

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended July 30, 2000

OR

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

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

Commission file number 1-724

PHILLIPS-VAN HEUSEN CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

13-1166910

(IRS Employer Identification No.)

200 Madison Avenue New York, New York 10016

(Address of principal executive offices)

Registrant's telephone number (212) 381-3500

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.

Yes  No

The number of outstanding shares of common stock, par value \$1.00 per share, of Phillips-Van Heusen Corporation as of August 28, 2000: 27,292,469 shares.

PHILLIPS-VAN HEUSEN CORPORATION

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## Independent Accountants Review Report

Stockholders and Board of Directors

Phillips-Van Heusen Corporation

We have reviewed the accompanying condensed consolidated balance sheet of Phillips-Van Heusen Corporation as of July 30, 2000, and the related condensed consolidated statements of operations and cash flows for the thirteen and twenty-six week periods ended July 30, 2000 and August 1, 1999. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Phillips-Van Heusen Corporation as of January 30, 2000, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein) and in our report dated March 7, 2000, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 30, 2000, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG LLP

New York, New York

August 16, 2000

Phillips-Van Heusen Corporation

Condensed Consolidated Balance Sheets

(In thousands, except share data)

<u>UNAUDITED</u>	<u>AUDITED</u>
July 30,	January 30,
<u>2000</u>	<u>2000</u>

ASSETS

Current Assets:

Cash, including cash equivalents of \$22,845 and \$94,543	\$ 23,116	\$ 94,821
Trade receivables, less allowances of \$1,924 and \$2,305	77,327	66,422
Inventories	313,881	222,976
Other, including deferred taxes of \$23,052	<u>45,069</u>	<u>41,751</u>
Total Current Assets	459,393	425,970
Property, Plant and Equipment	108,939	106,122
Goodwill	96,445	83,578
Other Assets, including deferred taxes of \$34,538 and \$31,800	<u>59,653</u>	<u>58,078</u>
	<u>\$724,430</u>	<u>\$673,748</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable	\$ 30,000	
Accounts payable	38,720	\$ 39,858
Accrued expenses	<u>102,681</u>	<u>84,722</u>
Total Current Liabilities	171,401	124,580
Long-Term Debt	248,817	248,784
Other Liabilities	60,453	58,699
Stockholders' Equity:		
Preferred Stock, par value \$100 per share; 150,000 shares authorized, no shares outstanding		
Common Stock, par value \$1 per share; 100,000,000 shares authorized; shares issued 27,292,469 and 27,289,869	27,292	27,290
Additional Capital	117,717	117,697
Retained Earnings	<u>98,750</u>	<u>96,698</u>
Total Stockholders' Equity	<u>243,759</u>	<u>241,685</u>
	<u>\$724,430</u>	<u>\$673,748</u>

See accompanying notes.

	<u>Thirteen Weeks Ended</u>		<u>Twenty-Six Weeks Ended</u>	
	July 30, <u>2000</u>	August 1, <u>1999</u>	July 30, <u>2000</u>	August 1, <u>1999</u>
Net sales	\$327,832	\$316,790	\$638,142	\$606,489
Cost of goods sold	<u>211,731</u>	<u>205,006</u>	<u>415,798</u>	<u>393,897</u>
Gross profit	116,101	111,784	222,344	212,592
Selling, general and administrative expenses	<u>101,175</u>	<u>100,937</u>	<u>205,373</u>	<u>201,771</u>
Income before interest and taxes	14,926	10,847	16,971	10,821
Interest expense, net	<u>5,235</u>	<u>6,038</u>	<u>10,362</u>	<u>12,181</u>
Income (loss) before taxes	9,691	4,809	6,609	(1,360)
Income tax expense (benefit)	<u>3,682</u>	<u>1,236</u>	<u>2,511</u>	<u>(308)</u>
Net income (loss)	<u>\$ 6,009</u>	<u>\$ 3,573</u>	<u>\$ 4,098</u>	<u>\$ (1,052)</u>
Basic and diluted net income (loss) per share	<u>\$ 0.22</u>	<u>\$ 0.13</u>	<u>\$ 0.15</u>	<u>\$ (0.04)</u>
Dividends declared per common share	<u>\$ 0.00</u>	<u>\$ 0.0375</u>	<u>\$ 0.075</u>	<u>\$ 0.1125</u>

Note: The Company declared its third dividend of the current year for \$0.0375 per common share on August 1, 2000 which falls into the third quarter.

See accompanying notes.

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Phillips-Van Heusen Corporation  
Condensed Consolidated Statements of Cash Flows  
Unaudited  
(In thousands)

	<u>Twenty-Six Weeks Ended</u>	
	July 30, <u>2000</u>	August 1, <u>1999</u>
OPERATING ACTIVITIES:		
Net income (loss)	\$ 4,098	\$ (1,052)
Adjustments to reconcile to net cash used by operating activities:		
Depreciation and amortization	9,590	9,729
Equity income	(504)	(540)

Deferred income taxes	209	(714)
Changes in operating assets and liabilities:		
Receivables	(10,905)	392
Inventories	(51,020)	1,614
Accounts payable and accrued expenses	16,799	(12,096)
Acquisition of inventory associated with		
John Henry and Manhattan license agreement		(17,212)
Other-net	<u>30</u>	<u>(1,757)</u>
Net Cash Used By Operating Activities	<u>(31,703)</u>	<u>(21,636)</u>
INVESTING ACTIVITIES:		
Acquisition of net assets associated with		
Arrow and Kenneth Cole license agreements	(56,765)	
Sale of Gant trademark, net of related costs		67,000
Property, plant and equipment acquired	<u>(11,214)</u>	<u>(5,484)</u>
Net Cash Provided (Used) By Investing Activities	<u>(67,979)</u>	<u>61,516</u>
FINANCING ACTIVITIES:		
Proceeds from revolving line of credit	30,000	41,600
Payments on revolving line of credit		(61,600)
Exercise of stock options	23	
Cash dividends	<u>(2,046)</u>	<u>(3,068)</u>
Net Cash Provided (Used) By Financing Activities	<u>27,977</u>	<u>(23,068)</u>
Increase (Decrease) In Cash	(71,705)	16,812
Cash at beginning of period	<u>94,821</u>	<u>10,957</u>
Cash at end of period	<u>\$ 23,116</u>	<u>\$ 27,769</u>

See accompanying notes.

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PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share data)

GENERAL

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not contain all disclosures required by generally accepted accounting principles for complete financial statements. Reference should be made to the audited consolidated financial statements, including the footnotes thereto, included in the Company's Annual Report to Stockholders for the year ended January 30, 2000.

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

The results of operations for the twenty-six weeks ended July 30, 2000 and August 1, 1999 are not necessarily indicative of those for a full fiscal year due, in part, to seasonal factors. The data contained in these financial statements are unaudited and are subject to year-end adjustments; however, in the opinion of management, all known adjustments (which consist only of normal recurring accruals) have been made to present fairly the consolidated operating results for the unaudited periods.

Certain reclassifications have been made to the condensed consolidated financial statements for the twenty-six weeks ended August 1, 1999 to present that information on a basis consistent with the twenty-six weeks ended July 30, 2000.

#### INVENTORIES

Inventories are summarized as follows:

	July 30, <u>2000</u>	January 30, <u>2000</u>
Raw materials	\$ 18,883	\$ 14,485
Work in process	18,750	11,995
Finished goods	<u>276,248</u>	<u>196,496</u>
Total	<u>\$313,881</u>	<u>\$222,976</u>

Inventories are stated at the lower of cost or market. Cost for certain apparel inventories is determined using the last-in, first-out method (LIFO). Cost for footwear and other apparel inventories is determined using the first-in, first-out method (FIFO). Inventories would have been approximately \$5,600 higher than reported at July 30, 2000 and January 30, 2000, if the FIFO method of inventory accounting had been used for all apparel.

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

#### EARNINGS PER SHARE

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

	<u>Thirteen Weeks Ended</u>		<u>Twenty-Six Weeks Ended</u>	
	<u>7/30/00</u>	<u>8/1/99</u>	<u>7/30/00</u>	<u>8/1/99</u>
Weighted Average Common Shares Outstanding for Basic				
Earnings Per Share	27,291,169	27,287,985	27,290,519	27,287,985
Impact of Dilutive Employee Stock Options	<u>15,621</u>	<u>31,667</u>	<u>8,661</u>	
Total Shares for Diluted Earnings Per Share	<u>27,306,790</u>	<u>27,319,652</u>	<u>27,299,180</u>	<u>27,287,985</u>

#### ACQUISITION OF NET ASSETS ASSOCIATED WITH ARROW AND KENNETH COLE LICENSE AGREEMENTS

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

Pro forma financial information for the twenty-six weeks ended July 30, 2000 will be provided in the Company's report on Form 8-K to be amended by October 10, 2000.

SEGMENT DATA

The Company manages and analyzes its operating results by its two vertically integrated business segments: (i) Apparel and (ii) Footwear and Related Products. In identifying its reportable segments, the Company evaluated its operating divisions and product offerings. The Company aggregates the results of its apparel divisions into the Apparel segment. This segment derives revenues from marketing dresswear, sportswear and accessories, principally under the brand names Van Heusen, Izod, Geoffrey Beene, John Henry, Manhattan, DKNY, FUBU, Regis by the Van Heusen Company, Arrow and Kenneth Cole. The Company's footwear business has been identified as the Footwear and Related Products segment. This segment derives revenues from marketing casual footwear, apparel and accessories under the Bass brand name. Sales for both segments occur principally in the United States.

(In thousands)

	Segment Data			
	<u>Thirteen Weeks Ended</u>		<u>Twenty-Six Weeks Ended</u>	
	<u>7/30/00</u>	<u>8/1/99</u>	<u>7/30/00</u>	<u>8/1/99</u>
Net sales-apparel	\$229,538	\$212,665	\$452,096	\$414,723
Net sales-footwear and related products	<u>98,294</u>	<u>104,125</u>	<u>186,046</u>	<u>191,766</u>
Total net sales	<u>\$327,832</u>	<u>\$316,790</u>	<u>\$638,142</u>	<u>\$606,489</u>
Operating income-apparel	\$ 11,596	\$ 9,607	\$ 16,322	\$ 13,370
Operating income-footwear and related products	<u>7,425</u>	<u>7,412</u>	<u>8,726</u>	<u>8,603</u>
Total operating income	19,021	17,019	25,048	21,973
Corporate expenses	<u>4,095</u>	<u>6,172</u>	<u>8,077</u>	<u>11,152</u>
Income before interest and taxes	<u>\$ 14,926</u>	<u>\$ 10,847</u>	<u>\$ 16,971</u>	<u>\$ 10,821</u>

Corporate expenses for the thirteen and twenty-six weeks ended August 1, 1999 include Year 2000 computer conversion costs of \$2,710 and \$4,160, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

Thirteen Weeks Ended July 30, 2000 Compared With Thirteen Weeks Ended

August 1, 1999

APPAREL SEGMENT

Net sales of the Company's apparel segment in the second quarter were \$229.5 million in 2000 compared with \$212.7 million last year, a 7.9% increase. Included in the second quarter of 1999 were \$25.2 million of sales related to the Gant and Izod Club businesses, which were disposed of in 1999. Excluding sales of Gant and Izod Club, apparel sales increased 22.5% over the prior year. This improvement was due to strong sales of both sportswear and dress shirts. All apparel divisions had significant sales increases with Izod in particular experiencing very strong sales growth.

Gross profit on apparel sales was 33.7% in the second quarter compared with 33.6% last year.

Selling, general and administrative expenses as a percentage of apparel sales were 28.7% in the second quarter compared with 29.1% last year. The improvement resulted principally from the additional leveraging of expenses on increased sales.

FOOTWEAR AND RELATED PRODUCTS SEGMENT

Net sales of the Company's footwear and related products segment in the second quarter were \$98.3 million in 2000 compared with \$104.1 million last year. Weak consumer demand for footwear in general and, particularly, seasonally important sandals, resulted in sales declines.

Gross profit on footwear and related products sales was 39.1% in the second quarter of 2000 compared with 38.6% last year. This expected increase was due principally to the closing of manufacturing operations in 1999 which has continued to lower product costs and improve gross margins.

Selling, general and administrative expenses as a percentage of footwear and related products sales in the second quarter were 31.6% in 2000 compared with 31.5% in 1999. This increase resulted principally from the sales decrease, as actual expenses decreased from the prior year.

#### INTEREST EXPENSE

Interest expense in the second quarter was \$5.2 million in 2000 compared with

\$6.0 million last year. Interest expense decreased principally from the cash generated in 1999 associated with the liquidation of the Gant and Izod Club businesses.

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#### INCOME TAXES

Income taxes were estimated at a rate of 38.0% for the current year compared with the 1999 full year rate of 34.8%. The increased rate in the current year results principally from closing the Company's Bass manufacturing operations in Puerto Rico in the third quarter of 1999, resulting in a higher percentage of pre-tax income being subject to U.S. tax.

#### CORPORATE EXPENSES

Corporate expenses in the second quarter were \$4.1 million in 2000 compared with \$6.2 million in 1999. This decrease relates principally to the absence of Year 2000 computer conversion costs.

Twenty-Six Weeks Ended July 30, 2000 Compared With Twenty-Six Weeks Ended

August 1, 1999

#### APPAREL SEGMENT

Net sales of the Company's apparel segment in the first half were \$452.1 million in 2000, an increase of 9.0% from the prior year's \$414.7 million. Included in the first half of 1999 were \$57.0 million of sales related to the Gant and Izod Club businesses, which were disposed of in 1999. Excluding sales of Gant and Izod Club, apparel sales increased 26.4% over the prior year. This improvement was due to strong sales of both sportswear and dress shirts. All apparel divisions had significant sales increases over the prior year, with Izod, in particular, experiencing very strong sales growth, and the Dress Shirt division benefiting from sales of John Henry and Manhattan brand dress shirts, which the Company began marketing in last year's second quarter.

Gross profit on apparel sales was 33.2% in the first half of 2000 compared with 33.5% last year. This decrease was due principally to a change in product mix as the impact of John Henry and Manhattan brand dress shirts was to reduce gross margins in the current year's first quarter. The current year's second quarter was relatively flat with the prior year.

Selling, general and administrative expenses as a percentage of apparel sales in the first half were 29.5% in 2000 compared with 30.3% in 1999. The improvement resulted principally from the additional leveraging of expenses on increased sales.

#### FOOTWEAR AND RELATED PRODUCTS SEGMENT

Net sales of the Company's footwear and related products segment in the first half were \$186.0 million in 2000 compared with \$191.8 million last year. This decrease was due to the second quarter decrease explained above, as first quarter sales of this segment were relatively flat compared with the prior year.

Gross profit on footwear and related products sales was 38.8% in the first half of 2000 compared with 38.1% last year. This expected increase was due principally to the closing of manufacturing operations in 1999 which has continued to lower product costs and improve gross margins.

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Selling, general and administrative expenses as a percentage of footwear and related products sales in the first half were 34.1% in 2000 and 33.6% in 1999. This increase resulted principally from the sales decrease, as actual expenses decreased from the prior year.

#### INTEREST EXPENSE

Interest expense in the first half was \$10.4 million in 2000 compared with \$12.2 million last year. This decrease was due principally from the cash generated in 1999 associated with the liquidation of the Gant and Izod Club businesses.

#### CORPORATE EXPENSES

Corporate expenses in the first half were \$8.1 million in 2000 compared with \$11.2 million in 1999. This decrease relates principally to the absence of Year 2000 computer conversion costs.

#### SEASONALITY

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



Also contributing to the strength of the third quarter is the high volume of Fall shipments to wholesale customers which are generally more profitable than Spring shipments. The slower Spring selling season at wholesale combines with retail seasonality to make the first quarter particularly weak.

#### LIQUIDITY AND CAPITAL RESOURCES

The seasonal nature of the Company's business typically requires the use of cash to fund a build-up in the Company's inventory in the first half of each fiscal year. During the third and fourth quarters, the Company's higher level of sales tends to reduce its inventory and generate cash from operations.

Net cash used by operations in the second half was \$31.7 million in 2000 and \$21.6 million in the prior year. This increase was due principally to the use of working capital, principally inventories, associated with the apparel segment's planned sales increases in the second half of the year.

The Company has a \$325 million credit agreement which includes a revolving credit facility under which the Company may, at its option, borrow and repay amounts within certain limits. The agreement also includes a letter of credit facility with a sub-limit of \$250 million, provided, however, that the aggregate maximum amount outstanding under both the revolving credit facility and the letter of credit facility is \$325 million. The Company believes that its borrowing capacity under these facilities is adequate for its peak seasonal needs for the foreseeable future.

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

Forward-looking statements in this Form 10-Q report including, without limitation, statements relating to the Company's plans, strategies, objectives, expectations and intentions, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy, and some of which might not be anticipated, including, without limitation, the following: (i) the Company's plans, strategies, objectives, expectations and intentions are subject to change at any time at the discretion of the Company; (ii) the levels of sales of the Company's apparel and footwear products, both to its wholesale customers and in its retail stores, and the extent of discounts and promotional pricing in which the Company is required to engage, all of which can be affected by weather conditions, changes in the economy, fashion trends and other factors; (iii) the Company's plans and results of operations will be affected by the Company's ability to manage its growth and inventory; and (iv) other risks and uncertainties indicated from time to time in the Company's filings with the Securities and Exchange Commission.

\* \* \*

Part II - OTHER INFORMATION

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF STOCKHOLDERS

The annual stockholders' meeting was held on June 13, 2000. There were present in person or by proxy, holders of 25,575,147 shares of Common Stock, or 93.7% of all votes eligible for the meeting.

The following directors were elected to serve for a term of one year:

	<u>For</u>	<u>Vote Withheld</u>
Edward H. Cohen	22,979,693	2,595,454
Joseph B. Fuller	23,096,143	2,479,004
Joel H. Goldberg	22,979,874	2,595,273
Marc Grosman	23,115,153	2,459,994
Dennis F. Hightower	23,040,093	2,535,054
Bruce J. Klatsky	22,992,128	2,583,019
Maria Elena Lagomasino	23,109,653	2,465,494
Harry N.S. Lee	22,092,131	3,483,016
Bruce Maggin	23,115,214	2,459,933
Peter J. Solomon	22,887,132	2,688,015
Mark Weber	22,994,778	2,580,369

The stockholders approved the Company's 2000 Stock Option Plan. The votes were 12,537,975 For, 10,353,551 Against, 80,117 Abstentions and 2,603,504 broker non-votes.

The stockholders approved the Company's Performance Incentive Bonus Plan. The votes were 23,407,651 For, 2,042,382 Against and 125,114 Abstentions.

The stockholders approved the Company's Long-Term Incentive Plan. The votes were 23,460,072 For, 2,033,829 Against and 81,246 Abstentions.

The proposal for Ernst & Young LLP to serve as the Company's independent auditors until the next stockholders' meeting was ratified. The votes were 25,431,036 For, 76,746 Against and 67,365 Abstentions.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibits are included herein:

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

- 4.1 Specimen of Common Stock certificate (incorporated by reference to Exhibit 4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1981).
- 4.2 Preferred Stock Purchase Rights Agreement (the "Rights Agreement"), dated June 10, 1986 between PVH and The Chase Manhattan Bank, N.A. (incorporated by reference to Exhibit 3 to the Company's Quarterly Report as filed on Form 10-Q for the period ended May 4, 1986).
- 4.3 Amendment to the Rights Agreement, dated March 31, 1987 between PVH and The Chase Manhattan Bank, N.A. (incorporated by reference to Exhibit 4(c) to the Company's Annual Report on Form 10-K for the year ended February 2, 1987).
- 4.4 Supplemental Rights Agreement and Second Amendment to the Rights Agreement, dated as of July 30, 1987, between PVH and The Chase Manhattan Bank, N.A. (incorporated by reference to Exhibit (c)(4) to the Company's Schedule 13E-4, Issuer Tender Offer Statement, dated July 31, 1987).
- 4.5 Third Amendment to Rights Agreement, dated June 30, 1992, from Phillips-Van Heusen Corporation to The Chase Manhattan Bank, N.A. and The Bank of New York (incorporated by reference to Exhibit 4.5 to the Company's report on Form 10-Q for the period ended April 30, 2000).
- 4.6 Notice of extension of the Rights Agreement, dated June 5, 1996, from Phillips-Van Heusen Corporation to The Bank of New York (incorporated by reference to Exhibit 4.13 to the Company's report on Form 10-Q for the period ended April 28, 1996).

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- 4.7 Fourth Amendment to Rights Agreement, dated April 25, 2000, from Phillips-Van Heusen Corporation to The Bank of New York (incorporated by reference to Exhibit 4.7 to the Company's report on Form 10-Q for the period ended April 30, 2000).
- 4.8 Credit Agreement, dated as of April 22, 1998, among PVH, the lenders party thereto, The Chase Manhattan Bank, as Administrative Agent and Collateral Agent, and Citicorp USA, Inc., as Documentation Agent (incorporated by reference to Exhibit 4.6 to the Company's report on Form 10-Q for the period ended May 3, 1998).
- 4.9 Amendment No. 1, dated as of November 17, 1998, to the Credit Agreement, dated as of April 22, 1998, among PVH, the group of lenders party thereto, The Chase Manhattan Bank, as Administrative Agent and Collateral Agent, and Citicorp USA, Inc., as Documentation Agent (incorporated by reference to Exhibit 4.7 to the Company's report on Form 10-K for the year ended January 31, 1999).
- 4.10 Consent, Waiver and Amendment No. 2, dated as of February 23, 1999, to the Credit Agreement, dated as of April 22, 1998, among PVH, the group of lenders party thereto, The Chase Manhattan Bank, as Administrative Agent and Collateral Agent, and Citicorp USA, Inc., as Documentation Agent (incorporated by reference to Exhibit 4.8 to the Company's report on Form 10-K for the year ended January 31, 1999).
- 4.11 Indenture, dated as of April 22, 1998, with PVH as issuer and Union Bank of California, N.A., as Trustee (incorporated by reference to Exhibit 4.7 to the Company's report on Form 10-Q for the period ended May 3, 1998).
- 4.12 Indenture, dated as of November 1, 1993, between PVH and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.01 to the Company's Registration Statement on Form S-3 (Reg. No. 33-50751) filed on October 26, 1993).
- 4.13 Amendment No. 3, dated as of August 23, 2000, to the Credit Agreement, dated as of April 22, 1998, among PVH, the group of lenders party thereto, The Chase Manhattan Bank, as Administrative Agent and Collateral Agent, and Citicorp USA, Inc., as Documentation Agent.
- 10.15 Phillips-Van Heusen Corporation 2000 Stock Option Plan, effective as of April 27, 2000 (incorporated by reference to Exhibit 4(o) to the Company's Registration Statement on Form S-8 filed on July 10, 2000).
- 10.16 Phillips-Van Heusen Corporation Performance Incentive Bonus Plan, effective as of March 2, 2000.
- 10.17 Phillips-Van Heusen Corporation Long-Term Incentive Plan, effective as of January 31, 2000.

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15. Acknowledgement of Independent Accountants

27. Financial Data Schedule

(b) Reports on Form 8-K filed during the quarter ended July 30, 2000.

No reports were filed on Form 8-K during the quarter covered by this report.

SIGNATURES

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

PHILLIPS-VAN HEUSEN CORPORATION  
Registrant

September 4, 2000

/s/ Vincent A. Russo  
Vincent A. Russo  
Vice President and Controller



AMENDMENT No. 3, dated as of August 23, 2000 (this "Amendment"), to the Credit Agreement dated as of April 22, 1998, as amended (the "Credit Agreement"), among Phillips-Van Heusen Corporation, a Delaware corporation (the "Borrower"), the lenders party thereto (the "Lenders"), The Chase Manhattan Bank, a New York banking corporation, as administrative agent (in such capacity, the "Administrative Agent") and collateral agent (in such capacity, the "Collateral Agent"), and Citicorp USA, Inc., as documentation agent (in such capacity, the "Documentation Agent").

A. Pursuant to the Credit Agreement, the Lenders and the Issuing Bank have extended credit to the Borrower, and have agreed to extend credit to the Borrower, in each case pursuant to the terms and subject to the conditions set forth therein.

B. The Borrower has requested that the Required Lenders agree to amend certain provisions of the Credit Agreement as provided herein.

C. The Required Lenders are willing so to amend the Credit Agreement pursuant to the terms and subject to the conditions set forth herein.

D. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

Accordingly, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendment. (a) Section 1.01 of the Credit Agreement is hereby amended by inserting the following definitions in appropriate alphabetical order:

"Excess Cash" means, as of any date of determination, (a) the aggregate amount of cash that would be reflected on a consolidated balance sheet of the Borrower and its Subsidiaries prepared as of such date in accordance with GAAP, minus (b) the aggregate principal amount of Revolving Loans and Swingline Loans outstanding as of such date.

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"Foreign Permitted Acquisition" means any Permitted Acquisition that results in the acquisition or creation of a Foreign Subsidiary or involves the acquisition (by purchase, merger, consolidation or otherwise) of the capital stock of a Person that has a Foreign Subsidiary.

"Permitted Acquisition" means any acquisition (whether by purchase, merger, consolidation or otherwise) by the Borrower or any Subsidiary of all or substantially all the assets of, or capital stock in, a Person or division or line of business of a Person, that was not preceded by an unsolicited tender offer for such Person, if, at the time of and immediately after giving effect thereto, (a) no Default has occurred and is continuing or would result therefrom, (b) the principal business of such Person or division or line of business is reasonably related to a business in which the Borrower and the Subsidiaries were engaged on the Effective Date, (c) in the case of an acquisition of capital stock in a Person, at least 51% of the outstanding capital stock in such Person is owned by the Borrower or a Subsidiary (or a combination thereof) after giving effect to such acquisition, (d) each Subsidiary (if any) formed for the purpose of or resulting from such acquisition is a Subsidiary Loan Party or, subject to the limitation set forth in the second proviso of Section 6.04(j), a Foreign Subsidiary and at least 51% of the outstanding capital stock of such Subsidiary Loan Party or Foreign Subsidiary is owned directly by the Borrower or a Subsidiary Loan Party and such acquired or newly formed Subsidiary Loan Party or Foreign Subsidiary is Controlled by the Borrower or a Subsidiary Loan Party and all actions required to be taken with respect to such acquired or newly formed Subsidiary Loan Party or Foreign

Subsidiary under Sections 5.11 and 5.12 are taken (e) the Borrower and the Subsidiaries are in compliance, on a pro forma basis after giving effect to such acquisition (without giving effect to any cost savings, except to the extent that such cost savings can be reasonably documented and have been determined in good faith by the Board of Directors of the Borrower as evidenced by a resolution of the Board of Directors of the Borrower delivered to the Administrative Agent) with the covenants contained in Sections 6.12, 6.13, 6.14 and 6.15 recomputed as at the last day of the most recently ended fiscal quarter of the Borrower for which financial statements are available, as if such acquisition (and any related incurrence or repayment of Indebtedness) had occurred

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on the first day of each relevant period for testing such compliance and (f) the Borrower has delivered to the Administrative Agent an officers' certificate to the effect set forth in clauses (a), (b), (c), (d) and (e) above, together with all relevant financial information for the Person or assets to be acquired and reasonably detailed calculations demonstrating satisfaction of the requirement set forth in clause (e) above.

(b) Section 6.03(a) of the Credit Agreement is hereby amended by (i) replacing the word "and" at the end of clause (iii) of such Section with a comma and (ii) adding the following text immediately after the text "disadvantages to the Lenders" in such Section:

and (v) the Borrower and any Subsidiary Loan Party may merge with any person in order to effect a Permitted Acquisition in compliance with Section 6.04(j)

(c) Section 6.04 of the Credit Agreement is hereby amended by (i) deleting the word "and" immediately after the semicolon in paragraph (i) thereof, (ii) replacing the phrase "paragraphs (a) through (i)" in paragraph (j) thereof with the phrase "paragraphs (a) through (j)", (iii) redesignating paragraph (j) as paragraph (k), (iv) adding the text "pursuant to Section 6.04(j)" immediately after the text "any Subsidiary acquired" in the first parenthetical in paragraph (d) thereof and (v) adding a new paragraph (j) as follows:

(j) investments constituting Permitted Acquisitions; provided that at no time will the Borrower or any Subsidiary effect any Permitted Acquisition if the aggregate amount of consideration to be paid or otherwise delivered in connection with such Permitted Acquisition plus the aggregate principal amount of Indebtedness to be assumed or acquired by the Borrower and the Subsidiaries pursuant to such Permitted Acquisition (including any outstanding Indebtedness of a Person that will become a Subsidiary as a result of such Permitted Acquisition) would exceed the sum of (i) the aggregate amount of Excess Cash as the close of business the day immediately prior to the date such Permitted Acquisition is consummated, without giving effect to such Permitted Acquisition, plus (ii) \$50,000,000 in the aggregate for all Permitted Acquisitions; provided further that the aggregate amount of consideration paid or otherwise delivered during the term of this Agreement in connection with Foreign Permitted

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Acquisitions plus the aggregate principal amount of Indebtedness assumed or acquired by the Borrower and the Subsidiaries during the term of this Agreement pursuant to Foreign Permitted Acquisitions (including any outstanding Indebtedness of a Person that becomes a Subsidiary as a result of a Foreign Permitted Acquisition) shall not exceed \$15,000,000.

(d) Section 6.12 of the Credit Agreement is hereby amended by:

(i) replacing the table therein with the following table:

Fiscal Year	Amount
Effective Date--January 31, 1999	\$50,000,000
February 1, 1999--January 31, 2000	\$27,500,000
February 1, 2000--January 31, 2001	\$32,000,000



February 1, 2001--January 31, 2002  
February 1, 2002--January 31, 2003

\$32,000,000  
\$32,000,000

(ii) replacing the last sentence therein with the following sentence:

Up to 50% of the amount of unused Capital Expenditures permitted during any fiscal year as set forth above (without regard to any amount carried forward into such fiscal year) may be carried over for expenditure in the next succeeding fiscal year, provided that any Capital Expenditures made during any fiscal year shall be deemed made, first, in respect of amounts carried over from the preceding fiscal year and, second, in respect of amounts permitted for such fiscal year as set forth in the table above.

(e) Section 6.17 of the Credit Agreement is hereby amended by adding the following proviso to the end of such Section:

, provided that (i) Subsidiaries acquired or created pursuant to Permitted Acquisitions shall not be required to be wholly-owned if acquired in accordance with the definition of such term and (ii) Subsidiaries invested in pursuant to Section 6.04(k) (including, without limitation, Subsidiaries that are acquired or formed in connection with such investment) shall not be required to be wholly-owned.

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(f) Section 9.01(a) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

(a) if to the Borrower, to it at Phillips-Van Heusen Corporation, 200 Madison Avenue, New York, NY 10016, Attention of Treasurer (Telecopy No. (212) 381-3970);

SECTION 2. Representations and Warranties. The Borrower represents and warrants to the Administrative Agent, to the Issuing Bank and to each of the Lenders that:

(a) This Amendment has been duly authorized by all necessary corporate and stockholder action, if required, and has been duly executed and delivered by the Borrower and constitutes its legal, valid and binding obligation, enforceable in accordance with its terms except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(b) Before and after giving effect to this Amendment, the representations and warranties set forth in Article III of the Credit Agreement are true and correct in all material respects with the same effect as if made on the date hereof, except to the extent such representations and warranties expressly relate to an earlier date.

(c) Before and after giving effect to this Amendment, no Event of Default or Default has occurred and is continuing.

SECTION 3. Amendment Fee. In consideration of the agreements of the Required Lenders contained in this Amendment, the Borrower agrees to pay to the Administrative Agent, for the account of each Lender that delivers an executed counterpart of this Amendment prior to 5:00 p.m., New York City time, on August 23, 2000, an amendment fee (an "Amendment Fee") in an amount equal to 0.075% of such Lender's Commitment as of August 23, 2000, provided that no Amendment Fee shall be payable unless this Amendment becomes effective in accordance with its terms.

SECTION 4. Conditions to Effectiveness. This Amendment shall become effective as of the date first above

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written when (a) the Administrative Agent shall have received counterparts of this Amendment that, when taken together, bear the signatures of the Borrower and the Required Lenders, and (b) the Administrative Agent shall have received the Amendment Fee.

SECTION 5. Credit Agreement. Except as specifically amended hereby, the Credit Agreement shall continue in full force and effect in accordance with the provisions thereof as in existence on the date hereof. After the date hereof, any reference to the Credit Agreement shall mean the Credit Agreement as amended hereby.

SECTION 6. Loan Document. This Amendment shall be a Loan Document for all purposes.

SECTION 7. Applicable Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 8. Counterparts. This Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment by telecopy shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 9. Expenses. The Borrower agrees to reimburse the Administrative Agent for its out-of-pocket expenses in connection with the Amendment, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Administrative Agent.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first written above.

PHILLIPS-VAN HEUSEN CORPORATION,

by  
/s/ Pamela N. Hootkin  
Name: Pamela N. Hootkin  
Title: Vice President,  
Treasurer

THE CHASE MANHATTAN BANK,  
individually and as Administrative  
Agent and Collateral Agent,

by  
/s/ Margaret T. Lane  
Name: Margaret T. Lane  
Title: Vice President

CITICORP USA, INC., individually  
and as Documentation Agent,

by  
/s/ Marc Mergino  
Name: Marc Mergino  
Title: Vice President

BANK OF AMERICA, N.A.,

by  
/s/ David H. Dinkins  
Name: David H. Dinkins  
Title: Principal

THE BANK OF NEW YORK,

by  
/s/ James J. Ducey  
Name: James J. Ducey  
Title: Vice President

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BANK LEUMI USA,

by  
/s/ Richard Silverstein  
Name: Richard Silverstein  
Title: Senior Vice President

by  
/s/ Phyllis Rosenfeld  
Name: Phyllis Rosenfeld  
Title: Vice President

DG BANK,

by  
/s/ Sabine Wendt  
Name: Sabine Wendt  
Title: Vice President

by  
/s/ Wolfgang Bollmann  
Name: Wolfgang Bollmann  
Title: Senior Vice President

FLEET NATIONAL BANK,

by  
/s/ Peter L. Griswold  
Name: Peter L. Griswold  
Title: Managing Director

PNC BANK, NATIONAL ASSOCIATION,

by  
/s/ Donald V. Davis  
Name: Donald V. Davis  
Title: Vice President

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STANDARD CHARTERED BANK,

by  
/s/ Peter G.R. Dodds  
Name: Peter G.R. Dodds  
Title: Senior Credit Officer  
Coin 98/62

by  
/s/ David D. Cutting  
Name: David D. Cutting  
Title: Senior Vice President

UNION BANK OF CALIFORNIA, N.A.,

by  
/s/ Theresa L. Rocha  
Name: Theresa L. Rocha  
Title: Vice President

PHILLIPS-VAN HEUSEN CORPORATION  
PERFORMANCE INCENTIVE BONUS PLAN

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

2. Definitions.

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

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

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

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

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

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

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

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

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

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

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(b) Interpretation.

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

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

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

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

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

created. A majority of the members of the Committee shall constitute a quorum. All determinations of the Committee shall be made by a majority vote of its members at a meeting duly called and held.

#### 4. Administration.

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

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

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

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

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

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

#### (c) Bonus Percentages.

(i) At the time that the Committee determines the

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

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

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

(d) Termination of Employment During Fiscal Year. If a Participant's employment terminates during a Fiscal Year he was determined to be a Participant by reason of his death or disability and for no other reason, such Participant or his estate shall receive the bonus, if any, which would otherwise have been payable to such Participant for such Fiscal Year pro rated to the portion of such Fiscal Year actually worked by such Participant. Any such bonus shall be paid promptly after it is determined to be payable or at the end of the vesting period described in Section 6(a).

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

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

## 6. Payment.

(a) Vesting. Except as otherwise provided hereunder, payment of any bonus amount determined under Section 5 shall be subject to vesting, ending on the last day of the Fiscal Year immediately subsequent to the Fiscal Year with respect to which such bonus was earned. Payment of such bonus shall be made on the first day of the Fiscal Year immediately subsequent to the Fiscal Year during which such bonus vests, together with interest at a rate equal to the 1-year Treasury Bill rate on the date such bonus was determined or any other reasonable rate determined by the Committee from the date on which such bonus was determined. Notwithstanding the foregoing, (i) payment of any bonus amount to a Participant who shall also be a participant in the Company's Long-Term Incentive Plan shall be made within 30 days after such bonus amount has been determined under Section 5 hereof and (ii) the Chief Executive Officer shall have the authority to waive the vesting period (or any portion thereof) at any time for any Participant whose compensation is not, and is reasonably not expected to become, subject to the provisions of Section 162(m) of the Code, and to cause the payment of such bonus at such time, together with

interest, if any, accrued on such payment as of the date of such payment in accordance with the terms hereof.

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

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

#### 7. General Provisions of the Plan.

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

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

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

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

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

or, if no spouse survives the Participant, the Participant's estate. If a Participant designates more than one beneficiary, the rights of such beneficiaries shall be payable in equal shares, unless the Participant has designated otherwise.

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

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

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

10. Miscellaneous.

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

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

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



PHILLIPS-VAN HEUSEN CORPORATION  
LONG-TERM INCENTIVE PLAN

1. Purpose. The purposes of the Plan are to induce the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer and to provide such persons with additional incentive to promote the success of the business of the Company and its Subsidiaries.

2. Definitions.

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

"Award" means a benefit payable under the Plan, as provided herein.

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

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

"Change in Control" means (i) the election of one or more individuals to the Board which election results in one-third of the directors of the Company consisting of individuals who have not been directors of the Company for at least two years, unless such individuals have been elected as directors or nominated for election by the stockholders as directors by three-fourths of the directors of the Company who have been directors of the Company for at least two years, (ii) the sale by the Company of all or substantially all of its assets to any Person, the consolidation of the Company with any Person, the merger of the Company with any Person as a result of which merger the Company is not the surviving entity as a publicly held corporation, (iii) the sale or transfer of shares of the Company by the Company and/or any one or more of its stockholders, in one or more transactions, related or unrelated, to one or more Persons under circumstances whereby any Person and its Affiliates shall own, after such sales and transfers, at least one-fourth, but less than one-half, of the shares of the Company having voting power for the election of directors, unless such sale or transfer has been approved in advance by three-fourths of the directors of the Company who have been directors of the Company for at least two years, (iv) the sale or transfer of shares of the Company by the Company and/or any one or more of its stockholders, in one or more transactions, related or unrelated, to one or more Persons under circumstances whereby any Person and its Affiliates shall own, after such sales and transfers, at least one-half of the shares of the Company having voting power for the election of directors or (v) as defined in the Participant's employment agreement (or other

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document or documents evidencing the terms of the Participant's employment), if any, with the Company or a Subsidiary. For the purposes hereof, (i) the term "Affiliate" shall mean any Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, any other Person, (ii) the term "Person" shall mean any individual, partnership, firm, trust, corporation or other similar entity and (iii) when two or more Persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of the Company, such partnership, limited partnership, syndicate or group shall be deemed a "Person."

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

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

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

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

"Participant" means each of the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

"Performance Cycle" means a three-year period commencing on the first day of a Fiscal Year and ending on the last day of the second subsequent Fiscal Year.

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

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

(b) Interpretation.

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

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

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

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

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3. Effective Date. The Plan became effective January 31, 2000, subject to ratification by the Company's stockholders.

4. Eligibility. Participation in the Plan with respect to any Performance Cycle shall be available only to the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of the Company.

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

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

7. Determination of Participation, Performance Criteria and Bonuses.

(a) Participation and Performance Criteria. The Committee shall determine who the Participants for each Performance Cycle

will be and establish the performance objective or objectives that must be satisfied in order for a Participant to receive an Award for such Performance Cycle, within 90 days of the commencement of such Performance Cycle.

(b) Performance Objectives. Performance objectives shall be based upon earnings per share growth, return on equity performance or such other performance criteria as may be established by the Committee. The Committee shall establish three targets for each Performance Cycle for the performance objectives established by the Committee. The three targets shall consist of a threshold level (below which no Award shall be payable), a plan level and a maximum level (above which no additional Award shall be payable).

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(c) Award Percentages.

(i) At the time that the Committee determines the Participants and establishes the performance objectives with respect to a Performance Cycle, it shall determine the Award payable to each Participant with respect to such Performance Cycle if the applicable threshold, plan or maximum target level is attained. An Award for a Performance Cycle shall be equal to a percentage of a Participant's base salary on the last day of such Performance Cycle. In determining the Award percentage for each Participant, the Committee may take into account the nature of the services rendered by such Participant, his past, present and potential contribution to the Company and its Subsidiaries, his seniority with the Company or any of its Subsidiaries and such other factors as the Committee, in its discretion, shall deem relevant.

(ii) If a threshold, plan or maximum target level is achieved, each applicable Participant shall receive the applicable Award determined, as provided above, for the target level achieved. If the level achieved falls between two of the target levels, a Participant shall receive an Award based on a straight line interpolation between the Awards for the two target levels.

(d) Termination of Employment During Performance Cycle. If a Participant's employment terminates during a Performance Cycle for which he was determined to be a Participant by reason of his death or disability, such Participant or his estate shall receive the Award, if any, which would otherwise have been payable to such Participant for such Performance Cycle pro rated to the portion of such Performance Cycle actually worked by such Participant. Any such Award shall be paid promptly after it is determined to be payable.

(e) Determination of Awards. The Committee shall determine whether any targets were achieved for a Performance Cycle, which Participants shall have earned bonuses as the result thereof, and the Awards, if any, to which such Participants are entitled no later 90 days subsequent to the last day of the Performance Cycle with respect to which such Awards were earned.

(f) Change in Control. Notwithstanding the foregoing, in the event that there shall be a Change In Control during the third year of a Performance Cycle, each Participant for such Performance Cycle shall be entitled to receive the Award payable to such Participant if the maximum target level for such Performance Cycle had been achieved.

(g) Absolute Maximum Award. Notwithstanding any other provision in the Plan to the contrary, the maximum Award that may be paid to any Participant under the Plan with respect to any Performance Cycle may not exceed \$5,000,000.

8. Payment.

(a) Timing. Payment of any Award determined under Section 7 shall be paid (i) within 30 days following the Compensation Committee's certification as to performance results as set forth in Section 7(e) above or (ii) in the case of an Award payable in accordance with the provisions of Section 7(f) above, within 30 days of a Change in Control.

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(b) Forfeiture. Except as otherwise set forth in Section 7(d), in order to remain eligible to receive an Award, a Participant must be employed by the Company on the payment date or must have died, become disabled, retired under the Company's retirement plan or have been discharged without cause subsequent to the end of the Performance Cycle and prior to the payment

date.

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

#### 9. General Provisions of the Plan.

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

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

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

10. No Right of Continued Employment. Neither the existence nor any term of the Plan shall be construed as conferring upon any Participant any right to continue in the employment of the Company or any of its Subsidiaries, nor shall participation herein for any Performance Cycle confer upon any Participant any right to participate in the Plan with respect to any subsequent Performance Cycle.

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

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#### 12. Miscellaneous.

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

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

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

13. Amendment and Termination. The Board or the Committee may at any time amend, suspend, discontinue or terminate the Plan as it deems advisable; provided, however, that no such action shall

be effective without approval by the holders of a majority of the shares of the Company's Common Stock present in person or by proxy at any special or annual meeting of the Company's stockholders, to the extent such approval is necessary to continue to qualify the amounts payable hereunder to "covered employees" (within the meaning of section 162(m) of the Code) as deductible under section 162(m) of the Code.

September 5, 2000

Stockholders and Board of Directors  
Phillips-Van Heusen Corporation

We are aware of the incorporation by reference in

- (i) Post-Effective Amendment No. 2 to the Registration Statement (Form S-8, No. 2-73803), which relates to the Phillips-Van Heusen Corporation Employee Savings and Retirement Plan,
- (ii) Registration Statement (Form S-8, No. 33-50841) and Registration Statement (Form S-8, No. 33-59602), each of which relate to the Phillips-Van Heusen Corporation Associates Investment Plan for Residents of the Commonwealth of Puerto Rico,
- (iii) Registration Statement (Form S-8, No. 33-59101), which relates to the Voluntary Investment Plan of Phillips-Van Heusen Corporation (Crystal Brands Division),
- (iv) Registration Statement (Form S-8, No. 33-38698), Post-Effective Amendment No. 1 to Registration Statement (Form S-8, No. 33-24057) and Registration Statement (Form S-8, No. 33-60793), each of which relate to the Phillips-Van Heusen Corporation 1987 Stock Option Plan,
- (v) Registration Statement (Form S-8, No. 333-29765) which relates to the Phillips-Van Heusen Corporation 1997 Stock Option Plan.
- (vi) Registration Statement (Form S-8, No. 333-41068) which relates to the Phillips-Van Heusen Corporation 2000 Stock Option Plan.

of our reports dated August 16, 2000 and May 17, 2000 relating to the unaudited condensed consolidated interim financial statements of Phillips-Van Heusen Corporation that are included in its Form 10-Q for the thirteen week periods ended July 30, 2000 and April 30, 2000.

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

ERNST & YOUNG LLP

New York, New York