

SECURITIES & EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 2, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-07572

PHILLIPS-VAN HEUSEN CORPORATION

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

13-1166910  
(IRS Employer  
Identification No.)

200 Madison Avenue New York, New York 10016

(Address of principal executive offices)

Registrant's telephone number (212) 381-3500

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 (or for such shorter period that registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.

Yes  No

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

The number of outstanding shares of common stock, par value \$1.00 per share, of Phillips-Van Heusen Corporation as of May 20, 2004: 30,777,467 shares.

PHILLIPS-VAN HEUSEN CORPORATION

INDEX

PART I -- FINANCIAL INFORMATION

Item 1 - Financial Statements

Report of Independent Registered Public Accounting Firm

1

Condensed Consolidated Balance Sheets as of May 2, 2004,

2

Condensed Consolidated Income Statements for the Thirteen Weeks Ended May 2, 2004 and May 4, 2003	3
Condensed Consolidated Statements of Cash Flows for the Thirteen Weeks Ended May 2, 2004 and May 4, 2003	4
Notes to Condensed Consolidated Financial Statements	5-11
Item 2 - Management's Discussion and Analysis of Results of Operations and Financial Condition	12-16
Item 3 - Quantitative and Qualitative Disclosures About Market Risk	16
Item 4 - Controls and Procedures	17
PART II -- OTHER INFORMATION	
Item 2 - Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities	18
Item 6 - Exhibits and Reports on Form 8-K	18-21
Signatures	22

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: Forward-looking statements in this Form 10-Q report including, without limitation, statements relating to the Company's plans, strategies, objectives, expectations and intentions, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward- looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy, and some of which might not be anticipated, including, without limitation, the following: (i) the Company's plans, strategies, objectives, expectations and intentions are subject to change at any time at the discretion of the Company; (ii) the levels of sales of the Company's apparel and related products, both to its wholesale customers and in its retail stores, and the levels of sales of the Company's licensees at wholesale and retail, and the extent of discounts and promotional pricing in which the Company and its 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) the Company's plans and results of operations will be affected by the Company's ability to manage its growth and inventory, including the Company's ability to realize revenue growth from developing and growing Calvin Klein; (iv) the Company's operations and results could be affected by quota restrictions (which, among other things, could limit the Company's ability to produce products in cost-effective countries that have the labor and technical expertise needed), the availability and cost of raw materials (particularly petroleum-based synthetic fabrics, which are currently in high demand), the Company's ability to adjust timely to changes in trade regulations and the migration and development of manufacturers (which can affect where the Company's products can best be produced), and 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 the Company's 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 the Company with no substantial adverse affect on the acquired entity's, or the Company's existing operations, employee relationships, vendor relationships, customer relationships or financial performance; (vii) the failure of the Company's licensees to market successfully licensed products or to preserve the value of the Company's brands, or their misuse of the Company's brands and (viii) other risks and uncertainties indicated from time to time in the Company's filings with the Securities and Exchange Commission.

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

## PART I - FINANCIAL INFORMATION

### ITEM 1 - FINANCIAL STATEMENTS

## Report of Independent Registered Public Accounting Firm

We have reviewed the condensed consolidated balance sheets of Phillips-Van Heusen Corporation as of May 2, 2004 and May 4, 2003 and the related condensed consolidated income statements and statements of cash flows for the thirteen week periods ended May 2, 2004 and May 4, 2003. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Phillips-Van Heusen Corporation as of February 1, 2004, and the related consolidated income statement, statement of changes in stockholders' equity, and

statement of cash flows for the year then ended (not presented herein) and in our report dated March 8, 2004, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of February 1, 2004, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG LLP

New York, New York

May 19, 2004

-1-

Phillips-Van Heusen Corporation

Condensed Consolidated Balance Sheets

(In thousands, except share and per share data)

	<u>UNAUDITED</u>	<u>AUDITED</u>	<u>UNAUDITED</u>
	May 2,	February 1,	May 4,
	<u>2004</u>	<u>2004</u>	<u>2003</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 122,985	\$ 132,988	\$ 19,567
Accounts receivable, less allowances for doubtful accounts of			
\$6,591, \$5,863 and \$4,575	114,832	96,691	134,574
Inventories	194,026	218,428	251,353
Other, including deferred taxes of \$17,164, \$17,164 and \$27,404	<u>32,394</u>	<u>40,805</u>	<u>44,672</u>
Total Current Assets	464,237	488,912	450,166
Property, Plant and Equipment	136,416	138,537	139,787
Goodwill	165,651	160,391	94,742
Tradenames and Other Intangible Assets	628,758	628,773	450,628
Other Assets, including deferred taxes of \$45,429 as of May 4, 2003	<u>26,655</u>	<u>22,670</u>	<u>78,780</u>
	<u>\$1,421,717</u>	<u>\$1,439,283</u>	<u>\$1,214,103</u>

LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	\$ 42,514	\$ 49,772	\$ 42,341
Accrued expenses	<u>121,458</u>	<u>133,092</u>	<u>123,090</u>
Total Current Liabilities	163,972	182,864	165,431
Long-Term Debt	399,504	399,097	374,033
Other Liabilities, including deferred taxes of \$178,918, \$178,269 and \$0	301,448	296,419	126,062
Series B convertible redeemable preferred stock, par value \$100 per share; 10,000 shares authorized, issued and outstanding			
	264,746	264,746	254,493
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 30,811,519; 30,645,744 and 30,353,297	30,812	30,646	30,353
Additional Capital	157,280	155,397	151,787
Retained Earnings	139,655	145,649	146,605
Accumulated Other Comprehensive Loss	<u>(35,151)</u>	<u>(35,081)</u>	<u>(34,275)</u>
	292,596	296,611	294,470
Less: 38,094; 33,045 and 28,581 shares of common stock held in treasury - at cost	<u>(549)</u>	<u>(454)</u>	<u>(386)</u>
Total Stockholders' Equity	<u>292,047</u>	<u>296,157</u>	<u>294,084</u>
	<u>\$1,421,717</u>	<u>\$1,439,283</u>	<u>\$1,214,103</u>

See accompanying notes.

-2-

Phillips-Van Heusen Corporation  
Condensed Consolidated Income Statements  
Unaudited  
(In thousands, except per share data)

	Thirteen Weeks Ended	
	May 2,	May 4,
	<u>2004</u>	<u>2003</u>
Net sales	\$339,623	\$347,581
Royalty and other revenues	<u>41,660</u>	<u>36,096</u>
Total revenues	381,283	383,677
Cost of goods sold	<u>207,951</u>	<u>222,063</u>
Gross profit	173,332	161,614

Selling, general and administrative expenses	<u>153,038</u>	<u>156,312</u>
Income before interest and taxes	20,294	5,302
Interest expense	18,181	8,657
Interest income	<u>338</u>	<u>93</u>
Income (loss) before taxes	2,451	(3,262)
Income tax expense (benefit)	<u>858</u>	<u>(1,109)</u>
Net income (loss)	1,593	(2,153)
Preferred stock dividends	<u>5,281</u>	<u>4,493</u>
Net loss available to common stockholders	<u>\$ (3,688)</u>	<u>\$ (6,646)</u>
Basic and diluted net loss per common share	<u>\$ (0.12)</u>	<u>\$ (0.22)</u>
Dividends declared per common share	<u>\$ 0.075</u>	<u>\$ 0.075</u>

See accompanying notes.

-3-

Phillips-Van Heusen Corporation

Condensed Consolidated Statements of Cash Flows

Unaudited

(In thousands)

	<u>Thirteen Weeks Ended</u>	
	May 2, <u>2004</u>	May 4, <u>2003</u>
OPERATING ACTIVITIES:		
Net income (loss)	\$ 1,593	\$ (2,153)
Adjustments to reconcile to net cash provided (used) by operating activities:		
Depreciation and amortization	7,056	6,776
	649	(1,386)

Deferred income taxes		
Prepayment penalty on early extinguishment of debt	7,293	
Changes in operating assets and liabilities:		
Receivables	(18,141)	(31,845)
Inventories	24,402	(5,514)
Accounts payable and accrued expenses	(18,892)	(21,654)
Prepays and other-net	<u>13,089</u>	<u>2,029</u>
Net Cash Provided (Used) By Operating Activities	<u>17,049</u>	<u>(53,747)</u>
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(4,137)	(2,894)
Contingent purchase price payments to Mr. Klein	(5,260)	(4,932)
Acquisition of Calvin Klein, net of acquired cash		<u>(408,000)</u>
Net Cash Used By Investing Activities	<u>(9,397)</u>	<u>(415,826)</u>
FINANCING ACTIVITIES:		
Purchase and redemption of 9 1/2% senior subordinated notes	(157,293)	
Proceeds from issuance of 7 1/4% senior unsecured notes, net of related fees	145,271	
Proceeds from issuance of 10% secured term loan		125,000
Proceeds from revolving line of credit		16,500
Payments on revolving line of credit		(16,500)
Proceeds from issuance of Series B convertible redeemable preferred stock, net of related fees		249,250
Exercise of stock options	2,049	43
Acquisition of treasury shares	(95)	
Cash dividends on common stock	(2,306)	(2,274)
Cash dividends on preferred stock	<u>(5,281)</u>	
Net Cash Provided (Used) By Financing Activities	<u>(17,655)</u>	<u>372,019</u>
Decrease in cash	(10,003)	(97,554)
Cash at beginning of period	<u>132,988</u>	<u>117,121</u>
Cash at end of period	<u>\$ 122,985</u>	<u>\$ 19,567</u>

See accompanying notes.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

## GENERAL

The Company's 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.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not contain all disclosures required by accounting principles generally accepted in the United States for complete financial statements. Reference should be made to the audited consolidated financial statements, including the notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2004.

The preparation of interim financial statements in conformity with accounting principles generally accepted in the United States 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.

The results of operations for the thirteen weeks ended May 2, 2004 and May 4, 2003 are not necessarily indicative of those for a full fiscal year due, in part, to seasonal factors. The data contained in these financial statements are unaudited and are subject to year end adjustments. However, in the opinion of management, all known adjustments (which consist only of normal recurring accruals) have been made to present fairly the consolidated operating results for the unaudited periods.

Certain reclassifications have been made to the condensed consolidated financial statements for the prior year periods to present that information on a basis consistent with the current year.

## INVENTORIES

Inventories, comprised principally of finished goods, are stated at the lower of cost or market. Cost for certain apparel inventories 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 May 2, 2004, February 1, 2004 and May 4, 2003, no LIFO reserve was recorded because LIFO cost approximated FIFO cost.

The final determination of cost of sales and inventories under the LIFO method is made at the end of each fiscal year based on inventory cost and quantities on hand. Interim LIFO determinations are based on management's estimates of expected year-end inventory levels and costs. Such estimates are subject to revision at the end of each quarter. Since estimates of future inventory levels and costs are subject to external factors, interim financial results are subject to year-end LIFO inventory adjustments.

## EARNINGS PER SHARE

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

	<u>Thirteen Weeks Ended</u>	
	<u>5/2/04</u>	<u>5/4/03</u>
Net income (loss)	\$ 1,593	\$ (2,153)
Less: Preferred stock dividends	<u>5,281</u>	<u>4,493</u>
Net loss available to common stockholders for basic and diluted net loss per common share	<u>\$ (3,688)</u>	<u>\$ (6,646)</u>

weighted average common shares outstanding for		
basic and diluted net loss per common share	<u>30,715</u>	<u>29,929</u>
Basic and diluted net loss per common share	<u>\$(0.12)</u>	<u>\$(0.22)</u>

Options to purchase 450 and 3,674 shares of common stock were excluded from the computation of diluted net loss per common share for the thirteen weeks ended May 2, 2004 and May 4, 2003, respectively, because the options were not dilutive. In addition, employee stock options to purchase 1,348 and 247 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 the thirteen weeks ended May 2, 2004 and May 4, 2003, respectively, because net income available to common stockholders was a loss. Conversion of the Company's convertible redeemable preferred stock into approximately 18,910 and 16,091 common shares outstanding for the thirteen weeks ended May 2, 2004 and May 4, 2003, respectively, was not assumed because the inclusion thereof would have been antidilutive.

#### COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is as follows:

	<u>Thirteen Weeks Ended</u>	
	<u>5/2/04</u>	<u>5/4/03</u>
Net income (loss)	\$1,593	\$(2,153)
Other comprehensive income (loss), net of taxes:		
Foreign currency translation adjustments	(70)	95
Comprehensive income (loss)	<u>\$1,523</u>	<u>\$(2,058)</u>

The income tax effect related to foreign currency translation adjustments was a benefit of \$43 and an expense of \$58 for the thirteen weeks ended May 2, 2004 and May 4, 2003, respectively.

#### 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.

-6-

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

	<u>Thirteen Weeks Ended</u>	
	<u>5/2/04</u>	<u>5/4/03</u>
Net income (loss) - as reported	\$ 1,593	\$(2,153)
Deduct: Stock-based employee compensation expense determined under fair value method, net of related tax effects	625	804
Net income (loss) - as adjusted	<u>\$ 968</u>	<u>\$(2,957)</u>
Net loss per common share:		
Basic and diluted - as reported	<u>\$(0.12)</u>	<u>\$(0.22)</u>
Basic and diluted - as adjusted	<u>\$(0.14)</u>	<u>\$(0.25)</u>

#### 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 purchase price 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., 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.

Please see the notes entitled "Convertible Redeemable Preferred Stock," "Goodwill," "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 2003 instead of on February 12, 2003, the Company's proforma consolidated results of operations would have been:

	<u>Thirteen Weeks Ended</u>
	<u>5/4/03</u>
Total revenues	\$388,241
Net loss	\$ (2,523)
Basic and diluted net loss per common share	\$ (0.25)

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 the end of 2003, the Company charged \$9,607 to this liability, leaving \$10,117 in this liability at February 1, 2004. During the first quarter of 2004, \$1,254 was charged to this liability, leaving \$8,863 in this liability at May 2, 2004.

#### ASSET IMPAIRMENTS, 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."

-7-

Costs associated with these activities are as follows:

	Total Expected	Incurred	Cumulative
	<u>to be Incurred</u>	<u>in Quarter</u>	<u>Incurred</u>
		<u>Ended 5/2/04</u>	<u>Through 5/2/04</u>
Severance and termination benefits	\$ 7,325	\$2,869	\$ 4,578
Long-lived asset impairments	3,130		3,130
Inventory liquidation costs	3,669	262	3,669
Lease termination costs	3,000		
Other wholesale footwear exit costs	4,910	2,348	3,701
Relocation of retail operations costs	<u>3,886</u>	<u>148</u>	<u>148</u>
Total	<u>\$25,920</u>	<u>\$5,627</u>	<u>\$15,226</u>

Liabilities recorded in connection with these activities are as follows:

	Liability	Costs Incurred	Costs Paid	Liability
	<u>at 2/1/04</u>	<u>During Quarter</u>	<u>During Quarter</u>	<u>at 5/2/04</u>
		<u>Ended 5/2/04</u>	<u>Ended 5/2/04</u>	
Severance and termination benefits	<u>\$1,660</u>	<u>\$2,869</u>	<u>\$557</u>	<u>\$3,972</u>

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, other wholesale footwear exit costs and the relocation of retail operations 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*

During 2003 and 2002, the Company's retail factory outlet stores were under significant competitive pressure, which 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 and \$168 was incurred in the first quarter of 2004. Of the amounts incurred, approximately \$1,500 and \$60 were included in accrued expenses as of the end of 2003 and the first quarter of 2004, respectively.

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.

-8-

#### CONVERTIBLE REDEEMABLE PREFERRED STOCK

In connection with the Calvin Klein acquisition, the Company issued to affiliates of Apax Managers, Inc. and Apax Partners Europe Managers Limited (collectively, "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 May 2, 2004, the liquidation preference of the convertible redeemable preferred stock was \$264,746. 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.

#### 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 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.

Net benefit cost was recognized as follows:

	<u>Pension Plans</u>		<u>Postretirement Plan</u>	
	<u>Thirteen Weeks Ended</u>		<u>Thirteen Weeks Ended</u>	
	<u>5/2/04</u>	<u>5/4/03</u>	<u>5/2/04</u>	<u>5/4/03</u>
Service cost, including expenses	\$ 1,338	\$ 1,039		
Interest cost	2,980	2,879	\$ 585	\$ 611
Amortization of net loss	1,548	967	310	292
Expected return on plan assets	(3,082)	(2,949)		
Amortization of prior service cost	484	464	(111)	(111)
	<u>\$ 3,268</u>	<u>\$ 2,400</u>	<u>\$ 784</u>	<u>\$ 792</u>

#### GOODWILL

The changes in the carrying amount of goodwill for the period ended May 2, 2004, by segment, are as follows:

	Apparel and		
	Related	Calvin Klein	
	<u>Products</u>	<u>Licensing</u>	<u>Total</u>
Balance as of February 1, 2004	\$94,742	\$65,649	\$160,391
Contingent purchase price payments to Mr. Klein		<u>5,260</u>	<u>5,260</u>
Balance as of May 2, 2004	<u>\$94,742</u>	<u>\$70,909</u>	<u>\$165,651</u>

-9-

#### LONG-TERM DEBT

Long-term debt is as follows:

	<u>5/2/04</u>	<u>2/1/04</u>	<u>5/4/03</u>

7 1/4% senior unsecured notes due 2011	\$150,000		
8 1/8% senior unsecured notes due 2013	150,000	\$150,000	
7 3/4% debentures due 2023	99,504	99,501	\$ 99,493
9 1/2% senior subordinated notes due 2008		149,596	149,540
10% secured term loan due 2005			<u>125,000</u>
	<u>\$399,504</u>	<u>\$399,097</u>	<u>\$374,033</u>

In connection with the Calvin Klein acquisition, the Company entered into a 10% secured term loan agreement for \$125,000 with the holders of the redeemable convertible preferred stock. 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 Company used the net proceeds of the offering to repay the \$125,000 10% secured term loan from the holders of the redeemable convertible preferred stock, plus accrued interest. The notes accrue interest at the rate of 8 1/8% per annum, which is payable semi-annually.

On February 18, 2004, the Company issued \$150,000 of senior unsecured notes due 2011. The net proceeds of the offering after related fees was \$145,271. 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. The total cash paid for purchase and redemption, including a prepayment penalty, was \$157,293.

#### NONCASH INVESTING AND FINANCING TRANSACTIONS

Omitted from the Company's Investing Activities and Financing Activities sections of the Condensed Consolidated Statement of Cash Flows for the thirteen weeks ended May 4, 2003 were certain noncash transactions related to the acquisition of Calvin Klein. 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.

Omitted from the Financing Activities section of the Condensed Consolidated Statement of Cash Flows for the thirteen weeks ended May 4, 2003 were preferred dividends of \$4,493, as the Company elected not to pay a cash dividend in the first quarter of 2003 on the Company's convertible redeemable preferred stock that was issued to finance the acquisition.

#### 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*, *Kenneth Cole Reaction*, *Bass/G.H. Bass & Co.*, *Calvin Klein*, *ck Calvin Klein* and *BCBG Max Azria* (introduced for Father's Day 2004). 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 through three *Calvin Klein* image stores, of high-end apparel and accessories collections for men and women under the *Calvin Klein Collection* brand. The Company includes the *Calvin Klein Collection* business in the Calvin Klein Licensing segment because management views the purpose of the *Calvin Klein Collection* business as building and marketing the *Calvin Klein* brands, which supports and benefits all of the brands' licensing businesses.

-10-

	<u>Segment Data</u>	
	<u>Thirteen Weeks Ended</u>	
	<u>5/2/04</u>	<u>5/4/03</u>
<u>Revenues - Apparel and Related Products</u>		
Net sales	\$336,703	\$338,326
Royalty and other revenues	<u>3,608</u>	<u>3,765</u>
Total	\$340,311	\$342,091
<u>Revenues - Calvin Klein Licensing</u>		
Net sales	\$ 2,920	\$ 9,255
Royalty and other revenues	<u>38,052</u>	<u>32,331</u>
Total	\$ 40,972	\$ 41,586
<u>Total revenues</u>		
Net sales	\$339,623	\$347,581
Royalty and other revenues	<u>41,660</u>	<u>36,096</u>
Total	<u>\$381,283</u>	<u>\$383,677</u>
Operating income - Apparel and Related Products	\$ 15,267	\$ 15,025
Operating income (loss) - Calvin Klein Licensing	13,246	(2,708)
Corporate expenses	8,219	7,015

Income before interest and taxes	\$ 20,294	\$ 5,302

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.

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

	<u>Thirteen Weeks Ended</u>	
	<u>5/2/04</u>	<u>5/4/03</u>
Domestic	\$22,938	\$22,033
Foreign	18,034	19,553
	\$40,972	\$41,586

#### 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 May 2, 2004 was \$790. The maximum amount guaranteed under all three contracts is \$4,500. The guarantees expire on January 31, 2005.

-11-

## ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

### 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*, *Kenneth Cole Reaction*, *BCBG Max Azria* and, beginning in late 2004, *MICHAEL Michael Kors* and *Chaps*, which are licensed. We acquired Calvin Klein, Inc., a lifestyle design and marketing company, and certain affiliated companies, 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, information technology, finance and accounting expertise across all of our brands, which allows us to respond rapidly to changes in sales trends and customer demands.

Our results in 2004 are being impacted by certain initiatives we took to focus our strategic efforts to supporting and growing our dress shirt, sportswear and Calvin Klein businesses. In the fourth quarter of 2003, we announced we would exit the wholesale footwear business on February 2, 2004 by licensing the *Bass* brand for wholesale distribution of footwear to Brown Shoe and announced the closing of underperforming retail outlet stores across our *Van Heusen*, *IZOD*, *Bass* and *Geoffrey Beene* retail outlet chains. We estimate that the pre-tax costs to be incurred in connection with these actions will approximate \$40.0 million. (Please see the note entitled "Asset Impairments, Activity Exit Costs and Other Charges" in the Notes to Condensed Consolidated Financial Statements.) 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.

The following discussion of results of operations references integration costs incurred in 2003 associated with the acquisition of Calvin Klein, which was completed on February 12, 2003. Calvin Klein integration costs included: (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 at the end of 2003 and (ii) the costs of certain duplicative personnel and facilities incurred during the integration of various logistical and back office functions.

### RESULTS OF OPERATIONS

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*, *Kenneth Cole Reaction*, *BCBG Max Azria* (introduced for Father's Day 2004) 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 *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. Royalty and other revenues relate principally to licensing the *Calvin Klein*, *IZOD* and *Van Heusen* trademarks. In the first quarter of 2004, net sales were 89.1% and royalty and other revenues were 10.9% of our total revenues. In the first quarter of 2003, net sales were 90.6% and royalty and other revenues were 9.4% of our total revenues.

-12-

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 50.2% of such expenses in the first quarter of 2004. Rent and occupancy for offices, warehouses and retail stores is the next largest expense, comprising 19.9% of selling, general and administrative expenses in the first quarter of 2004.

#### Thirteen Weeks Ended May 2, 2004 Compared With Thirteen Weeks Ended May 4, 2003

##### Net Sales

Net sales in the first quarter of 2004 decreased \$8.0 million to \$339.6 million from \$347.6 million in the prior year. Of this \$8.0 million decrease, \$6.3 million was attributable to the Calvin Klein Licensing segment, resulting principally from the loss of sales of \$6.0 million related to the *Calvin Klein* men's and women's high-end collection apparel businesses which we transferred to Vestimenta. The remaining \$1.7 million decrease was attributable to the Apparel and Related Products segment. This decrease was due principally to the loss of sales of \$20.5 million associated with our exit of the wholesale footwear business in connection with the license to Brown Shoe. This decrease was mostly offset by an increase in our wholesale apparel business, in particular our dress shirt business, and increases in our retail outlet businesses as same store sales increases offset the effect of closing underperforming stores.

Net sales for the full year 2004 are expected to include the effect of exiting and starting various businesses, including, without limitation, the following: (i) the loss of the net sales attributable to the wholesale distribution of footwear, which in 2003 was \$61.3 million; (ii) the loss of the net sales attributable to closing underperforming stores; (iii) 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 were transferred under the license with Vestimenta, the net sales of which were \$21.8 million in 2003; and (iv) 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 beginning with the Fall 2004 season and additional *Calvin Klein* retail outlet store openings in premium outlet malls. We currently intend to open as many as 75 *Calvin Klein* outlet stores over the next four to five years.

##### Royalty and Other Revenues

Royalty and other revenues in the first quarter of 2004 increased \$5.6 million to \$41.7 million from \$36.1 million in the prior year. This increase was due principally to overall growth in the Calvin Klein Licensing segment as well as an additional nine days of revenues in the current year's first quarter in that segment, as we acquired Calvin Klein nine days after the beginning of the first quarter of 2003.

The net effect of the net sales items and royalty and other revenues discussed above, as well as anticipated changes in our ongoing businesses, is currently expected to result in an increase in 2004 full year total revenues of 1.75%-2.75%.

##### Gross Profit on Total Revenues

Gross profit on total revenues in the first quarter of 2004 was \$173.3 million, or 45.5% of total revenues, compared with \$161.6 million, or 42.1% of total revenues in the prior year. This increase was due principally to the following factors: (i) 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%; (ii) the elimination of the negative impact in 2003 of the *Calvin Klein* men's and women's high-end collection apparel businesses which were licensed at the end of 2003; (iii) increases in our retail outlet businesses as lower inventory levels and the closing of underperforming outlet stores led to less promotional selling; and (iv) increases in our wholesale apparel businesses due principally to less promotional selling.

-13-

We currently anticipate that the gross profit percentage increase experienced in the first quarter of 2004 will not be as pronounced during the remainder of the year. We are currently estimating the full year gross profit percentage to increase 120 to 140 basis points over 2003.

##### Selling, General and Administrative Expenses

Selling, general and administrative expenses in the first quarter of 2004 decreased \$3.3 million to \$153.0 million, or 40.1% of total revenues, from \$156.3 million, or 40.7% of total revenues, in the prior year. This decrease was attributable to the following factors: (i) a \$15.3 million decrease due to the elimination of expenses associated with Calvin Klein integration costs, (ii) a \$4.2 million increase related to the opening of *Calvin Klein* retail outlet stores, (iii) a \$4.3 million increase in the Calvin Klein Licensing segment due principally to an increase in advertising spending and (iv) a \$3.5 million increase in other expenses, including corporate expenses, due principally to supporting the growth in our wholesale apparel businesses.

We currently anticipate the 2004 full year selling, general and administrative expense percentage to be relatively flat with the prior year.

##### Interest Expense, Net

Net interest expense in the first quarter of 2004 was \$17.8 million compared with \$8.6 million in the prior year. This increase was due principally to a prepayment penalty of \$7.3 million and the write-off of \$2.1 million of debt issuance costs associated with our purchase and redemption of our 9 1/2% senior subordinated notes due 2008 on February 18, 2004. These notes were purchased and redeemed with the net proceeds of the issuance on February 18, 2004 of 7 1/4% senior unsecured notes due 2011 and available funds. 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 taxes for the current year are estimated at a rate of 35.0%, compared with last year's full year rate of 35.8%. The decrease in the current year's rate relates principally to (i) anticipated higher pre-tax income, which causes state and local franchise taxes that are not based on income to become a lower percentage, and (ii) decreased non-deductible expenses included in pre-tax book income as the prior year included certain non-deductible expenses associated with the sale of our minority interest in Gant.

## LIQUIDITY AND CAPITAL RESOURCES

Our cash requirements are principally to fund growth in working capital, primarily accounts receivable and inventory to support increases in sales, and capital expenditures, including investments in information technology, warehousing and distribution and our retail stores. Historically, we have financed these requirements from internally generated cash flow or seasonal borrowings under our revolving credit facility.

### Operating Activities

Cash provided by operating activities was \$17.0 million in the first quarter of 2004 compared with cash used by operating activities of \$53.7 million in the prior year. Cash flow from net income (loss), adjusted for depreciation and amortization, deferred income taxes and the prepayment penalty on the early extinguishment of debt, increased \$13.4 million compared with the prior year. The remaining \$57.3 million increase in operating cash flow relates principally to the following: (i) cash flow from receivables increased \$13.7 million due principally to exiting the wholesale footwear business, and (ii) cash flow from inventories increased \$29.9 million due principally to exiting the wholesale footwear business and a reduction in dress shirt inventories. The reduction in dress shirt inventories is attributable to the timing of core product intake. We experienced a build up of core product inventory in our dress shirt business caused by a slowdown in replenishment orders in the first quarter of 2003. This excess inventory

-14-

position was rectified by reducing core product intake during the remainder of 2003, allowing us to end the first quarter of 2004 with a more favorable inventory position and (iii) cash flow from prepaid and other-net increased \$11.1 million, due principally to February 2004 rent payments being prepaid in 2003. Rent payments for February 2003 were not prepaid in 2002.

### Investing Activities

Cash used by investing activities was \$9.4 million in the first quarter of 2004, compared with \$415.8 million in the prior year. Our investing activities for the first quarter of 2003 were impacted significantly by the Calvin Klein acquisition. Please see the note entitled "Noncash Investing and Financing Transactions" in the Notes to Condensed Consolidated Financial Statements for a description of certain costs associated with the Calvin Klein acquisition. In connection with the Calvin Klein acquisition, we are making contingent purchase price payments to Mr. Klein based on a percentage of worldwide sales of products bearing any of the *Calvin Klein* brands. Such amount was \$5.3 million for the first quarter of 2004, compared with \$4.9 million in the prior year. Capital spending in the first quarter of 2004 was \$4.1 million compared with \$2.9 million in the prior year.

### Financing Activities

On February 18, 2004, we issued \$150.0 million of 7 1/4% senior unsecured notes due 2011. The net proceeds of this offering after related fees were \$145.3 million. We used the net proceeds of this issuance and available cash to purchase and redeem our 9 1/2% senior subordinated notes due 2008. The total cash paid for purchase and redemption, including a prepayment penalty, was \$157.3 million.

Also impacting financing activities for the first quarter of 2004 were preferred dividends of \$5.3 million on our convertible redeemable preferred stock. We chose not to pay the preferred dividends in cash in the prior year's first quarter. In addition, cash flow from the exercise of employee stock options increased \$2.0 million compared with the prior year.

Our financing activities for the first quarter of 2003 were impacted significantly by the Calvin Klein acquisition. In order to finance the acquisition, we issued \$250.0 million of convertible redeemable preferred stock. The cash proceeds of this issuance after related fees were \$249.3 million. In addition, we entered into a \$125.0 million 10% secured term loan. We refinanced this term loan with a portion of the net proceeds received from the \$150.0 million of 8 1/8% senior unsecured notes due 2013 that were issued on May 5, 2003. Please see the notes entitled "Convertible Redeemable Preferred Stock," "Long-Term Debt" and "Noncash Investing and Financing Transactions" in the Notes to Condensed Consolidated Financial Statements.

Total debt, which excludes convertible redeemable preferred stock, as a percentage of total capital was 41.8% as of May 2, 2004 compared with 41.6% and 40.5% as of February 1, 2004 and May 4, 2003, respectively. Total capital includes interest-bearing debt, convertible redeemable preferred stock and stockholders' equity. These percentages, net of cash, were 33.2%, 32.2% and 39.3% as of May 2, 2004, February 1, 2004 and May 4, 2003, respectively.

We currently expect our cash flow from operating activities in 2004 to be in the range of \$95.0 million to \$105.0 million. Capital expenditures in 2004 are currently expected to be in the 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 our various Calvin Klein businesses. 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.

-15-

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 May 2, 2004, we had no borrowings and \$147.0 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.

#### 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, and additional moderation may occur in the future.

#### ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial instruments held by the Company include cash equivalents and long-term debt. Based upon the amount of cash equivalents held at May 2, 2004 and the average net amount of cash equivalents that the Company currently anticipates holding during 2004, the Company believes that a change of 100 basis points in interest rates would not have a material effect on the Company's 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 the Company's Annual Report on Form 10-K for the year ended February 1, 2004 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 the Company's sales and expenses are currently denominated in United States dollars. However, certain of the Company's operations and license agreements, particularly in the Calvin Klein Licensing segment, expose the Company 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 the Company based on the local currency in which the licensees operate, with the Company bearing the risk of exchange rate fluctuations and (ii) the Company's 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. The Company 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 May 2, 2004. The Company believes that future exchange rate changes will not have a material effect on the Company's financial condition or results of operations.

-16-

#### ITEM 4 - CONTROLS AND PROCEDURES

As of May 2, 2004, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of May 2, 2004. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in Company 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 the Company's internal control over financial reporting during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 2 - CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

ISSUER PURCHASES OF EQUITY SECURITIES <sup>(1)</sup>

		(b)	(c) Total Number	(d) Maximum Number
	(a) Total	Average	of Shares (or Units)	(or Approximate Dollar
	Number of	Price Paid	Purchased as Part	Value) of Shares (or
	Shares (or	per Share	of Publicly	Units) that May Yet Be
	Units) Purchased	(or Unit)	Announced Plans	Purchased Under the
Period			or Programs	Plans or Programs
February 2, 2004 -				
February 29, 2004	0	0	-	-
March 1, 2004 -				



April 4, 2004	0	0	-	-
April 5, 2004 -				
May 2, 2004	<u>5,049</u>	<u>\$18.82</u>	=	=
Total	<u>5,049</u>	<u>\$18.82</u>	=	=

(1) Our stock option plans generally provide participants with the right to deliver previously owned stock to pay the exercise price of stock options. All shares shown in the table were delivered in payment of the exercise price for stock options that permitted such delivery.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibits are included herein:

- 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 the Company's 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 the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 1977).
  - 3.2 Amendment to Certificate of Incorporation, filed June 27, 1984 (incorporated by reference to Exhibit 3B to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 1985).
  - 3.3 Certificate of Designation of Series A Cumulative Participating Preferred Stock, filed June 10, 1986 (incorporated by reference to Exhibit A of the document filed as Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the period ended May 4, 1986).
  - 3.4 Amendment to Certificate of Incorporation, filed June 2, 1987 (incorporated by reference to Exhibit 3(c) to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1988).
- 18-
- 3.5 Amendment to Certificate of Incorporation, filed June 1, 1993 (incorporated by reference to Exhibit 3.5 to the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1994).
  - 3.6 Amendment to Certificate of Incorporation, filed June 20, 1996 (incorporated by reference to Exhibit 3.1 to the Company's 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 the Company's 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 the Company's 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 the Company's 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 the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1981).
  - 4.2 Preferred Stock Purchase Rights Agreement (the "Rights Agreement"), dated June 10, 1986 between Phillips-Van Heusen Corporation and The Chase Manhattan Bank, N.A. (incorporated by reference to Exhibit 3 to the Company's 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 Phillips-Van Heusen Corporation and The Chase Manhattan Bank, N.A. (incorporated by reference to Exhibit 4(c) to the Company's Annual Report on Form 10-K for the year ended February 2, 1987).
  - 4.4 Supplemental Rights Agreement and Second Amendment to the Rights Agreement, dated as of July 30, 1987, between Phillips-Van Heusen Corporation and The Chase Manhattan Bank, N.A. (incorporated by reference to Exhibit (c)(4) to the Company's Schedule 13E-4, Issuer Tender Offer Statement, dated July 31, 1987).
  - 4.5 Third Amendment to Rights Agreement, dated June 30, 1992, from Phillips-Van Heusen Corporation to The Chase Manhattan Bank, N.A. and The Bank of New York (incorporated by reference to Exhibit 4.5 to the

Company's 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 the Company's 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 the Company's 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 the Company's Current Report on Form 8-K, filed on February 26, 2003).

-19-

- 4.9 Indenture, dated as of April 22, 1998, with Phillips-Van Heusen Corporation as issuer and Union Bank of California, N.A., as Trustee (incorporated by reference to Exhibit 4.7 to the Company's Quarterly Report on Form 10-Q for the period ended May 3, 1998).
- 4.10 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 4.01 to the Company's 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 Phillips-Van Heusen Corporation and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.15 to the Company's 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 the Company's 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 the Company's 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 (incorporated by reference to Exhibit 4.14 to the Company's Annual Report on Form 10-K for the period ended February 1, 2004).
- + 10.1 Employment Agreement, dated as of April 2, 2004, between Phillips-Van Heusen Corporation and Bruce J. Klatsky.
- + 10.2 Phillips-Van Heusen Corporation 1997 Stock Option Plan, effective as of April 29, 1997, as amended through April 9, 2004.
- + 10.3 Phillips-Van Heusen Corporation 2000 Stock Option Plan, effective as of April 27, 2000, as amended through April 9, 2004.
- + 10.4 Phillips-Van Heusen Corporation 2003 Stock Option Plan, effective as of May 1, 2003, as amended through April 9, 2004.
- 15. Acknowledgement of Independent Accountants.
- 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.

(b) Reports on Form 8-K filed during the quarter ended May 2, 2004:

The Company filed a report on Form 8-K under Item 5 "Other Events and Regulation FD Disclosure" dated as of

The Company filed a report on Form 8-K under Item 5, "Other Events and Regulation FD Disclosure," dated as of February 9, 2004, to disclose the issuance of a press release by the Company. The purpose of such press release was to announce that the Company had commenced an offer to sell \$150,000 of senior unsecured notes due 2011.

-20-

The Company filed a report on Form 8-K, dated as of February 9, 2004, to disclose the issuance of a press release by the Company. The purpose of such press release was to announce that the Company had received the requisite consents to amend its indenture relating to its 9 1/2% senior subordinated notes due 2008.

The Company filed a report on Form 8-K, dated as of February 12, 2004, to disclose the issuance of a press release by the Company. The purpose of such press release was to announce that the Company had priced its offering of \$150,000 of senior unsecured notes due February 15, 2011. The notes accrue interest at the rate of 7 1/4% per annum.

The Company filed a report on Form 8-K, dated as of February 18, 2004, to disclose the issuance of a press release by the Company. The purpose of such press release was to announce the Company had completed its offering of \$150,000 of senior unsecured notes due February 15, 2011. The notes accrue interest at the rate of 7 1/4% per annum. In addition, the Company also announced that it had called for redemption on February 24, 2004 all of its outstanding 9 1/2% senior subordinated notes due 2008.

The Company filed a report on Form 8-K, dated as of February 27, 2004, to disclose the issuance of a press release by the Company. The purpose of such press release was to announce the Company's offer to purchase for cash its outstanding 9 1/2% senior subordinated notes due 2008 expired at 12:00 midnight, New York City time, on February 26, 2004, and was not extended.

The Company filed a report on Form 8-K, dated as of April 12, 2004, disclosing the Company's entrance into a six year employment agreement with the Company's Chairman and Chief Executive Officer.

+ Filed herewith.

SIGNATURES

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

PHILLIPS-VAN HEUSEN CORPORATION

Registrant

Dated: June 8, 2004

/s/ Vincent A. Russo

Vincent A. Russo

Vice President and Controller



## EMPLOYMENT AGREEMENT

AGREEMENT between PHILLIPS-VAN HEUSEN CORPORATION, a Delaware corporation (the "Company"), and BRUCE J. KLATSKY (the "Executive"), dated as of April 12, 2004 (the "Effective Date").

WHEREAS, the Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication of the Executive;

WHEREAS, the Executive and the Company wish to set forth the terms and conditions of the Executive's employment in this Agreement, which will consolidate the rights and obligations under the existing arrangements between the parties, including without limitation, the letter agreement between the Company and the Executive, dated as of September 15, 1998 (the "1998 Letter Agreement");

WHEREAS, the Company desires to ensure that, in the event of the Executive's cessation of employment with the Company, the Executive will be bound by certain restrictive covenants;

WHEREAS, in consideration for the Executive's waiver of future participation in the Company's long-term incentive compensation plans, including without limitation, the Company's 1997, 2000 and 2003 Stock Option Plans (the "Option Plans") and the Company's Long-Term Incentive Plan (the "LTIP"), and their respective successor plans, the Board has determined to grant the Executive stock options to acquire shares of Company common stock, par value \$1.00 ("Share"), under the Option Plans in accordance with the terms set forth in Section 2(b)(iii) hereof;

WHEREAS, the parties hereto desire to enter into this Agreement to set forth the terms and conditions of the Executive's employment with the Company, to replace and supersede the 1998 Letter Agreement and to amend or clarify the Company's and the Executive's rights and obligations under certain plans and arrangements of the Company.

NOW THEREFORE, in consideration of the mutual promises and covenants made herein and the mutual benefits to be derived from this Agreement, the parties hereto agree as follows:

1. Employment Period. The Company hereby agrees to continue to employ the Executive, and the Executive hereby agrees to continue to serve the Company, subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on sixth anniversary of the Effective Date (the "Employment Period").
2. Terms of Employment. (a) Position and Duties. (i) During the Employment Period, (A) the Executive shall serve as Chairman of the Board and Chief Executive Officer of the Company, with such duties and responsibilities as are consistent with such positions in a company the size and nature of the Company, (B) the Executive shall report directly to the Board and (C) the Executive's services shall be performed at the Company's headquarters in New York, New York as of the Effective Date or such other location as may be mutually agreed between the Company and the Executive.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote substantially all of his business attention and time to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period, the Executive shall be entitled to serve as a member of the board of directors of a reasonable number of other companies, to serve on civic and charitable boards and to manage his personal and family investments, in each case, to the extent such activities do not materially interfere, in the reasonable judgment of the Board (or a committee thereof), with the performance of his duties for the Company and are otherwise consistent with the Company's governance policies.

(b) Compensation (i) Annual Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary") at a rate of \$1.2 million, payable in accordance with the Company's normal payroll policies. The Executive's Annual Base Salary shall be reviewed for increase at least annually by the Board pursuant to its normal performance review policies for senior executives. Annual Base Salary shall not be reduced after any increase, and the term Annual Base Salary as utilized in this Agreement shall refer to the Executive's annual base salary as then in effect.

(ii) Annual Bonus. With respect to each fiscal year ending during the Employment Period, the Executive shall be entitled to participate in the Company's annual incentive plan as in effect from time to time, with the Executive's annual bonus opportunity being higher than the bonus opportunity of any other eligible executive under the plan, and otherwise on a basis no less favorable than other executives of the Company.

(iii) Special Option Award. On the Effective Date, the Company shall grant the Executive stock options to purchase an aggregate of 1,750,000 Shares (collectively the "Option"), of which, options to purchase 84,700 Shares shall be granted from the 1997 Stock Option Plan, options to purchase 155,360 Shares shall be granted from the 2000 Stock Option Plan and options to purchase 1,509,940 Shares shall be granted from the 2003 Stock Option Plan. Notwithstanding the foregoing, the grant of the Option in respect of 309,940 Shares under the 2003 Stock Option Plan shall be subject to the Company's receipt of stockholder approval of an amendment to the 2003 Stock Option Plan providing for an increase in the maximum number of Shares that may be granted to a participant under such plan in any year. The Option shall have a term of seven years from the date of grant, subject to earlier expiration as provided herein. The per Share exercise price of the Shares underlying the Option shall be equal to the "fair market value" (as defined in the applicable Option Plan) of a Share as of the date of grant. Subject to the Executive's continued employment with the Company (except as otherwise provided in this Section 2(b)(iii)), the Option shall vest in full on the sixth anniversary of the date of grant; *provided, however*, that, if the closing price of a Share on the New York Stock Exchange averages \$22.50 or higher for any period of 20 consecutive trading days following the grant date, the Option shall vest with respect to 50% of the Shares underlying the Option; another 25% of the Shares underlying the Option shall vest

2

if such closing price of a Share averages \$25.00 or higher for any 20 consecutive trading-day period; and the remaining 25% of the Shares underlying the Option shall vest if such closing price of a Share averages \$27.50 or higher for any 20 consecutive trading-day period; and, *provided, further*, that the Option shall fully vest upon the earliest to occur of the following events: (A) a termination of the Executive's employment by the Company without Cause or by the Executive for Good Reason (each as defined in Exhibit A attached hereto), (B) upon the Executive's death or Disability (as defined in Exhibit A attached hereto), or (C) upon a Change in Control (as defined in Exhibit A attached hereto). Upon a termination for Cause, the unvested portion of the Option shall be forfeited, and the vested portion shall remain exercisable for the shorter of 90 days from the Date of Termination (as defined in Section 3(e)) and the remaining portion of the seven-year term. Except as otherwise provided in this Section 2(b)(iii) and Sections 4 and 5 below, the Option shall be governed by the terms of the applicable Option Plan; *provided, however*, that notwithstanding anything to the contrary in any such Option Plan, this Agreement or otherwise, the Option shall not vest on an accelerated basis upon the Executive's retirement (meaning, for this purpose, the Executive's voluntary termination of employment), and, to the extent not previously vested as of any such retirement, the unvested portion of the Option shall be forfeited and cancelled as of the Date of Termination.

(iv) Long-Term Incentive Plans. Except as the Board or a committee thereof may otherwise determine, in its sole discretion, to take into account special circumstances, the Option granted pursuant to Section 2(b)(iii) above shall be in lieu of any future annual stock option or other equity award grants, or any participation in LTIP cycles beginning in fiscal year 2004 and thereafter, and the Executive hereby waives his right to any such future grants and participation.

(v) Welfare Benefits. During the Employment Period, the Executive shall be entitled to participate in the employee welfare benefit programs of the Company on a basis no less favorable than the basis the Executive was participating in such programs immediately prior to the Effective Date.

(vi) Supplemental Savings Plan. Notwithstanding any provision to the contrary in the Company's Supplemental Savings Plan, in the event that the Executive's employment is terminated by the Company at any time after the Effective Date or there is a Change in Control, all accrued benefits under the Supplemental Savings Plan shall be paid to the Executive in a lump sum as soon as practicable after the Date of Termination or the date of the Change in Control, as applicable. Except as provided in the foregoing sentence, the terms of the Supplemental Savings Plan and the Executive's elections under such plan (if any) shall govern with respect to all other terminations of employment. This Section 2(b)(vi) shall survive the expiration of the Employment Period.

(vii) Supplemental Defined Benefit Plan. Notwithstanding any provision to the contrary in the Company's Supplemental Defined Benefit Plan, in the event the Executive's employment is terminated by the Company at any time after the Effective Date or there is a Change in Control, all accrued benefits under the Supplemental Defined Benefit Plan shall be paid to the Executive in a lump sum as soon as practicable after the Date of Termination or the date of the Change in Control, as applicable. Except as provided in the

3

foregoing sentence, the terms of the Supplemental Defined Benefit Plan and the Executive's elections under such plan (if any) shall govern with respect to all other terminations of employment. This Section 2(b)(vii) shall survive the expiration of the Employment Period.

(viii) Capital Accumulation Plan. Notwithstanding any provision to the contrary in the capital accumulation program agreement between the Executive and the Company, dated as of February 12, 1987, as amended (the "CAP Agreement"), the Executive's benefits under the CAP Agreement shall become immediately payable (A) upon a termination of the Executive's employment by the Company without Cause or by the Executive for Good Reason, (B) upon the Executive's retirement, death or Disability or (C) upon a termination of the Executive's employment following a Change in Control, in a lump sum equal to the undiscounted value of the future payments. Upon a termination of the Executive's employment for Cause, the CAP Agreement benefit shall be forfeited consistent with the terms of the CAP Agreement. This Section 2(b)(viii) shall survive the expiration of the Employment Period.

3. Termination of Employment. (a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. In the event of the Executive's Disability, either party may provide the other with written notice in accordance with Section 12(b) of this Agreement of his or its intention to terminate the Executive's employment due to Disability. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), *provided* that, if the notice is given by the Company, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties.

(b) With or Without Cause. The Executive is an employee at will and the Company may terminate the Executive's employment either with or without Cause.

(c) With or Without Good Reason. The Executive's employment may be terminated by the Executive voluntarily with or without Good Reason.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination is other than the date of receipt of such notice, specifies the Date of Termination (which date shall be not more than 30 days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

4

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive with or without Good Reason, the date of receipt of the Notice of Termination or any later date specified therein within 30 days of such notice, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

(f) Resignation. Upon termination of the Executive's employment for any reason, the Executive agrees to resign, effective as of the Date of Termination, from any positions that the Executive holds with the Company and its affiliates, the Board (and any committees thereof), unless the Board requests otherwise and the Executive agrees, and the board of directors (and any committees thereof) of any of the Company's affiliates.

4. Obligations of the Company upon Termination. (a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment without Cause (and other than as a result of the Executive's death or Disability), or the Executive shall terminate employment for Good Reason, the Company shall pay or provide to the Executive the following amounts and benefits:

(i) the severance payment and benefits continuation provided pursuant to Section 5 of the Special Severance Benefit Plan as in effect as of January 1, 2004 (the "Severance Plan") upon a termination of employment following a "change in control" (as defined in the Severance Plan), except that, in the case of the continuation of any medical, dental, life or disability insurance coverage, if the applicable plan or policy does not permit such continued participation, the Company shall provide the Executive with the economic equivalent thereof on an after-tax basis;



- (ii) an amount equal to the Executive's unpaid Annual Base Salary for services through the Date of Termination;
- (iii) the Option shall vest in full and remain exercisable for the shorter of three years from the Date of Termination and the remaining portion of the seven-year term;
- (iv) except as otherwise provided in clause (iii) of this Section 4(a) with respect to the Option, all other equity awards outstanding as of the Date of Termination, if any, shall vest in full, and any outstanding stock options shall remain exercisable for the period applicable to retirees under the applicable option plan;
- (v) the benefits under the CAP Agreement in accordance with Section 2(b)(viii) above;
- (vi) any amounts earned or owing to the Executive but not yet paid, including any incentive payment earned for performance periods that have ended prior to the Date of Termination; and

5

- (vii) other payments, entitlements or benefits, if any, shall be paid or provided in accordance with terms of the applicable plans, programs, arrangements or other agreements of the Company or any affiliate thereof as to which the Executive held rights to such payments, entitlements or benefits, whether as a participant, beneficiary or otherwise on the Date of Termination.

In addition, (A) upon a termination by the Company without Cause, the Executive shall be entitled to the accrued benefits under the Supplemental Savings Plan in accordance with Section 2(b)(vi) above and the accrued benefits under the Supplemental Defined Benefit Plan in accordance with Section 2(b)(vii) above; and (B) upon a termination by the Executive for Good Reason, the Executive shall be entitled to the accrued benefits under the Supplemental Savings Plan and the Supplemental Defined Benefit Plan in accordance with the terms of the applicable plan and the Executive's elections under such plans (if any).

(b) Death or Disability. If the Executive's employment is terminated by reason of the Executive's death or Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive or his legal representatives, as applicable, under this Agreement, other than for the payment of the amounts and provision of the benefits set forth below:

- (i) an amount equal to the Executive's unpaid Annual Base Salary for services through the Date of Termination;
- (ii) the Option shall vest in full and remain exercisable for the shorter of three years from the Date of Termination and the remaining portion of the seven-year term;
- (iii) except as otherwise provided in clause (ii) of this Section 4(b) with respect to the Option, all other equity awards outstanding as of the Date of Termination, if any, shall vest in full, and any outstanding stock options shall remain exercisable for the period applicable to retirees under the applicable option plan;
- (iv) until the third anniversary of the Date of Termination, continued coverage of the Executive and his eligible dependents, as applicable, under the Company's medical insurance plan, as in effect from time to time with respect to executives of the Company;
- (v) the accrued benefits under the Supplemental Savings Plan and the Supplemental Defined Benefit Plan in accordance with the terms of the applicable plan and the Executive's elections under such plans (if any);
- (vi) the benefits under the CAP Agreement in accordance with Section 2(b)(viii) above;
- (vii) any amounts earned or owing to the Executive but not yet paid, including any incentive payment earned for performance periods that have ended prior to the Date of Termination; and
- (viii) other payments, entitlements or benefits, if any, shall be paid or provided in accordance with terms of the applicable plans, programs, arrangements or other agreements of the Company or any affiliate thereof as to which the Executive held rights to such payments, entitlements or benefits, whether as a participant, beneficiary or otherwise on the Date of Termination.

6

(c) Cause. If the Executive's employment shall be terminated by the Company for Cause, this Agreement shall terminate without further obligations to the Executive, other than for the payment of the amounts and provision of the benefits set forth below:

- (i) an amount equal to the Executive's unpaid Annual Base Salary for services through the Date of Termination;
- (ii) for 90 days after the Date of Termination, the portion of the Option that was vested as of the Date of Termination, if any, shall remain exercisable, and the portion of the Option that was not vested as of the Date of Termination shall be forfeited and cancelled effective as of the Date of Termination;
- (iii) except as otherwise provided in clause (ii) of this Section 4(c) with respect to the Option, all other equity awards outstanding as of the Date of Termination, whether or not vested as of the Date of Termination, shall be forfeited and cancelled effective as of the Date of Termination;
- (iv) the accrued benefits under the Supplemental Savings Plan and the Supplemental Defined Benefit Plan in accordance with the terms of the applicable plan and the Executive's elections under such plans (if any); and
- (v) other payments, entitlements or benefits, if any, shall be paid or provided in accordance with applicable plans, programs, arrangements or other agreements of the Company or any affiliate thereof as to which the Executive held rights to such payments, entitlements or benefits, whether as a participant, beneficiary or otherwise on the Date of Termination, provided that in no event shall the Executive be entitled to any benefits under the Severance Plan.

(d) Retirement. If the Executive's employment is terminated by reason of the Executive's retirement during the Employment Period (meaning, for purposes of this Section 4(d), the Executive's voluntary termination of employment), this Agreement shall terminate without further obligations to the Executive under this Agreement, except as provided in this Section 4(d). For purposes of this Section 4(d), the Executive's retirement shall not be deemed to be a breach of any agreement between the Company and the Executive. Any voluntary resignation (which shall not include a resignation in connection with a termination by the Company for Cause) of the Executive during the Employment Period shall be deemed to be a retirement and shall be treated as a retirement for purposes of any plan, policy, program or arrangement of the Company or any affiliate thereof as to which the Executive held rights, whether as a participant, beneficiary or otherwise on the Date of Termination or of any agreement between the Company and the Executive, including this Agreement; *provided, however*, that, notwithstanding anything to the contrary in this Agreement, any stock option plan of the Company or otherwise, the Option shall not vest on an accelerated basis upon the Executive's retirement, and, to the extent the Option has not previously vested as of any such

7

retirement, the unvested portion of the Option shall be forfeited and cancelled effective as of the Date of Termination. Upon the Executive's retirement, the portion of the Option that was vested as of the Date of Termination, if any, shall remain exercisable for the shorter of three years from such Date of Termination and the remaining portion of the seven-year term. Upon termination due to retirement, the Executive shall be entitled to any amounts earned or owing to the Executive but not yet paid, including any incentive payment earned for performance periods that have ended prior to the Date of Termination.

5. Change in Control Protections. Nothing in this Agreement is intended to alter the Executive's rights under the terms of the Severance Plan or the CAP Agreement upon a "change in control" (as defined in the Severance Plan and the CAP Agreement, respectively); *provided, however*, that in no event shall the Executive be entitled to payments and benefits under the Severance Plan and/or the CAP Agreement that are duplicative of any payments or benefits provided under this Agreement. In addition, upon a Change in Control, (a) the Option shall vest in full and, upon the termination of the Executive's employment following the Change in Control (other than a termination by the Company for Cause), shall remain exercisable for the shorter of three years from the Executive's Date of Termination and the remaining portion of the seven-year term, (b) all other outstanding stock options shall fully vest and, upon the termination of the Executive's employment following the Change in Control (other than a termination by the Company for Cause), shall remain exercisable for the period applicable to retirees under the applicable option plan, and (c) all other outstanding awards shall be governed by the terms of the applicable plan or award agreement. This Section 5 shall survive the expiration of the Employment Period.

6. Certain Additional Payments by the Company. (a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment, distribution, benefit or other entitlement by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 6) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"),

then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 6(c), all determinations required to be made under this Section 6, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's auditors or such other nationally recognized certified public accounting firm reasonably acceptable to the Executive as may be designated by the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within fifteen business days of the receipt of notice from the

8

Executive that there has been a Payment, or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 6, shall be paid by the Company to the Executive or directly to the Internal Revenue Service, in the sole discretion of the Company, within five days of the later of (i) the due date for the payment of any Excise Tax, and (ii) the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive, subject to the provisions of this Section 6. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 6(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which he gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

- (i) give the Company any information reasonably requested by the Company relating to such claim,
- (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,
- (iii) cooperate with the Company in good faith in order effectively to contest such claim, and
- (iv) permit the Company to participate in any proceedings relating to such claim;

*provided, however*, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 6(c), the Company shall control all proceedings taken in connection

9

with such contest, and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either pay the tax claimed to the appropriate taxing authority on behalf of the Executive and direct the Executive to sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; *provided, however*, that, if the Company pays such claim and directs the Executive to sue for a refund, the Company shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such payment or with respect to any imputed income in connection with such payment; and *provided, further*, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which the Gross-Up Payment would be payable hereunder, and the Executive shall

be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of a payment by the Company of an amount on the Executive's behalf pursuant to Section 6(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 6(c)) promptly after his receipt pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after payment by the Company of an amount on the Executive's behalf pursuant to Section 6(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then the amount of such payment shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

7. No Duplication; No Mitigation; Limited Offset. In no event shall the Executive be entitled to duplicate payments or benefits under different provisions of this Agreement or pursuant to the terms of any other plan, program or arrangement of the Company or its affiliates. In the event of any termination of the Executive's employment, the Executive shall be under no obligation to seek other employment, and, there shall be no offset against amounts due the Executive under this Agreement or pursuant to any plan of the Company or any of its affiliates on account of any remuneration attributable to any subsequent employment or any claim asserted by the Company or any of its affiliates, except with respect to the continuation of benefits under Section 4(a)(i) (excluding for this purpose the severance payment referred to in Section 4(a)(i)) or 4(b)(iv), which shall terminate immediately upon obtaining comparable coverage from another employer during such three-year period in accordance with the terms of the Severance Plan.

8. Indemnification. The Executive shall be entitled to indemnification (and the advancement of expenses) in connection with a litigation or proceeding arising out of the Executive's acting as Chairman of the Board, Chief Executive Officer or an employee, officer or director of the Company, to the fullest extent permitted by applicable law; *provided, however,*

10

that in the event that it is finally determined that the Executive is not entitled to indemnification, the Executive shall promptly return any advanced amounts to the Company. In addition, the Executive shall be entitled to liability insurance coverage pursuant to a Company- purchased directors' and officers' liability insurance policy on the same basis as other directors and officers of the Company. This Section 8 shall survive the expiration of the Employment Period.

9. Restrictive Covenants. (a) Confidentiality. The Executive recognizes that any knowledge and information of any type whatsoever of a confidential nature relating to the business of the Company, including, without limitation, all types of trade secrets, vendor and customer lists and information, employee lists and information, information regarding product development, marketing plans, management organization information, operating policies and manuals, sourcing data, performance results, business plans, financial records, and other financial, commercial, business and technical information (collectively, "Confidential Information"), must be protected as confidential, not copied, disclosed or used, other than for the benefit of the Company, at any time. The Executive further agrees that at any time during the Employment Period or thereafter he will not divulge to anyone publish or make use of any Confidential Information, except in the ordinary course of carrying out his duties pursuant to this Agreement, without the prior written consent of the Company, except (i) as (and only to the extent) required by an order of a court having competent jurisdiction or under subpoena from an appropriate government agency and then only after providing the Company with the reasonable opportunity to prevent such disclosure or to receive confidential treatment for the Confidential Information required to be disclosed, (ii) with respect to any other litigation, arbitration or mediation involving this Agreement, including, but not limited to the enforcement of this Agreement or (iii) as to Confidential Information that becomes generally known to the public or within the relevant trade or industry other than due to the Executive's violation of Section 9(a). The Executive further agrees that following the termination of the Employment Period or the Executive's employment for whatever reason, (i) the Company shall keep all tangible property assigned to the Executive or prepared by the Executive and (ii) the Executive shall not misappropriate or infringe upon the Confidential Information of the Company, in each case to the extent related to his employment with the Company.

(b) Non-Competition. While employed by the Company and for three years after the Executive's termination of employment for any reason, whether during or after the Employment Period (the "Restricted Period"), the Executive will not, without the prior written consent of the Company, directly or indirectly, whether as an officer, employee, consultant or owner or in any other business or ownership relationship, including without limitation, stockholder, advisor, member, partner or director, be employed by or engaged with any other business or entity that competes in the same geographic area as the Company with any business actively conducted or actively planned by the Company at the time the Executive's employment with the Company is terminated. Ownership, for personal investment purposes only, of less than 5% of the voting stock of any publicly held corporation or 2% of the ownership interest in any non-publicly held company shall not constitute a violation hereof. Notwithstanding anything contained herein to the contrary, from and after a Change in Control, the restrictions contained in this Section 9(b) shall be inapplicable with respect to conduct of the Executive following the date of such Change in Control.

11

(c) Non-Interference. The Executive acknowledges that information regarding the Company's business and financial relations with its vendors and customers is Confidential Information and proprietary to the Company and that any interference with such relations based directly or indirectly on the use of such information would cause irreparable damage to the Company. The Executive acknowledges that by virtue of his employment with the Company, he has gained or may gain knowledge of such information concerning the Company's vendors and customers (respectively "Vendor Information" or "Customer Information"), and that he would inevitably have to draw on this Vendor Information and Customer Information and on other Confidential Information if he were to solicit or service the Company's vendors or customers on behalf of a competing business enterprise. Accordingly, and subject to the immediately following sentence, the Executive agrees that during the Restricted Period, the Executive will not, on behalf of himself or any other person or entity, directly or indirectly, in such a way as interferes with the Company's business or financial relations with a customer or vendor, do business with, solicit the business of, or perform any services for any actual vendor or customer of the Company, any person or entity that has been a vendor or customer of the Company within the 12-month period preceding such termination or any actively solicited prospective vendor or customer as to whom or which the Executive provided any services or as to whom or which the Executive has knowledge of Vendor Information, Customer Information or Confidential Information. In addition, the Executive agrees that, during the Restricted Period, he will not, directly or indirectly, seek to encourage or induce any such vendor or customer to cease doing business with, or lessen its business with, the Company, or otherwise interfere with or damage (or attempt to interfere with or damage) any of the Company's relationships with its vendors and customers, except in the ordinary course of the Company's business.

(d) Non-Solicitation. The Executive agrees that during the Restricted Period, he will not knowingly hire or solicit to hire, whether on his own behalf or on behalf of any other person (other than the Company), any employee of the Company or any individual who had left the employ of the Company within 12 months of the termination of the Executive's employment with the Company. In addition, during the Restricted Period, the Executive will not, directly or indirectly, knowingly encourage or induce any employee of the Company to leave the Company's employ, except in the ordinary course of the Company's business.

(e) Public Comment. The Executive, during the Employment Period and at all times thereafter, shall not make any public derogatory comment concerning the Company or anyone the Executive knows to be a current or former director, officer, stockholder or employee of the Company. Similarly, the senior management of the Company and its directors shall not make any derogatory comment concerning the Executive. Notwithstanding the foregoing, true statements by any party in response to a derogatory public statement made by another party shall not be deemed to be a violation of this Section 9(e).

(f) Blue Penciling. If any of the restrictions on competitive or other activities contained in this Section 9 shall for any reason be held by a court of competent jurisdiction to be excessively broad as to duration, geographical scope, activity or subject, such restrictions shall be construed so as thereafter to be limited or reduced to be enforceable to the extent compatible with the applicable law; it being understood that by the execution of this Agreement, (i) the parties hereto regard such restrictions as reasonable and compatible with their respective rights

12

and (ii) the Executive acknowledges and agrees that the restrictions will not prevent him from obtaining gainful employment subsequent to the termination of his employment.

(g) Injunctive Relief. The Executive acknowledges and agrees that the covenants and obligations of the Executive set forth in this Section 9 relate to special, unique and extraordinary services rendered by the Executive to the Company and that a violation of any of the terms of such covenants and obligations will cause the Company irreparable injury for which adequate remedies are not available at law. The Company acknowledges and agrees that a violation of its covenants and obligations under Section 9(e) will cause the Executive irreparable injury for which adequate remedies are not available at law. Therefore, the Executive and the Company agree that each party shall be entitled to seek an injunction, restraining order or other temporary or permanent equitable relief (without the requirement to post bond) restraining the other party from committing any violation of the covenants and obligations contained herein. These injunctive remedies are cumulative and are in addition to any other rights and remedies the parties may have at law or in equity. The existence of any claim or cause of action by either party against the other party shall not constitute a defense to the enforcement by either party of the foregoing restrictive covenants, but such claim or cause of action shall be determined separately.

(h) Survival. The provisions of this Section 9 shall remain in full force and effect until the expiration of the periods specified herein notwithstanding the earlier termination of the Executive's employment hereunder or the expiration of the Employment Period. For purposes of this Section 9, "Company" shall mean the Company and any entity controlled by, controlling or under common control with the Company.

10. Dispute Resolution/Legal Fees. Except to the extent necessary to enforce the provisions of Section 9 hereof in accordance with Section 9(g), any disputes under this Agreement shall be settled by arbitration in Manhattan in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Both during and after the Executive's employment, the Company will advance (and pay) all of the Executive's legal and accounting fees incurred in connection with the Executive (or his estate) enforcing any rights under any Company plan or program or pursuant to this Agreement or in defending against any challenge to such rights, including by any governmental agency. The Executive shall be entitled to reimbursement for all reasonable legal fees associated with the negotiation and preparation of this Agreement. This Section 10 shall survive the expiration of the Employment Period.

11. Successors. (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive. This Agreement shall inure to the benefit of and be enforceable by the

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company without the Executive's prior written consent except that such rights or obligations may be assigned or transferred pursuant to a merger or consolidation in which the Company is not the continuing entity, or a sale, liquidation or other disposition of all or substantially all of the assets of the Company, provided that the

13

assignee or transferee is the successor to all or substantially all of the assets of the Company and assumes the liabilities, obligations and duties of the Company under this Agreement, either contractually or as a matter of law.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: At the most recent address  
on file at the Company.

If to the Company: Phillips-Van Heusen Corporation  
200 Madison Avenue  
New York, New York 10016

Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 3(c) of this Agreement or the right of the Company to terminate the Executive for Cause pursuant to Section 3(b) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of

14

this Agreement. No waiver shall be valid unless in writing signed by the party providing the waiver (that is, by the Executive or an authorized officer of the Company, as the case may be).

(f) Except as otherwise expressly provided herein, from and after the Effective Date, this Agreement shall supersede any other employment, severance or change of control agreement between the parties and between the Executive and the Company, with respect to the subject matter hereof, including without limitation, the 1998 Letter Agreement. In the event of any inconsistency between the provisions of this Agreement and the provisions of any Company plan, policy, program, arrangement or other agreement, including any definition, the provision and/or definition contained in this Agreement shall govern. Any provision of this Agreement, to the extent necessary to carry out the intent of such provision, shall survive after the expiration of the Employment Period or the termination of the Executive's employment in accordance with its terms.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

BRUCE J. KLATSKY

PHILLIPS-VAN HEUSEN CORPORATION

By  
Name:  
Title:

16

EXHIBIT A

Except as otherwise expressly provided in the Agreement, for all purposes of this Agreement, the following terms shall have the meanings set forth below:

**"affiliate"** of a person or other entity shall mean a person or other entity controlled by, controlling or under common control with the person or other entity specified.

**"Cause"** shall mean:

- (i) the Executive is convicted of, or pleads guilty or nolo contendere to, a felony within the meaning of U.S. Federal, state or local law (other than a traffic violation); or
- (ii) in carrying out his duties, the Executive has engaged in conduct that constitutes willful gross neglect or willful misconduct resulting, in either case, in material harm to the Company, provided that an action or failure to act by the Executive shall not be considered "willful" if the Executive believed in good faith that his action or failure to act was in, or not opposed to, the best interests of the Company and its affiliates.

Anything notwithstanding to the contrary, the Executive's employment shall not be terminated for "Cause," within the meaning of clause (ii) above, unless the Executive has been given written notice by the Board stating the basis for such termination and he is given twenty (20) days to cure the neglect or conduct that is the basis of any such claim and, if he fails to cure such conduct, or such conduct cannot be cured, the Executive has an opportunity to be heard before the full Board and after such hearing, the Board gives the Executive written notice confirming that in the judgment of a majority of all the disinterested directors of the Company "Cause" for terminating the Executive's employment on the basis set forth in the original notice exists.

**"Change in Control"** shall be deemed to occur upon the first to occur of the following events:

- (i) Any "person" (as such term is used in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934), other than a "person" who on the Effective Date is the owner of at least 8% of the Voting Power (as defined below) of the securities of the Company having Voting Power, becomes (A) a "beneficial owner," as such term is used in Rule 13d-3 promulgated under that act, of at least one-quarter but less than one-half of the Voting Power of securities having Voting Power, unless such acquisition has been approved in advance by at least three-quarters of the Incumbent Board (as defined in clause (ii) below taking into account the provisos) or (B) a "beneficial owner," as such term is used in Rule 13d-3, of securities with at least one-half of the Voting Power of the securities of the Company having Voting Power;
- (ii) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;
- (iii) Consummation of a reorganization, merger, consolidation or a sale or other disposition of all or substantially all of the assets of the Company (each, a "Business Combination"), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") and the Voting Power of the securities of the Company having Voting Power, immediately prior to such Business Combination, beneficially own, directly or indirectly, more than 50% of the then- outstanding shares of common stock and more than 50% of the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that, as a result of such transaction, owns the Company or all or substantially all of the Company's

assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Voting Power of the securities of the Company having Voting Power, as the case may be (there being excluded from securities held by such security holders of the corporation resulting from the Business Combination, but not from the securities with Voting Power of the corporation resulting from such Business Combination, any securities with Voting Power received by affiliates of such other company in exchange for securities of such other company or, if such other company is the surviving company and its securities remain unchanged, any securities of such other company with Voting Power held by an affiliate of such other company immediately prior to the Business Combination), (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined Voting Power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed in the Company prior to the Business Combination, and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination, whichever occurs first; or

(iv) Approval by the stockholders of the Company of (A) a liquidation of all or substantially all of the Company's assets or (B) a dissolution of the Company.

For purposes of this Change in Control definition, the "Company" shall include any entity that succeeds to all or substantially all of the business of the Company, and "Voting Power" shall mean general voting power under ordinary circumstances, in the absence of contingencies, to elect the directors of a corporation.

**"Disability"** shall mean the Executive's inability, due to physical or mental incapacity, to

2

substantially perform his duties and responsibilities for a period of 180 consecutive days as determined by a medical doctor selected by the Company and reasonably acceptable to the Executive or his legal representative. If the parties cannot agree on a medical doctor, each party shall select a medical doctor and the two doctors shall select a third who shall be the approved medical doctor for this purpose.

**"Good Reason"** shall mean termination by the Executive of his employment after written notice to the Company following the occurrence of any of the following events without his prior written consent:

- (i) a reduction in the Executive's then current Annual Base Salary or the failure to grant the Option as contemplated by Section 2(b)(iii) of this Agreement;
- (ii) a material diminution in the Executive's positions, duties or authorities, so that he is unable to carry out his duties as contemplated on the Effective Date;
- (iii) failure to appoint or elect (or reappoint or reelect) the Executive to the position of Chairman of the Board and Chief Executive Officer of the Company and as a member of the Board, or the removal of the Executive from any such position;
- (iv) the assignment to the Executive of duties which are materially inconsistent with his duties as the Chairman of the Board and Chief Executive Officer of the Company;
- (v) the taking of any action by the Company that would substantially diminish the aggregate value of the benefits provided to the Executive pursuant to the Company's employee benefit plans as in effect on the Effective Date;
- (vi) a change in the reporting structure so that the Executive reports to someone other than the Board;
- (vii) requiring the Executive to relocate more than 35 miles from the location of the Company's headquarters as of the Effective Date;
- (viii) a breach by the Company of any material provision of this Agreement; or
- (ix) the failure of the Company to require any successor to the Company (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

3



## PHILLIPS-VAN HEUSEN CORPORATION

## 1997 STOCK OPTION PLAN

(As Amended Through April 9, 2004)

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

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

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

4. Administration.

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

1

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

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

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

2

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

#### 7. Option Prices.

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

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

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

#### 9. Limitations on Amount of Options Granted.

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

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

#### 10. Exercise of Options.

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

3

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

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

C. An Option may be exercised only by a written notice of intent to exercise such Option with respect to a specific number of shares of the Common Stock and payment to the Company of the amount of the option price for the number of shares of the Common Stock so specified; provided, however, that, if the Committee shall in its sole discretion so determine at the time of the grant of any Option, all or any portion of such payment may be made in kind by the delivery of shares of the Common Stock having a fair market value equal to the portion of the option price so paid; provided, further, however, that no portion of such payment may be made by delivering shares of the Common Stock acquired upon the exercise of an Option if such shares shall not have been held by the Participant for at least six months; provided, further, however, that, subject to the requirements of Regulation

T (as in effect from time to time) promulgated under the Exchange Act, the Committee may implement procedures to allow a broker chosen by a Participant to make payment of all or any portion of the option price payable upon the exercise of an Option and receive, on behalf of such Participant, all or any portion of the shares of the Common Stock issuable upon such exercise.

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

E. (1) Notwithstanding the provisions of paragraph A of this Section 10, in the event that a Change in Control shall occur, then, each Option theretofore granted to any Participant which shall not have theretofore expired or otherwise been cancelled or become unexercisable shall become immediately exercisable in full. For the purposes of this paragraph E, a "Change in Control" shall be deemed to occur upon the first to occur of the following events:

(a) Any "person" (as such term is used in Sections 3(a)(9) and 13(d) of the Securities Exchange Act), other than a "person" who on April 9, 2004 was the owner of at least 8% of the Voting Power (as defined below) of the securities of the Company having Voting Power, becomes a "beneficial owner," as such term is used in Rule 13d-3 promulgated under the Exchange Act, of securities with at least (x) one-quarter but less than one-half of the Voting Power of securities having Voting Power, unless such acquisition has been approved in advance by at least three-quarters of the Incumbent Board (as defined in clause (b) below taking into account the provisos) or (y) one-half of the Voting Power of the securities of the Company having Voting Power;

(b) Individuals who, as of April 9, 2004, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to April 9, 2004 whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent

4

Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person (as defined below) other than the Board;

(c) Consummation of a reorganization, merger, consolidation or a sale or other disposition of all or substantially all of the assets of the Company (each, a "Business Combination"), in each case unless, following such Business Combination, (w) all or substantially all of the Persons that were the beneficial owners of the outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") and the Voting Power of the securities of the Company having Voting Power, immediately prior to such Business Combination, beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and more than 50% of the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Voting Power of the securities of the Company having Voting Power, as the case may be (there being excluded from securities held by such security holders of the corporation resulting from the Business Combination, but not from the securities with Voting Power of the corporation resulting from such Business Combination, any securities with Voting Power received by Affiliates (as defined below) of such other company in exchange for securities of such other company or, if such other company is the surviving company and its securities remain unchanged, any securities of such other company with Voting Power held by an Affiliate of such other company immediately prior to the Business Combination), (x) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns directly or indirectly, 20% or more of, respectively, the then- outstanding shares of common stock of the corporation resulting from such Business Combination or the combined Voting Power of the then- outstanding voting securities of such corporation, except to the extent that such ownership existed in the Company prior to the Business Combination, and (y) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination, whichever occurs first; or

(d) Approval by the stockholders of the Company of (A) a liquidation of all or substantially all of the Company's assets or (B) a dissolution of the Company.

Notwithstanding the foregoing, "Change in Control" with respect to any Participant shall be as defined in the Participant's employment agreement, if any, with the Company or a Subsidiary, unless such employment agreement provides otherwise. For the purposes of this paragraph (1), (i) the term "Affiliate" shall mean any Person that directly, or indirectly through one or more

intermediaries, controls, or is controlled by, or is under common control with, any other Person, (ii) the term "Person" shall mean any individual, partnership, firm, trust, corporation or other similar entity, (iii) "Company" shall include any entity that succeeds to all or substantially all of the business of the Company, and (iv) "Voting Power" shall mean general voting power under ordinary circumstances, in the absence of contingencies, to elect the directors of a corporation.

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

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

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

12. Termination of Employment or Service. Except as otherwise determined by the Committee, in the event a Participant leaves the employ, or ceases to serve as a director, of the Company and the Subsidiaries, whether voluntarily or otherwise but other than by reason of his or her death or retirement, each Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall, to the extent exercisable on the date of such termination of employment or service and not theretofore exercised, terminate upon the earlier to occur of (x) the expiration of (i) 30 days after the date of such Participant's termination of employment or cessation of service, if such option was granted on or prior to December 18, 2001 or (ii) 90 days after the date of such Participant's termination of employment or cessation of service, if such option was granted after December 18, 2001; and (y) the date of termination specified in such Option. Notwithstanding the foregoing, except as otherwise determined by the Committee, if a Participant is terminated for cause (as defined herein), each Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall, to the extent not theretofore exercised, terminate forthwith. Except as otherwise determined by the Committee, in the event a Participant leaves the employ, or ceases to serve as a director, of the Company and the Subsidiaries by reason of his or her retirement, each Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall become immediately exercisable in full and shall, to the extent not theretofore exercised, terminate upon the earlier to occur of the expiration of three years after the date of such retirement and the date of termination specified in such Option. Except as otherwise determined

6

by the Committee, in the event a Participant's employment, or service as a director, with the Company and the Subsidiaries terminates by reason of his or her death, each Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall become immediately exercisable in full and shall, to the extent not theretofore exercised, terminate upon the earlier to occur of the expiration of three months after the date of the qualification of a representative of his or her estate and the date of termination specified in such Option. For purposes of the foregoing, (a) the term "cause" shall mean: (i) the commission by the Participant of any act or omission that would constitute a crime under federal, state or equivalent foreign law, (ii) the commission by the Participant of any act of moral turpitude, (iii) fraud, dishonesty or other acts or omissions that result in a breach of any fiduciary or other material duty to the Company and/or the Subsidiaries, (iv) continued alcohol or other substance abuse that renders the Participant incapable of performing his or her material duties to the satisfaction of the Company and/or the Subsidiaries or (v) as defined in the Participant's employment agreement, if any, with the Company or a Subsidiary and (b) the term "retirement" shall mean (i) the termination of a Participant's employment with the Company and all of the Subsidiaries (A) other than for cause or by reason of his or her death and (B) on or after the earlier to occur of (I) the first day of the calendar month in which his or her 65th birthday shall occur and (II) the date on which he or she shall have both attained his or her 55th birthday and completed 10 years of employment with the Company and/or the Subsidiaries or (ii) the termination of a Participant's service as a director with the Company and all of the Subsidiaries (A) other than for cause or by reason of his or her death and (B) on or after the first day of the calendar month in which his or her 65th birthday shall occur.

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

exchanged. In the event that there shall be any change, other than as specified in this Section 13, in the number or kind of outstanding shares of the Common Stock, or of any stock or other securities into which the Common Stock shall have been changed, or for which it shall have been exchanged, then, if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the number or kind of shares then subject to any Option and the number or kind of shares reserved for issuance in accordance with the provisions of the Plan but not yet covered by an Option and the number or kind of shares referred to in paragraph B of Section 9, such adjustment shall be made by the Committee and shall be effective and binding for all purposes of the Plan and of each stock

7

option agreement or certificate entered into in accordance with the provisions of the Plan. In the case of any substitution or adjustment in accordance with the provisions of this Section 13, the option price in each stock option agreement or certificate for each share covered thereby prior to such substitution or adjustment shall be the option price for all shares of stock or other securities which shall have been substituted for such share or to which such share shall have been adjusted in accordance with the provisions of this Section 13. No adjustment or substitution provided for in this Section 13 shall require the Company to sell a fractional share under any stock option agreement or certificate. In the event of the dissolution or liquidation of the Company, or a merger, reorganization or consolidation in which the Company is not the surviving corporation, then, except as otherwise provided in the second sentence of this Section 13, each Option, to the extent not theretofore exercised, shall terminate forthwith.

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

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

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

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

18. Termination and Amendment of the Plan. The Board may at any time terminate the Plan or make such modifications of the Plan as it shall deem advisable; provided, however, that the Board may not without further approval of the holders of a majority of the shares of the Common Stock present in person or by proxy at any special or annual meeting of the stockholders, increase the number of shares as to which Options may be granted under the Plan

8

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

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

20. Options for Outside Directors.

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

B. I. At the first meeting of the Board immediately following each Annual Meeting of the Stockholders of the Company, each Outside Director shall be granted an Option, which shall be a non-incentive stock option, to purchase 10,000 shares of the Common Stock. Notwithstanding the foregoing, an Outside Director may not receive a grant under this Section 20 for any year if and to the extent such Outside Director receives a grant of options to purchase Common Stock under any other Company stock option plan then in effect solely for his or her services as a director of the Company for such year and the aggregate number of shares of Common Stock issuable upon the exercise of all such options granted for such year would exceed 10,000.

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

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

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

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

## PHILLIPS-VAN HEUSEN CORPORATION

## 2000 STOCK OPTION PLAN

(As Amended Through April 9, 2004)

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

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

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

4. Administration.

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

1

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

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

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

2

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

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

#### 7. Option Prices.

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

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

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

#### 9. Limitations on Amount of Options Granted.

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

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

#### 10. Exercise of Options.

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

3

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

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

(c) An Option may be exercised only by a written notice of intent to exercise such Option with respect to a specific number of shares of the Common Stock and payment to the Company of the amount of the option price for the number of shares of the



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

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

(e) (1) Notwithstanding the provisions of Section 10(a) or the last sentence of Section 13, in the event that a Change in Control shall occur, then, each Option theretofore granted to any Participant which shall not have theretofore expired or otherwise been cancelled or become unexercisable shall become immediately exercisable in full. For the purposes of this Section 10(e), a "Change in Control" shall be deemed to occur upon the first to occur of the following events:

(i) Any "person" (as such term is used in Sections 3(a)(9) and 13(d) of the Securities Exchange Act), other than a "person" who on April 9, 2004 was the owner of at least 8% of the Voting Power (as defined below) of the securities of the Company having Voting Power, becomes a "beneficial owner," as such term is used in Rule 13d-3 promulgated under the Exchange Act, of securities with at least (A) one-quarter but less than one-half of the Voting Power of securities having Voting Power, unless such acquisition has been approved in advance by at least three-quarters of the Incumbent Board (as defined in clause (ii) below taking into account the provisos) or (B) one-half of the Voting Power of the securities of the Company having Voting Power;

4

(ii) Individuals who, as of April 9, 2004, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to April 9, 2004 whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person (as defined below) other than the Board;

(iii) Consummation of a reorganization, merger, consolidation or a sale or other disposition of all or substantially all of the assets of the Company (each, a "Business Combination"), in each case unless, following such Business Combination, (A) all or substantially all of the Persons that were the beneficial owners of the outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") and the Voting Power of the securities of the Company having Voting Power, immediately prior to such Business Combination, beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and more than 50% of the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Voting Power of the securities of the Company having Voting Power, as the case may be (there being excluded from securities held by such security holders of the corporation resulting from the Business Combination, but not from the securities with Voting Power of the corporation resulting from such Business Combination, any securities with Voting Power received by Affiliates (as defined below) of such other company in exchange for securities of such other company or, if such other company is the surviving company and its securities remain unchanged, any securities of such other company with Voting Power held by an Affiliate of such other company immediately prior to the Business Combination), (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns directly or indirectly, 20% or more of, respectively, the then- outstanding shares of common stock of the corporation resulting from such Business Combination or the combined Voting Power of the then- outstanding voting securities of such corporation, except to the extent that such ownership existed in the Company prior to the Business Combination, and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination, whichever occurs first; or

5

(iv) Approval by the stockholders of the Company of (A) a liquidation of all or substantially all of the Company's assets or (B) a dissolution of the Company.

Notwithstanding the foregoing, "Change in Control" with respect to any Participant shall be as defined in the Participant's employment agreement, if any, with the Company or a Subsidiary, unless such employment agreement provides otherwise. For the purposes of this paragraph (1), (i) the term "Affiliate" shall mean any Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, any other Person, (ii) the term "Person" shall mean any individual, partnership, firm, trust, corporation or other similar entity, (iii) "Company" shall include any entity that succeeds to all or substantially all of the business of the Company, and (iv) "Voting Power" shall mean general voting power under ordinary circumstances, in the absence of contingencies, to elect the directors of a corporation.

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

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

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

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

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

12. Termination of Employment or Service. Except as otherwise determined by the Committee, in the event a Participant leaves the employ or service, or ceases to serve as a director, of the Company and the Subsidiaries, whether voluntarily or otherwise but other than by reason of his or her death or, in the case of Participant who shall be an employee or director, retirement, each Option theretofore granted to him or her which shall not have been exercisable prior to the date of the termination of his or her employment or service shall terminate immediately. Except as otherwise determined by the Committee, each other Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall, to the extent exercisable on the date of such termination of employment or service and not theretofore exercised, terminate upon the earlier to occur of (x) the expiration of (i) 30 days after the date of such Participant's termination of employment or cessation of service, if such Option was granted on or prior to December 18, 2001, or (ii) 90 days after the date of such Participant's termination of employment or cessation of service, if such Option was granted after December 18, 2001; and (y) the date of termination specified in such Option. Notwithstanding the foregoing except as otherwise determined by the Committee, if a Participant is terminated for cause (as defined herein), each Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall, to the extent not theretofore exercised, terminate forthwith. Except as otherwise determined by the Committee, in the event a Participant leaves the employ, or ceases to serve as a director, of the Company and the Subsidiaries by reason of his or her retirement, each Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall become immediately exercisable in full and shall, to the extent not theretofore exercised, terminate upon the earlier to occur of the expiration of three years after the date of such retirement and the date of termination specified in such Option. Except as otherwise determined by the Committee, in the event a Participant's employment or service with the Company and the Subsidiaries terminates by reason of his or her death, each Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall become immediately exercisable in full and shall, to the extent not theretofore exercised, terminate upon the earlier to occur of the expiration of three months after the date of the qualification of a representative of his or her estate and the date of termination specified in such Option. For purposes of the foregoing, (a) the term "cause" shall mean: (i) the commission by the Participant of any act or omission that would constitute a crime under federal, state or equivalent foreign law, (ii) the commission by the Participant of any act of moral turpitude, (iii) fraud, dishonesty or other acts or omissions that result in a breach of any fiduciary or other material duty to the Company and/or the Subsidiaries, (iv) continued substance abuse that renders the Participant incapable of performing his or her material duties to the satisfaction of the Company and/or the Subsidiaries, or (v) as defined in the Participant's employment agreement, if any, with the Company or a Subsidiary and (b) the term "retirement" shall mean (I) the termination of a Participant's employment with the Company and all of the Subsidiaries (x) other than for cause or by reason of his or her death and (y) on or after the earlier to occur of (1) the first day of the calendar month in which his or her 65th birthday shall occur and (2) the date on which he or she shall have both attained his or her 55th birthday and completed 10 years of

employment with the Company and/or the Subsidiaries or (II) the termination of a Participant's service as a director with the Company and all of the Subsidiaries

7

(x) other than for cause or by reason of his or her death and (y) on or after the first day of the calendar month in which his or her 65th birthday shall occur.

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

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

8

tax waivers and other documents as the Committee shall determine. In the case of each non-qualified stock option, a condition of exercising the same shall be the entry by the person exercising the same into such arrangements with the Company with respect to withholding as the Committee may determine.

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

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

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

18. Termination and Amendment of the Plan. The Board may at any time terminate the Plan or make such modifications of the Plan as it shall deem advisable; provided, however, that the Board may not without further approval of the holders of a majority of the shares of the Common Stock present in person or by proxy at any special or annual meeting of the stockholders, increase the number of shares as to which Options may be granted under the Plan (as adjusted in accordance with the provisions of Section 13), or change the class of persons eligible to participate in the Plan, or change the manner of determining the option prices. Except as

otherwise provided in Section 13, no termination or amendment of the Plan may, without the consent of the Participant to whom any Option shall theretofore have been granted, adversely affect the rights of such Participant under such Option. The Committee may not, without further approval of the holders of a majority of the shares of the Common Stock present in person or by proxy at any special or annual meeting of the stockholders, amend any outstanding Option to reduce the option price, or cancel any outstanding Option and contemporaneously award a new Option to the same optionee for substantially the same number of shares at a lower option price.

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

9

20. Options for Outside Directors.

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

(b) (i) At the first meeting of the Board immediately following each Annual Meeting of the Stockholders of the Company, each Outside Director shall be granted an Option, which shall be a non-qualified stock option, to purchase 10,000 shares of the Common Stock. Notwithstanding the foregoing, an Outside Director may not receive a grant under this Section 20 for any year if and to the extent such Outside Director receives a grant of options to purchase Common Stock under any other Company stock option plan then in effect solely for his or her services as a director of the Company for such year and the aggregate number of shares of Common Stock issuable upon the exercise of all such options granted for such year would exceed 10,000.

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

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

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

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

10

## PHILLIPS-VAN HEUSEN CORPORATION

## 2003 STOCK OPTION PLAN

(As Amended Through April 9, 2004)

1. Purpose. The purposes of the 2003 Stock Option Plan (the "Plan") are to induce certain individuals to remain in the employ, or to continue to serve as directors of, or consultants or advisors to, Phillips-Van Heusen Corporation (the "Company") and its present and future subsidiary corporations (each a "Subsidiary"), as defined in Section 424(f) of the Internal Revenue Code of 1986, as amended (the "Code"), to attract new individuals to enter into such employment or service and to encourage such individuals to secure or increase on reasonable terms their stock ownership in the Company. The Board of Directors of the Company (the "Board") believes that the granting of stock options (the "Options") under the Plan will promote continuity of management and increased incentive and personal interest in the welfare of the Company by those who are or may become primarily responsible for shaping and carrying out the long range plans of the Company and securing its continued growth and financial success. Options granted hereunder are intended to be either (i) "incentive stock options" (which term, when used herein, shall have the meaning ascribed thereto by the provisions of Section 422(b) of the Code) or (ii) options which are not incentive stock options ("non-qualified stock options") or (iii) a combination thereof, as determined by the Committee (the "Committee") referred to in Section 5 at the time of the grant thereof.

2. Effective Date of the Plan. The Plan became effective on May 1, 2003.

3. Stock Subject to Plan. 5,400,000 of the authorized but unissued shares of the common stock, \$1.00 par value, of the Company (the "Common Stock") are hereby reserved for issue upon the exercise of Options granted under the Plan; provided, however, that the number of shares so reserved may from time to time be reduced to the extent that a corresponding number of issued and outstanding shares of the Common Stock are purchased by the Company and set aside for issue upon the exercise of Options. If any Options expire or terminate for any reason without having been exercised in full, the unpurchased shares subject thereto shall again be available for the purposes of the Plan.

4. Administration.

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

(b) The Chairman of the Board or, if the Chairman is not an executive officer of the Company, the Chief Executive Officer of the Company or other executive officer of the Company designated by the Committee who is also a director (the Chairman, Chief Executive Officer or other designated executive officer being referred to as the "Designated Director") may administer the Plan with respect to employees of the Company or a Subsidiary (i) who are not officers of the Company subject to the provisions of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and (ii) whose compensation is not, and in the judgment of the Designated Director may not be reasonably expected to become, subject to the provisions of Section 162(m) of the Code. The authority of the Designated Director and Options granted by the Designated Director shall be subject to such terms, conditions, restrictions and limitations as may be imposed by the Board, including, but not limited to, a limit on the aggregate number of shares of Common Stock subject to Options that may be granted in any one calendar year by the Designated Director to all such employees of the Company and its Subsidiaries and a maximum number of shares that may be subject to Options granted under the Plan in any one calendar year to any single employee by the Designated Director. Unless and until the Board shall take further action, the maximum number of shares of Common Stock that may be subject to Options granted under the Plan, the Company's 1997 Stock Option Plan, 2000 Stock Option Plan and any other stock option plan then in effect in any one calendar year by the Designated Director shall be 100,000 in the aggregate and the maximum number of shares of Common Stock that may be subject to Options granted under the Plan, the Company's 1997 Stock Option Plan, 2000 Stock Option Plan and any other stock option plan then in effect in any one calendar year by the Designated Director to any single employee shall be 5,000 in the aggregate. Any actions duly taken by the Designated Director with respect to the grant of Options to such employees shall be deemed to have been taken by the Committee for purposes of the Plan.

5. Committee. The Committee shall consist of two or more members of the Board. It is intended that all of the members of the Committee shall be "non-employee directors" within the meaning of Rule 16b-3(b)(3) promulgated under the Exchange Act, and "outside directors" within the contemplation of Section 162(m)(4)(C)(i) of the Code. The Committee shall be appointed annually by the Board, which may at any time and from time to time remove any members of the Committee, with or without cause, appoint additional members to the Committee and fill vacancies, however caused, in the Committee. A majority of the members of the

Committee shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members present at a meeting duly called and held, except that the Committee may delegate to any one of its members the authority of the Committee with respect to the grant of Options to any person who shall not be an officer and/or director of the Company and who is not, and in the judgment of the Committee may not be reasonably expected to become, a "covered employee" within the meaning of Section 162(m)(3) of the Code. Any decision or determination of the Committee reduced to writing and signed by all of the members of the

2

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

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

7. Option Prices.

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

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

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

9. Limitations on Amount of Options Granted.

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

(b) No Participant shall, during any fiscal year of the Company, be granted Options under the Plan to purchase more than 1,200,000 shares of the Common Stock.

10. Exercise of Options.

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

3

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

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

(c) An Option may be exercised only by a written notice of intent to exercise such Option with respect to a specific number of shares of the Common Stock and payment to the Company of the amount of the option price for the number of shares of the Common Stock so specified; provided, however, that, if the Committee shall in its sole discretion so determine at the time of the grant of any Option, all or any portion of such payment may be made in kind by the delivery of shares of the Common Stock having a fair market value equal to the portion of the option price so paid; provided further, however, that no portion of such payment may be made by delivering shares of the Common Stock acquired upon the exercise of an Option if such shares shall not have been held by the Participant for at least six months; and provided further, however, that, subject to the requirements of

Regulation T (as in effect from time to time) promulgated under the Exchange Act, the Committee may implement procedures to allow a broker chosen by a Participant to make payment of all or any portion of the option price payable upon the exercise of an Option and receive, on behalf of such Participant, all or any portion of the shares of the Common Stock issuable upon such exercise.

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

(e) (1) Notwithstanding the provisions of Section 10(a) or the last sentence of Section 13, in the event that a Change in Control shall occur, then, each Option theretofore granted to any Participant which shall not have theretofore expired or otherwise been cancelled or become unexercisable shall become immediately exercisable in full. For the purposes of this Section 10(e), a "Change in Control" shall be deemed to occur upon the first to occur of the following events:

(i) Any "person" (as such term is used in Sections 3(a)(9) and 13(d) of the Securities Exchange Act), other than a "person" who on April 9, 2004 was the owner of at least 8% of the Voting Power (as defined below) of the securities of the Company having Voting Power, becomes a "beneficial owner," as such term is used in Rule 13d-3 promulgated under the Exchange Act, of securities with at least (A) one-quarter but less than one-half of the Voting Power of securities having Voting Power, unless such acquisition has been approved in advance by at least three-quarters of the Incumbent Board (as defined in clause (ii) below taking into account the provisos) or (B) one-half of the Voting Power of the securities of the Company having Voting Power;

4

(ii) Individuals who, as of April 9, 2004, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to April 9, 2004 whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person (as defined below) other than the Board;

(iii) Consummation of a reorganization, merger, consolidation or a sale or other disposition of all or substantially all of the assets of the Company (each, a "Business Combination"), in each case unless, following such Business Combination, (A) all or substantially all of the Persons that were the beneficial owners of the outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") and the Voting Power of the securities of the Company having Voting Power, immediately prior to such Business Combination, beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and more than 50% of the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Voting Power of the securities of the Company having Voting Power, as the case may be (there being excluded from securities held by such security holders of the corporation resulting from the Business Combination, but not from the securities with Voting Power of the corporation resulting from such Business Combination, any securities with Voting Power received by Affiliates (as defined below) of such other company in exchange for securities of such other company or, if such other company is the surviving company and its securities remain unchanged, any securities of such other company with Voting Power held by an Affiliate of such other company immediately prior to the Business Combination), (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns directly or indirectly, 20% or more of, respectively, the then- outstanding shares of common stock of the corporation resulting from such Business Combination or the combined Voting Power of the then- outstanding voting securities of such corporation, except to the extent that such ownership existed in the Company prior to the Business Combination, and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination, whichever occurs first; or

5

(iv) Approval by the stockholders of the Company of (A) a liquidation of all or substantially all of the Company's assets or (B) a dissolution of the Company.

Notwithstanding the foregoing, "Change in Control" with respect to any Participant shall be as defined in the Participant's employment agreement, if any, with the Company or a Subsidiary, unless such employment agreement provides otherwise. For the purposes of this paragraph (1), (i) the term "Affiliate" shall mean any Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, any other Person, (ii) the term "Person" shall mean any individual, partnership, firm, trust, corporation or other similar entity, (iii) "Company" shall include any entity that succeeds to

all or substantially all of the business of the Company, and (iv) "Voting Power" shall mean general voting power under ordinary circumstances, in the absence of contingencies, to elect the directors of a corporation.

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

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

(b) A Participant may, with the prior approval of the Committee, transfer for no consideration an Option which is a non-qualified stock option to or for the benefit of the Participant's Immediate Family, a trust for the exclusive benefit of the Participant's Immediate Family or to a partnership or limited liability company for one or more members of the Participant's Immediate Family, subject to such limits as the Committee may establish, and the transferee shall remain subject to all the terms and conditions applicable to the Option prior to such transfer. The term "Immediate Family" shall mean the Participant's children, stepchildren, grandchildren, parents, stepparents, grandparents, spouse, former spouse, siblings, nieces, nephews, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships or any person sharing the Participant's household (other than a tenant or employee).

12. Termination of Employment or Service. Except as otherwise determined by the Committee, in the event a Participant leaves the employ or service, or ceases to serve as a director, of the Company and the Subsidiaries, whether voluntarily or otherwise but other than by reason of his or her death or, in the case of Participant who shall be an employee or director, retirement, each Option theretofore granted to him or her which shall not have been exercisable prior to the date of the termination of his or her employment or service shall terminate immediately. Except as otherwise determined by the Committee, each other Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall, to the extent exercisable on the date of such termination of employment or service and not theretofore exercised, terminate upon the earlier to occur of (x) 90 days after the date of such Participant's termination of employment or cessation of service and (y) the date of termination

6

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

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

7



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

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

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

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

8

transfer of all or any part of its assets or business, or any other corporate act or proceeding whether of a similar character or otherwise.

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

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

19. Expiration and Termination of the Plan. The Plan shall terminate on April 30, 2013 or at such earlier time as the Board may determine. Options may be granted under the Plan at any time and from time to time prior to its termination. Any Option outstanding under the Plan at the time of the termination of the Plan shall remain in effect until such Option shall have been exercised or shall have expired in accordance with its terms.

20. Options for Outside Directors.

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

(b) (i) At the first meeting of the Board immediately following each Annual Meeting of the Stockholders of the Company, each Outside Director shall be granted an Option, which shall be a non-qualified stock option, to purchase 10,000 shares of the Common Stock. Notwithstanding the foregoing, an Outside Director may not receive a grant under this Section 20 for any year if and to the extent such Outside Director receives a grant of options to purchase Common Stock under any other Company stock option plan then in effect solely for his or her services as a director of the Company for such year and the aggregate number of shares of Common Stock issuable upon the exercise of all such options granted for such year would exceed 10,000.

9

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

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

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

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

10

June 8, 2004

Stockholders and Board of Directors

Phillips-Van Heusen Corporation

We are aware of 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 our report dated May 19, 2004, relating to the unaudited condensed consolidated interim financial statements of Phillips-Van Heusen Corporation that are included in its Form 10-Q for the thirteen week period ended May 2, 2004.

Pursuant to Rule 436(c) of the Securities Act of 1933, our reports are not a part of the registration statements or post-effective amendments prepared or certified by accountants within the meaning of Section 7 or 11 of the Securities Act of 1933.

ERNST & YOUNG LLP

New York, New York

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002,  
18 U.S.C. SECTION 1350**

I, Bruce J. Klatsky, Chairman and Chief Executive Officer of Phillips-Van Heusen Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q for the quarterly period ended May 2, 2004 (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 8, 2004

/s/ Bruce J. Klatsky

Bruce J. Klatsky  
Chairman and Chief  
Executive Officer

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002,  
18 U.S.C. SECTION 1350**

I, Emanuel Chirico, Executive Vice President and Chief Financial Officer of Phillips-Van Heusen Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q for the quarterly period ended May 2, 2004 (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 8, 2004

/s/ Emanuel Chirico

Emanuel Chirico  
Executive Vice President and  
Chief Financial Officer

I, Bruce J. Klatsky, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Phillips-Van Heusen Corporation;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly 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: June 8, 2004

/s/ Bruce J. Klatsky

Bruce J. Klatsky

Chairman and Chief Executive Officer

I, Emanuel Chirico, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Phillips-Van Heusen Corporation;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly 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: June 8, 2004

/s/ Emanuel Chirico

Emanuel Chirico

Executive Vice President and

Chief Financial Officer