PVH CORP. /DE/
Form 10-Q
November 28, 2012
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended	October 28, 2012

OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 001-07572
PVH CORP.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-1166910 (I.R.S. Employer Identification No.)
200 Madison Avenue, New York, New York (Address of principal executive offices)	10016 (Zip Code)

(212) 381-3500
(Registrant's telephone number, including area code)

Indicate by check mark whether the 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 the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

(do not check if a smaller
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The number of outstanding shares of common stock, par value $1.00 per share, of the registrant as of November 19, 2012 was 70,646,029.

PVH CORP.
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SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: Forward-looking statements in this Quarterly Report on Form 10-Q including, without limitation, statements relating to our future revenue and cash flows, plans, strategies, objectives, expectations and intentions, including, without limitation, statements relating to our proposed acquisition of The Warnaco Group, Inc. (“Warnaco”), are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy, and some of which might not be anticipated, including, without limitation, the following: (i) our plans, strategies, objectives, expectations and intentions are subject to change at any time at our discretion; (ii) our proposed acquisition of Warnaco is subject to conditions, which may not be satisfied, in which event the transaction may not close; (iii) in connection with the acquisition of Tommy Hilfiger B.V. and certain affiliated companies, we borrowed significant amounts, and in connection with the proposed acquisition of Warnaco, we intend to borrow additional significant amounts, may now or thereafter be considered to be highly leveraged, and use and will have to continue to use a significant portion of our cash flows to service such indebtedness, as a result of which we might not have sufficient funds to operate our businesses in the manner we intend or have operated in the past; (iv) the levels of sales of our apparel, footwear and related products, both to our wholesale customers and in our retail stores, the levels of sales of our licensees at wholesale and retail, and the extent of discounts and promotional pricing in which we and our licensees and other business partners are required to engage, all of which can be affected by weather conditions, changes in the economy, fuel prices, reductions in travel, fashion trends, consolidations, repositionings and bankruptcies in the retail industries, repositionings of brands by our licensors and other factors; (v) our plans and results of operations will be affected by our ability to manage our growth and inventory, including our ability to realize benefits from Warnaco, if the acquisition is consummated; (vi) our operations and results could be affected by quota restrictions and the imposition of safeguard controls (which, among other things, could limit our ability to produce products in cost-effective countries that have the labor and technical expertise needed), the availability and cost of raw materials, our ability to adjust timely to changes in trade regulations and the migration and development of manufacturers (which can affect where our products can best be produced), changes in available factory and shipping capacity, wage and shipping cost escalation, and civil conflict, war or terrorist acts, the threat of any of the foregoing, or political and labor instability in any of the countries where our or our licensees’ or other business partners’ products are sold, produced or are planned to be sold or produced; (vii) disease epidemics and health related concerns, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas, as well as reduced consumer traffic and purchasing, as consumers become ill or limit or cease shopping in order to avoid exposure; (viii) acquisitions and issues arising with acquisitions and proposed transactions, including, without limitation, the ability to integrate an acquired entity, such as Warnaco, into us with no substantial adverse affect on the acquired entity’s or our existing operations, employee relationships, vendor relationships, customer relationships or financial performance; (ix) the failure of our licensees to market successfully licensed products or to preserve the value of our brands, or their misuse of our brands; and (x) other risks and uncertainties indicated from time to time in our filings with the Securities and Exchange Commission.

We do not undertake any obligation to update publicly any forward-looking statement, including, without limitation, any estimate regarding
revenue or cash flows, whether as a result of the receipt of new information, future events or otherwise.

PART I -- FINANCIAL INFORMATION

Item 1 - Financial Statements

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

PVH Corp.
Consolidated Balance Sheets
(In thousands, except share and per share data)

	October 28, 2012 UNAUDITED	January 29, 2012 AUDITED	October 30, 2011 UNAUDITED
ASSETS			
Current Assets:			
Cash and cash equivalents	$276,630	$233,197	$159,981
Trade receivables, net of allowances for doubtful accounts of $17,437, $15,744 and $15,815	587,603	467,628	609,552
Other receivables	19,862	13,337	12,041
Inventories, net	855,359	809,009	841,928
Prepaid expenses	80,925	111,228	65,268
Other, including deferred taxes of $53,530, $53,645 and $68,761	91,740	104,836	103,720
Total Current Assets	1,912,119	1,739,235	1,792,490
Property, Plant and Equipment, net	519,863	458,891	436,286
Goodwill	1,855,195	1,822,475	1,884,699
Tradenames	2,288,513	2,306,857	2,370,974
Perpetual License Rights	86,000	86,000	86,000
Other Intangibles, net	153,812	165,521	178,216
Other Assets, including deferred taxes of $3,671, $11,989 and $7,364	170,469	173,382	173,514
Total Assets	$6,985,971	$6,752,361	$6,922,179
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	$300,468	$366,138	$310,217
Accrued expenses	588,511	556,366	583,840
Deferred revenue	24,473	38,376	27,474
Short-term borrowings	142,514	13,040	12,820
Current portion of long-term debt	84,000	69,951	61,111
Total Current Liabilities	1,139,966	1,043,871	995,462
Long-Term Debt	1,647,596	1,832,925	2,030,445
Other Liabilities, including deferred taxes of $522,676, $507,023 and $542,854	1,151,785	1,160,116	1,121,379
Stockholders' Equity:			
Preferred stock, par value $100 per share; 150,000 total shares authorized	—	—	—
Series A convertible preferred stock, par value $100 per share; 8,000 total shares authorized; 4,000; 8,000 and 8,000 shares issued and outstanding (with total liquidation preference of $100,000, $200,000 and $200,000)	94,298	188,595	188,595
	71,037	68,298	67,825

Common stock, par value $1 per share; 240,000,000 shares authorized; 71,037,023; 68,297,773 and 67,824,963 shares issued			
Additional paid in capital - common stock	1,511,574	1,377,922	1,348,875
Retained earnings	1,485,067	1,147,079	1,068,554
Accumulated other comprehensive (loss) income	(85,378)	(50,426)	117,050
Less: 413,301; 249,531 and 249,331 shares of common stock held in treasury, at cost	(29,974)	(16,019)	(16,006)
Total Stockholders' Equity	3,046,624	2,715,449	2,774,893
Total Liabilities and Stockholders' Equity	$6,985,971	$6,752,361	$6,922,179

See accompanying notes.

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PVH Corp.
Consolidated Income Statements
Unaudited
(In thousands, except per share data)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 28, 2012	October 30, 2011	October 28, 2012	October 30, 2011
Net sales	$1,501,442	$1,517,494	$4,033,911	$4,002,210
Royalty revenue	103,944	102,541	271,917	261,552
Advertising and other revenue	37,384	34,125	100,971	94,026
Total revenue	1,642,770	1,654,160	4,406,799	4,357,788
Cost of goods sold	773,686	825,192	2,038,225	2,076,109
Gross profit	869,084	828,968	2,368,574	2,281,679
Selling, general and administrative expenses	634,854	632,982	1,834,288	1,815,537
Debt modification costs	—	—	—	16,233
Equity in income of unconsolidated affiliates	3,193	856	5,043	856
Income before interest and taxes	237,423	196,842	539,329	450,765
Interest expense	28,660	31,680	86,729	96,923
Interest income	376	138	846	865
Income before taxes	209,139	165,300	453,446	354,707
Income tax expense	43,730	53,061	107,221	118,072
Net income	$165,409	$112,239	$346,225	$236,635
Basic net income per common share	$2.28	$1.57	$4.78	$3.32
Diluted net income per common share	$2.24	$1.54	$4.70	$3.25
Dividends declared per common share	$0.0375	$0.0375	$0.1125	$0.1125

See accompanying notes.

PVH Corp.
Consolidated Statements of Comprehensive Income
Unaudited
(In thousands)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 28, 2012	October 30, 2011	October 28, 2012	October 30, 2011
Net income	$165,409	$112,239	$346,225	$236,635
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax expense (benefit) of $449; $(13); $(4) and $69	99,391	(64,530)	(33,796)	54,546
Amortization of net loss and prior service credit related to pension and postretirement plans, net of tax expense of $1,459; $805; $4,375 and $2,415	2,339	1,292	7,018	3,876
Net unrealized and realized (loss) gain on effective hedges, net of tax expense (benefit) of $563; $1,515; $927 and $(2,620)	(10,273)	5,902	(8,174)	2,884
Comprehensive income	$256,866	$54,903	$311,273	$297,941

See accompanying notes.

PVH Corp.
Consolidated Statements of Cash Flows
Unaudited
(In thousands)

	Thirty-Nine Weeks Ended	
	October 28, 2012	October 30, 2011
OPERATING ACTIVITIES		
Net income	$346,225	$236,635
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	102,544	98,768
Equity in income of unconsolidated affiliates	(5,043)	(856)
Deferred taxes	26,499	16,657
Stock-based compensation expense	26,372	31,118
Impairment of long-lived assets	259	2,213
Debt modification costs	—	16,233
Expense recorded for settlement of unfavorable contract	—	20,709
Changes in operating assets and liabilities:		
Trade receivables, net	(122,277)	(172,182)
Inventories, net	(50,622)	(126,173)
Accounts payable, accrued expenses and deferred revenue	(38,849)	(11,641)
Prepaid expenses	30,011	10,606
Other, net	(29,741)	51,253
Net cash provided by operating activities	285,378	173,340
INVESTING ACTIVITIES[1]		
Business acquisitions, net of cash acquired	(13,104)	(25,000)
Purchase of property, plant and equipment	(137,048)	(117,892)
Contingent purchase price payments	(35,694)	(35,196)
Investments in unconsolidated affiliates	(1,900)	(48,700)
Net cash used by investing activities	(187,746)	(226,788)
FINANCING ACTIVITIES[1]		
Net proceeds from revolving credit facilities	130,000	—
Net (payments on) proceeds from short-term borrowings	(526)	7,952
Repayment of credit facilities	(167,414)	(286,243)
Payment of debt modification costs	—	(10,634)
Proceeds from settlement of awards under stock plans	7,121	12,264
Excess tax benefits from awards under stock plans	8,327	4,560
Cash dividends	(8,237)	(8,153)
Acquisition of treasury shares	(13,955)	(5,257)
Payments of capital lease obligations	(8,565)	(7,660)
Net cash used by financing activities	(53,249)	(293,171)
Effect of exchange rate changes on cash and cash equivalents	(950)	7,882
Increase (decrease) in cash and cash equivalents	43,433	(338,737)
Cash and cash equivalents at beginning of period	233,197	498,718
Cash and cash equivalents at end of period	$276,630	$159,981

[1] See Note 15 for information on noncash investing and financing transactions.

See accompanying notes.

PVH CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. GENERAL

PVH Corp. and its subsidiaries (collectively, the “Company”) together constitute a global apparel company whose brand portfolio consists of nationally and internationally recognized brand names, including Calvin Klein, Tommy Hilfiger, Van Heusen, IZOD, ARROW and Bass, which are owned, and Geoffrey Beene, Kenneth Cole New York, Kenneth Cole Reaction, MICHAEL Michael Kors, Sean John, Chaps, Donald J. Trump Signature Collection, JOE Joseph Abboud and DKNY, which are licensed, as well as various other owned, licensed and private label brands. The Company designs and markets branded dress shirts, neckwear, sportswear and, to a lesser extent, footwear and other related products and licenses its owned brands over a broad range of products. References to the aforementioned and other brand names are to registered trademarks owned by the Company or licensed to the Company by third parties and are identified by italicizing the brand name.

The consolidated financial statements include the accounts of the Company. Intercompany accounts and transactions have been eliminated in consolidation. The Company owns interests in joint ventures in China and India. Please see Note 4, “Investments in Unconsolidated Affiliates,” for a further discussion. Investments in these entities, which the Company does not control but over which it has the ability to exercise significant influence, are accounted for using the equity method of accounting. The Company’s Consolidated Income Statements include its proportionate share of the net income or loss of these entities.

The Company’s fiscal years are based on the 52-53 week period ending on the Sunday closest to February 1 and are designated by the calendar year in which the fiscal year commences. References to a year are to the Company’s fiscal year, unless the context requires otherwise.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not contain all disclosures required by accounting principles generally accepted in the United States for complete financial statements. Reference should be made to the audited consolidated financial statements, including the notes thereto, included in the Company’s Annual Report on Form 10-K for the year ended January 29, 2012.

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

The results of operations for the thirteen and thirty-nine weeks ended October 28, 2012 and October 30, 2011 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 consolidated financial statements and the notes thereto for the prior year periods to present that information on a basis consistent with the current year.

2. INVENTORIES

Inventories are comprised principally of finished goods and are stated at the lower of cost or market. Cost for certain wholesale apparel inventories in North America is determined using the first-in, first-out method. Cost for all other inventories is determined using the weighted average cost method.

3. ACQUISITIONS

Acquisition of Netherlands Franchisee

On August 1, 2012, the Company acquired from a former Tommy Hilfiger franchisee in the Netherlands 100% of the share capital of ten affiliated companies, which operate 13 Tommy Hilfiger stores in the Netherlands. The Company paid $13,104 as consideration for this transaction, which was recorded as a business combination.

Reacquisition of Perpetually Licensed Rights for Tommy Hilfiger in India

During the third quarter of 2011, the Company reacquired the rights in India to the Tommy Hilfiger trademarks that had been subject to a perpetual license previously granted to GVM International Limited (“GVM”). The transaction was accounted for as a business combination. The Company paid $25,000 during the third quarter of 2011 as consideration for this transaction. In addition, the Company is required to make annual contingent purchase price payments based on a percentage of annual sales in excess of an agreed upon threshold of Tommy Hilfiger products in India for a period of five years (or, under certain circumstances, a period of six years) following the acquisition date. Such payments are subject to a $25,000 aggregate maximum and are due within 60 days following each one year period. The first one year period commenced on July 1, 2011. During the third quarter of 2012, the Company made a contingent purchase price payment of $185 for the first one year period.

In connection with the transaction, the Company recorded an expense of $20,709 during the third quarter of 2011 due to the settlement of an unfavorable contract as a result of a pre-existing relationship with the licensee, as the license provided favorable terms to the licensee. Such expense was included within selling, general and administrative expenses.

4. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

The Company formed a joint venture, TH Asia Ltd., in China, in which the Company owns a 45% equity interest. The joint venture assumed direct control of the Tommy Hilfiger wholesale and retail distribution business in China from the prior licensee on August 1, 2011. The Company made funding payments with respect to its 45% interest totaling $17,100 during the thirty-nine weeks ended October 30, 2011. This investment is being accounted for under the equity method of accounting.

In the third quarter of 2011, the Company completed a $30,000 acquisition from Ganesha Limited and Ganesha Brands Limited, both of which are affiliates of GVM, of a 50% equity interest in a company that has since been renamed Tommy Hilfiger Arvind Fashion Private Limited (“TH India”). TH India was GVM’s sublicensee of the Tommy Hilfiger trademarks for apparel, footwear and handbags in India. As a result of the transaction, TH India is now the direct licensee of the trademarks for all categories (other than fragrance), operates a wholesale apparel, footwear and handbags business in connection with its license and sublicenses the trademarks for certain other product categories. The Company made additional payments totaling $1,900 and $1,600 to TH India during the thirty-nine weeks ended October 28, 2012 and October 30, 2011, respectively, to contribute the Company’s 50% share of funding. This investment is being accounted for under the equity method of accounting.

Included in other assets in the Company’s Consolidated Balance Sheets as of October 28, 2012 and October 30, 2011 is $53,377 and $48,582, respectively, related to these investments in unconsolidated affiliates.

5. GOODWILL

The changes in the carrying amount of goodwill for the thirty-nine weeks ended October 28, 2012, by segment, were as follows:

	Heritage Brand Wholesale Dress Furnishings	Heritage Brand Wholesale Sportswear	Calvin Klein Licensing	Tommy Hilfiger North America	Tommy Hilfiger International	Total
Balance as of January 29, 2012						
Goodwill, gross	$70,589	$84,553	$356,035	$198,501	$1,112,797	$1,822,475
Accumulated impairment losses	—	—	—	—	—	—
Goodwill, net	70,589	84,553	356,035	198,501	1,112,797	1,822,475
Contingent purchase price payments to Mr. Calvin Klein	—	—	37,050	—	—	37,050
Goodwill from acquisition of Netherlands franchisee	—	—	—	—	11,036	11,036
Currency translation	—	—	(69)	—	(15,297)	(15,366)
Balance as of October 28, 2012						
Goodwill, gross	70,589	84,553	393,016	198,501	1,108,536	1,855,195
Accumulated impairment losses	—	—	—	—	—	—
Goodwill, net	$70,589	$84,553	$393,016	$198,501	$1,108,536	$1,855,195

The Company is required to make contingent purchase price payments to Mr. Calvin Klein in connection with the Company's acquisition in 2003 of all of the issued and outstanding stock of Calvin Klein, Inc. and certain affiliated companies (collectively, "Calvin Klein"). Such payments are based on 1.15% of total worldwide net sales, as defined in the agreement (as amended) governing the Calvin Klein acquisition, of products bearing any of the Calvin Klein brands and are required to be made with respect to sales made through February 12, 2018. A significant portion of the sales on which the payments to Mr. Klein are made are wholesale sales by the Company and its licensees and other partners to retailers.

6. RETIREMENT AND BENEFIT PLANS

The Company has five noncontributory defined benefit pension plans covering substantially all employees resident in the United States who meet certain age and service requirements. For those vested (after five years of service), the plans provide monthly benefits upon retirement based on career compensation and years of credited service. The Company also has for certain of such employees an unfunded non-qualified supplemental defined benefit pension plan, which provides benefits for compensation in excess of Internal Revenue Service earnings limits and requires payments to vested employees upon, or shortly after, employment termination or retirement. The Company refers to these six plans as its "pension plans."

The Company has an unfunded non-qualified supplemental defined benefit plan, which covered two current and 17 retired executives as of October 28, 2012. Under the individual participants' agreements, the participants in this plan will receive a predetermined amount during the 10 years following the attainment of age 65, provided that prior to the termination of employment with the Company, the participant has been in the plan for at least 10 years and has attained age 55. In addition, as a result of the Company's acquisition of Tommy Hilfiger B.V. and certain affiliated companies (collectively, "Tommy Hilfiger"), the Company also has for certain members of Tommy Hilfiger's domestic senior management a supplemental executive retirement plan, which is an unfunded non-qualified supplemental defined benefit pension plan. Such plan is frozen and, as a result, participants do not accrue additional benefits. The Company refers to these two plans as its "SERP Plans."

The Company also provides certain postretirement health care and life insurance benefits to certain retirees resident in the United States. Retirees contribute to the cost of this plan, which is unfunded. During 2002, the postretirement plan was amended to eliminate benefits for active participants who, as of January 1, 2003, had not attained age 55 and 10 years of service.

Net benefit cost related to the Company's pension plans was recognized as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	10/28/12	10/30/11	10/28/12	10/30/11
Service cost, including plan expenses	$4,799	$3,632	$14,396	$10,896
Interest cost	4,958	4,796	14,874	14,387
Amortization of net loss	3,993	2,310	11,979	6,930
Expected return on plan assets	(5,540)	(5,531)	(16,621)	(16,592)
Amortization of prior service credit	(16)	(15)	(47)	(46)
Total	$8,194	$5,192	$24,581	$15,575

Net benefit cost related to the Company's SERP Plans was recognized as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	10/28/12	10/30/11	10/28/12	10/30/11
Service cost, including plan expenses	$27	$25	$82	$74
Interest cost	372	453	1,116	1,358
Amortization of net loss	25	—	74	—
Total	$424	$478	$1,272	$1,432

Net benefit cost related to the Company's postretirement plan was recognized as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	10/28/12	10/30/11	10/28/12	10/30/11
Interest cost	$200	$255	$599	$764
Amortization of net loss	—	6	—	20
Amortization of prior service credit	(204)	(204)	(613)	(613)
Total	$(4)	$57	$(14)	$171

7. DEBT

Short-Term Borrowings

One of the Company's subsidiaries has a Yen-denominated overdraft facility with a Japanese bank, which provides for borrowings of up to ¥1,000,000 (approximately $12,500 based on exchange rates in effect on October 28, 2012) and is utilized to fund working capital. Borrowings under the facility are unsecured and bear interest at the one-month Japanese inter-bank borrowing rate ("TIBOR") plus 0.15%. Such facility renews automatically unless the Company gives notice of termination. The full amount of this facility was borrowed as of October 28, 2012. The weighted average interest rate on the funds borrowed at October 28, 2012 was 0.33%.

In addition, the Company had $130,000 of revolving credit borrowings outstanding under its senior secured credit facility as of October 28, 2012. Please see the section entitled "Senior Secured Credit Facility" below for a further discussion.

Long-Term Debt

The carrying amounts of the Company's long-term debt were as follows:

	10/28/12	10/30/11
Senior secured term loan A facility - United States dollar-denominated	$576,000	$624,000
Senior secured term loan A facility - Euro-denominated	61,959	118,439
Senior secured term loan B facility - United States dollar-denominated	394,000	398,000
Senior secured term loan B facility - Euro-denominated	—	251,501
7 3/8% senior unsecured notes	600,000	600,000
7 3/4% debentures	99,637	99,616
Total	$1,731,596	$2,091,556
Less: Current portion of long-term debt	84,000	61,111
Long-term debt	$1,647,596	$2,030,445

As of October 28, 2012, the Company's mandatory long-term debt repayments for the next five years were as follows:

Remainder of 2012	$17,000
2013	92,000
2014	152,566
2015	389,393
2016	381,000
2017	—

As of October 28, 2012, after taking into account the interest rate swap agreement discussed below, approximately 70% of the Company's total long-term debt was at a fixed rate, with the remainder at variable rates.

Senior Secured Credit Facility

On May 6, 2010, the Company entered into a senior secured credit facility, which it amended and restated on March 2, 2011 ("the amended facility"). The amended facility consists of a Euro-denominated term loan A facility, a United States dollar-denominated term loan A facility, a Euro-denominated term loan B facility, a United States dollar-denominated term loan B facility, a United States dollar-denominated revolving credit facility and two multi-currency (one United States dollar and Canadian dollar, and the other Euro, Japanese Yen and British Pound) revolving credit facilities. The maturity of the term loan A facilities and the revolving loan facilities is in January 2016. The maturity of the term loan B facilities is in May 2016. The Company's ability to pay cash dividends and make other restricted payments is limited, in each case, over specified amounts as defined in the agreement governing the amended facility.

The Company made payments on its term loans of $286,243 during the thirty-nine weeks ended October 30, 2011, including a voluntary prepayment of $149,275 in connection with the closing of the amended facility in the first quarter of 2011. The Company made payments on its term loans totaling $167,414 during the thirty-nine weeks ended October 28, 2012.

The amended facility provided for initial borrowings of up to an aggregate of approximately $1,970,000 (based on applicable exchange rates on March 2, 2011), consisting of (i) an aggregate of approximately $1,520,000 of term loan facilities; and (ii) approximately $450,000 of revolving credit facilities. As of October 28, 2012, based on applicable exchange rates on such date, the amended facility provided for approximately $450,000 of revolving credit, under which the Company had $130,000 of revolving credit borrowings and $51,762 of letters of credit outstanding. The maximum amount of revolving credit borrowings outstanding during the thirty-nine weeks ended October 28, 2012 was $130,000. The weighted average interest rate on the revolving credit borrowings as of October 28, 2012 was 3.65%. The Company had $1,031,959 outstanding under its United States dollar-denominated term loan A and B facilities and its Euro-denominated term loan A facility as of, and based on applicable exchange rates on, October 28, 2012. As of October 28, 2012, the Company has repaid all of its Euro-denominated term loan B facility. The repaid borrowings under the term loan facilities are not subject to reborrowing.

The terms of each of the term loan A and B facilities contain a mandatory repayment schedule on a quarterly basis. The outstanding borrowings under the amended facility are prepayable without penalty (other than customary breakage costs). The terms of the amended facility require the Company to repay certain amounts outstanding thereunder with (a) net cash proceeds of the incurrence of certain indebtedness, (b) net cash proceeds of certain asset sales or other dispositions (including as a result of casualty or condemnation) that exceed certain thresholds, to the extent such proceeds are not reinvested in the business in accordance with customary reinvestment provisions and (c) a percentage of excess cash flow, which percentage is based upon the Company's leverage ratio during the relevant fiscal period.

The United States dollar-denominated borrowings under the amended facility bear interest at a rate equal to an applicable margin plus, as determined at the Company's option, either (a) a base rate determined as the highest of (i) the prime rate, (ii) the United States federal funds rate plus 1/2 of 1% and (iii) a one-month adjusted Eurocurrency rate plus 1% (provided that, in the case of the term loan B facility, in no event will the base rate be less than 1.75%) or (b) an adjusted Eurocurrency rate, calculated in a manner set forth in the amended facility (provided that, in the case of the term loan B facility, in no event will the adjusted Eurocurrency rate be less than 0.75%).

Canadian dollar-denominated borrowings under the amended facility bear interest at a rate equal to an applicable margin plus, as determined at the Company's option, either (a) a Canadian prime rate determined by reference to the greater of (i) the average of the rates of interest per annum equal to the per annum rate of interest quoted, published and commonly known in Canada as the "prime rate" or which Royal Bank of Canada establishes at its main office in Toronto, Ontario as the reference rate of interest in order to determine interest rates for loans in Canadian dollars to its Canadian borrowers and (ii) the sum of (x) the average of the rates per annum for Canadian dollar bankers' acceptances having a term of one month that appears on the Reuters Screen CDOR Page as of 10:00 a.m. (Toronto time) on the date of determination, as reported by the administrative agent (and if such screen is not available, any successor or similar service as may be selected by the administrative agent), and (y) 1%, or (b) an adjusted Eurocurrency rate, calculated in a manner set forth in the amended facility.

The borrowings under the amended facility in currencies other than United States dollars or Canadian dollars bear interest at a rate equal to an applicable margin plus an adjusted Eurocurrency rate, calculated in a manner set forth in the amended facility (provided that, in the case of the term loan B facility, in no event will the adjusted Eurocurrency rate be less than 0.75%).

The current applicable margins are (a) in the case of the United States dollar-denominated term loan A facility, 2.25% for adjusted Eurocurrency rate loans and 1.25% for base rate loans, as applicable, (b) in the case of the United States dollar-denominated term loan B facility, 2.75% for adjusted Eurocurrency rate loans and 1.75% for base rate loans, as applicable, (c) in the case of the Euro-denominated term loan A facility, 2.50%, (d) in the case of the Euro-denominated term loan B facility, 3.00% and (e) in the case of the revolving credit facilities, (x) for borrowings denominated in United States dollars, 2.25% for adjusted Eurocurrency rate loans and 1.25% for base rate loans, as applicable, (y) for borrowings denominated in Canadian dollars, 2.25% for adjusted Eurocurrency rate loans and 1.25% for Canadian prime rate loans, as applicable, and (z) for borrowings denominated in other currencies, 2.50%. After the date of delivery of the compliance certificate and financial statements with respect to the Company's fiscal quarter ended October 28, 2012 and each subsequent quarter, the applicable margin for borrowings under the term loan A facilities and the revolving credit facilities will be adjusted depending on the Company's leverage ratio.

During the second quarter of 2011, the Company entered into an interest rate swap agreement for a three-year term commencing on June 6, 2011. The agreement has been designed with the intended effect of converting an initial notional amount of $632,000 of the Company's variable rate debt obligation under its United States dollar-denominated senior secured term loan A facility to fixed rate debt. According to a pre-set schedule during the term of the swap agreement, the initial notional amount was reduced to $552,808 as of October 28, 2012, and will continue to be reduced such that, based on the Company's projections for future debt repayments, the Company's outstanding debt under the facility is expected to always equal or exceed the then-outstanding notional amount of the swap. Under the terms of the agreement for the then-outstanding notional amount, the Company's exposure to fluctuations in the three-month London inter-bank borrowing rate ("LIBOR") is eliminated, and it will pay a fixed rate of 1.197%, plus the current applicable margin.

In addition, during the second quarter of 2011, the Company entered into an interest rate cap agreement for a 15-month term commencing on June 6, 2011. The agreement was designed with the intended effect of capping the interest rate on an initial notional amount of €165,895 of the Company's variable rate debt obligation under its Euro-denominated senior secured term loan A and B facilities. Such cap agreement expired on September 6, 2012.

7 3/8% Senior Notes Due 2020

On May 6, 2010, the Company issued $600,000 principal amount of 7 3/8% senior notes due May 15, 2020. Interest on the 7 3/8% notes is payable semi-annually in arrears on May 15 and November 15 of each year.

The Company may redeem some or all of these notes on or after May 15, 2015 at specified redemption prices. The Company may redeem some or all of these notes at any time prior to May 15, 2015 by paying a “make whole” premium. In addition, the Company may also redeem up to 35% of these notes prior to May 15, 2013, by paying a set premium, with the net proceeds of certain equity offerings. The Company’s ability to pay cash dividends and make other restricted payments is limited, in each case, over specified amounts as defined in the indenture governing the notes.

7 3/4% Debentures Due 2023

The Company has outstanding $100,000 of debentures due on November 15, 2023 with a yield to maturity of 7.80%. The debentures accrue interest at the rate of 7 3/4%, which is payable semi-annually. Pursuant to the indenture governing the debentures, the Company must maintain a certain level of stockholders’ equity in order to pay cash dividends and make other restricted payments, as defined in the indenture governing the debentures.

8. INCOME TAXES

The effective income tax rates for the thirteen weeks ended October 28, 2012 and October 30, 2011 were 20.9% and 32.1%, respectively. The effective income tax rates for the thirty-nine weeks ended October 28, 2012 and October 30, 2011 were 23.6% and 33.3%, respectively.

The effective income tax rates for the thirteen and thirty-nine weeks ended October 28, 2012 were lower than the United States statutory rate due to the benefit of the overall lower tax rates in international jurisdictions where the Company files tax returns. Also contributing to the rate differential was the continuation of the tax synergies resulting from the Tommy Hilfiger acquisition and a benefit resulting from refunds related to previously unclaimed tax credits, partially offset by state and local taxes.

The effective income tax rates for the thirteen and thirty-nine weeks ended October 30, 2011 were slightly lower than the United States statutory rate due to the benefit of the overall lower tax rates in international jurisdictions where the Company files tax returns, largely offset by state and local taxes and foreign earnings taxed in the United States.

9. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has exposure to changes in foreign currency exchange rates related to certain anticipated cash flows associated with certain international inventory purchases. In addition, the Company has exposure to changes in foreign currency exchange rates on certain intercompany loans. To help manage these exposures, the Company periodically uses foreign currency forward exchange contracts.

The Company also has exposure to interest rate volatility related to its senior secured term loan facilities. The Company has entered into an interest rate swap agreement to hedge against this exposure. The Company had also entered into an interest rate cap agreement, which expired on September 6, 2012. Please see Note 7, “Debt,” for a further discussion of these agreements.

The Company records the foreign currency forward exchange contracts and interest rate contracts at fair value in its Consolidated Balance Sheets. Changes in fair value of the foreign currency forward exchange contracts associated with certain international inventory purchases and the interest rate contracts (collectively referred to as “cash flow hedges”) that are designated as effective hedging instruments are deferred in equity as a component of accumulated other comprehensive (loss) income (“AOCI”). The cash flows from such hedges are presented in the same category on the Consolidated Statements of Cash Flows as the items being hedged. Any ineffectiveness in such cash flow hedges is immediately recognized in earnings and no contracts were excluded from effectiveness testing. In addition, changes in the fair value of foreign currency forward exchange contracts that are not designated as effective hedging instruments are immediately recognized in earnings, including the changes in fair value of all of the foreign exchange contracts related to intercompany loans. Any gains and losses that are immediately recognized in earnings on such contracts related to intercompany loans are largely offset by the remeasurement of the underlying intercompany loan balances. The Company does not use derivative financial instruments for trading or speculative purposes.

The following table summarizes the fair value and presentation in the Consolidated Balance Sheets for the Company's derivative financial instruments:

	Asset Derivatives (Classified in Other Current Assets and Other Assets)		Liability Derivatives (Classified in Accrued Expenses and Other Liabilities)	
	10/28/12	10/30/11	10/28/12	10/30/11
Contracts designated as cash flow hedges:				
Foreign currency forward exchange contracts (inventory purchases)	$3,725	$1,647	$2,567	$8,297
Interest rate contracts	—	281	6,066	8,106
Total contracts designated as cash flow hedges	3,725	1,928	8,633	16,403
Undesignated contracts:				
Foreign currency forward exchange contracts (inventory purchases)	—	77	30	2,324
Foreign currency forward exchange contracts (intercompany loans)	—	—	90	—
Total undesignated contracts	—	77	120	2,324
Total	$3,725	$2,005	$8,753	$18,727

At October 28, 2012, the notional amount outstanding of foreign currency forward exchange contracts for inventory purchases and intercompany loans was approximately $363,000 and $10,000, respectively. Such contracts expire principally between November 2012 and October 2013 for inventory purchases and between November 2012 and December 2012 for intercompany loans.

The following table summarizes the effect of the Company's hedges designated as cash flow hedging instruments:

	(Loss) Gain Recognized in Other Comprehensive Income (Effective Portion)		Gain (Loss) Reclassified from AOCI into Income (Expense) (Effective Portion)		
			Location	Amount	
Thirteen Weeks Ended	10/28/12	10/30/11		10/28/12	10/30/11
Foreign currency forward exchange contracts (inventory purchases)	$(2,079)	$1,742	Cost of goods sold	$8,294	$(5,846)
Interest rate contracts	(432)	(1,557)	Interest expense	(1,095)	(1,386)
Total	$(2,511)	$185		$7,199	$(7,232)
Thirty-Nine Weeks Ended	10/28/12	10/30/11		10/28/12	10/30/11
Foreign currency forward exchange contracts (inventory purchases)	$2,837	$(21,921)	Cost of goods sold	$11,925	$(30,291)
Interest rate contracts	(1,434)	(10,362)	Interest expense	(3,275)	(2,256)
Total	$1,403	$(32,283)		$8,650	$(32,547)

There was no ineffective portion of hedges designated as cash flow hedging instruments during the thirty-nine weeks ended October 28, 2012 and October 30, 2011.

A net gain in AOCI on foreign currency forward exchange contracts at October 28, 2012 of $928 is estimated to be reclassified in the next 12 months in the Consolidated Income Statements to costs of goods sold as the underlying inventory is purchased and sold. In addition, a net loss in AOCI for interest rate contracts at October 28, 2012 of $4,088 is estimated to be reclassified to interest expense within the next 12 months.

The following table summarizes the effect of the Company’s foreign currency forward exchange contracts that were not designated as cash flow hedges:

	Gain (Loss) Recognized in Income		
Thirteen Weeks Ended	Location	10/28/12	10/30/11
Foreign currency forward exchange contracts (inventory purchases)	Selling, general and administrative expenses	$ 504	$ 605
Foreign currency forward exchange contracts (intercompany loans)	Selling, general and administrative expenses	574	—
Thirty-Nine Weeks Ended	Location	10/28/12	10/30/11
Foreign currency forward exchange contracts (inventory purchases)	Selling, general and administrative expenses	$ 1,183	$ 863
Foreign currency forward exchange contracts (intercompany loans)	Selling, general and administrative expenses	(650)	—

The Company had no derivative financial instruments with credit risk related contingent features underlying the related contracts as of October 28, 2012.

10. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (“FASB”) guidance for fair value measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a three level hierarchy that prioritizes the inputs used to measure fair value. The three levels of the hierarchy are defined as follows:

Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 – Observable inputs other than quoted prices included in Level 1, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs derived principally from or corroborated by observable market data.

Level 3 – Unobservable inputs reflecting the Company’s own assumptions about inputs that market participants would use in pricing the asset or liability based on the best information available.

In accordance with the fair value hierarchy described above, the following table shows the fair value of the Company’s financial assets and liabilities that are required to be remeasured at fair value on a recurring basis:

	October 28, 2012				January 29, 2012				October 30, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:												
Foreign currency forward exchange contracts	N/A	$3,725	N/A	$3,725	N/A	$13,581	N/A	$13,581	N/A	$1,724	N/A	$1,724
Interest rate contracts	N/A	N/A	N/A	N/A	N/A	211	N/A	211	N/A	281	N/A	281
Total Assets	N/A	$3,725	N/A	$3,725	N/A	$13,792	N/A	$13,792	N/A	$2,005	N/A	$2,005
Liabilities:												
Foreign currency forward exchange contracts	N/A	$2,687	N/A	$2,687	N/A	$2,855	N/A	$2,855	N/A	$10,621	N/A	$10,621
Interest rate contracts	N/A	6,066	N/A	6,066	N/A	7,907	N/A	7,907	N/A	8,106	N/A	8,106
Contingent purchase price payments related to reacquisition of the perpetual rights to the Tommy Hilfiger trademarks in India	N/A	N/A	$9,639	9,639	N/A	N/A	$9,559	9,559	N/A	N/A	N/A	N/A
Total Liabilities	N/A	$8,753	$9,639	$18,392	N/A	$10,762	$9,559	$20,321	N/A	$18,727	N/A	$18,727

The fair value of the foreign currency forward exchange contracts related to inventory purchases is measured as the total amount of currency to be purchased, multiplied by the difference between (i) the forward rate as of the period end and (ii) the settlement rate specified in each contract. The fair values of the interest rate contracts are based on observable interest rate yield curves and represent the expected discounted cash flows underlying the financial instruments.

In relation to the reacquisition of the rights in India to the Tommy Hilfiger trademarks during 2011, the Company is required to make annual contingent purchase price payments based on a percentage of annual sales in excess of an agreed upon threshold of Tommy Hilfiger products in India for a period of five years (or, under certain circumstances, a period of six years) following the acquisition date. Such payments are subject to a $25,000 aggregate maximum and are due within 60 days following each one year period. The first one year period commenced on July 1, 2011. During the third quarter of 2012, the Company made a contingent purchase price payment of $185 for the first one year period. The Company is required to remeasure this liability at fair value on a recurring basis and classifies this as a Level 3 measurement. The fair value of such contingent purchase price payments was determined using the discounted cash flow method, based on net sales projections for the Tommy Hilfiger apparel and accessories businesses in India, and was discounted using rates of return that account for the relative risks of the estimated future cash flows. Excluding the initial recognition of the liability for the contingent purchase price payments and payments made to reduce the liability, changes in the fair value are included within selling, general and administrative expenses.

The following table presents the change in the Level 3 contingent purchase price payment liability for the thirty-nine weeks ended October 28, 2012:

Balance as of January 29, 2012	$9,559
Payments	(185)
Adjustments included in earnings	265
Balance as of October 28, 2012	$9,639

Additional information with respect to assumptions used to value the contingent purchase price payment liability is as follows:

Unobservable Inputs	Amount
Approximate compounded annual net sales growth rate	36.0 %
Approximate discount rate	20.0 %

A five percentage point decrease in the discount rate would increase the liability by approximately $1,500, while a five percentage point increase in the discount rate would decrease the liability by approximately $1,000.

A five percentage point increase or decrease in the compounded annual net sales growth rate would change the liability by approximately $1,500.

There were no transfers between any levels of the fair value hierarchy for any of the Company’s fair value measurements.

The following table shows the fair value of the Company’s non-financial assets and liabilities that were required to be remeasured at fair value on a nonrecurring basis (consisting of property, plant and equipment and other long-lived assets) during the thirty-nine weeks ended October 28, 2012 and the thirty-nine weeks ended October 30, 2011, and the total impairments recorded as a result of the remeasurement process:

	Fair Value Measurement Using				
	Level 1	Level 2	Level 3	Fair Value As Of Impairment Date	Total Impairments
Thirty-nine weeks ended 10/28/12	N/A	N/A	$—	$—	$259
Thirty-nine weeks ended 10/30/11	N/A	N/A	$—	$—	$2,213

Long-lived assets with a carrying amount of $259 were written down to a fair value of zero during the thirty-nine weeks ended October 28, 2012 in connection with the exit of a facility as part of the Company’s integration of Tommy Hilfiger. Such assets were deemed to have no future use or economic benefit based on the Company’s analysis using market participant assumptions, and therefore no expected future cash flows. The impairment charge was included in selling, general and administrative expenses in corporate expenses not allocated to any reportable segment.

Long-lived assets with a carrying amount of $1,151 were written down to a fair value of zero during the thirty-nine weeks ended October 30, 2011 as a result of management’s decision to permanently discontinue the use of one of its software systems. The Company ceased use of the software during the third quarter of 2011. Such assets were deemed to have no future use or economic benefit based on the Company’s analysis using market participant assumptions, and therefore no expected future cash flows. The impairment charge was included in selling, general and administrative expenses in corporate expenses not allocated to any reportable segment.

Long-lived assets with a carrying amount of $1,062 were written down to a fair value of zero during the thirty-nine weeks ended October 30, 2011 in connection with the Company’s negotiated early termination of its license to market sportswear under the Timberland brand. Such assets were deemed to have no future use or economic benefit based on the Company’s analysis using market participant assumptions, and therefore no expected future cash flows. The impairment charge was included in selling, general and administrative expenses in the Heritage Brand Wholesale Sportswear segment.

The carrying amounts and the fair values of the Company’s cash and cash equivalents, short-term borrowings and long-term debt as of October 28, 2012 and October 30, 2011 were as follows:

	10/28/12		10/30/11	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value

Cash and cash equivalents	$276,630	$276,630	$159,981	$159,981
Short-term borrowings	142,514	142,514	12,820	12,820
Long-term debt (including portion classified as current)	1,731,596	1,831,695	2,091,556	2,142,679

The fair values of cash and cash equivalents and short-term borrowings approximate their carrying values due to the short-term nature of these instruments. The Company estimates the fair value of its long-term debt using quoted market prices as of the last business day of the applicable quarter. The Company classifies the measurement of its long-term debt as a Level 1 measurement.

11. STOCK-BASED COMPENSATION

The Company grants stock-based awards under its 2006 Stock Incentive Plan (the “2006 Plan”). The 2006 Plan replaced the Company’s 1997, 2000 and 2003 Stock Option Plans. The 1997, 2000 and 2003 Stock Option Plans terminated upon the 2006 Plan’s initial stockholder approval in June 2006, other than with respect to outstanding options under the terminated plans, which continue to be governed by the respective plan under which they were granted. Shares issued as a result of stock-based compensation transactions generally have been funded with the issuance of new shares of the Company’s common stock.

The Company may grant the following types of incentive awards under the 2006 Plan: (i) non-qualified stock options (“NQs”); (ii) incentive stock options (“ISOs”); (iii) stock appreciation rights; (iv) restricted stock; (v) restricted stock units (“RSUs”); (vi) performance shares; and (vii) other stock-based awards. Each award granted under the 2006 Plan is subject to an award agreement that incorporates, as applicable, the exercise price, the term of the award, the periods of restriction, the number of shares to which the award pertains, applicable performance period(s) and performance measure(s) and such other terms and conditions as the plan committee determines.

Through October 28, 2012, the Company has granted under the 2006 Plan: (i) service-based NQs and RSUs; (ii) contingently issuable performance shares; and (iii) RSUs that are intended to satisfy the performance-based condition for deductibility under Section 162(m) of the Internal Revenue Code. According to the terms of the 2006 Plan, for purposes of determining the number of shares available for grant, each share underlying a stock option award reduces the number available by one share and each share underlying an RSU or performance share award reduces the number available by three shares for awards made before April 29, 2009 and by two shares for awards made on or after April 29, 2009. The per share exercise price of options granted under the 2006 Plan cannot be less than the closing price of the common stock on the date of grant (the business day prior to the date of grant for awards granted prior to September 21, 2006).

The Company currently has service-based NQs and ISOs outstanding under its 1997, 2000 and 2003 Stock Option Plans. Such options were granted with an exercise price equal to the closing price of the Company’s common stock on the business day immediately preceding the date of grant.

Net income for the thirty-nine weeks ended October 28, 2012 and October 30, 2011 included $26,372 and $31,118, respectively, of pre-tax expense related to stock-based compensation.

Options currently outstanding are generally cumulatively exercisable in four equal annual installments commencing one year after the date of grant. The vesting of options outstanding is also generally accelerated upon retirement (as defined in the applicable plan). Options are generally granted with a 10-year term.

The Company estimates the fair value of stock options granted at the date of grant using the Black-Scholes-Merton model. The estimated fair value of the options, net of estimated forfeitures, is expensed on a straight-line basis over the options’ vesting periods.

The following summarizes the assumptions used to estimate the fair value of service-based stock options granted during the thirty-nine weeks ended October 28, 2012 and October 30, 2011:

	Thirty-Nine Weeks Ended			
	10/28/12		10/30/11	
Weighted average risk free interest rate	1.20	%	2.62	%
Weighted average expected option term (in years)	6.25		6.25	
Weighted average expected volatility	45.16	%	44.35	%

Expected annual dividends per share	$0.15	$0.15
Weighted average estimated fair value per option	$40.59	$29.81

The Company has continued to utilize the simplified method to estimate the expected term for its “plain vanilla” stock options granted due to a lack of relevant historical data resulting, in part, from changes in the pool of employees receiving option grants. The Company will continue to evaluate the appropriateness of utilizing such method.

Service-based stock option activity for the thirty-nine weeks ended October 28, 2012 was as follows:

	Options	Weighted Average Price Per Option
Outstanding at January 29, 2012	2,189	$37.77
Granted	187	91.88
Exercised	224	31.19
Cancelled	7	41.92
Outstanding at October 28, 2012	2,145	$43.17
Exercisable at October 28, 2012	1,456	$36.63

RSUs granted to employees generally vest in three annual installments of 25%, 25% and 50% commencing two years after the date of grant. Service-based RSUs granted to non-employee directors vest in four equal annual installments commencing one year after the date of grant for awards granted prior to 2010 and vest in full one year after the date of grant for awards granted during or after 2010. The underlying RSU award agreements (excluding agreements for non-employee director awards made during or after 2010) generally provide for accelerated vesting upon the award recipient's retirement (as defined in the 2006 Plan). The fair value of service-based RSUs is equal to the closing price of the Company's common stock on the date of grant and is expensed, net of estimated forfeitures, on a straight-line basis over the RSUs' vesting periods.

RSU activity for the thirty-nine weeks ended October 28, 2012 was as follows:

	RSUs	Weighted Average Grant Date Fair Value
Non-vested at January 29, 2012	820	$48.28
Granted	192	89.43
Vested	320	42.92
Cancelled	16	61.50
Non-vested at October 28, 2012	676	$62.15

The Company granted restricted stock to certain of Tommy Hilfiger's management employees in connection with the Company's acquisition of Tommy Hilfiger on May 6, 2010. The restricted stock was not subject to the 2006 Plan but its grant was approved by the Company's Board of Directors. The shares of restricted stock were registered in the names of each such employee and were held in a third-party escrow account until they vested, at which time the stock was delivered to the applicable employee. All such restricted stock was vested as of October 28, 2012.

The fair value of restricted stock was equal to the closing price of the Company's common stock on May 6, 2010 and was expensed, net of forfeitures, on a straight-line basis over the restricted stock's vesting period.

Restricted stock activity for the thirty-nine weeks ended October 28, 2012 was as follows:

	Restricted Stock	Weighted Average Grant Date Fair Value
Non-vested at January 29, 2012	333	$60.41
Granted	—	—
Vested	333	60.41
Cancelled	—	—
Non-vested at October 28, 2012	—	$—

The Company granted contingently issuable performance share awards to certain of the Company's senior executives during 2012 subject to a performance period of two years and a service period of three years. The Company granted contingently issuable performance share awards to certain of the Company’s senior executives during 2011 subject to a performance period of two years. The Company granted contingently issuable performance share awards to all of the Company’s senior executives (other than senior executives of Tommy Hilfiger) on May 6, 2010 subject to a performance period of three years. The final number of shares that will be earned, if any, is contingent upon the Company’s achievement of goals for each of the performance periods based on both earnings per share growth and return on equity for the awards granted in the first quarter of

2012 and 2011 and earnings per share growth for the awards granted in 2010 and the third quarter of 2011 during the applicable performance cycle. The Company records expense for the contingently issuable performance shares ratably over each applicable vesting period based on fair value and the Company's current expectations of the probable number of shares that will ultimately be issued. The fair value of the contingently issuable performance shares is equal to the closing price of the Company's common stock on the date of grant, reduced for the present value of any dividends expected to be paid on the Company's common stock during the performance cycle, as these contingently issuable performance shares do not accrue dividends prior to the completion of the performance cycle.

Performance share activity for the thirty-nine weeks ended October 28, 2012 was as follows:

	Performance Shares	Weighted Average Grant Date Fair Value
Non-vested at January 29, 2012	590	$53.96
Granted	96	88.52
Vested	—	—
Cancelled	8	50.73
Non-vested at October 28, 2012	678	$58.86

The Company receives a tax deduction for certain transactions associated with its stock plan awards. The actual income tax benefits realized from these transactions for the thirty-nine weeks ended October 28, 2012 and October 30, 2011 were $14,324 and $8,298, respectively. Of those amounts, $8,327 and $4,560, respectively, were reported as excess tax benefits. Excess tax benefits arise when the actual tax benefit resulting from a stock plan award transaction exceeds the tax benefit associated with the grant date fair value of the related stock award.

12. STOCKHOLDERS' EQUITY

Series A Convertible Preferred Stock Issuance and Conversion

On May 6, 2010, the Company completed the sale of an aggregate of 8 shares of Series A convertible preferred stock, par value $100.00 per share, for an aggregate gross purchase price of $200,000 and for net proceeds of $188,595 after related fees and expenses. The Series A convertible preferred stock has a liquidation preference of $25,000 per share and is convertible at a price of $47.74. The conversion price was established in a definitive agreement, which formed a binding commitment with the preferred stockholders in March 2010, and is subject to equitable adjustment in the event of the Company taking certain actions, including stock splits, stock dividends, mergers, consolidations or other capital reorganizations. The Series A convertible preferred stock is not subject to mandatory redemption nor is it redeemable, in whole or in part, by the Company at its option or that of any holder. The holders of the Series A convertible preferred stock are entitled to vote and participate in dividends with the holders of the Company's common stock on an as-converted basis.

The Series A convertible preferred stock was initially convertible into 4,189 shares of common stock. During the first quarter of 2012, one of the holders of Series A convertible preferred stock converted an aggregate of $94,297 of the Series A convertible preferred stock, or 4 shares, into 2,095 shares of the Company's common stock.

13. ACTIVITY EXIT COSTS

Tommy Hilfiger Integration and Exit Costs

In connection with the Company's acquisition of Tommy Hilfiger and the related integration, the Company incurred certain costs related to severance and termination benefits, long-lived asset impairments, inventory liquidations and lease/contract terminations, including costs associated with the exit of certain Tommy Hilfiger product categories. Such costs were as follows:

	Total Expected to be Incurred	Incurred During the Thirteen Weeks Ended 10/28/12	Incurred During the Thirty-Nine Weeks Ended 10/28/12	Cumulative Incurred to Date
Severance, termination benefits and other costs	$33,364	$477	$1,156	$33,364
Long-lived asset impairments	11,276	—	259	11,276
Inventory liquidation costs	10,210	—	—	10,210
Lease/contract termination and related costs	34,689	5,488	6,562	34,189
Total	$89,539	$5,965	$7,977	$89,039

The charges incurred during the thirty-nine weeks ended October 28, 2012 and the remaining costs expected to be incurred relate principally to corporate expenses not allocated to any reportable segment.

Liabilities for severance and termination benefits and lease/contract termination costs recorded in connection with the acquisition and integration of Tommy Hilfiger were principally recorded in accrued expenses in the Company's Consolidated Balance Sheets and were as follows:

	Liability at 1/29/12	Costs Incurred During the Thirty-Nine Weeks Ended 10/28/12	Costs Paid During the Thirty-Nine Weeks Ended 10/28/12	Liability at 10/28/12
Severance, termination benefits and other costs	$4,305	$1,156	$4,273	$1,188
Lease/contract termination and related costs	4,492	6,562	6,764	4,290
Total	$			