

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 hereunto duly authorized.

PHILLIPS-VAN HEUSEN CORPORATION

By

Name: Vincent A. Russo
Title: Vice President
and Controller

Date: March 10, 1999

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AS PART OF ITEM 7

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PRO FORMA FINANCIAL STATEMENTS - EXPLANATORY NOTE

On February 26, 1999, Phillips-Van Heusen Corporation (the "Company") sold the Gant, Hugger and Rugger trademarks and certain related assets associated with the Company's Gant operations for \$71.0 million cash to Pyramid Sportswear AB ("Pyramid"), which is the brand's international licensee. Pyramid is a wholly-owned subsidiary of Pyramid Partners AB, in which the Company has a minority interest. The purchase price was negotiated between the parties. As part of the transaction, Pyramid and an affiliated company assumed certain obligations and liabilities associated with the Company's Gant operations. The accompanying pro forma financial statements reflect the Company's estimate of how the Company's consolidated balance sheet as of January 31, 1999 (the date of the Company's most recently completed fiscal year ("fiscal 1998")) and its consolidated statement of income for fiscal 1998, would have been affected if the acquisition had occurred on February 2, 1998, the first day of fiscal 1998.

PHILLIPS-VAN HEUSEN CORPORATION

PRO FORMA CONSOLIDATED CONDENSED BALANCE SHEET
(In thousands)

	Actual January 31, 1999	Pro forma Adjustments	Pro forma January 31, 1999
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 10,957	\$ 62,612	\$ 73,569
Trade receivables	88,038	(14,347)	73,691
Inventories	232,695	(15,471)	217,224
Other	36,327		36,327
Total Current Assets	368,017	32,794	400,811
Property, Plant and Equipment	108,846	(16,366)	92,480
Goodwill	113,344	(27,648)	85,696
Other Assets	84,106	(9,539)	74,567
 Total Assets	 \$674,313	 \$ (20,759)	 \$653,554
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Notes payable	\$ 20,000	\$ (20,000)	
Accounts payable	44,851	(5,676)	\$ 39,175
Accrued expenses	67,835	2,965	70,800
Total Current Liabilities	132,686	(22,711)	109,975
Long-Term Debt	248,723		248,723
Other Liabilities	64,016		64,016
Stockholders' Equity:			
Common stock	27,288		27,288
Additional capital	117,683		117,683
Retained earnings	83,917	1,952	85,869
 Total Stockholders' Equity	 228,888	 1,952	 230,840
 Total Liabilities & Stockholders' Equity	 \$674,313	 \$ (20,759)	 \$653,554

The pro forma adjustments were developed based on the cash proceeds from Pyramid Sportswear AB, the write-off of goodwill and other assets related either to the Gant trademark or Gant's operations, and the liquidation of Gant's working capital in connection with the sale. The pro forma adjustments to cash also include the effect of pro forma adjustments to the Company's fiscal 1998 consolidated condensed statement of income for those items with a cash impact. The tax effect of the pro forma adjustments to the Company's fiscal 1998 consolidated condensed statement of income is recorded to other non-current assets as an adjustment to the Company's deferred tax carryforward asset.

PHILLIPS-VAN HEUSEN CORPORATION

PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF INCOME
(In thousands, except per share data)

	Actual Year Ended January 31, 1999	Pro forma Adjustments	Pro forma Year Ended January 31, 1999
Net sales	\$1,303,085	\$(81,865)	\$1,221,220
Cost of goods sold	856,160	(57,423)	798,737
Gross profit	446,925	(24,442)	422,483
Selling, general and administrative expenses	394,940	(23,539)	371,401
Year 2000 computer conversion expenses	8,500		8,500
Income before interest, taxes and extraordinary item	43,485	(903)	42,582
Interest expense, net.	26,112	(3,750)	22,362
Income before taxes and extraordinary item	17,373	2,847	20,220
Income tax expense (benefit)	4,486	895	5,381
Income before extraordinary item	\$ 12,887	\$ 1,952	\$ 14,839
Basic and diluted income per share before extraordinary item	\$ 0.47		\$ 0.54

The pro forma adjustments were developed based on the elimination of the Company's Gant operations in fiscal 1998, reduced depreciation and amortization from the write-off of goodwill and other assets related to Gant's operations, and reduced interest expense resulting from the sale proceeds and liquidation of Gant's working capital, net of associated costs. Income tax was estimated at 39% on all items, excluding adjustments to certain non-tax deductible goodwill amortization.

ASSET PURCHASE AGREEMENT

Between

PHILLIPS-VAN HEUSEN CORPORATION
A Delaware Corporation

And

PYRAMID SPORTSWEAR AB
A Swedish Corporation

February 23, 1999

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT, dated February 23, 1999, between PHILLIPS-VAN HEUSEN CORPORATION, a Delaware corporation, with offices at 200 Madison Avenue, New York, New York 10016 ("Seller"), and PYRAMID SPORTSWEAR AB, a Swedish corporation, with offices at Engelbrektsgatan 7, SE-114 32 Stockholm, Sweden ("Buyer").

RECITALS:

1. Seller is the owner of the trademarks "Gant", "Hugger" and "Rugger" and all trademark rights, logos and designs associated therewith, as described on Schedule 1 ("the Trademarks"), which are used in various countries throughout the world in connection with the advertising, promotion, sale and distribution of apparel and accessories and, to a lesser extent, eyewear and fragrances ("the Products").

2. Seller has previously granted exclusive licenses for the Trademarks covering certain of the Products to Buyer. Buyer is a wholly-owned subsidiary of Pyramid Partners AB ("Pyramid"), a Swedish corporation. These licenses cover various territories outside of the United States.

3. Buyer is desirous of obtaining worldwide rights to the Trademarks by acquiring ownership of the Trademarks and certain related assets from Seller.

In consideration of the above recitals, all of which shall be deemed an integral part of this Agreement, and the covenants and agreements contained in this Agreement, Seller and Buyer agree as follows:

1. PURCHASE AND SALE OF ASSETS AND ASSUMPTION OF LIABILITIES

1.1 Assets. Subject to the terms and conditions of this Agreement, at the Closing (as hereinafter defined), Seller will sell, assign, transfer and deliver to Buyer all of Seller's right, title and interest in, and Buyer will purchase, acquire, accept and pay for, all of the following assets of Seller, free and clear of all security interests, liens, mortgages, charges, options, licenses, adverse claims or restrictions of any kind, including but not limited to, any restrictions on use, transfer, receipt of income or other attributes of ownership, other than the rights of the licensees under the Assumed Contracts (as hereinafter defined) ("Encumbrances"), all such assets being hereinafter referred to as "the Assets":

(a) The Trademarks and all Trademark registrations and Trademark application files and records, other than the Excluded Trademarks (as hereinafter defined) and the registrations, applications, files and records connected with the Excluded Trademarks;

(b) All license and distribution agreements associated with the Trademarks, as listed on Schedule 2 ("the Assumed Contracts"), and all rights, privileges and entitlements of Seller under the Assumed Contracts;

(c) Copies of all books and historical records relating to the Assets, including executed copies of the Assumed Contracts;

(d) All goodwill associated with the Assets;

(e) All guarantees, warranties, indemnities and similar rights of Seller with respect to any Asset;

(f) All rights, claims, credits, causes of action or rights of set off of Seller against third parties relating to the Assets; and

(g) The web-sites "Gant.com" and "Gant USA.com", and the computer software constituting the web-sites designated by such domain names.

1.2 Purchase Price. The purchase price ("the Purchase Price") for the Assets is USD 71,000,000.

1.3 Closing. The purchase and sale ("the Closing") provided for in this Agreement ("the Contemplated Transaction") will take place at the offices of Alfred Berg, Birger Jarlsgatan 7, Stockholm, Sweden, at 11:00 a.m. (local time) on February 26, 1999, or, subject to Section 11, at such other time and place as the parties may agree ("the Closing Date"). Subject to the provisions of Section 11, failure to consummate the Contemplated Transaction on the date and time and at the place determined pursuant to this Section 1.3 will not result in the termination of this Agreement and will not relieve any party of any obligation under this Agreement.

1.4 Assumption of Liabilities and Obligations. As of 12:01 a.m. U.S.A. Eastern Standard Time on the Closing Date, Buyer shall pay, assume, discharge and perform (i) all the obligations and liabilities of Seller under the Assumed Contracts, insofar as they relate to the time period beginning on and after the Closing Date, and arise out of events occurring on or after the Closing Date, and

(ii) except as otherwise provided in this Agreement, all obligations and liabilities arising out of events occurring after the Closing Date related to Buyer's ownership of the Assets after the Closing Date ("the Assumed Liabilities"). All other obligations and liabilities of Seller, including but not limited to (y) any obligations under any Assumed Contract relating to the time period prior to 12:01 a.m. U.S.A. Eastern Standard Time on the Closing Date, and (z) any claims or pending litigation or proceedings relating to the Assets and arising or based on events occurring prior to the Closing Date, shall, except as otherwise provided in this Agreement, remain and be the obligations and liabilities solely of Seller. Except to the extent specifically set forth in this Agreement, Buyer is not assuming, and shall not be bound by, any obligations or liabilities of Seller of any kind or nature, known, unknown, expressed, implied, contingent or otherwise, other than the Assumed Liabilities. In particular, but not in limitation of the foregoing sentence, Buyer is not assuming any obligations or liabilities with respect to which provision for indemnification of Buyer has been made in this Agreement.

1.5 Allocation of Purchase Price. Schedule 3 sets forth the allocation of the Purchase Price among the classes of assets set forth in section 1060 of the United States Internal Revenue Code of 1986 or any successor law, and regulations issued pursuant to the Internal Revenue Code or any successor law ("the IRC"). Subsequent to the Closing, Seller and Buyer will cooperate in the preparation, execution and filing with the Internal Revenue Service of all information returns and supplements thereto required to be filed by the parties under section 1060 of the IRC relating to the allocation of such consideration, and Seller and Buyer agree to file Form 8594 (or any substitute therefor) when and as required by applicable law, consistent with the allocation set forth in Schedule 3.

1.6 Assumed Contracts. Schedule 2 includes a list of all of the Assumed Contracts and an historical summary of royalties received by Seller under the Assumed Contracts, other than royalties received from Buyer. Pursuant to Section 1.4 of this Agreement, Buyer shall assume all benefits including royalties payable under the Assumed Contracts as of 12:01 a.m. U.S.A. Eastern Standard Time on the Closing Date. As of the Closing Date, Seller and Buyer shall prorate all royalties payable under the Assumed Contracts for the entire January 1, 1999 through June 30, 1999 quarterly periods based upon the number of days Seller and Buyer own the Trademarks during such period. No later than September 30, 1999, Seller and Buyer shall determine the amount of royalties payable to each under this Agreement and the net amount owed shall be paid to the appropriate party at that time ("the Royalty Adjustment"). In calculating the royalties owed to Seller and Buyer hereunder, the parties shall take into account any advance royalties paid to Seller under any of the Assumed Contracts.

1.7 Trademarks. Schedule 1 includes a list of all of Seller's Trademark registrations worldwide, and pending Trademark applications, including the name of the record owner of each Trademark, other than Trademarks that include both "Salty Dog" and "Rugger", which Trademarks are not being sold to Buyer ("the Excluded Trademarks").

2. REPRESENTATIONS AND WARRANTIES OF SELLER

2.1 Organization, Standing and Authority. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified to conduct its business in New York. Seller has all requisite corporate power and authority (i) to own, lease, license and use the Assets as presently owned, leased, licensed and used, (ii) to conduct the trade, business and operations of Seller associated with the Assets, as presently conducted, and (iii) to execute and deliver this Agreement and any other agreements executed and delivered in connection with this Agreement and the transaction contemplated hereby, and to perform and comply with all of the terms, covenants and conditions to be performed and complied with by the Seller hereunder.

2.2 Authorization and Binding Obligation. The execution, delivery, and performance of this Agreement by the Seller have been duly authorized by all necessary corporate actions on the part of the Seller and its stockholders (if necessary). This Agreement has been duly executed and delivered by the Seller and constitutes the legal, valid and binding obligation of the Seller, enforceable against it in accordance with its respective terms except as enforceability may be affected by bankruptcy, insolvency, or similar laws affecting creditors' rights generally, or by court-applied equitable remedies.

2.3 Absence of Conflicting Agreements. Except as otherwise provided in this Agreement, and except to the extent any violation of this Section, other than of clause (ii), would not have a material adverse effect on the Assets or the Contemplated Transaction, the execution, delivery, and performance of this Agreement and the documents contemplated hereby (with or without the giving of notice, the lapse of time, or both): (i) does not require the consent of any third party; (ii) will not violate any provision of the Certificate of Incorporation or Bylaws of the Seller; (iii) will not violate, result in a breach of, or constitute a default under, any law, judgment, order, ordinance, decree, rule, regulation or ruling of any court or governmental instrumentality, which is applicable to the Seller and which would affect Seller's ability to consummate the sale of the Assets to Buyer; (iv) subject to Seller obtaining the Consents (as hereinafter defined) will not violate, constitute grounds for termination of, result in a breach of, constitute a default under,

or accelerate or permit the acceleration of any performance required by the terms of any agreement, instrument, license or permit to which the Seller is a party or by which the Seller may be bound and which is included in the Assets; or (v) will not create any Encumbrance upon any of the Assets.

2.4 Licenses. Other than as reflected on Schedule 4, Seller does not possess and is not required by any governmental or regulatory authority to obtain, any licenses, permits and other authorizations for its lawful ownership and use of the Assets, except where the failure to possess any such license, permit or other authorization would not have a material adverse effect on the Assets or the Contemplated Transaction.

2.5 Assumed Contracts. The Assumed Contracts constitute all license or distribution agreements affecting any of the Trademarks. Seller has delivered to Buyer true and complete copies of all Assumed Contracts (including any and all amendments and other modifications to the Assumed Contracts). All of the Assumed Contracts are in full force and effect, and are valid, binding and enforceable in accordance with their terms, except as enforceability may be affected by bankruptcy, insolvency, or similar laws affecting creditors' rights generally, or by court-appointed equitable remedies. Seller is not in material breach, nor to Seller's knowledge is any other party in material breach, of the terms of any of the Assumed Contracts except for the bankruptcy of one of the licensees, namely Salant Corporation ("Salant") and Salant's failure to meet its minimum sales requirements, or as disclosed on Schedule 2. Except as disclosed on Schedule 2, Seller is not aware of any facts which would extend the term of any of the Assumed Contracts beyond the stipulated expiration date in each Assumed Contract as disclosed on Schedule 2. Specifically, Seller represents that it has not received any notice of intention to extend the License Agreement dated April 1, 1996 between Seller and Calvin Clothing Company, Inc., beyond its scheduled expiration date of March 31, 1999, and that Salant cannot exercise a contractual right to extend the term of the License Agreement, dated January 9, 1994, between Seller and Salant, beyond December 31, 1999. Except for the Consents, Seller has full legal power and authority to assign its rights under the Assumed Contracts to Buyer in accordance with this Agreement, and such assignments will not affect the validity, enforceability and continuation of any of the Assumed Contracts.

2.6 Consents. Other than with respect to the Trademarks referred to in 4.2(h)(iii) or as reflected on Schedule 5, no consent, approval, permit or authorization of, or declaration to or filing with any third party or any governmental or regulatory authority ("Consent") is required (i) to consummate this Agreement and the Contemplated Transaction, and (ii) to permit Seller to sell, assign and transfer the Assets to Buyer.

2.7 Taxes. Seller has filed or caused to be filed all federal income tax returns and to the best of Seller's knowledge all other federal, state, county, local or city tax returns which are required to be filed, or has secured extensions to file any such returns, and it has paid or caused to be paid all taxes shown on said returns or on any tax assessment received by it to the extent that such taxes have become due, or is in good faith contesting the payment of any such taxes. No events have occurred, other than the transfer of Assets hereby, which could impose on Buyer any transferee liability for any taxes, penalties, or interest due or to become due from Seller. There are no tax liens on any of the Assets; there are no deficiencies asserted against Seller by any governmental authority that may result in a lien on any of the Assets.

2.8 Claims and Legal Actions. Except as described on Schedule 6, there is no legal action, counterclaim, suit, arbitration, or other legal, administrative or tax proceeding, nor any order, decree or judgment, in progress or pending, or to the knowledge of Seller, threatened against or relating to any of the Assets, nor does Seller know of any facts which would be reasonably likely to provide any basis for the same. To the best of Seller's knowledge, there is no pending or threatened claim or governmental investigation affecting Seller or any of the Assets. Schedule 6 lists all prior legal actions, suits, arbitrations, administrative proceedings, orders, decrees or judgments involving any of the Trademarks, or any products sold bearing any Trademark, including any product liability or similar claims, of which Seller has knowledge. There is no action, suit, inquiry, proceeding or investigation by or before any court or governmental body pending or, to the best knowledge of Seller, threatened against or involving Seller and relating to any product alleged to have been manufactured or sold by Seller and/or bearing any of the Trademarks, and alleged to have been defective, or improperly designed or manufactured, nor is Seller aware of any facts which would be reasonably likely to provide any basis for any such action, proceeding or investigation. All prior and pending infringement actions or opposition proceedings affecting the Trademarks are disclosed on Schedule 6.

2.9 Conduct of Trademark Business in Ordinary Course. Since December 1, 1998, Seller has conducted its business with its Trademark licensees and customers of products bearing any of the Trademarks in the ordinary course and has not suffered any material adverse change in the Assets and revenues and earnings of Seller under the Assumed Contracts, including any damage, destruction or loss affecting the Assets, except the bankruptcy filing by one of Seller's licensees, namely Salant Corporation, and the anticipated disclosure by Seller after the execution of this Agreement of its intention to sell the Trademarks and discontinue its business involving the Trademark-labeled products.

2.10 No Conflict with Regard to Trademarks. Since acquired by Seller, all Trademarks have been properly used by Seller in the United States of America. To Seller's knowledge, the use of the Trademarks in all jurisdictions where used has not been and is not infringing any intellectual property rights owned or licensed by any other person and Seller has no information or reason to believe that there is any conflict with the rights of third parties relating to the use of the Trademarks in any jurisdiction other than as disclosed on Schedule 6. To Seller's knowledge, no other person is infringing, appropriating, using any marks confusingly similar or making any other unlawful use of any of the Trademarks, except as disclosed on Schedule 6. Prior to the Closing, Seller, at its expense, shall take whatever actions are commercially reasonable to halt any such unlawful use and shall keep Buyer advised of its efforts. Seller (including its subsidiaries and affiliates) has not licensed any of its rights regarding the Trademarks to any other person other than as disclosed in this Agreement.

2.11 Trademarks. With respect to the Trademarks, Seller represents and warrants as follows:

(a) All information included on Schedule 1 is complete, true and accurate in all material respects as of the dates indicated on Schedule 1.

(b) Seller is the owner of record or the beneficial owner of all of the registrations and applications therefor covering the Trademarks in the countries indicated on Schedule 1.

(c) To Seller's best knowledge, Schedule 6 contains a complete and accurate list of all co-existence agreements affecting the Trademarks and known to Seller as of the date indicated on Schedule 6.

(d) There are no licenses of the Trademarks granted by Seller or, to Seller's knowledge, any predecessor-in-interest of Seller other than as set forth on Schedule 2.

2.12 Full Disclosure. No representation or warranty made by Seller in this Agreement or in any certificate provided hereunder, contains or will contain as of the date it is given, any untrue statement of a material fact, or omits or will omit to state any material fact known to Seller and required to make the statements herein or therein not misleading.

3. REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as follows:

3.1 Organization, Standing and Authority. Buyer is a corporation duly organized, validly existing, and in good standing under the laws of Sweden. Buyer has all requisite corporate power and authority to execute and deliver this Agreement and the documents contemplated hereby, and to perform and comply with all of the terms, covenants and conditions to be performed and complied with by Buyer hereunder and thereunder.

3.2 Authorization and Binding Obligation. The execution, delivery, and performance of this Agreement by Buyer have been duly authorized by all necessary corporate actions on the part of Buyer. This Agreement has been duly executed by Buyer and constitutes the legal, valid, and binding obligations of Buyer, except as the enforceability hereof may be affected by bankruptcy, insolvency, or similar laws affecting creditors' rights generally, or by court-applied equitable remedies.

4. COVENANTS OF SELLER AND BUYER

4.1 Pre-Closing Covenants. Except as contemplated by this Agreement or with the prior written consent of Buyer, which consent shall not be unreasonably withheld or delayed, between the date hereof and the Closing Date, Seller shall operate the Assets in the ordinary course of business in accordance with its past practices (except where such would conflict with the following covenants or with Seller's other obligations hereunder), and abide by the following negative and affirmative covenants:

(a) Negative Covenants. Seller shall not do any of the following:

(i) Contracts. Modify or amend any of the Assumed Contracts or enter into any new license agreements, except as approved prior to execution by the Buyer in writing;

(ii) Disposition of Assets. Sell, assign, lease, or otherwise transfer or dispose of any of the Assets;

(iii) Encumbrances. Create, assume or permit to exist any Encumbrance upon the Assets, except for those in existence on the date of this Agreement, all of which shall be removed prior to or as of the Closing Date;

(iv) Rights. Waive any material right relating to the Assets; or

(v) No Inconsistent Action. Take any action which is materially inconsistent with its obligations hereunder or which could hinder or delay the consummation of the Contemplated Transaction.

(b) Affirmative Covenants. Seller shall do the following:

(i) Access to Information. Allow Buyer and its authorized representatives reasonable access at Buyer's expense during normal business hours to the Assets and to all other properties, equipment, books, records, contracts and documents relating to the Assets, for the purpose of audit and inspection, and furnish or cause to be furnished to Buyer or its authorized representatives all information with respect to the affairs and business of Seller as they relate to the Assets, as Buyer may reasonably request, it being understood that the rights of Buyer hereunder shall not be exercised in such a manner as to interfere with the operations of the Seller; provided that, subject to Section 5.7 hereof, neither the furnishing of such information to Buyer or its representatives nor any investigation made heretofore or hereafter by Buyer shall affect Buyer's right to rely on any representation or warranty made by Seller in this Agreement, each of which shall survive any furnishing of information or any investigation;

(ii) Maintenance of Assets. Take such actions as are commercially reasonable to maintain all of the Assets in their present condition;

(iii) Consents. Take such actions as are commercially reasonable, and at Seller's expense, to obtain all Consents;

(iv) Books and Records. Maintain its books and records as they relate to the Assets in accordance with past practices;

(v) Notification. Promptly notify Buyer in writing of any unusual or material developments with respect to the Assets, and of any material change in any of the information contained in Seller's representations and warranties contained in Article 2 hereof or in the Schedules hereto, provided that such notification shall not relieve Seller of any obligations hereunder; and

(vi) Compliance with Laws. Comply in all material respects with all material rules and regulations to which Seller and the Assets are subject.

4.2 Post-Closing Covenants.

(a) Cooperation. After the Closing, Seller will take such actions, and execute and deliver such further deeds, bills of sale, or other transfer documents as, in the reasonable opinion of counsel for Buyer, may be necessary to ensure, complete and evidence the full and effective transfer of the Assets to Buyer

pursuant to this Agreement. After the Closing, Buyer will take such actions, and execute and deliver such further documents as, in the reasonable opinion of counsel for Seller, may be necessary to ensure, complete and evidence, the full and effective transfer of the Assets to Buyer and the assumption of the Assumed Liabilities by Buyer pursuant to this Agreement. Buyer and Seller shall cooperate in good faith to determine and pay the Royalty Adjustment and Design Agreement Adjustment (as hereinafter defined).

(b) Accounts Receivable or Other Money. Following the Closing Date, if Buyer should receive payment of any accounts receivable or other money belonging to Seller, Buyer shall promptly pay same to Seller, and if Seller should receive payment of any accounts receivable or other money belonging to Buyer, Seller shall promptly pay same to Buyer.

(c) Change of Name of Seller. Within thirty (30) days after the Closing Date, Seller shall change the name of any of its subsidiaries or affiliates so that there are no references to or use of the name "Gant", "Rugger" and "Hugger" and Seller shall provide Buyer with evidence of such change of name no later than forty-five (45) days after the Closing Date. As of the Closing Date, Seller shall cease using any of the Trademarks, either alone or in combination with any other marks or logos, except Seller may continue to use the Trademarks after the Closing in accordance with the terms of Section 4(e) and for the purpose of performing its obligations under this Section 4.2(c) and under Section 4.2(f).

(d) Retention of Books and Records. Each party shall retain its books and records relating to the Assets. In the event that the party in possession of such books and records wishes to destroy such records after the sixth anniversary of the Closing Date, such party shall notify the other party in writing at least thirty (30) days prior to such destruction. If within such thirty (30) day period, the party receiving such notice shall inform the sending party that the receiving party desires such records, or any portion thereof, the sending party shall, at the expense of the receiving party, copy such records or portions thereof and make same available to the receiving party. If either party is notified by a governmental authority of an inquiry, audit or investigation, such party shall notify the other promptly of such inquiry, audit or investigation, and such other party shall be obligated to cooperate in connection with any such inquiry, audit or investigation, without additional consideration, to the extent reasonably requested.

(e) Liquidation Procedures.

(i) Buyer is not purchasing all of Seller's current inventory of Trademark-labeled apparel and accessories ("the Licensed Products") or assuming any of the purchase orders received by Seller from its wholesale customers consistent with past

practice prior to the Closing Date or its purchase orders for Licensed Products to be sold in its outlet stores. As a result, Seller will require, and Buyer hereby grants to Seller, a license to use the Trademarks in order to allow Seller to liquidate its inventory of Licensed Products and fulfill its pre-Closing Date obligations to its customers.

(ii) Such license shall be in effect during the period ("the Liquidation Period") commencing on the Closing Date and terminating on the earlier of (x) the date that is eighteen (18) months from the Closing Date and (y) the date of Seller's written notification to Buyer of Seller's last shipment of Licensed Products pursuant to this Section 4.2(e).

(iii) The license granted in this Section 4.2(e):

1. shall be royalty free;

2. shall be limited to the United States of America and to the Licensed Products and shall be subject to the Buyer's rights to operate the Gant Store and any other retail stores it (or any of its affiliates) opens, and the rights of existing licensees under the Assumed Contracts; and

3. shall be in addition to, and shall not limit, the rights of Seller under Sections 4.2(c) and 4.2(f).

(iv) Except as otherwise provided herein, Seller acknowledges that Buyer, from and after the Closing Date, shall be the sole owner of the Trademarks and the goodwill associated therewith and that all goodwill resulting from the use of the Trademarks by Seller pursuant to this Section 4.2(e) shall inure solely to the benefit of Buyer.

(v) As part of the liquidation, Seller shall have the right during the Liquidation Period to sell (x) to its wholesale department store customers not more than 125,000 dozens of Licensed Products for the spring/summer 1999 season and not more than 100,000 dozens of Licensed Products for the fall 1999 season and (y) through its company-owned outlet stores not more than 60,000 dozens of Licensed Products. If Seller anticipates that its sales will increase over the aforesaid projections it will immediately notify Buyer in writing and will not sell any additional Licensed Products in excess of such amounts without Buyer's express written consent.

(vi) Buyer covenants that during the period commencing with the Closing Date and ending on October 1, 1999, it will not market or promote the sale of Trademark-labeled merchandise in the United States other than through its or its affiliates' retail store or stores.

(vii) During the Liquidation Period, Seller:

1. will maintain manufacturing quality standards with respect to Licensed Products not yet manufactured consistent with past practice;

2. will sell and distribute the Licensed Products to customers and monitor its customers use of the Trademarks consistent with past practice;

3. will liquidate its inventory of Licensed Products, consistent with past practice;

4. will market and promote sales of the Licensed Products consistent with past practice;

5. will not export from the United States (other than insignificant deliveries made for personal use and not for resale), or sell to any third party if it has reasonable cause to believe that the Licensed Products sold will be exported for sale outside the United States;

6. will provide Buyer with information regarding the Licensed Products and the liquidation as Buyer may from time to time reasonably request, including, without limitation, the approximate quantities of the various types of Licensed Products being sold and the identification of its customers (to the extent it is legally able to do so) but specifically excluding the identification of Seller's manufacturing sources; and

7. shall notify Buyer, as soon as practicable, of any infringement of the Trademarks that comes to Seller's attention and, upon Buyer's reasonable request and at Buyer's cost, Seller shall cooperate with Buyer in any action or proceeding brought to defend the Trademarks, including, without limitation, by

means of making available books, records and other information and by making employees available (at reasonable times and upon reasonable notice) for depositions or testimony.

(viii) In the event Buyer discovers counterfeit products, Seller shall give Buyer information regarding the identity and location of its manufacturers in order to assist Buyer in finding the source of the counterfeit products and shall otherwise cooperate with Buyer in such efforts. Seller's obligation in this regard shall continue until December 31, 2001.

(ix) Notwithstanding anything herein to the contrary, the license granted in this Section 4.2(e) shall terminate (i) if Seller files a petition in bankruptcy or otherwise seeks relief or protection under bankruptcy or similar laws, if a petition in bankruptcy is filed against Seller, and such petition is not removed within sixty (60) days thereafter or if Seller is adjudicated or bankrupt, or (ii) if Seller assigns any of its rights under this Section.

(x) If Buyer commences litigation or any administrative proceedings to halt the sale outside the United States of any Licensed Products sold by Seller during the Liquidation Period, Seller shall pay one-half of Buyer's reasonable costs incurred in connection with such activities provided Buyer undertakes any such actions within twelve (12) months after the expiration of the Liquidation Period.

(xi) After the Liquidation Period, Seller undertakes to immediately cease the use of the Trademarks, which undertaking includes but is not limited to the removal of the Trademarks from all products and promotional materials bearing any of the Trademarks and securing the return from any distributors, wholesalers and from its own outlet stores of all products bearing any of the Trademarks. If for any reason the Trademarks cannot be removed, or the Trademark-labeled products not returned to Seller, then Seller undertakes to destroy all products and materials bearing the Trademarks either directly or by instructing those parties in possession of such articles to destroy such products and to certify such destruction to Seller in writing. Seller shall further take all commercially reasonable actions to insure that all manufacturers used by Seller within twelve (12) months before the Closing and thereafter have returned to Seller as soon as commercially reasonable but in no event later than twelve (12) months after the Closing, all labels, hang tags, software, packaging materials, hangers and like materials used by the manufacturers to apply the Trademarks to any products, or have destroyed such items and certified such destruction to Seller.

(xii) Seller shall not either during or after the Liquidation Period use any trademarks which are confusingly similar to any of the Trademarks, except as provided in Sections 4.2(c) and 4.2(f).

(xiii) Any expenses incurred by Seller in performing its obligations under this Section 4.2(e) shall not be considered part of the deductible allowance under Section 10.2 and must be paid in full by Seller.

(f) Salty Dog/Rugger Mark. With respect to the Excluded Trademarks, namely the eight (8) "Salty Dog/Rugger" Trademarks known to Seller, Seller undertakes with respect to each such Excluded Trademark to seek diligently to amend such registration to delete the reference to "Rugger" and failing in such efforts, Seller shall expressly abandon and cancel the applicable registration or application. During the period following the Closing until Seller either amends or abandons and cancels the applicable registration, Seller shall not use the "Salty Dog/Rugger" mark other than in connection with its efforts to amend or abandon such registrations.

(g) Pending Trademark Infringement Actions. With respect to all pending infringement actions disclosed on Schedule 6, Buyer shall within six (6) months after the Closing Date decide whether it wants to proceed with any such actions. If Buyer decides to proceed with any action, it will within such 6-month period assume control and all future costs associated with such action and Seller shall pay all costs incurred prior to Buyer's notice. If Buyer decides not to proceed with any such action, it will so notify Seller and Seller shall, at its own cost, discontinue any such proceeding at Seller's expense. During the aforesaid 6-month period, Seller shall have no obligation to incur any costs, other than those incidental to the continuation of any such proceeding. In the event Seller anticipates that it will incur any expenses in excess of USD 1,500 in order to maintain the existence of any specific action, other than for pre-Closing Date expenses, it will so notify Buyer and in such event Buyer shall, within thirty (30) days thereafter, either assume control and all future costs associated with that action, or it will direct Seller to discontinue such action at Seller's expense.

(h) Pending Trademark Applications. As reflected on Schedule 1, there are as of the date indicated on Schedule 1 fifteen (15) Trademark matters (including both registrations and applications) beneficially owned by Seller for which assignments to Seller have

not been recorded. Further, there are sixty-five (65) pending Trademark applications (including 4 of the aforementioned 15 Trademark matters) which have not as yet been registered.

(i) Seller will, at its own cost and in cooperation with Buyer, use all commercially reasonable efforts to record Seller's ownership of the aforementioned 15 Trademark matters. For this purpose, commercially reasonable efforts shall take into account the jurisdiction involved, the sales (actual and expected) in such jurisdiction and the costs required for completion.

(ii) Seller shall retain the obligation to prosecute and otherwise maintain the 4 aforementioned pending Trademark applications, at Seller's cost, until such time as each application shall have been recorded in the name of Buyer.

(iii) With respect to those of the other pending applications which under the laws of the subject jurisdiction may not be assigned pending the occurrence of a condition subsequent, Seller also retains the obligation to prosecute and otherwise maintain such applications, at Seller's cost. Buyer is hereby granted an exclusive license to use each such Trademark for the goods recited in each such pending application, within the jurisdiction of each such pending application, and hereby is granted options to purchase each such Trademark upon the occurrence of the condition subsequent and upon payment of USD 10 to Seller in each event.

(iv) With respect to any pending or future opposition proceedings against any of the 65 pending applications, Seller and Buyer shall cooperate in order to solve such problem through appropriate and commercially reasonable efforts. Such efforts include but are not limited to payment to any such third party that shows a reasonable ground for its opposition and which according to local counsel cannot be overcome by argumentation in the local Trademark Office. Any such payment to a third party shall be equally divided between Seller and Buyer. Seller's obligation under this undertaking is, however, limited to an aggregate maximum sum of USD 100,000.

(v) The undertakings made by the parties (i) with respect to any of the aforementioned 65 pending Trademark applications which remain subject to opposition before registration, and (ii) with respect to the aforementioned 15 Trademark matters for so long as any of the registrations are not properly recorded with clear chain of title to Seller, shall remain in full force until registration.

(vi) Any expenses incurred by Seller under this Section shall not be considered part of the deductible allowance under Section 10.2 and must be paid in full by Seller.

(i) UFO. Seller agrees to use commercially reasonable efforts to resolve the claim by UFO, at Seller's cost.

5. OTHER COVENANTS

5.1 Seller Payment to Creditors. Seller shall pay or otherwise satisfy all trade payables of Seller and shall fully pay or otherwise satisfy all other liabilities and/or obligations relating to the Assets incurred through the Closing Date. Seller shall indemnify Buyer, pursuant to this Agreement, for any damages resulting from or relating to (i) Seller's failure to pay or otherwise satisfy any such liabilities, or (ii) noncompliance by Buyer and Seller with any applicable provisions of any bulk transfer laws (or any similar laws) of any relevant jurisdiction. Any expense incurred by Seller under this Section shall not be considered part of the deductible allowance under Section 10.2 and must be paid in full by Seller.

5.2 Taxes, Fees and Expenses. Except as otherwise provided in this Agreement, each party shall pay its own expenses incurred in connection with the authorization, preparation, execution, and delivery of this Agreement.

5.3 Brokers. Buyer and Seller each represents and warrants that neither it nor any person or entity acting on its behalf has incurred any liability for any finders' or brokers' fees or commissions whatsoever in connection with the transaction contemplated by this Agreement.

5.4 Confidentiality. Except as necessary to consummate the Contemplated Transaction, each party hereto will keep confidential any information which is obtained from the other party in connection with this Agreement and which is not readily available to members of the general public. Any such information may be disclosed only to those of each party's representatives who need to know such information for the purpose of evaluating the Contemplated Transaction on that party's behalf (it being understood that any such representatives shall be informed of the confidential nature of such information and shall be directed to keep such information confidential). In the event this Agreement is

terminated and the Contemplated Transaction abandoned, each party shall return to the other party all documents, work papers and other written material obtained by it in connection with this Agreement.

5.5 Cooperation. Buyer and Seller shall cooperate fully with each other and their respective counsel and accountants in connection with any actions required to be taken as part of their respective obligations under this Agreement, and Buyer and Seller shall execute such other documents as may be necessary and desirable to the implementation and consummation of this Agreement, and otherwise use their best efforts to consummate the transaction contemplated hereby and to fulfill their obligations hereunder.

5.6 Risk of Loss.

(a) The risk of any loss, damage or impairment, confiscation or condemnation of any of the Assets from any cause whatsoever shall be borne by Seller at all times prior to the Closing Date. In the event of any loss, damage or impairment, confiscation or condemnation of any of the Assets prior to the Closing Date, Seller shall expend such funds and take such other actions as are necessary to repair, replace or restore such Assets to their prior condition as soon as possible after such loss, impairment, condemnation or confiscation.

(b) In the event of any damage or destruction of the Assets described above, if such Assets have not been restored or replaced promptly, Buyer may terminate this Agreement forthwith without any further obligation hereunder by written notice to Seller. Alternatively, Buyer may, at its option, proceed to close this Agreement and complete the restoration and replacement of such damaged Assets after the Closing Date, in which event Seller shall deliver to Buyer all insurance proceeds received in connection with such damage or destruction of the Assets without limitation as to the costs and expenses arising in connection with such restoration and replacement.

5.7 Notification. Between the date of this Agreement and the Closing Date, Seller shall promptly notify Buyer in writing (i) if Seller becomes aware of any fact or condition that causes or constitutes a misrepresentation or omission in any of Seller's representations and warranties as of the date of this Agreement, or (ii) if Seller becomes aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a

misrepresentation or omission in any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. During the same period, Seller shall promptly notify Buyer of the occurrence of any breach of any covenant or agreement of Seller in this Agreement or otherwise made in connection herewith or of the occurrence of any event that may make the satisfaction of the conditions in Article 6 impossible or unlikely. Between the date of this Agreement and the Closing Date, Buyer shall promptly notify Seller in writing if Buyer has actual knowledge of any breach by Seller of any representation or warranty made by Seller under this Agreement or of any other obligation of Seller hereunder.

5.8 No Negotiation. Until such time, if any, as this Agreement is terminated pursuant to Article 11, Seller shall not directly or indirectly solicit, initiate, or encourage any inquiries or proposals from, discuss or negotiate with, provide any non-public information to, or consider the merits of any unsolicited inquiries or proposals from, any person (other than Buyer) relating to any transaction involving the sale of the Assets.

5.9 Public Announcements. Seller and Buyer shall consult with each other regarding the issuance, timing and text of any public announcements concerning this Agreement or the Contemplated Transaction.

6. CONDITIONS

6.1 Conditions to Obligations of Buyer. All obligations of Buyer at the Closing hereunder are subject to the fulfillment prior to and at the Closing Date of each of the following conditions:

(a) Representations and Warranties. All representations and warranties of Seller in this Agreement shall be true and correct in all material respects as of the date given, and shall be supplemented by Seller if necessary so that they are true and correct in all material respects as of the Closing Date.

(b) Covenants and Conditions. Seller shall have in all material respects performed and complied with all covenants, agreements, and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date.

(c) Consents. Each of the Consents described in Schedule 5 shall have been duly obtained.

(d) Deliveries. Seller shall have made or stand willing and able to make all the deliveries to Buyer set forth in Section 7.1.

(e) Adverse Change. Between the date of this Agreement and the Closing Date, there shall have been no material adverse change in the Assets.

(f) Shareholders Agreement. Pyramid shall have finalized the Shareholders Agreement and the loan arrangements with LV. Capital S.A. described in Section 8.2.

(g) Financing. Buyer shall have finalized the additional credit facilities with its banks, as described in Section 8.2.

6.2 Conditions to Obligations of Seller. All obligations of Seller at the Closing hereunder are subject to the fulfillment prior to and at the Closing Date of each of the following conditions:

(a) Representations and Warranties. All representations and warranties of Buyer in this Agreement shall be true and correct in all material respects as of the date given and shall be supplemented by Buyer if necessary so that they are true and correct in all material respects as of the Closing Date.

(b) Covenants and Conditions. Buyer shall have in all material respects performed and complied with all covenants, agreements, and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date.

(c) The Shareholders Agreement. The Shareholders Agreement described in Section 8.2 shall be in a form acceptable to Seller.

(d) Consents. Seller shall have obtained the Consents.

(e) Deliveries. Buyer shall have made or stand willing and able to make all the deliveries set forth in Section 7.2.

7. CLOSING AND CLOSING DELIVERIES

7.1 Deliveries by Seller. Prior to or on the Closing Date, Seller shall deliver to Buyer all of the following, in form and substance reasonably satisfactory to Buyer and its counsel:

(a) Transfer Documents. Duly executed bills of sale, assignments, releases of liens, and other transfer documents which shall be sufficient to vest good and marketable title to the Assets in the name of Buyer or its permitted assignees, free and clear of any Encumbrances, and take such other actions as are necessary to deliver possession of the Assets to Buyer;

(b) Consents. Copies of the Consents;

(c) Officer's Certificate. A certificate, dated as of the Closing Date, executed by an officer of Seller, certifying:

(i) that the representations and warranties of the Seller contained in this Agreement are true and correct in all material respects as of the date given and have been supplemented so that they are true and correct in all material respects as of the Closing Date; and
(ii) that the Seller has, in all material respects, performed all of its obligations and complied with all of its covenants set forth in this Agreement to be performed and complied with prior to or on the Closing Date;

(d) Secretary's Certificate. A certificate, dated as of the Closing Date, executed by the Seller's Secretary:

(i) certifying that the resolutions, as attached to such certificate, were duly adopted by the Seller's Board of Directors and stockholders (if necessary), authorizing and approving the execution of this Agreement and the consummation of the transaction contemplated hereby and that such resolutions are remaining in full force and effect, and attaching a Certificate of Good Standing of Seller certified by an appropriate state official in the Office of the Secretary of State of the State of Delaware, as of a date not more than fifteen (15) days before the Closing Date, and a copy of the Seller's Bylaws as in effect on the date hereof, certified by the Seller's Secretary as of the Closing Date;

(e) Assumed Contracts, Business Records, etc. All files and records, which Seller has agreed to provide to Buyer in this Agreement including all files and original documents concerning the Trademarks;

(f) The Shareholders Agreement. The Shareholders Agreement described in Section 8.2 duly executed by Seller and all other parties to that Agreement.

(g) Opinions of Counsel. Opinion of Seller's counsel reasonably satisfactory to Buyer, dated as of the Closing Date.

7.2 Deliveries by Buyer. Prior to or on the Closing Date, Buyer shall deliver to Seller the following, in form and substance, reasonably satisfactory to Seller and its counsel:

(a) Purchase Price. The Purchase Price payable at Closing by wire transfer of immediately available funds to an account that Seller shall designate no later than three (3) business days prior to the Closing Date;

(b) Assumption Agreements. Appropriate assumption agreements pursuant to which Buyer shall assume and undertake to perform Seller's obligations under the Assumed Contracts arising on or after the Closing Date;

(c) Officer's Certificate. A certificate, dated as of the Closing Date, executed by the President of Buyer, certifying (i) that the representations and warranties of Buyer contained in this Agreement are true and correct in all material respects as of the date given and have been supplemented so that they are true and correct in all material respects as of the Closing Date, and (ii) that Buyer has, in all material respects, performed all of its obligations and complied with all of its covenants set forth in this Agreement to be performed or complied with on or prior to the Closing Date;

(d) Officer's Certificate. A certificate, dated as of the Closing Date, executed by Buyer's Officer certifying that the resolutions, as attached to such certificate, were duly adopted by Buyer's Board of Directors, authorizing and approving the execution of this Agreement and the consummation of the transactions contemplated hereby and that such resolutions remain in full force and effect.

(e) The Shareholders Agreement. The Shareholders Agreement described in Section 8.2 duly executed by Buyer and all other parties to that Agreement.

(f) Opinions of Counsel. Opinion of Buyer's counsel reasonably satisfactory to Seller, dated as of the Closing Date.

8. RELATED AGREEMENTS; FINANCING THE CONTEMPLATED TRANSACTION

8.1 Related Agreements.

(a) Seller is currently the owner of 25% of the capital stock of Pyramid and is a party to a certain Purchaser's Option Agreement, dated January 10, 1996 ("the Option Agreement"), with the other current shareholders of Pyramid, namely Lennart Bjork ("Bjork"), Klas Kall ("Kall") and Staffan Wittmark ("Wittmark"), pursuant to which Seller, among other things, was granted an option to acquire 75% of Pyramid's outstanding capital stock on terms and conditions stipulated in the Option Agreement.

(b) In connection with the original acquisition by Seller of shares of Pyramid, Seller and Bjork, Kall and Wittmark executed a Stock Purchase Agreement, dated January 1996 ("the Stock Purchase Agreement"), which among other things, specifically in Sections 8, 9, 10 and 11 of the Stock Purchase Agreement, imposed certain restrictions on the sale or other transfer of the Seller's shares of Buyer, and which described certain rights and obligations of Pyramid's shareholders.

(c) Buyer and Seller are parties to a so-called Heads of Agreement, dated June 19, 1997, pursuant to which Buyer renders design services to Seller ("the Design Agreement").

(d) Effective with the Closing:

(i) the Option Agreement shall be deemed terminated and of no further force and effect, and Seller shall consent in writing to the release from the escrow with Nordbanken of Pyramid shares owned by Bjork, Kall and Wittmark,

(ii) the Stock Purchase Agreement shall be deemed terminated and of no further force and effect, but the purchase by Seller of its equity interest in Pyramid shall not be affected thereby, and

(iii) the Design Agreement shall be deemed terminated and of no further force and effect, but John Hayes shall continue to render services to Buyer until June 30, 1999, at Seller's expense.

(e) Seller shall, at the same time as the Royalty Adjustment is paid, pay Buyer a prorated portion of the \$1,000,000 annual reimbursement due Buyer under the Design Agreement based on the number of days during 1999 that the Design Agreement is in effect.

8.2 Financing this Transaction.

(a) Pyramid is currently negotiating with LVMH (i) to issue a minority equity interest in Pyramid to an LVMH affiliate, LV. Capital S.A., and (ii) to borrow sufficient funds from LV. Capital S.A. on acceptable terms to enable Buyer to consummate the Contemplated Transaction. In that connection, all of the shareholders of Pyramid, including Seller, shall not later than the Closing be required to execute a shareholders agreement in the form attached as Schedule 8 ("the Shareholders Agreement").

(b) Buyer has in principle reached agreements with its banks to secure financing to enable Buyer to consummate the Contemplated Transaction, subject to the execution of definitive agreements between Buyer and its banks.

9. RIGHTS OF BUYER AND SELLER ON TERMINATION OR BREACH

9.1 Specific Performance. The parties recognize that in the event either party should refuse to perform under the provisions of this Agreement, monetary damages alone will not be adequate. The aggrieved party shall therefore be entitled, in addition to any other remedies, which may be available, including money damages, to obtain specific performance of the terms of this Agreement. In the event of any action to enforce this Agreement, both parties hereby waive the defense that there is an adequate remedy at law. In the

event of a default by either party which results in the filing of a lawsuit for damages, specific performance, or other remedy, the prevailing party shall be entitled to reimbursement by the other party of reasonable legal fees and expenses incurred.

10. SURVIVAL OF REPRESENTATIONS AND WARRANTIES AND INDEMNIFICATION

10.1 Representations and Warranties. All representations, warranties and covenants contained in this Agreement shall be deemed continuing representations, warranties and covenants, and shall survive the Closing as provided in this Agreement. Any investigations by or on behalf of any party hereto shall not constitute a waiver as to enforcement of any representation, warranty or covenant contained herein.

10.2 Indemnification by Seller.

(a) Notwithstanding the Closing, and, subject to Buyer's obligations under Section 5.7, regardless of any investigation made at any time by or on behalf of Buyer or any information Buyer may have, Seller shall indemnify and hold Buyer harmless from and against and with respect to, and shall reimburse Buyer for any and all damages, liabilities, costs, settlements, fines, penalties, diminution in value, losses, claims, actions, inquiries, demands, suits, legal or administrative proceedings, and expenses including reasonable legal fees ("Damages") which may be made, assessed or otherwise incurred by the Buyer (collectively "Buyer's Losses") arising from or in connection with any of the following:

(i) Any untrue representation, breach of warranty or non-fulfillment or breach of any covenant by Seller contained herein or in any certificate, document or instrument delivered to Buyer hereunder;

(ii) Any and all obligations of Seller not assumed by Buyer pursuant to the terms hereof;

(iii) Seller's ownership of the Assets prior to 12:01 a.m. USA Eastern Standard Time on the Closing Date and any and all liabilities arising under the Assumed Contracts or otherwise which relate to events occurring prior to the Closing Date;

(iv) Any products manufactured or sold or services performed or promised but not performed by Seller prior to the Closing or any products manufactured or sold or services performed or promised but not performed by Seller during the Liquidation Period;

(v) Any claim made by any licensee under any Assumed Contract, or any customer of any such licensee, or any direct customer or distributor of Seller, or any manufacturer of any product bearing any of the Trademarks, in connection with the sale of the Assets to Buyer, or any announcement by Seller that it is selling the Assets and discontinuing its business involving Trademark-labeled products to Buyer; or

(vi) Any and all actions, suits, proceedings, claims, demands, assessments, judgments, costs and expenses, including reasonable legal fees and expenses, incident to any of the foregoing or incurred in enforcing this indemnity.

(b) Notwithstanding the foregoing, any claim by Buyer for indemnification by Seller under (i)-(vi) above ("Claim"), except claims made with respect to the manufacture and/or sale by Seller of Licensed Products pursuant to Section 4.2(e), may not be made (unless otherwise provided in this Agreement) until and unless the aggregate value of Buyer's Losses when aggregated with any of Assignee's Losses (as defined in the Assignment and Assumption Agreement between Seller and Pyramid Sportswear Acquisition Corporation, dated February 23, 1999, "the Assignment and Assumption Agreement") exceed USD 100,000, whereupon Buyer shall be entitled to be indemnified for the full amount of Buyer's Losses.

(c) If the Closing occurs, Seller shall have no liability (for indemnification or otherwise) with respect to any representation or warranty, made as of the date of this Agreement or as of the Closing Date, other than any representation or warranty made in Sections 1.7 or 2.11, unless on or before December 31, 1999, Seller is given notice asserting a Claim with respect thereto and specifying the factual basis of that Claim in reasonable detail to the extent then known by the Buyer. A Claim with respect to Sections 1.7 or 2.11 may be made at any time prior to December 31, 2002. A Claim for indemnification based upon any covenant or agreement to be performed by Seller after the Closing Date may be made at any time within six (6) months after the time for performance has elapsed.

(d) No breach by Buyer of its obligations under Section 5.7 shall affect its right to indemnification hereunder unless the Buyer's Losses for which it seeks indemnification are directly related to the specific breach by Seller which Buyer did not disclose to Seller pursuant to Section 5.7.

10.3 Indemnification by Buyer.

(a) Notwithstanding the Closing, and regardless of any investigation made at any time by or on behalf of Seller or any information Seller may have, Buyer shall indemnify and hold Seller harmless against and with respect to, and shall reimburse Seller for any and all Damages which may be made, assessed or otherwise incurred by the Seller (collectively "Seller's Losses") arising from or in connection with any of the following:

(i) Any untrue representation, breach of warranty or non-fulfillment of any covenant by Buyer contained herein or in any certificate, document or instrument delivered to Seller hereunder;

(ii) Buyer's ownership of the Assets on and after 12:01 a.m. USA Eastern Standard Time on the Closing Date, including any and all liabilities arising under the Assumed Contracts or the Gant Store Lease or otherwise which relate to events occurring after the Closing Date;

(iii) Any and all actions, suits, proceedings, claims, demands, assessments, judgments, costs and expenses, including reasonable legal fees and expenses, incident to any of the foregoing or incurred in enforcing this indemnity;

(b) Notwithstanding the foregoing, any claim by Seller for indemnification by Buyer under (i)-(iii) above ("Claim"), may not be made (unless otherwise provided in this Agreement) until and unless the aggregate value of Seller's Losses when aggregated with any of Assignor's Losses (as defined in the Assignment and Assumption Agreement) exceed USD 100,000, whereupon Seller shall be entitled to be indemnified for the full amount of Seller's Losses; and

(c) If the Closing occurs, Buyer shall have no liability (for indemnification or otherwise) with respect to any representation or warranty or covenant or agreement to be performed or complied with under this Agreement unless on or before December 31, 1999, Buyer is given notice asserting a Claim with respect thereto, and specifying the factual basis of that Claim in reasonable detail to the extent then known by the Seller. A Claim for indemnification based upon any covenant or agreement to be performed by Buyer after the Closing Date may be made at any time within six (6) months after the time for performance has elapsed.

10.4 Procedure for Indemnification. The procedure for indemnification shall be as follows:

(a) The party claiming indemnification (the "Claimant") shall promptly give notice to the party from whom indemnification is claimed (the "Indemnifying Party") of any Claim, whether between the parties or brought by a third party, specifying (i) the factual basis for such Claim, and (ii) the amount of the Claim. If the Claim relates to an action, suit or proceeding filed by a third party against Claimant, such notice shall be given by Claimant within thirty (30) days after written notice of such action, suit or proceeding was given to Claimant.

(b) Following receipt of notice from the Claimant of a Claim, the Indemnifying Party shall have sixty (60) days to make such investigation of the Claim, as the Indemnifying Party deems necessary or desirable. For the purposes of such investigation, the Claimant agrees to make available to the Indemnifying Party and/or its authorized representative(s) the information relied upon by the Claimant to substantiate the Claim. If the Claimant and the Indemnifying Party agree at or prior to the expiration of said sixty (60) day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Indemnifying Party shall immediately pay to the Claimant the full amount of the Claim. If the Claimant and the Indemnifying Party do not agree within said period (or any mutually agreed upon extension thereof), the Claimant may seek appropriate legal remedy.

(c) With respect to any Claim by a third party as to which the Claimant is entitled to indemnification hereunder, the Indemnifying Party shall have the right at its own expense, to participate in or assume control of the defense of such Claim, and the Claimant shall cooperate fully with the Indemnifying Party, subject to reimbursement for actual out-of-pocket expenses incurred by the Claimant as the result of a request by the Indemnifying

Party. If the Indemnifying Party elects to assume control of the defense of any third-party Claim, the Claimant shall have the right to participate in the defense of such Claim at its own expense. If the Indemnifying Party does not elect to assume control or otherwise participate in the defense of any third party Claim, it shall be bound by the results obtained by the Claimant with respect to such Claim.

(d) If a Claim, whether between the parties or by a third party, requires immediate action, the parties will make every effort to reach a decision with respect thereto as expeditiously as possible.

(e) The indemnification rights provided in this Section shall extend to the affiliates, shareholders, directors, officers, employees and representatives of the Claimant although for the purpose of the procedures set forth in this Section, any indemnification claims by such parties shall be made by and through the Claimant.

11. TERMINATION

11.1 Termination of this Agreement.

(a) Termination. This Agreement may be terminated prior to the Closing only as follows:

(i) by written agreement of Buyer and Seller at any time;

(ii) by Seller, by notice to Buyer at any time, if one or more of the conditions specified in Article 6.2 is not satisfied at the time at which the Closing would otherwise occur or if satisfaction of such a condition is or becomes impossible, provided that at the time of such notice Seller has fully complied in all material respects with its material obligations under this Agreement;

(iii) by Buyer, by notice to Seller at any time, if one or more of the conditions specified in Article 6.1 is not satisfied at the time at which the Closing would otherwise occur or if satisfaction of such a condition is or becomes impossible, provided that at the time of such notice Buyer has fully complied in all material respects with its material obligations under this Agreement;

(iv) by either Seller or Buyer on March 31, 1999, if the Closing should not have occurred by that date, provided that the party seeking termination is not the cause of the failure to close.

(b) Effect of Termination. In the event that this Agreement is terminated pursuant to this Section, this Agreement shall terminate without any liability or further obligation of either party to the other, provided, however, that termination under this Section shall not relieve any party of liability for any intentional failure to perform or comply with any agreement prior to the date of termination, or any misrepresentation or omission in any of the representations and warranties made hereunder or any breach of any covenants and agreements hereunder or constitute a waiver of any claim with respect thereto. Liability under this Section shall only attach in the event of an intentional act or omission on the part of the party, which causes the termination of this Agreement.

12. MISCELLANEOUS

12.1 Notices. All notices, demands, and requests required or permitted to be given under the provisions of this Agreement shall be (i) in writing, (ii) delivered by personal delivery, or sent by commercial delivery service or registered or certified mail, return receipt requested, (iii) deemed to have been given on the date of personal delivery or the date set forth in the records of the delivery service or on the return receipt, and (iv) addressed as follows:

If to Seller:

Phillips-Van Heusen Corporation
200 Madison Avenue
New York, New York 10016
Attention: Chairman of the Board

with a copy (which shall not constitute notice) to:

Rosenman & Colin LLP
575 Madison Avenue
New York, New York 10022-2585
Attention: Edward H. Cohen

If to Buyer:

Pyramid Sportswear AB
Engelbrektsgatan 7,
SE-114 32 Stockholm, Sweden
Attention: President

with a copy (which shall not constitute notice) to:

Abberley Kooiman LLP
521 Fifth Avenue, Suite 2200
New York, NY 10175
Attention: Michael L. Martell

and

Advokatfirman Sodermark
Strandvagen 1
Box 14055
SE-104 40 Stockholm, Sweden
Attention: Hakan Rockstrom

or to any such other or additional persons and addresses as the parties may from time to time designate in a writing delivered in accordance with this Section.

12.2 Benefit and Binding Effect. Neither party hereto may assign this Agreement without the prior written consent of the other party hereto. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

12.3 Governing Law. This Agreement shall be governed, construed, and enforced in accordance with the laws of the State of New York without reference to its conflicts of laws provisions.

12.4 Headings. The headings herein are included for ease of reference only and shall not control or affect the meaning or construction of the provisions of this Agreement.

12.5 Gender and Number. Words used herein, regardless of the gender and number specifically used, shall be deemed and construed to include any other gender, masculine, feminine or neuter, and any other number, singular or plural, as the context requires.

12.6 Jurisdiction and Forum. To the fullest extent permitted by law, each of the parties hereto (i) agree that the appropriate forum for the resolution of all disputes hereunder shall be the courts located in New York, (ii) submits to the personal jurisdiction of such courts, and (iii) waives any objection to venue in New York and any claim that the forum is inconvenient.

12.7 Entire Agreement. This Agreement, all Schedules hereto, and all documents and certificates to be delivered by the parties pursuant hereto collectively represent the entire understanding and agreement between Buyer and Seller with respect to the subject matter hereof. All schedules attached to this Agreement shall be deemed part of this Agreement and incorporated herein, where applicable, as if fully set forth herein. This Agreement supersedes all prior negotiations between Buyer and Seller, and all letters of intent and other writings relating to such negotiations, and cannot be amended, supplemented or modified except by an agreement in writing which makes specific reference to this Agreement or an agreement delivered pursuant hereto, as the case may be, and which is signed by the party against which enforcement of any such amendment, supplement or modification is sought.

12.8 Waiver of Compliance; Consents. Except as otherwise provided in this Agreement, any failure of any of the parties to comply with any obligation, representation, warranty, covenant, agreement or condition herein may be waived by the party entitled to the benefits thereof only by a written instrument signed by the

party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, representation, warranty, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section.

12.9 Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

12.10 Counterparts. This Agreement may be signed in any number of counterparts with the same effect as if the signature on each such counterpart were upon the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed by Buyer and Seller as of February 23, 1999.

For the purpose of confirming their rights and obligations under Article 8 of this Agreement:

PHILLIPS-VAN HEUSEN CORPORATION

By: /s/ Irwin W. Winter
Name: Irwin W. Winter
Title: Executive Vice President

/s/ Lennart Bjork
Lennart Bjork

PYRAMID SPORTSWEAR AB

/s/ Klas Kall
Klas Kall

By: /s/ Lennart Bjork
Name: Lennart Bjork
Title: President

/s/ Staffan Wittmark
Staffan Wittmark

PYRAMID PARTNERS AB

By: /s/ Lennart Bjork
Name: Lennart Bjork
Title: President

ASSIGNMENT AND ASSUMPTION AGREEMENT

Between

PHILLIPS-VAN HEUSEN CORPORATION
A Delaware Corporation

And

PYRAMID SPORTSWEAR ACQUISITION CORPORATION
A Delaware Corporation

February 23, 1999

ASSIGNMENT AND ASSUMPTION AGREEMENT

ASSIGNMENT AND ASSUMPTION AGREEMENT, dated February 23, 1999, between PHILLIPS-VAN HEUSEN CORPORATION, a Delaware corporation, with offices at 200 Madison Avenue, New York, New York 10016 ("Assignor"), and PYRAMID SPORTSWEAR ACQUISITION CORPORATION, a Delaware corporation, with offices c/o Abberley Kooiman LLP, 521 Fifth Avenue, New York, New York 10175 ("Assignee").

RECITALS:

1. Assignor and Assignee's affiliate, Pyramid Sportswear AB, a Swedish corporation ("Pyramid Sportswear"), are parties to an Asset Purchase Agreement, dated February 23, 1999 ("the Asset Purchase Agreement").

2. Pursuant to the Asset Purchase Agreement, Pyramid Sportswear is acquiring certain assets from Assignor including the trademark "Gant" and all rights associated with that mark.

3. Assignor currently operates the so-called flagship Gant Store, located at 645 Fifth Avenue, in New York, New York, pursuant to an Agreement of Lease, dated March 5, 1997, between Olympic Tower Associates, as Landlord, and Assignor, as Tenant ("the Gant Store Lease").

4. Provided the Asset Purchase Agreement closes and the transactions contemplated by that agreement are consummated, Assignor desires to assign and transfer to Assignee (i) the Gant Store Lease and all of Assignor's obligations thereunder, as well as (ii) certain other assets and obligations described in this Agreement, in accordance with the terms and conditions contained herein, and Assignee is agreeable to same.

In consideration of the above recitals, all of which shall be deemed an integral part of this Agreement, and the covenants and agreements contained herein, Assignor and Assignee agree as follows:

1. TRANSFER OF THE GANT STORE LEASE AND RELATED ASSETS AND LIABILITIES TO ASSIGNEE

1.1 Transfers. Subject to the terms and conditions of this Agreement, at the Closing (as hereinafter defined), Assignor shall assign, transfer and deliver to Assignee all of Assignor's right, title and interest in, and Assignee will acquire, accept and assume, all of the following assets of Assignor, free and clear of all security interests, liens, mortgages, charges, options, licenses, adverse claims or restrictions of any kind, including but not limited to, any restrictions on use, transfer, receipt of income or other attributes of ownership other than the rights of

the Landlord under the Gant Store Lease and the rights of the lessors under the Equipment Leases (as hereinafter defined) ("Encumbrances"), all such assets being hereinafter sometimes referred to collectively as "the Assets":

(a) the Gant Store Lease and the Equipment Leases set forth in Schedule 1 ("the Equipment Leases");

(b) the Gant Store Inventory, Outstanding Gant Store Orders and Other Inventory (all as hereinafter defined);

(c) all equipment, telephones, telefax machines, fixed assets, trade fixtures, leasehold improvements, cash registers and furniture, located on the Closing Date in, and utilized in connection with and otherwise needed to operate the Gant Store without interruption ("the Gant Store Property"), other than equipment covered by the Equipment Leases;

(d) the existing telephone and telefax numbers of the Gant Store, including any "800" numbers;

(e) copies of all books and historical records relating to the Assets, including an executed copy of the Gant Store Lease;

(f) all guarantees, warranties, indemnities and similar rights of Assignor with respect to, and all rights, claims, causes of action or rights of set off of Assignor against third parties relating to the Gant Store Lease, the Gant Store Inventory, the Outstanding Gant Store Orders, the Other Inventory and the Gant Store Property, including without limitation, unliquidated rights under manufacturers' or vendors' warranties;

(g) all goodwill associated with the Assets; and

(h) all displays, shipping supplies, boxes and like materials and promotional, advertising and sales materials intended for use in the Gant Store or located in the Gant Store on the Closing Date ("Supplies and Promotional Materials"),

1.2 Consideration for Transfers. In consideration of the above transfers, Assignee shall (a) as of 12:01 a.m. USA Eastern Standard Time on the Closing Date (as hereinafter defined) pay, assume, discharge and perform all the obligations and liabilities of Assignor under (i) the Gant Store Lease, (ii) the Equipment Leases, insofar as they relate to the time period on or after the Closing Date, and arise out of events occurring on or after the Closing Date, (iii) the Outstanding Gant Store Orders and (iv) all orders for Supplies and Promotional Materials (provided same are in reasonable quantities), and (b) pay, assume, discharge and perform all obligations and liabilities arising out of events occurring after the Closing Date and related to Assignee's operation of the Gant Store after the Closing Date, and (c) purchase all Other Inventory from Assignor as provided in Section 1.7 ("the Assumed

Liabilities"). Except to the extent specifically set forth in this Agreement, Assignee is not assuming, and shall not be bound by, any obligations or liabilities of Assignor, of any kind or nature, known, unknown, expressed, implied, contingent or otherwise, other than the Assumed Liabilities. In particular, but not in limitation of the foregoing sentence, Assignee is not assuming any obligations or liabilities with respect to which provision for indemnification of Assignee has been made in this Agreement.

1.3 Closing. Subject to Sections 10.1 and 11.1 hereof, the transfers and assumptions ("the Closing") provided for in this Agreement ("the Contemplated Transaction") will take place at the offices of Alfred Berg, Birger Jarlsgatan 7, Stockholm, Sweden, at 11:00 a.m. (local time) on the same day as, and simultaneously with, the closing under the Asset Purchase Agreement ("the Acquisition Date"). Subject to Section 10.1 hereof, if the Closing under this Agreement cannot be effected on the Acquisition Date because the Landlord's consent to an assignment or sublease of the Gant Store Lease has not been received, the Closing shall take place on the earlier of (i) three (3) business days after such consent is received and (ii) March 31, 1999 ("the Closing Date"). Subject to the provisions of Section 10, failure to consummate the Contemplated Transaction on the date and time and at the place determined pursuant to this Section 1.3 will not result in the termination of this Agreement and will not relieve any party of any obligation under this Agreement.

1.4 The Gant Store Lease.

(a) Prior to Closing, Assignor shall make available to Assignee complete and accurate information regarding the operations, financial and otherwise, of the Gant Store since its opening. Pursuant to Section 1.2 of this Agreement, Assignee shall assume all obligations and liabilities under the Gant Store Lease as of 12:01 a.m. USA Eastern Standard Time on the Closing Date. Assignor and Assignee shall adjust as of the Closing Date all obligations under the Gant Store Lease, including but not limited to, rent, additional rent, utility charges, and so forth ("the Lease Adjustments"). The Lease Adjustments shall be made at the same time as the Royalty Adjustment and the Design Agreement Adjustment (both as defined in the Asset Purchase Agreement) are made under the Asset Purchase Agreement. At the Closing, Assignor shall assign to Assignee its cash security deposit paid under Section 37.01 of the Gant Store Lease upon delivery to it of Assignee's payment of a like amount ("the Cash Security Deposit"). Assignor shall continue to provide the irrevocable letter of credit, as also required of Tenant under Section 37.01 of the Gant Store Lease, subject to the provisions of Section 9.3 of this Agreement and this Section 1.4, until August 31, 2002. Prior to such date, Assignee shall secure and substitute another letter of credit for the letter of credit provided by Assignor. Notwithstanding the foregoing, in the event of any substantial change in the ownership of Pyramid Partners AB ("Pyramid") (after

considering the acquisition of an equity interest in Pyramid by a subsidiary of LVMH Moët Hennessy Louis Vuitton S.A. ("LVMH"), namely LV. Capital S.A., as reflected in the Shareholders Agreement (as defined in the Asset Purchase Agreement), including, without limitation, an initial public offering of the share capital of Pyramid, a sale by LV. Capital S.A. of all or substantially all of its equity interest in Pyramid, or a sale by two or more of the Pyramid Partners (as defined in the Shareholders Agreement) of their equity interests in Pyramid, Assignor's obligation to maintain the letter of credit shall end and Assignee shall promptly secure and substitute another letter of credit for the letter of credit maintained by Assignor.

(b) If Assignor, after making all commercially reasonable efforts, is unable to secure the Landlord's Consent (as hereinafter defined) to the assignment of the Gant Store Lease to Assignee, then Assignee will accept a sublease for the balance of the term of the Gant Store Lease, provided the Landlord consents to the sublease and the sublease is otherwise obtained in accordance with the applicable terms and conditions of the Gant Store Lease. In such event, the parties shall enter into a sublease agreement consistent with the terms and conditions of this Agreement ("the Sublease Agreement").

1.5 Gant Store Inventory. Subject to the provisions of Section 2.14, "Gant Store Inventory" consists of all saleable products in the Gant Store as of the Closing Date.

1.6 Outstanding Gant Store Orders. "Outstanding Gant Store Orders" are commitments for the purchase of inventory for the Gant Store, consisting of orders for the 1999 spring/summer season and 1999 fall season, which were placed through Assignee, and which are pending and undelivered as of the Closing Date. Assignee is assuming all of Assignor's obligations under and with respect to the Outstanding Gant Store Orders. To the extent any Outstanding Gant Store Orders have been paid by Assignor as of the Closing Date, Assignee shall, upon delivery of such orders, reimburse Assignor for such payments in the amount of Assignor's landed cost plus any duties paid by Assignor in connection with such orders.

1.7 Other Inventory. "Other Inventory" consists of products ordered through Assignee that are owned by Assignor and not as yet delivered to the Gant Store on the Closing Date, but intended for sale in the Gant Store. Subject to the provisions of Section 2.14, Assignee shall purchase and Assignor shall sell to Assignee the Other Inventory at Assignor's landed cost plus any duties paid by Assignor.

2. REPRESENTATIONS AND WARRANTIES OF ASSIGNOR

2.1 Organization, Standing and Authority. Assignor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified to conduct its business in New York. Assignor has all requisite

corporate power and authority (i) to own, lease, license and use the Assets as presently owned, leased, licensed and used, (ii) to conduct the trade, business and operations of Assignor associated with the Assets, as presently conducted, and (iii) to execute and deliver this Agreement and any other agreements executed and delivered in connection with this Agreement and the transaction contemplated hereby, and to perform and comply with all of the terms, covenants and conditions to be performed and complied with by the Assignor hereunder.

2.2 Authorization and Binding Obligation. The execution, delivery, and performance of this Agreement by the Assignor have been duly authorized by all necessary corporate actions on the part of the Assignor and its stockholders (if necessary). This Agreement has been duly executed and delivered by the Assignor and constitutes the legal, valid and binding obligation of the Assignor, enforceable against it in accordance with its respective terms except as enforceability may be affected by bankruptcy, insolvency, or similar laws affecting creditors' rights generally, or by court-applied equitable remedies.

2.3 Absence of Conflicting Agreements. Except as otherwise provided in this Agreement, and except to the extent any violation of this Section, other than of clause (ii), would not have a material adverse effect on the Assets or the Contemplated Transaction, the execution, delivery, and performance of this Agreement and the documents contemplated hereby (with or without the giving of notice, the lapse of time, or both): (i) does not require the consent of any third party; (ii) will not violate any provision of the Certificate of Incorporation or Bylaws of the Assignor; (iii) will not violate, result in a breach of, or constitute a default under, any law, judgment, order, ordinance, decree, rule, regulation or ruling of any court or governmental instrumentality, which is applicable to the Assignor and which would affect Assignor's ability to consummate the sale of the Assets to Assignee; (iv) subject to Assignor obtaining the Consents (as hereinafter defined) will not violate, constitute grounds for termination of, result in a breach of, constitute a default under, or accelerate or permit the acceleration of any performance required by the terms of any agreement, instrument, license or permit to which the Assignor is a party or by which the Assignor may be bound and which is included in the Assets; or (v) will not create any Encumbrance upon any of the Assets.

2.4 Licenses. Other than as reflected on Schedule 2, Assignor does not possess and is not required by any governmental or regulatory authority to obtain, any licenses, permits and other authorizations for the lawful operation of the Gant Store and its lawful ownership and use of the Assets, except where the failure to possess any such license, permit or other authorization would not have a material adverse effect on the Assets or the Contemplated Transaction.

2.5 Consents. Other than as reflected on Schedule 3, no consent, approval, permit or authorization of, or declaration to or filing with any third party or any governmental or regulatory authority ("Consent") is required (i) to consummate this Agreement and the Contemplated Transaction, (ii) to permit Assignor to assign or transfer the Assets to Assignee, or (iii) to Assignor's knowledge, to enable Assignee to operate the Gant Store in essentially the same manner as the Gant Store is presently operated.

2.6 Insurance. All Gant Store Property included in the Assets is insured against loss or damage in commercially reasonable amounts. All such policies of insurance are in full force and effect and such policies provide for coverage on an occurrence basis.

2.7 Taxes. Assignor has filed or caused to be filed all federal income tax returns and to the best of Assignor's knowledge all other federal, state, county, local or city tax returns which are required to be filed, or has secured extensions to file any such returns, and it has paid or caused to be paid all taxes shown on said returns or on any tax assessment received by it to the extent that such taxes have become due, or is in good faith contesting the payment of any such taxes. Assignor has paid all sales and use taxes that were due and owing, if any, upon its acquisition of the Gant Store Property and no further sales or use taxes are due and owing. No events have occurred, other than the transfer of Assets hereby, which could impose on Assignee any transferee liability for any taxes, penalties, or interest due or to become due from Assignor. Assignor has collected and/or paid or will timely pay all retail sales taxes it has been obligated to collect in connection with the operation of the Gant Store. There are no tax liens on any of the Assets; there are no deficiencies asserted against Assignor by any governmental authority that may result in a lien on any of the Assets.

2.8 Claims and Legal Actions. Except as described on Schedule 4, there is no legal action, counterclaim, suit, arbitration, or other legal, administrative or tax proceeding, nor any order, decree or judgment, in progress or pending, or to the knowledge of Assignor, threatened against or relating to any of the Assets, including the Gant Store, nor does Assignor know of any reasonable basis for the same. To the best of Assignor's knowledge, there is no pending or threatened claim or governmental investigation affecting Assignor or any of the Assets. Schedule 4 lists all prior legal actions, suits, arbitrations, administrative proceedings, orders, decrees or judgments involving any of the Assets of which Assignor has knowledge.

2.9 Conduct of Gant Store Business in Ordinary Course. Since December 1, 1998, Assignor has conducted business at the Gant Store in the ordinary course and has not suffered any material adverse change in the Assets, including any damage, destruction or loss

materially and adversely affecting the Assets, except operating losses at the Gant Store, all of which have been disclosed to Assignee, the anticipated disclosure by Assignor after the execution of this Agreement of its intention to sell the Trademarks (as defined in the Asset Purchase Agreement) and discontinue its business involving the Trademark-labeled products, and the bankruptcy filing by one of Assignor's Trademark licensees, namely Salant Corporation.

2.10 Labor Issues. With respect to the employees of the Gant Store ("Gant Store Employees"), Assignor is in compliance in all material respects with all applicable laws and regulations respecting employment and employment practices, terms and conditions of employment and wages and hours, including, without limitation, all labor relations laws, equal employment opportunity laws, employment discrimination laws, affirmative action laws, Occupational Health and Safety Laws, wage and hour laws (including the Fair Labor Standards Act and regulations thereunder), immigration laws, workers' compensation laws, disability laws and unemployment compensation laws. There is not any pending, or to Assignor's knowledge any threatened, claim for noncompliance or violation of any obligations or matters referred to in the first sentence of this Section, or otherwise arising out of any Gant Store employee's employment relationship with Assignor or the termination of such relationship. There are no employment agreements concerning any Gant Store employees of Assignor. There is no collective bargaining or union contract or agreement binding on Assignor and covering any of the Gant Store employees, nor has any labor organization been certified or recognized as the exclusive collective bargaining agent of any Gant Store employees of Assignor. With respect to the Gant Store, Assignor (i) is not engaged in any unfair labor practice, and (ii) has not experienced or been threatened by any labor strike, dispute, slowdown or stoppage, and none of such events presently is pending or threatened against or affecting Assignor. The transactions contemplated by this Agreement are not subject to the Worker Adjustment and Retraining Notification Act.

2.11 Full Disclosure. No representation or warranty made by Assignor in this Agreement or in any schedule attached to this Agreement or in any certificate provided hereunder, contains or will contain as of the date it is given, any untrue statement of a material fact, or omits or will omit to state any material fact known to Assignor and required to make the statements herein or therein not misleading.

2.12 Environmental Matters. To Assignor's knowledge, there are no hazardous materials present on or in the Gant Store.

2.13 Gant Store Employees, Salaries and Benefit Plans.

(a) Schedule 5 sets forth, as of February 10, 1999, the names of the Gant Store employees and their salaries, and each bonus, deferred compensation, incentive compensation, stock

purchase, stock option, severance or termination pay, hospitalization or other medical, life or other insurance, supplemental unemployment benefits, profit-sharing, pension, or other retirement plan, program, agreement or arrangement, maintained or contributed to or required to be contributed to by Assignor for the benefit of any employee or former employee of the Gant Store, whether formal or informal and whether legally binding or not ("Plans").

(b) Except as set forth on Schedule 5, there are no pending claims by or on behalf of any of the Plans, by any Gant Store Employee, or Gant Store Employee beneficiary covered under any such Plan, or otherwise involving any such Plan (other than routine claims for benefits).

(c) Except with respect to Gant Store Employees on the Closing Date, who are not offered employment by Assignee, Assignor's severance policy does not require payment of severance upon the consummation of the Contemplated Transaction.

2.14 Gant Store Inventory. All Gant Store Inventory consists of new apparel or accessories in good and saleable condition. The value (as determined under this Section 2.14) of the Gant Store Inventory at the Closing shall be determined by a physical count of the Gant Store Inventory taken jointly by Assignor and Assignee on the day preceding the Closing Date. Following the physical count, the parties shall prepare a joint schedule of the Gant Store Inventory as of the Closing Date. Gant Store Inventory shall be valued at its retail price (marked down where appropriate) multiplied by 0.42. All fall 1998 and prior seasons merchandise shall be removed from the Gant Store by Assignor prior to the Closing (or as promptly thereafter as is practicable, at Assignor's expense) and not be included in Gant Store Inventory. All so-called basic, transition or holiday merchandise shall be appropriately marked down in the ordinary course of business. Gant Store Inventory shall have a value of at least USD 500,000 at the Closing based upon the above valuation procedures, and any Gant Store Inventory not ordered through Assignee shall constitute less than five percent (5%) of the final Gant Store Inventory figure. To the extent there is any shortfall at the Closing below the USD 500,000 figure, Assignor shall include in the Gant Store Inventory a sufficient amount of Outstanding Gant Store Orders or Other Inventory, valued as set forth in Section 1.6 or 1.7, as the case may be, in order to meet the USD 500,000 minimum figure.

2.15 Gant Store Property. Except as described on Schedule 6, Assignor owns and has good title to all of the Gant Store Property. None of the Gant Store Property owned by Assignor is subject to any Encumbrances except as described on Schedule 6 and all such Encumbrances shall be removed prior to or at Closing. Except as shown on Schedule 6, each item of Gant Store Property is in good condition and repair (ordinary wear and tear excepted), and is available for immediate use in the operation of the Gant Store. All items of equipment included in the Gant Store Property have been

maintained in a manner consistent with generally accepted standards of good business practices. Assignor has not, since December 1, 1998, permanently removed from the Gant Store any property which on the Closing Date would constitute Gant Store Property under the terms of this Agreement, except in the ordinary course of business or where removal would not materially and adversely affect the operation of the Gant Store.

2.16 Gant Store Representations. All improvements and alterations made by Assignor to the Gant Store have been made in all material respects in accordance with the terms of the Gant Store Lease. Assignor is not in breach of any material covenant or obligation of the Gant Store Lease nor is it aware of any facts that are reasonably likely to give rise to any claim by Landlord that Assignor is in breach of any material covenant or obligation of the Gant Store Lease. Except as described on Schedule 7, to Assignor's knowledge, all elevators, air conditioning systems and other building-wide systems located in the Gant Store are in good order and repair and operating properly. All service contracts and vendor and contractor warranties covering any equipment or machinery included in the Gant Store Property are listed on Schedule 7.

3. REPRESENTATIONS AND WARRANTIES OF ASSIGNEE

Assignee represents and warrants to Assignor as follows:

3.1 Organization, Standing and Authority. Assignee is a corporation duly organized, validly existing, and in good standing under the laws of Delaware. Assignee has all requisite corporate power and authority to execute and deliver this Agreement and the documents contemplated hereby, and to perform and comply with all of the terms, covenants and conditions to be performed and complied with by Assignee hereunder and thereunder.

3.2 Authorization and Binding Obligation. The execution, delivery, and performance of this Agreement by Assignee have been duly authorized by all necessary corporate actions on the part of Assignee. This Agreement has been duly executed by Assignee and constitutes the legal, valid, and binding obligations of Assignee, except as the enforceability hereof may be affected by bankruptcy, insolvency, or similar laws affecting creditors' rights generally, or by court-applied equitable remedies.

4. COVENANTS OF ASSIGNOR AND ASSIGNEE

4.1 Assignor's Pre-Closing Covenants. Except as contemplated by this Agreement or with the prior written consent of Assignee, which consent shall not be unreasonably withheld or delayed, between the date hereof and the Closing Date, Assignor shall operate the Gant Store in the ordinary course of business and in accordance with its past practices (except where such would

conflict with the following covenants or with Assignor's other obligations hereunder), and abide by the following negative and affirmative covenants, except that Assignee understands after the execution of this Agreement Assignor shall not order any additional inventory for the Gant Store:

(a) Negative Covenants. Assignor shall not do any of the following:

(i) Contracts. Modify or amend the Gant Store Lease, except as approved prior to execution by the Assignee in writing;

(ii) Disposition of Assets. Sell, assign, lease, or otherwise transfer or dispose of any of the Assets, except for sales made in the ordinary course of business at the Gant Store;

(iii) Encumbrances. Create, assume or permit to exist any Encumbrance upon the Assets, except for those in existence on the date of this Agreement, all of which shall be removed prior to or as of the Closing Date;

(iv) Rights. Waive any material right relating to the Assets; or

(v) No Inconsistent Action. Take any action which is materially inconsistent with its obligations hereunder or which could hinder or delay the consummation of the Contemplated Transaction.

(b) Affirmative Covenants. Assignor shall do the following:

(i) Access to Information. Allow Assignee and its authorized representatives reasonable access at Assignee's expense during normal business hours to the Assets and to all other properties, equipment, books, records, contracts and documents relating to the Assets, for the purpose of audit and inspection, and furnish or cause to be furnished to Assignee or its authorized representatives all information with respect to the affairs and business of Assignor as they relate to the Assets, as Assignee may reasonably request, it being understood that the rights of Assignee hereunder shall not be exercised in such a manner as to interfere with the operations of the Assignor; provided that, subject to Section 5.9 hereof, neither the furnishing of such information to Assignee or its representatives nor any investigation made heretofore or hereafter by Assignee shall affect Assignee's right to rely on any representation or warranty made by Assignor in this Agreement, each of which shall survive any furnishing of information or any investigation;

(ii) Maintenance of Assets. Take such actions as are commercially reasonable to maintain all of the Assets (not sold in the ordinary course of business) in their present condition (ordinary wear and tear excepted);

(iii) Insurance. Take such actions as are commercially reasonable to maintain the existing insurance policies on the Assets;

(iv) Consents. Take such actions as are commercially reasonable, and at Assignor's expense, to obtain all Consents;

(v) Books and Records. Maintain its books and records as they relate to the Assets in accordance with past practices;

(vi) Notification. Promptly notify Assignee in writing of any unusual or material developments with respect to the Assets, and of any material change in any of the information contained in Assignor's representations and warranties contained in Article 2 hereof or in the Schedules hereto, provided that such notification shall not relieve Assignor of any obligations hereunder; and

(vii) Compliance with Laws. Comply in all material respects with all material rules and regulations to which Assignor and the Assets are subject.

4.2 Assignee's Pre-Closing Covenant. Assignee shall use its best efforts to obtain a guaranty of the Tenant's obligations under the Gant Store Lease, or, if applicable, under the Sublease Agreement, from LVMH or any of LVMH's subsidiaries or affiliates.

4.3 Post-Closing Covenants.

(a) Cooperation. After the Closing, Assignor will take such actions, and execute and deliver such further deeds, bills of sale, or other transfer documents as, in the reasonable opinion of counsel for Assignee, may be necessary to ensure, complete and evidence the full and effective transfer of the Assets to Assignee pursuant to this Agreement. After the Closing, Assignee will take such actions, and execute and deliver such further documents as, in the reasonable opinion of counsel for Assignor, may be necessary to ensure, complete and evidence, the full and effective transfer of the Assets to Assignee and the assumption of the Assumed Liabilities by Assignee pursuant to this Agreement. Assignor and Assignee shall cooperate in good faith to determine and pay the Lease Adjustments referred to in Section 1.4.

(b) Accounts Receivable or Other Money. Following the Closing Date, if Assignee should receive payment of any accounts receivable or other money belonging to Assignor, Assignee shall promptly pay same to Assignor, and if Assignor should receive payment of any accounts receivable or other money belonging to Assignee, Assignor shall promptly pay same to Assignee.

(c) Retention of Books and Records. Each party shall retain its books and records relating to the Assets. In the event that the party in possession of such books and records wishes to

destroy such records after the sixth anniversary of the Closing Date, such party shall notify the other party in writing at least thirty (30) days prior to such destruction. If within such thirty (30) day period, the party receiving such notice shall inform the sending party that the receiving party desires such records, or any portion thereof, the sending party shall, at the expense of the receiving party, copy such records or portions thereof and make same available to the receiving party. If either party is notified by a governmental authority of an inquiry, audit or investigation, such party shall notify the other promptly of such inquiry, audit or investigation, and such other party shall be obligated to cooperate in connection with any such inquiry, audit or investigation, without additional consideration, to the extent reasonably requested.

(d) Gant Store Lease Extension. Assignee shall not renew or extend the Gant Store Lease without Assignor's written consent, which consent shall not be unreasonably withheld or delayed.

(e) Transition Period Services. At Assignee's request, Assignor shall after the Closing Date perform various services for Assignee until Assignee is able to perform such services on its own ("Transition Period Services"). Transition Period Services shall include retaining all Gant Store Employees as employees of Assignor on Assignor's payroll, providing credit card collection services at the Gant Store, and any other similar services to enable Assignee to operate the Gant Store until it establishes its payroll and support services, including employee benefit plans, credit card collection agreements, and so forth. Assignee shall use all commercially reasonable efforts to establish its own arrangements, policies and procedures to replace the Transition Period Services and shall discontinue its use of a Transition Period Service and shall no longer have a right to receive such service as soon as practicable after a replacement service becomes available to it. It is understood and agreed that, the Gant Store Employees shall be terminated upon Assignee's establishment of a medical insurance plan. Upon such termination, Assignor's responsibility with respect to the Gant Store Employees shall cease. During the Transition Period (as hereinafter defined), Assignee shall have the right to request Assignor to terminate a Gant Store Employee only for cause and Assignee shall not hire any additional employees for the Gant Store, unless they are hired as employees of Assignee. Assignee shall reimburse Assignor for all its actual costs in providing Transition Period Services, including but not limited to payroll and other employee and fringe benefit expenses, and shall indemnify and hold harmless Assignor from all losses, damages, claims, costs and expenses (including but not limited to reasonable legal fees) incurred in connection with its performance of the Transition Period Services, without reference to the limitation set forth in Section 9.3. Assignor shall not be obligated to provide Transition Period Services for a period commencing on the earlier of (i) the date on which the last of the Transition Period Services are replaced by Assignee and (ii) 30 days after Closing Date ("the Transition Period").

5. OTHER COVENANTS

5.1 Gant Store Employees.

(a) Assignor shall terminate the employment of all the employees of the Gant Store effective on the Closing Date.

(b) At the end of the Transition Period, Assignee shall, subject to Assignee's rules and procedures, offer employment to substantially all Gant Store Employees remaining as of such date at substantially the same pay (but not necessarily with the same benefits) in effect at the end of the Transition Period by announcement or other notification in a form and at a time as mutually agreed by Assignor and Assignee. The accrued vacation benefits of any Gant Store Employees, on the Closing Date, employed by Assignee thereafter shall be paid by Assignor to the employee. Nothing in this Section is intended to create any claim or right on the part of any employee and no such employee shall be entitled to assert any claim or right hereunder.

(c) Assignee agrees to indemnify and hold harmless Assignor of and from any and all actions, causes of action, suits, debts, claims, complaints, charges, damages, cross-claims, claims for contribution and/or indemnity claims, for or on account of the employment interviews and hiring process to be conducted by Assignee in connection with any employees of Assignor, including claims involving the failure to hire, and to reimburse Assignor for all expenses incurred by them, including reasonable legal fees and expenses, in defending any such claims or actions as described herein. Assignee may undertake representation on behalf of Assignor in any such claims or actions, however, such representation shall not decrease or in any way limit the obligation of Assignee to indemnify and hold harmless Assignor, as provided herein. Any fees and expenses incurred by Assignee under this Section shall not be considered part of the deductible allowance under Section 9.3 and must be paid in full by Assignee.

5.2 Benefit Plans. Subject to Section 4.3(e), Assignee shall have no obligation or liability payable under any of Assignor's plans that provide retirement benefits (whether qualified under Section 401(a) of the IRC or not) or any of Assignor's plans, programs or arrangements (including, but not limited to, any reimbursement arrangement maintained by Assignor) that provide health, medical, disability or dental insurance or other benefits for the welfare of the Employees. Assignor shall indemnify Assignee, pursuant to this Agreement, for any liability that Assignee may incur with respect to or in connection with any benefit plan maintained by Assignor and relating to the period prior to the Closing Date.

5.3 Assignor Payment to Creditors. Assignor shall pay or otherwise satisfy all trade payables of Assignor and shall fully pay or otherwise satisfy all other liabilities and/or obligations

relating to the Assets incurred through the Closing Date other than Outstanding Gant Store Orders. Assignor shall indemnify Assignee, pursuant to this Agreement, for any damages resulting from or relating to (i) Assignor's failure to pay or otherwise satisfy any such liabilities, or (ii) noncompliance by Assignee and Assignor with any applicable provisions of any bulk transfer laws (or any similar laws) of any relevant jurisdiction. Any expense incurred by Assignee under this Section shall not be considered part of the deductible allowance under Section 9.2 and must be paid in full by Assignor.

5.4 Taxes, Fees and Expenses. Except as otherwise provided in this Agreement, each party shall pay its own expenses incurred in connection with the authorization, preparation, execution, and delivery of the Agreement.

5.5 Brokers. Assignee and Assignor each represents and warrants that neither it nor any person or entity acting on its behalf has incurred any liability for any finders' or brokers' fees or commissions whatsoever in connection with the transaction contemplated by this Agreement.

5.6 Confidentiality. Except as necessary to consummate the Contemplated Transaction, each party hereto will keep confidential any information which is obtained from the other party in connection with this Agreement and which is not readily available to members of the general public. Any such information may be disclosed only to those of each party's representatives who need to know such information for the purpose of evaluating the Contemplated Transaction on that party's behalf (it being understood that any such representatives shall be informed of the confidential nature of such information and shall be directed to keep such information confidential). In the event this Agreement is terminated and the Contemplated Transaction abandoned, each party shall return to the other party all documents, work papers and other written material obtained by it in connection with this Agreement.

5.7 Cooperation. Assignee and Assignor shall cooperate fully with each other and their respective counsel and accountants in connection with any actions required to be taken as part of their respective obligations under this Agreement, including but not limited to determining and paying the Lease Adjustments, and Assignee and Assignor shall execute such other documents as may be necessary and desirable to the implementation and consummation of this Agreement, and otherwise use their best efforts to consummate the transaction contemplated hereby and to fulfill their obligations hereunder.

5.8 Risk of Loss.

(a) The risk of any loss, damage or impairment, confiscation or condemnation of any of the Assets from any cause whatsoever shall be borne by Assignor at all times prior to the

Closing Date. In the event of any loss, damage or impairment, confiscation or condemnation of any of the Assets prior to the Closing Date, Assignor shall expend such funds and take such other actions as are necessary to repair, replace or restore such Assets to their prior condition as soon as possible after such loss, impairment, condemnation or confiscation.

(b) In the event of any damage or destruction of the Assets described above, if such Assets have not been restored or replaced promptly, Assignee may terminate this Agreement forthwith without any further obligation hereunder by written notice to Assignor. Alternatively, Assignee may, at its option, proceed to close this Agreement and complete the restoration and replacement of such damaged Assets after the Closing Date, in which event Assignor shall deliver to Assignee all insurance proceeds received in connection with such damage or destruction of the Assets without limitation as to the costs and expenses arising in connection with such restoration and replacement.

5.9 Notification. Between the date of this Agreement and the Closing Date, Assignor shall promptly notify Assignee in writing (i) if Assignor becomes aware of any fact or condition that causes or constitutes a misrepresentation or omission in any of Assignor's representations and warranties as of the date of this Agreement, or (ii) if Assignor becomes aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a misrepresentation or omission in any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. During the same period, Assignor shall promptly notify Assignee of the occurrence of any breach of any covenant or agreement of Assignor in this Agreement or otherwise made in connection herewith or of the occurrence of any event that may make the satisfaction of the conditions in Article 6 impossible or unlikely. Between the date of this Agreement and the Closing Date, Assignee shall promptly notify Assignor in writing if Assignee has actual knowledge of any breach by Assignor of any material representation or warranty made by Assignor under this Agreement or of any other material obligation of Assignor hereunder, and Assignor shall be given a reasonable opportunity to cure any such breach.

5.10 No Negotiation. Until such time, if any, as this Agreement is terminated pursuant to Article 10, Assignor shall not directly or indirectly solicit, initiate, or encourage any inquiries or proposals from, discuss or negotiate with, provide any non-public information to, or consider the merits of any unsolicited inquiries or proposals from, any person (other than Assignee) relating to any transaction involving the sale of the Assets.

5.11 Public Announcements. Assignor and Assignee shall consult with each other regarding the issuance, timing and text of any public announcements concerning this Agreement or the Contemplated Transaction.

6. CONDITIONS

6.1 Conditions to Obligations of Assignee. All obligations of Assignee at the Closing hereunder are subject to the fulfillment prior to or on the Closing Date of each of the following conditions:

(a) Representations and Warranties. All representations and warranties of Assignor in this Agreement shall be true and correct in all material respects as of the date given, and shall be supplemented by Assignor if necessary so that they are true and correct in all material respects as of the Closing Date.

(b) Covenants and Conditions. Assignor shall have in all material respects performed and complied with all covenants, agreements, and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date.

(c) Consents. Subject to the provisions of Section 11, each of the Consents described in Schedule 3 shall have been duly obtained and delivered to Assignee, except if Assignor shall be unable to secure a Consent from the Landlord to the assignment of the Gant Store Lease to Assignee, the Assignee and Assignor shall proceed with this Agreement provided the Assignor obtains the Landlord's Consent to the Sublease Agreement in accordance with Section 1.4.

(d) Condition of Assets. The Assets (other than Assets sold in the course of business) shall be in the same condition as on the date of this Agreement, normal wear and tear excepted.

(e) Asset Purchase Agreement. The execution and consummation of the Asset Purchase Agreement.

(f) Deliveries. Assignor shall have made or stand willing and able to make all the deliveries to Assignee set forth in Section 7.1.

6.2 Conditions to Obligations of Assignor. All obligations of Assignor at the Closing hereunder are subject to the fulfillment prior to and at the Closing Date of each of the following conditions:

(a) Representations and Warranties. All representations and warranties of Assignee in this Agreement shall be true and correct in all material respects as of the date given and shall be supplemented by Assignee if necessary so that they are true and correct in all material respects as of the Closing Date.

(b) Covenants and Conditions. Assignee shall have in all material respects performed and complied with all covenants, agreements, and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date.

(c) Asset Purchase Agreement. The execution and consummation of the Asset Purchase Agreement.

(d) Consents. Assignor shall have received the Consents.

(e) Deliveries. Assignee shall have made or stand willing and able to make all the deliveries set forth in Section 7.2.

7. CLOSING AND CLOSING DELIVERIES

7.1 Deliveries by Assignor. Prior to or on the Closing Date, Assignor shall deliver to Assignee all of the following, in form and substance reasonably satisfactory to Assignee and its counsel:

(a) Transfer Documents. Duly executed bills of sale, assignments, releases of liens, and other transfer documents which shall be sufficient to vest good and marketable title to the Assets in the name of Assignee or its permitted assignees, free and clear of any Encumbrances, and Assignor shall take such other actions as are necessary to deliver possession of the Assets to Assignee;

(b) Consents. Copies of the Consents;

(c) Officer's Certificate. A certificate, dated as of the Closing Date, executed by an officer of Assignor, certifying: (i) that the representations and warranties of the Assignor contained in this Agreement are true and correct in all material respects as of the date given and, if necessary, have been supplemented so that they are true and correct in all material respects as of the Closing Date; and (ii) that the Assignor has, in all material respects, performed all of its obligations and complied with all of its covenants set forth in this Agreement to be performed and complied with prior to or on the Closing Date;

(d) Secretary's Certificate. A certificate, dated as of the Closing Date, executed by the Assignor's Secretary: (i) certifying that the resolutions, as attached to such certificate, were duly adopted by the Assignor's Board of Directors and stockholders (if necessary), authorizing and approving the execution of this Agreement and the consummation of the transaction contemplated hereby and that such resolutions are remaining in full force and effect, and attaching a Certificate of Good Standing of Assignor certified by an appropriate state official in the Office of the Secretary of State of the State of Delaware, as of a date not more than fifteen (15) days before the Closing Date, and a copy of the Assignor's Bylaws as in effect on the date hereof, certified by the Assignor's Secretary as of the Closing Date;

(e) Business Records, etc. All files and records which Assignor has agreed to provide to Assignee in this Agreement; and

(f) Opinions of Counsel. Opinion of Assignor's counsel reasonably satisfactory to Assignee, dated as of the Closing Date.

7.2 Deliveries by Assignee. Prior to or on the Closing Date, Assignee shall deliver to Assignor the following, in form and substance, reasonably satisfactory to Assignor and its counsel:

(a) Officer's Certificate. A certificate, dated as of the Closing Date, executed by an officer of Assignee, certifying (i) that the representations and warranties of Assignee contained in this Agreement are true and correct in all material respects as of the date given and, if necessary, have been supplemented so that they are true and correct in all material respects as of the Closing Date, and (ii) that Assignee has, in all material respects, performed all of its obligations and complied with all of its covenants set forth in this Agreement to be performed or complied with on or prior to the Closing Date;

(b) Secretary's Certificate. A certificate, dated as of the Closing Date, executed by Assignee's Secretary certifying that the resolutions, as attached to such certificate, were duly adopted by Assignee's Board of Directors, authorizing and approving the execution of this Agreement and the consummation of the transactions contemplated hereby and that such resolutions remain in full force and effect.

(c) Opinions of Counsel. Opinion of Assignee's counsel reasonably satisfactory to Assignor, dated as of the Closing Date.

8. RIGHTS OF ASSIGNEE AND ASSIGNOR ON TERMINATION OR BREACH

8.1 Specific Performance. The parties recognize that in the event either party should refuse to perform under the provisions of this Agreement, monetary damages alone will not be adequate. The aggrieved party shall therefore be entitled, in addition to any other remedies, which may be available, including money damages, to obtain specific performance of the terms of this Agreement. In the event of any action to enforce this Agreement, both parties hereby waive the defense that there is an adequate remedy at law. In the event of a default by either party which results in the filing of a lawsuit for damages, specific performance, or other remedy, the prevailing party shall be entitled to reimbursement by the other party of reasonable legal fees and expenses incurred.

9. SURVIVAL OF REPRESENTATIONS AND WARRANTIES, AND INDEMNIFICATION

9.1 Representations and Warranties. All representations, warranties and covenants contained in this Agreement shall be deemed continuing representations, warranties and covenants, and shall survive the Closing as provided in this Agreement. Any investigations by or on behalf of any party hereto shall not constitute a waiver as to enforcement of any representation, warranty or covenant contained herein.

9.2 Indemnification by Assignor.

(a) Notwithstanding the Closing, and, subject to Assignee's performance of its obligations under Section 5.9, regardless of any investigation made at any time by or on behalf of Assignee or any information Assignee may have, Assignor shall indemnify and hold Assignee harmless from and against and with respect to, and shall reimburse Assignee for any and all damages, liabilities, costs, settlements, fines, penalties, diminution in value, claims, actions, inquiries, demands, suits, legal or administrative proceedings, losses and expenses, including reasonable legal fees ("Damages") which may be made, assessed or otherwise incurred by the Assignee (collectively "Assignee's Losses") arising from or in connection with any of the following:

(i) Any untrue representation, breach of warranty or non-fulfillment or breach of any covenant by Assignor contained herein or in any Schedule, certificate, document or instrument delivered to Assignee hereunder;

(ii) Any and all obligations of Assignor not assumed by Assignee pursuant to the terms hereof;

(iii) Assignor's operation of the Gant Store or ownership of the Assets prior to 12:01 a.m. USA Eastern Standard Time on the Closing Date, including any and all liabilities arising under the Assumed Liabilities or otherwise which relate to events occurring prior to the Closing Date;

(iv) Any products manufactured or sold or services performed or promised but not performed by Assignor prior to the Closing or by Assignor after the Closing pursuant to Section 4.2(e) of the Asset Purchase Agreement;

(v) The securing of any Consents by Assignor, including any demands by the Landlord that it is owed any profit or compensation under Section 12 of the Gant Store Lease; and

(vi) Any and all actions, suits, proceedings, claims, demands, assessments, judgments, costs and expenses, including reasonable legal fees and expenses, incident to any of the foregoing or incurred in enforcing this indemnity.

(b) Notwithstanding the foregoing, any claim by Assignee for indemnification by Assignor under (i)-(vi) above ("Claim") may not be made (unless otherwise provided in this Agreement) until and unless the aggregate value of Assignee's Losses when aggregated with any of Buyer's Losses (as defined in the Asset Purchase Agreement) exceed USD 100,000, whereupon Assignee shall be entitled to be indemnified for the full amount of Assignee's Losses.

(c) If the Closing occurs, Assignor shall have no liability (for indemnification or otherwise) with respect to any representation or warranty under this Agreement made as of the date of this Agreement or as of the Closing Date, unless on or before December 31, 1999, Assignor is given notice asserting a Claim with respect thereto and specifying the factual basis of that Claim in reasonable detail to the extent then known by the Assignee. A Claim for indemnification based upon any covenant or agreement to be performed by Assignor after the Closing Date may be made at any time within six (6) months after the time for performance has elapsed.

(d) No breach by Assignee of its obligations under Section 5.9 shall affect its right to indemnification hereunder unless the Assignee's Losses for which it seeks indemnification are directly related to the specific breach by Assignor which Assignee did not disclose to Assignor pursuant to Section 5.9.

9.3 Indemnification by Assignee.

(a) Notwithstanding the Closing, and regardless of any investigation made at any time by or on behalf of Assignor or any information Assignor may have, Assignee shall indemnify and hold Assignor harmless against and with respect to, and shall reimburse Assignor for any and all Damages which may be made, assessed or otherwise incurred by the Assignor (collectively "Assignor's Losses") arising from or in connection with any of the following:

(i) Any untrue representation, breach of warranty or non-fulfillment or breach of any covenant by Assignee contained herein or in any certificate, document or instrument delivered to Assignor hereunder;

(ii) Assignee's ownership of the Assets on and after 12:01 a.m. USA Eastern Standard Time on the Closing Date, including any and all liabilities arising under the Gant Store Lease or after the Closing Date; and

(iii) Any and all actions, suits, proceedings, claims, demands, assessments, judgments, costs and expenses, including reasonable legal fees and expenses, incident to any of the foregoing or incurred in enforcing this indemnity.

(b) Notwithstanding the foregoing, any claim by Assignor for indemnification by Assignee under (i)-(iii) above ("Claim") may not be made (unless otherwise provided in this Agreement) until and unless the aggregate value of Assignor's Losses when aggregated with any of Seller's Losses (as defined in the Asset Purchase Agreement) exceed USD 100,000, whereupon Assignor shall be entitled to be indemnified for the full amount of Assignor's Losses.

9.4 Procedure for Indemnification. The procedure for indemnification shall be as follows:

(a) The party claiming indemnification (the "Claimant") shall promptly give notice to the party from whom indemnification is claimed (the "Indemnifying Party") of any Claim, whether between the parties or brought by a third party, specifying (i) the factual basis for such Claim, and (ii) the amount of the Claim. If the Claim relates to an action, suit or proceeding filed by a third party against Claimant, such notice shall be given by Claimant within thirty (30) days after written notice of such action, suit or proceeding was given to Claimant.

(b) Following receipt of notice from the Claimant of a Claim, the Indemnifying Party shall have sixty (60) days to make such investigation of the Claim, as the Indemnifying Party deems necessary or desirable. For the purposes of such investigation, the Claimant agrees to make available to the Indemnifying Party and/or its authorized representative(s) the information relied upon by the Claimant to substantiate the Claim. If the Claimant and the Indemnifying Party agree at or prior to the expiration of said sixty (60) day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Indemnifying Party shall immediately pay to the Claimant the full amount of the Claim. If the Claimant and the Indemnifying Party do not agree within said period (or any mutually agreed upon extension thereof), the Claimant may seek appropriate legal remedy.

(c) With respect to any Claim by a third party as to which the Claimant is entitled to indemnification hereunder, the Indemnifying Party shall have the right at its own expense, to participate in or assume control of the defense of such Claim, and the Claimant shall cooperate fully with the Indemnifying Party, subject to reimbursement for actual out-of-pocket expenses incurred by the Claimant as the result of a request by the Indemnifying Party. If the Indemnifying Party elects to assume control of the defense of any third-party Claim, the Claimant shall have the right to participate in the defense of such Claim at its own expense. If the Indemnifying Party does not elect to assume control or otherwise participate in the defense of any third party Claim, it shall be bound by the results obtained by the Claimant with respect to such Claim.

(d) If a Claim, whether between the parties or by a third party, requires immediate action, the parties will make every effort to reach a decision with respect thereto as expeditiously as possible.

(e) The indemnification rights provided in this Section 9 shall extend to the affiliates, shareholders, directors, officers, employees and representatives of the Claimant although for the purpose of the procedures set forth in this Section, any indemnification claims by such parties shall be made by and through the Claimant.

10. TERMINATION

10.1 Termination of this Agreement.

(a) Termination. This Agreement may be terminated prior to the Closing only as follows:

(i) by written agreement of Assignee and Assignor at any time;

(ii) by Assignor, by notice to Assignee at any time, if one or more of the conditions specified in Article 6.2 is not satisfied at the time at which the Closing would otherwise occur or if satisfaction of such a condition is or becomes impossible, provided that at the time of such notice Assignor has fully complied in all material respects with its material obligations under this Agreement;

(iii) by Assignee, by notice to Assignor at any time, if one or more of the conditions specified in Article 6.1 is not satisfied at the time at which the Closing would otherwise occur or if satisfaction of such a condition is or becomes impossible, provided that at the time of such notice Assignee has fully complied in all material respects with its material obligations under this Agreement; or

(iv) by either party, if the Asset Purchase Agreement should be terminated pursuant to Section 11.1(a)(i) or (iv) of the Asset Purchase Agreement.

(b) Effect of Termination. In the event that this Agreement is terminated pursuant to this Section, this Agreement shall terminate without any liability or further obligation of either party to the other, provided, however, that termination under this Section shall not relieve any party of liability for any intentional failure to perform or comply with any agreement prior to the date of termination, or any misrepresentation or omission in any of the representations and warranties made hereunder or any breach of any covenants and agreements hereunder or constitute a waiver of any claim with respect thereto. Liability under this Section shall only attach in the event of an intentional act or omission on the part of the party, which causes the termination of this Agreement.

11. SPECIAL CIRCUMSTANCES

11.1 Failure to Obtain Lessor's Consent. In the event Assignor should be unable to secure the Landlord's Consent to an assignment or sublease of the Gant Store Lease to Assignee by the Acquisition Date, the parties agree that, subject to all other conditions of this Agreement, the Closing may be delayed until March 31, 1999, during which time the Assignor shall pursue obtaining the Landlord's Consent, at Assignor's expense, with all

commercially reasonable efforts. In the event the Assignor is unable to secure the Landlord's Consent by March 31, 1999, the Closing Date shall be March 31, 1999, at which time this Agreement shall close and the parties shall consummate the Contemplated Transaction subject to all of the terms and conditions of this Agreement, except as modified by the following provisions:

(a) After the Closing, Assignor shall continue with all commercially reasonable efforts to seek to obtain the Landlord's Consent to an assignment or sublease of the Gant Store Lease to Assignee so long as it is reasonably likely that the Landlord's Consent can be obtained.

(b) As of the Closing Date, Assignee shall assume and pay all obligations of the Assignor under the Gant Store Lease pursuant to Section 1.2, but without the benefit of an assignment or sublease agreement, subject to the terms and conditions of this Section. All payments of rent, additional rent or other money obligations under the Gant Store Lease shall be paid by Assignee to Assignor during such period as this arrangement continues. Subject to Assignee performing its obligations hereunder, during the period commencing on the Closing Date and ending on the earlier of (i) the effective date of the Landlord's Consent and (ii) March 31, 2000, Assignor shall continue to perform all of its obligations as Tenant under the Gant Store Lease.

(c) As of the Closing Date, Assignee shall operate the Gant Store for its own benefit and account as if the Landlord's Consent to an assignment or sublease had been secured.

(d) Assignor shall indemnify and hold Assignee harmless under the provisions of Section 9.2, for any expenses, including attorneys' fees, incurred in connection with any effort by the Landlord to interfere with Assignee's operation of the Gant Store.

(e) Assignor shall defend Assignee, at Assignor's cost, in any action or proceeding commenced by the Landlord or any party acting on the Landlord's behalf, naming Assignee as a party to such action or proceeding.

(f) If the Landlord should obtain a temporary injunction, a temporary restraining order or any other form of extraordinary relief, the effect of which is to materially interfere with Assignee's operation of the Gant Store for more than five (5) consecutive days during which time the Gant Store would otherwise be open for business and free of such interference, Assignee may elect, assuming the interference has not ended, to abandon the Gant Store, such election to be made within seven (7) business days after such interference commences, in which event the parties shall proceed as follows:

(i) Assignee's obligation to perform all of Assignor's obligations under the Gant Store Lease shall end as of the date of Assignee's notice that it is abandoning the Gant Store ("the Abandonment Date").

(ii) All of Assignee's Gant Store employees on the Abandonment Date shall immediately become employees of Assignor.

(iii) Assignor shall, as of the Abandonment Date, assume control of the Gant Store for the sole purpose of winding up its operations and liquidating the inventory in the Gant Store as of the Abandonment Date.

(iv) Assignor shall promptly pay Assignee the value of the inventory in the Gant Store on the Abandonment Date in excess of USD 250,000 (such inventory to be valued as described in Section 2.14).

(v) Assignor shall after the Abandonment Date promptly but in a commercially reasonable manner and without activities that may harm the "Gant" trademark, liquidate the Gant Store within six (6) months of the Abandonment Date ("the Store Liquidation Period").

Assuming Assignee has not previously abandoned the Gant Store under the provisions of this subsection and the interference should recur, Assignee may elect to abandon the Gant Store at any time even if the interference has ended and in such event, the parties shall proceed as described above. Any election by Assignee under this subsection (f) shall not affect Assignor's obligations under (d) and (e) above.

(g) In the event Assignor is unable to secure the Landlord's Consent to an assignment or sublease of the Gant Store Lease to Assignee by February 28, 2000, then Assignee may proceed as described in (f) above, by electing to abandon the Gant Store, such election to be made on or before March 31, 2000, whereupon the parties shall proceed to fulfill their respective obligations as defined in (f) above. If Assignee should not elect to proceed as outlined in (f) above on or before March 31, 2000, then Assignee shall have waived its rights to terminate the arrangements described in this Section, and Assignee shall continue to operate the Gant Store at its own risk. Any election by Assignee under this subsection (g) shall not affect Assignor's obligations under (d) and (e) above.

(h) Any expenses incurred by Assignor in performing its obligations under this Section shall not be considered part of the deductible allowance under Section 9.2 and must be paid in full by Assignor. The failure of the Assignee to perform its obligations under this Section shall not be included in the deductible allowance described in Section 9.3 and must be paid in full.

(i) In the event the Closing Date should extend beyond February 26, 1999, Pyramid Sportswear hereby grants Assignor a royalty-free license to use the "Gant" Trademark in connection with Assignor's operation of the Gant Store until the actual Closing Date. If Assignee abandons the Gant Store pursuant to (f) or (g) above, Pyramid Sportswear shall grant Assignor a royalty-free license to use the "Gant" Trademark during the Store Liquidation Period.

12. MISCELLANEOUS

12.1 Notices. All notices, demands, and requests required or permitted to be given under the provisions of this Agreement shall be (i) in writing, (ii) delivered by personal delivery, or sent by commercial delivery service or registered or certified mail, return receipt requested, (iii) deemed to have been given on the date of personal delivery or the date set forth in the records of the delivery service or on the return receipt, and (iv) addressed as follows:

If to Assignor:

Phillips-Van Heusen Corporation
200 Madison Avenue
New York, New York 10016

with a copy (which shall not constitute notice) to:

Rosenman & Colin LLP
575 Madison Avenue
New York, New York 10022-2585
Attention: Edward H. Cohen

If to Assignee:

Pyramid Sportswear Acquisition Corporation
c/o Abberley Kooiman LLP
521 Fifth Avenue, Suite 2200
New York, NY 10175
Attention: Michael L. Martell

with a copy (which shall not constitute notice) to:

Advokatfirman Sodermark
Strandvagen 1
Box 14055
SE-104 40 Stockholm, Sweden
Attention: Hakan Rockstrom

or to any such other or additional persons and addresses as the parties may from time to time designate in a writing delivered in accordance with this Section.

12.2 Benefit and Binding Effect. Neither party hereto may assign this Agreement without the prior written consent of the other party hereto. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

12.3 Governing Law. This Agreement shall be governed, construed, and enforced in accordance with the laws of the State of New York without reference to its conflict of laws provisions.

12.4 Headings. The headings herein are included for ease of reference only and shall not control or affect the meaning or construction of the provisions of this Agreement.

12.5 Gender and Number. Words used herein, regardless of the gender and number specifically used, shall be deemed and construed to include any other gender, masculine, feminine or neuter, and any other number, singular or plural, as the context requires.

12.6 Jurisdiction and Forum. To the fullest extent permitted by law, each of the parties hereto (i) agree that the appropriate forum for the resolution of all disputes hereunder shall be the courts located in New York, (ii) submits to the personal jurisdiction of such courts, and (iii) waives any objection to venue in New York and any claim that the forum is inconvenient.

12.7 Entire Agreement. This Agreement, all schedules hereto, and all documents and certificates to be delivered by the parties pursuant hereto collectively represent the entire understanding and agreement between Assignee and Assignor with respect to the subject matter hereof. All schedules attached to this Agreement shall be deemed part of this Agreement and incorporated herein, where applicable, as if fully set forth herein. This Agreement supersedes all prior negotiations between Assignee and Assignor, and all letters of intent and other writings relating to such negotiations, and cannot be amended, supplemented or modified except by an agreement in writing which makes specific reference to this Agreement or an agreement delivered pursuant hereto, as the case may be, and which is signed by the party against which enforcement of any such amendment, supplement or modification is sought.

12.8 Waiver of Compliance; Consents. Except as otherwise provided in this Agreement, any failure of any of the parties to comply with any obligation, representation, warranty, covenant, agreement or condition herein may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, representation, warranty, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section.

12.9 Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

12.10 Counterparts. This Agreement may be signed in any number of counterparts with the same effect as if the signature on each such counterpart were upon the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed by
Assignor and Assignee as of February 23, 1999.

PHILLIPS-VAN HEUSEN CORPORATION

By: /s/ Irwin W. Winter
Name: Irwin W. Winter
Title: Executive Vice President

PYRAMID SPORTSWEAR
ACQUISITION CORPORATION

PYRAMID SPORTSWEAR AB
for the purpose of confirming
its obligation under
Section 11.1(i)

By: /s/ Lennart Bjork
Name: Lennart Bjork
Title: President

By: /s/ Lennart Bjork
Name: Lennart Bjork
Title: President