fischer
Name: Mark D. Fischer
Title: Vice President

CD GROUP INC., Borrower

By: /s/ Mark D. Fischer
Name: Mark D. Fischer
Title: Vice President

PVH CK STORES, INC., Borrower

By: /s/ Mark D. Fischer
Name: Mark D. Fischer
Title: Vice President

PVH OHIO, INC., Borrower

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

PVH MICHIGAN, INC., Borrower

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

PVH PENNSYLVANIA, INC., Borrower

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

PVH WHOLESALE NEW JERSEY INC., Borrower

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

PVH RETAIL MANAGEMENT CORP., Borrower

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

JPMORGAN CHASE BANK, individually and as Administrative and Collateral Agent, and as Lead Arranger

By: /s/ Donna M. DiForio
Name: Donna M. DiForio
Title: Vice President

FLEET RETAIL FINANCE INC., individually and as Co-Arranger and Co-Syndication Agent

By: /s/ Sally A. Sheehan
Name: Sally A. Sheehan
Title: Managing Director

Fleet Retail Group

SUN TRUST BANK, individually and as Co-Syndication Agent

By: /s/ Mark Pickering
Name: Mark Pickering
Title: Vice President

THE CIT GROUP/COMMERCIAL SERVICES, INC., individually and as Co-Documentation Agent

By: /s/ David Rothberg
Name: David Rothberg
Title: Assistant Vice President

BANK OF AMERICA, N.A., individually and as Co-Documentation Agent

By: /s/ Richard Levenson
Name: Richard Levenson
Title: SVP

THE BANK OF NEW YORK

By: /s/ Roger A. Grossman
Name: Roger A. Grossman
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Edward Chanko
Name: Edward Chanko
Title: AVP

WHITEHALL BUSINESS CREDIT CORPORATION

By: /s/ Arthur V. Lippens
Name: Arthur V. Lippens
Title: Vice President

TRANSAMERICA BUSINESS CAPITAL CORPORATION

By: /s/ Joseph Badini
Name: Joseph Badini
Title: Duly Authorized Signatory

STANDARD FEDERAL BANK NATIONAL ASSOCIATION

By: LASALLE BUSINESS CREDIT, LLC., as
Agent (formerly known as Michigan
National Bank, as successor-in-interest to
Mellon Bank, Inc.)

By: /s/ Karoline A. Moxham
Name: Karoline A. Moxham
Title: Asst. Vice President

CONGRESS FINANCIAL CORPORATION

By: /s/ James O'Connell
Name: James O'Connell
Title: Assistant Vice President

GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ Joseph Badini
Name: Joseph Badini
Title: Duly Authorized Signatory

BANK LEUMI USA

By: /s/ John Koenigsberg
Name: John Koenigsberg
Title: First VP

EXHIBIT 21

PHILLIPS-VAN HEUSEN SUBSIDIARIES

The following table lists all of the subsidiaries of Phillips-Van Heusen Corporation and the jurisdiction of incorporation of each subsidiary. Each subsidiary does business under its corporate name indicated in the table.

Name	State or Other Jurisdiction of Incorporation
BassNet, Inc.	Delaware
Calvin Klein, Inc.	New York
Calvin Klein (Europe), Inc.	Delaware
Calvin Klein (Europe II) Corp.	Delaware
Calvin Klein Europe S.r.l	Incorporated in Milan, Italy, domesticated in Delaware
Camisas Modernas, S.A.	Guatemala
Caribe M&I Ltd.	Cayman Islands
C.A.T. Industrial, S.A. de C.V.	Honduras
CD Group Inc.	Delaware
CK Service Corp.	Delaware
Confecciones Imperio, S.A.	Costa Rica
G.H. Bass Caribbean LLC	Delaware
G. H. Bass Franchises Inc.	Delaware
GHB (Far East) Limited	Hong Kong
Izod.com inc.	Delaware
Phillips-Van Heusen (Far East) Ltd.	Hong Kong
Phillips-Van Heusen Puerto Rico LLC	Delaware
PVH CK Stores, Inc.	Delaware
PVH Foreign Holdings Corp.	Delaware
PVH Michigan, Inc.	Delaware
PVH Ohio, Inc.	Delaware
PVH Pennsylvania, Inc.	Delaware
PVH Realty Corp.	Delaware
PVH Retail Corp.	Delaware
PVH Retail Management Company	Delaware
PVH Wholesale Corp.	Delaware
PVH Wholesale New Jersey, Inc.	Delaware
The IZOD Corporation	Pennsylvania

EXHIBIT 23

Consent of Independent Auditors

We consent to the incorporation by reference in

(i) Post-Effective Amendment No. 2 to the Registration Statement (Form S-8, No. 2-73803), which relates to the Phillips-Van Heusen Corporation Employee Savings and Retirement Plan,

(ii) Registration Statement (Form S-8, No. 33-50841) and Registration Statement (Form S-8, No. 33-59602), each of which relate to the Phillips-Van Heusen Corporation Associates Investment Plan for Residents of the Commonwealth of Puerto Rico,

(iii) Registration Statement (Form S-8, No. 33-59101), which relates to the Voluntary Investment Plan of Phillips-Van Heusen Corporation (Crystal Brands Division),

(iv) Post-Effective Amendment No. 4 to Registration Statement (Form S-8, No. 2-72959), Post Effective Amendment No. 6 to Registration Statement (Form S-8, No. 2-64564), and Post Effective Amendment No. 13 to Registration Statement (Form S-8, No. 2-47910), each of which relate to the 1973 Employee's Stock Option Plan of Phillips-Van Heusen Corporation,

(v) Registration Statement (Form S-8, No. 33-38698), Post-Effective Amendment No. 1 to Registration Statement (Form S-8, No. 33-24057) and Registration Statement (Form S-8, No. 33-60793), each of which relate to the Phillips-Van Heusen Corporation 1987 Stock Option Plan,

(vi) Registration Statement (Form S-8, No. 333-29765) which relates to the Phillips-Van Heusen Corporation 1997 Stock Option Plan,

(vii) Registration Statement (Form S-4, No. 333-57203), which relates to the 9.5% Senior Subordinated Notes due 2008,

(viii) Registration Statement (Form S-8, No. 333-41068) which relates to the Phillips-Van Heusen Corporation 2000 Stock Option Plan,

(ix) Registration Statement (Form S-3, No. 333-105218), which relates to the issuance of stock of Phillips-Van Heusen to the selling stockholders of Calvin Klein, Inc. and certain related companies,

(x) Registration Statement (Form S-4, No. 333-108329), which relates to the 8 1/8% Senior Unsecured Notes due 2013, and

(xi) Registration Statement (Form S-8, No. 333-109000), which relates to the Phillips-Van Heusen Corporation 2003 Stock Option Plan

of Phillips-Van Heusen Corporation and in the related Prospectuses of our report dated March 8, 2004 and the financial statement schedule of Phillips-Van Heusen Corporation included in this Annual Report (Form 10-K) for the year ended February 1, 2004.

ERNST & YOUNG LLP

New York, New York

April 2, 2004

EXHIBIT 99.1

CERTIFICATE PURSUANT TO SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Phillips-Van Heusen Corporation (the "Company") for the fiscal year ended February 1, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bruce J. Klatsky, Chairman and Chief Executive Officer of the Company, certify, pursuant to section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

i. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
ii. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 7, 2004

By: /s/ Bruce J. Klatsky

Name: Bruce J. Klatsky

Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 99.2

CERTIFICATE PURSUANT TO SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Phillips-Van Heusen Corporation (the "Company") for the fiscal year ended February 1, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Emanuel Chirico, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

i. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
ii. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 7, 2004

By: /s/ Emanuel Chirico

Name: Emanuel Chirico

Executive Vice President and

Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 99.3

I, Bruce J. Klatsky, certify that:

1. I have reviewed this annual report on Form 10-K of Phillips-Van Heusen Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 7, 2004

/s/ Bruce J. Klatsky

Bruce J. Klatsky

Chairman and Chief Executive Officer

EXHIBIT 99.4

I, Emanuel Chirico, certify that:

1. I have reviewed this annual report on Form 10-K of Phillips-Van Heusen Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 7, 2004

/s/ Emanuel Chirico

Emanuel Chirico

Executive Vice President and

Chief Financial Officer