UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended June 2, 2006

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: 1-4365

OXFORD INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Georgia	**58-0831862**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

222 Piedmont Avenue, N.E., Atlanta, Georgia 30308
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:
(404) 659-2424

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $1 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
NONE

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes ☑ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ☑

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 ☑ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o

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

As of December 2, 2005, the aggregate market value of the voting stock held by non-affiliates of the registrant (based upon the closing price for the common stock on the New York Stock Exchange on that date) was approximately $847,284,108. For purposes of this calculation only, shares of voting stock directly and indirectly attributable to executive officers, directors and holders of 10% or more of the registrant's voting stock (based on Schedule 13G filings made as of or prior to December 2, 2005) are excluded. This determination of affiliate status and the calculation of the shares held by any such person are not necessarily conclusive determinations for other purposes. There are no non-voting shares of the registrant.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Title of Each Class	Name of Each Exchange on Which Registered	Number of Shares Outstanding as of August 10, 2006
Common Stock, $1 par value	New York Stock Exchange	17,710,657

Documents Incorporated by Reference

Portions of our definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A relating to the Annual Meeting of Shareholders of Oxford Industries, Inc. to be held on October 10, 2006, are incorporated by reference in Part III of this Form 10-K. We intend to file such proxy statement with the Securities and Exchange Commission not later than 120 days after our fiscal year ended June 2, 2006.

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

Our Securities and Exchange Commission filings and public announcements often include forward-looking statements about future events. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "project," "will" and similar expressions identify forward-looking statements, which generally are not historical in nature. We intend for all such forward-looking statements contained herein, the entire contents of our website, and all subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf, to be covered by the safe harbor provisions for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and the provisions of Section 27A of the Securities Act of 1933 (which Sections were adopted as part of the Private Securities Litigation Reform Act of 1995). Important assumptions relating to these forward-looking statements include, among others, assumptions regarding demand for our products, expected pricing levels, raw material costs, the timing and cost of planned capital expenditures, expected outcomes of pending litigation and regulatory actions, competitive conditions, general economic conditions and expected synergies in connection with acquisitions and joint ventures. Forward-looking statements reflect our current expectations, based on currently available information, and are not guarantees of performance. Although we believe that the expectations reflected in such forward-looking statements are reasonable, these expectations could prove inaccurate as such statements involve risks and uncertainties, many of which are beyond our ability to control or predict. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Important factors relating to these risks and uncertainties include, but are not limited to, those described in Part I, Item 1A. Risk Factors and elsewhere in this report and those described from time to time in our future reports filed with the Securities and Exchange Commission.

We caution that one should not place undue reliance on forward-looking statements, which speak only as of the date this report is filed with the Securities and Exchange Commission. We disclaim any intention, obligation or duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

DEFINITIONS

As used in this report, unless the context requires otherwise, "our," "us" and "we" mean Oxford Industries, Inc. and its consolidated subsidiaries. Also, the terms "FASB," "SFAS" and "SEC" mean the Financial Accounting Standards Board, Statement of Financial Accounting Standards and the U.S. Securities and Exchange Commission, respectively. Additionally, the terms listed below reflect the respective period noted:

Fiscal 2007	52 weeks ending June 1, 2007
Fiscal 2006	52 weeks ended June 2, 2006
Fiscal 2005	53 weeks ended June 3, 2005
Fiscal 2004	52 weeks ended May 28, 2004
Fiscal 2003	52 weeks ended May 30, 2003
Fiscal 2002	52 weeks ended May 31, 2002
Fourth quarter fiscal 2006	13 weeks ended June 2, 2006
Third quarter fiscal 2006	13 weeks ended March 3, 2006
Second quarter fiscal 2006	13 weeks ended December 2, 2005
First quarter fiscal 2006	13 weeks ended September 2, 2005
Fourth quarter fiscal 2005	14 weeks ended June 3, 2005
Third quarter fiscal 2005	13 weeks ended February 25, 2005
Second quarter fiscal 2005	13 weeks ended November 26, 2004
First quarter ended fiscal 2005	13 weeks ended August 27, 2004

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PART I

Item 1. *Business*

BUSINESS AND PRODUCTS

Introduction and Background

Oxford Industries, Inc. was founded in 1942. We are a producer and marketer of branded and private label apparel for men, women and children and an operator of retail stores and restaurants. We provide retailers and consumers with a wide variety of apparel products and services to suit their individual needs.

We categorize our sales as "branded" or "private label." Where we sell products under a brand that we own to one or more customers or where we sell products under a brand that is owned by a third party to two or more customers, we consider such sales to be branded sales.

Our owned brands include the following:

Tommy Bahama®	Oxford Golf®	Ben Sherman®
Indigo Palms®	Cattleman®	Ely®
Island Soft®	Cumberland Outfitters®	Solitude®
Arnold Brant®		

As discussed in the intellectual property section below, we hold licenses to produce and sell certain product categories to more than one customer for the following brands:

Tommy Hilfiger®	Dockers®	Geoffrey Beene®
Nautica®	Oscar de la Renta®	Orvis® Signature™
Evisu®		

Alternatively, where we sell products under a brand name exclusively to one customer and the brand is not owned by us, we consider such sales to be private label sales. For example, we produce L.L. Bean products only for L.L. Bean Inc. and consider such sales to be private label.

Our customers are found in every major channel of distribution including:

National chains	Department stores	Our retail stores
Specialty catalogs	Specialty stores	Our internet websites
Mass merchants	Internet retailers	

Our business is operated through the following segments:

Segment	Description of the Business
Menswear Group	Produces branded and private label dress shirts, sport shirts, dress slacks, casual slacks, suits, sportcoats, suit separates, walkshorts, golf apparel, outerwear, sweaters, jeans, swimwear, footwear and headwear, licenses its brands for accessories and other products and operates retail stores.
Tommy Bahama Group	Produces lifestyle branded casual attire, operates retail stores and restaurants, and licenses its brands for accessories, footwear, furniture, and other products.

As discussed in note 3 of our consolidated financial statements included in this report, we sold our Womenswear Group operations in fiscal 2006. Our Womenswear Group produced private label women's sportswear separates, coordinated sportswear, outerwear, dresses and swimwear.

For more details on each of our segments, see note 13 of our consolidated financial statements and Part I, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, both contained in this report.

On June 13, 2003, we acquired all of the outstanding capital stock of Viewpoint International, Inc., which we operate as the Tommy Bahama Group. The purchase price for the Tommy Bahama Group consisted of $240 million in cash, $10 million in our common stock and up to $75 million in contingent payments that are subject to the Tommy Bahama Group achieving certain performance targets during the four years subsequent to the acquisition, as described in note 2 to our consolidated financial statements contained herein. The contingent payments have been earned in full for each of the first three years as the performance targets were achieved in each year. The transaction was financed by a $200 million private placement of senior unsecured notes completed on May 16, 2003 and a $275 million secured revolving credit facility closed on June 13, 2003, each as discussed in note 8 of our consolidated financial statements contained in this report.

On July 30, 2004, we acquired Ben Sherman Limited, which we operate as part of our Menswear Group. Ben Sherman is a London-based designer, distributor and marketer of branded sportswear and footwear, which also licenses the right to design, distribute and market Ben Sherman accessories. The purchase price for Ben Sherman was £80 million, or approximately $145 million, plus associated expenses. The acquisition was primarily financed with cash on hand and borrowings under our secured revolving credit facility and certain seller notes, each as described in note 8 to our consolidated financial statements contained in this report. In conjunction with the acquisition of Ben Sherman, our secured revolving credit facility was amended and restated on July 28, 2004 and increased to $280 million with a syndicate of eight financial institutions. The maturity date was extended to July 28, 2009.

We are a Georgia corporation and our principal executive offices are located at 222 Piedmont Avenue, NE, Atlanta, Georgia 30308. Our telephone number is (404) 659-2424. Our website address is www.oxfordinc.com. Information on our website does not constitute part of this report.

SALES AND MARKETING

In continuing operations, we sold our products to more than 11,000 active customers in fiscal 2006. Our 10 largest customers accounted for 44%, 45% and 53% of our net sales in fiscal 2006, 2005 and 2004, respectively. No individual customer accounted for greater than 10% of our consolidated net sales during fiscal 2006. We believe that our long-standing relationships with all of our major customers are good.

We maintain apparel sales offices and showrooms in several locations, including Atlanta, New York, Seattle, London, Hong Kong and Dusseldorf. Our wholesale operations employ a sales force consisting of salaried and commissioned sales employees and independent commissioned sales representatives. Approximately 70% of our net sales in fiscal 2006 were generated by our salaried employees. The remaining portion of our net sales were generated by independent commissioned sales representatives. More than 85% of our net sales in fiscal 2006 were to customers located within the United States.

Several of our product lines are designed and manufactured in anticipation of orders for sale to department and specialty stores and certain specialty chain and catalog customers. We make commitments for fabric and production in connection with these lines. These commitments can be up to several months prior to the receipt of firm orders from customers. These lines include both popular and better price merchandise sold under brand and designer names or customers' private labels. If orders do not materialize, we may incur expenses to terminate our fabric and production commitments and dispose of excess inventories.

We work closely with many customers in the national chain and mass merchant tiers of distribution to develop product programs and secure orders prior to the commencement of production. The large volume orders typical in these tiers of distribution enable us to take advantage of relative efficiencies in planning raw materials purchasing and utilization of production facilities. These programs generally relate to private label merchandise.

As is customary in our industry, we carry levels of inventory necessary to meet anticipated delivery requirements of our customers. Also, as is customary in our industry, we extend credit terms to our customers, the majority of which range from 30 to 60 days.

In addition to our wholesale operations, our Tommy Bahama Group operates retail stores and restaurants in the United States, and our Menswear Group also operates Ben Sherman retail stores in the United Kingdom and the United States.

MANUFACTURING, RAW MATERIALS, SOURCES OF SUPPLY AND LOGISTICS

Manufacturing and Raw Materials

We acquire our products by sourcing from third party producers, and to some degree we manufacture a portion of our products in our owned manufacturing facilities and through our joint venture partners. In fiscal 2006, we sourced approximately 97% of our products from third party producers. For fiscal 2006, package purchases represented approximately 92% and Cut-Make-Trim (CMT) purchases represented approximately 8% of our third party sourced units. Less than 1% of our products were sourced from contractors in the United States.

Package purchases are purchases which include both raw materials and cut, sew and finish labor. We do not take ownership of package purchases until the goods are shipped. CMT contract purchases are purchases in which we supply the raw materials and purchase cut, sew and finish labor from third party producers. In CMT purchases, we retain ownership of the raw materials throughout the manufacturing and finishing process.

We typically conduct business with our producers on an order-by-order basis. Our third party producers perform cutting, sewing and/or related operations to produce finished apparel products to the specifications and quality standards approved by us in advance. We inspect fabric and finished goods throughout the manufacturing process as part of our quality control program to ensure that consumers receive products that meet our high standards.

The use of third party producers enables us to reduce working capital relating to work-in-process inventories. To place orders and monitor production, we maintain buying offices in Hong Kong, Singapore and India. We monitor production in our offshore manufacturing locations by sending employees from our buying offices, employing local nationals and using unaffiliated buying agents. In any given offshore location, we may use one or more of these methods of monitoring production.

The use of a large number of manufacturers enables us to maintain a stable, efficient and flexible manufacturing network. For some manufacturers, we are the primary or only customer and have significant influence of the facility’s capacity to cover our core, ongoing production needs. This core manufacturing capacity is supplemented by an extensive network of contract manufacturers for which we are not the primary customer. This second tier of manufacturing capacity enables us to handle short-term increases in demand for production created by the seasonality of our business in certain products and other manufacturing demand that cannot be met by our core capacity.

We require all third party producers who manufacture or finish products for us to abide by a stringent code of conduct that sets guidelines for employment practices such as wages and benefits, working hours, health and safety, working age and disciplinary practices, and for environmental, ethical and legal matters. In addition, many of our customers and licensors require compliance with their codes of conduct which may be more stringent than our code of conduct. We regularly assess manufacturing and finishing facilities to ensure that they are complying with our code of conduct as well as the code of conduct of any customer or licensor. Our monitoring program includes periodic on-site facility inspections and continuous improvement activities. We also hire independent monitors to supplement our efforts.

Sources of Supply

Our products are manufactured from cotton, linen, wool, silk, other natural fibers, synthetics and blends of these materials. The majority of the materials used in our manufacturing operations are purchased in the form of woven or knitted finished fabrics directly from numerous offshore fabric mills or from intermediary firms that purchase unfinished or greige fabric from mills and then re-sell such fabric after dyeing and finishing it. In addition, many of our buttons, zippers, thread and other trim items are also purchased from offshore suppliers. We do not have long-term raw materials contracts with any of our principal suppliers.

We regard our access to offshore sources of raw materials, finished goods and outside production as adequate for our needs. We are not dependent on any single source or third party contract manufacturer as no single manufacturer accounts for a material portion of our purchases. There are occasions when we are unable to take customer orders on short notice because of the minimum lead time required to produce a garment that is acceptable to the customer with respect to cost, quantity, quality and service. We are unable to quantify the value of potential orders declined due to the inability to meet the required lead time. We believe that our required lead times are competitive by industry standards.

Logistics

We operate a number of dedicated distribution centers in the United States and we also outsource distribution activities to third party logistics providers. Distribution center activities include receiving finished goods from our plants and contractors, inspecting those products and shipping them to our customers. We continually explore opportunities to improve efficiencies in our logistics activities.

INTELLECTUAL PROPERTY

Owned Brands

We market our apparel collections under the following primary brands:

Tommy Bahama

Tommy Bahama is an aspirational lifestyle brand that defines elegant island living with men’s and women’s sportswear, swimwear and accessories.

Indigo Palms

Indigo Palms is a collection of denim-related sportswear that is infused with an island attitude. Appealing to a modern, sophisticated, quality conscious customer, Indigo Palms offers the finest fabrics, treatments and styling in a luxurious yet casual collection for men and women.

Island Soft

Island Soft takes a sophisticated, more fashion-minded approach to sportswear. This upscale men’s collection offers a more dressed up alternative, featuring a group of innovative jacket/blazer hybrids, as well as trousers, shirts, sweaters and outerwear.

Ben Sherman

The Ben Sherman collection was established in 1963. It targets 19 to 35-year-old men and women. The Ben Sherman collection has a long heritage as a modern, young men’s shirt brand that has evolved into its current irreverent global lifestyle brand for youthful-thinking men and women.

Oxford Golf

The Oxford Golf line was launched in the Fall of 2003 by the Menswear Group. It appeals to a sophisticated golf apparel customer with a taste for high quality, attention to detail and classic styling.

Ely & Walker brands

Brands in this line include Ely, Cattleman, Ely Casuals®, and Cumberland Outfitters, which are targeted toward a western-style shirt and sportswear consumer.

Solitude

Solitude is a California lifestyle brand created by world champion surfer Shaun Tomson and his wife Carla. Solitude is inspired by the casual, beach lifestyle of Santa Barbara and blends the elements of surf, sand and sun into a full collection of casual and dress sportswear.

Arnold Brant

Arnold Brant is a tailored collection of men's clothing which blends the modern elements of style with affordable luxury.

Licenses

We have the right to use trademarks under license and design agreements with the trademark owners. The following are principal trademarks we have the right to use:

- *Tommy Hilfiger* for men's dress shirts;
- *Nautica* for men's tailored suits, suit separates, sportcoats and dress slacks;
- *Oscar de la Renta* for men's tailored suits, suit separates, sportcoats, vests, and dress and casual slacks;
- *Geoffrey Beene* for men's tailored suits, suit separates, sportcoats, vests and dress slacks;
- *Dockers* for men's tailored sportcoats and suit separates;
- *Evisu* for footwear; and
- *Orvis Signature* for men's sportswear.

In addition to the above licenses, we have an exclusive distribution agreement in the United States and Canada for *Evisu* apparel and accessories.

Although we are not dependent on any single license or design agreement, we believe our license and design agreements in the aggregate are of significant value to our business.

The license and design agreements mentioned above will expire at various dates through our fiscal year 2012. Many of our licensing agreements are eligible for renewal or extension.

As shown in the table below, we offer numerous products through license arrangements with companies to use our Tommy Bahama and Ben Sherman trademarks. Certain of these licensed products are sold in our retail stores. Such licenses are generally for limited geographic areas, such as the United States or the United Kingdom. The licenses expire at various dates and in some cases may be renewed or extended by the licensee at their option as long as they have met certain obligations and goals provided in the agreements.

Tommy Bahama	**Ben Sherman**
Women’s handbags and small leather goods	Men’s backpacks, travel bags and wallets
Men’s and women’s watches	Men’s and boys’ watches and jewelry
Men’s and women’s eyewear	Men’s and women’s eyewear
Men’s and women’s fragrance	Men’s fragrances and toiletries
Men’s and women’s neckwear	Men’s neckwear and pocket squares
Men’s and women’s shoes, belts and socks	Men’s and boys belts
Bed linens and accessories	Men’s dress and formal suits
Rugs	Men’s formal shirts
Ceiling fans	Men’s, women’s and boys’ leather outerwear
Indoor and outdoor furniture	Men’s and boys’ underwear, socks and sleepwear
Sailing yachts	Men’s gift products
	Men’s and women’s accessories and small leather goods
	Men’s hats, caps, scarves and gloves

Trademarks

We own trademarks, which are very important to our business. Our trademarks are subject to registrations and pending applications throughout the world for use on a variety of items of apparel, apparel-related products, accessories, home furnishings and beauty products, as well as in connection with retail services. We continue to expand our worldwide usage and registration of related trademarks. In general, trademarks remain valid and enforceable as long as the trademarks are used in connection with the products and services and the required registration renewals are filed. We regard the license to use the trademarks and our other proprietary rights in and to the trademarks as valuable assets in marketing our products and, on a worldwide basis, continuously seek to protect them against infringement. As a result of the appeal of our trademarks, our products have been the subject of counterfeiting. We have an enforcement program to control the sale of counterfeit products in the United States and in major markets abroad.

In markets outside of the United States, our rights to some or all of our trademarks may not be clearly established. We may experience conflicts with various third parties which have acquired ownership rights in certain trademarks, which may impede our use and registration of our trademarks in international markets. While such conflicts are common and may arise again from time to time as we continue our international expansion, we generally intend to resolve such conflicts through both legal action and negotiated settlements with third-party owners of the conflicting trademarks.

SEASONAL ASPECTS OF BUSINESS AND ORDER BACKLOG

Seasonal Aspects of Business

Although our various product lines are sold on a year-round basis, the demand for specific products or styles may be highly seasonal. For example, the demand for golf and Tommy Bahama products is higher in the spring and summer seasons. Products are sold prior to each of the retail selling seasons, including spring, summer, fall and holiday. As the timing of product shipments and other events affecting the retail business may vary, results for any particular quarter may not be indicative of results for the full year. The percentage of net sales from continuing operations by quarter for fiscal 2006 was 24%, 25%, 25% and 26%, respectively, and the percentage of operating income from continuing operations by quarter for fiscal 2006 was 25%, 22%, 23% and 30%, respectively, which may not be indicative of the distribution in future years.

Order Backlog

As of June 2, 2006 and June 3, 2005, we had booked orders relating to our continuing operations amounting to $272.5 million and $282.6 million, respectively, substantially all of which we expect will be or were shipped within six months after each such date. Once we receive a specific purchase order, the dollar value of such order is included in our booked orders. A portion of our business consists of at-once EDI "Quick Response" programs with large retailers. Replenishment shipments under these programs generally have such an abbreviated order life as to exclude them from the order backlog completely. We do not believe that this backlog information is necessarily indicative of sales to be expected for future periods.

COMPETITION

We sell our products in highly competitive domestic and international markets in which numerous United States-based and foreign apparel firms compete. No single apparel firm or small group of apparel firms dominates the apparel industry. We believe we are one of the largest designers, manufacturers, marketers and wholesalers of consumer apparel products in the United States, but there are other apparel firms with greater sales and financial resources.

Competition within the apparel industry is based upon styling, marketing, price, quality, customer service and, with respect to branded and designer product lines, consumer recognition and preference. We believe we compete effectively with other members of the industry with regard to all of these factors. Successful competition in styling and marketing is related to our ability to foresee changes and trends in fashion and consumer preference and to present appealing products to our customers. Successful competition in price, quality and customer service is related to our ability to maintain efficiency in sourcing and distribution. Successful competition with respect to branded and designer product lines is related to the high consumer recognition and loyalty that our owned and licensed brands enjoy.

Substantially all of the apparel sold by us and our principal competitors is produced outside the United States. Most of the apparel sold by us and some of our competitors is sold to customers on a landed, duty-paid basis after it is imported into the United States, while other apparel is sold on a direct basis in which the customer takes ownership in the country of production. In this direct selling scenario, the customer handles the in-bound logistics and customs clearance. Direct selling represented approximately 5% of our net sales in fiscal 2006.

Direct sourcing by our customers presents a competitive challenge to us in our private label business as our customers purchase apparel directly from the third party producers instead of from us. We are not able to quantify the impact that direct sourcing has had on our net sales or margins, but as many of our major customers purchase an increasing percentage of their apparel on a direct sourcing basis the opportunities to sell on a delivered, duty paid basis are reduced.

We believe that the relative price advantage to retailers of direct sourcing is offset, to some extent, by several factors. First, our long-term relationships with foreign facilities enables us to offer the retailers better and more consistent quality, better adherence to delivery schedules and a more reliable flow of more accurate information than that which is available to them from many of the facilities that offer them direct sourcing. In addition, we believe the services we provide in the areas of product development, design and supply chain management offset, to some extent, the relative price advantage of direct sourcing.

We believe that choosing the most competitive countries for the production of our products is critical to our competitiveness. The most competitive location to produce or source a particular product depends on a variety of factors. These factors include availability of globally competitive fabric and other raw materials, labor and manufacturing costs, ability to meet quality standards, required lead times, logistics and the impact of international trade rules and trade preference agreements and legislation on apparel exports from that country to the United States.

TRADE REGULATION

International trade agreements, trade preference arrangements and trade legislation are important because most apparel imports into the United States are highly restricted. There are two key types of restrictions. First, there are duties levied on the value of imported apparel. The duty rates on the cotton and wool product categories that cover the majority of our products range from 15 to 20%. Silk products represent a major portion of our Tommy Bahama line and are generally subject to duty rates less than 5%. Second, until January 1, 2005, the United States had implemented restrictive quotas on the importation of many classifications of textiles and apparel products from most of the major apparel-producing countries, including most of the countries where we produce apparel and including the cotton and wool product categories that cover the majority of our products. These quota restraints placed numerical limits on the quantity of garments permitted to be imported into the United States in a given year on a by country and by product category basis. The effect of these quotas was to limit the amount of apparel that could be sourced in the countries that offered the most competitive fabrics and most competitive apparel manufacturing. As a result, a substantial portion of cotton and wool apparel imported into the United States was sourced, prior to January 1, 2005, from countries that would not be the most competitive producers in the absence of quotas. Silk products were not subject to quota restraints. Pursuant to authority granted by China's World Trade Organization (WTO) accession agreement, both the United States and the European Union have re-imposed quotas on a number of key product categories from China.

Absent the non-market restrictions created by quotas and absent duty saving advantages available with respect to the products of certain countries under the terms of various free trade agreements and trade preference arrangements, we believe that generally the most competitive fabrics and apparel manufacturing, are in Asia and the Indian sub-continent. Consequently, the elimination of quotas has resulted in a reduction in our western hemisphere sourcing and manufacturing activities and an increase in our sourcing and manufacturing activities in Asia and the Indian sub-continent. The trend away from western hemisphere sourcing and manufacturing may be slowed to some extent by various current and proposed free trade agreements and trade preference programs. We believe that by selecting the locations where we produce or source our products based in part on trade regulations, we are effective and will continue to be effective in using various trade preference agreements and legislation to our competitive advantage.

We believe that with respect to most of our production, we will continue to be able to source from the most competitive countries because of the flexibility of our manufacturing and sourcing base. This flexibility is provided by the fact that while we have long-term relationships with many of our contract manufacturers, we do not have long-term contractual commitments to them and are able to move our production to alternative locations if competitive market forces so dictate. In addition, it would be relatively inexpensive for us to shut down one or more of our owned factories if such action is required to meet the competitive demands of the marketplace. The relative ease with which we can exit our currently owned and contract manufacturing facilities, if necessary, provides us with the ability to shift our production relatively quickly as different countries become more productive.

EMPLOYEES

As of June 2, 2006, we employed approximately 4,800 persons, of whom approximately 67% were employed in the United States. Approximately 33% of our employees were retail store and restaurant employees. We believe our employee relations are excellent.

CODE OF ETHICAL CONDUCT

Our board of directors has adopted a code of ethical conduct for our Principal Executive Officer, our Principal Financial Officer, and other designated key financial associates. Additionally, our board of directors has adopted a conflict of interest and business ethics policy for all of our employees. Our employees are expected to adhere at all times to these policies, as applicable. We have posted both of these codes on our website. We will also disclose any amendments or waivers to our code of ethical conduct on our website.

AVAILABLE INFORMATION

Our internet address is www.oxfordinc.com. Under "Investor Info" on the home page of our website, we have provided a link to the website of the SEC where among other things, our annual report on Form 10-K, proxy statement, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available once we electronically file such material with, or furnish it to, the SEC. Additionally, our Corporate Governance Guidelines, as well as the charters of our Audit Committee and the Nominating, Compensation and Governance Committee of our Board of Directors, are available under "Corporate Governance" on the home page of our website. Copies of these documents will be provided to any shareholder who requests a copy in writing.

In addition, we will provide, at no cost, paper or electronic copies of our reports and other filings made with the SEC. Requests should be directed to:

Investor Relations Department
Oxford Industries, Inc.
222 Piedmont Avenue, N.E.
Atlanta, GA 30308
info@oxfordinc.com
(404) 659-2424

The information on the website listed above is not and should not be considered part of this Annual Report on Form 10-K and is not incorporated by reference in this document.

Item 1A. *Risk Factors*

Our business faces certain risks, of which many are outside of our control. The following factors, as well as factors described elsewhere in this report or in our other filings with the SEC, which could materially affect our business, financial condition or operating results should be carefully considered. The risks described below are not the only risks facing our company. If any of the following risks, or other risks or uncertainties not currently known to us or that we currently deem to be immaterial, actually occur, our business, financial condition or operating results could suffer.

The apparel industry is heavily influenced by general economic cycles.

The apparel industry is cyclical and dependent upon the overall level of discretionary consumer spending, which changes as domestic and international economic conditions change. Overall economic conditions that affect discretionary consumer spending include, but are not limited to, employment levels, energy costs, interest rates, tax rates, personal debt levels and stock market volatility. Uncertainty about the future may also impact the level of discretionary spending or result in shifts in consumer spending to products other than apparel. Any deterioration in general economic or political conditions, acts of war or terrorism or other factors that create uncertainty or alter the discretionary consumer habits in our key markets, particularly the United States and the United Kingdom, could have an adverse impact on our business, financial condition or operating results.

The apparel industry is highly competitive and we face significant competitive threats to our business from various third parties.

The apparel industry is highly competitive and fragmented. Our competitors include numerous apparel designers, manufacturers, distributors, importers, licensors and retailers, some of which may also be our customers. The level and nature of our competition varies and the number of our direct competitors and the intensity of competition may increase as we expand into other markets or as other companies expand into our markets. Retailers that are our customers may pose our most significant competitive threat by sourcing their products directly or marketing their own private label brands. Some of our competitors have greater financial and marketing resources than we have, which may place us at a competitive disadvantage.

The apparel industry is subject to rapidly evolving fashion trends, and we must continuously offer innovative and upgraded products.

We believe that the principal competitive factors in the apparel industry are design, brand image, preference, price, quality, marketing and customer service. Although certain of our products carry over from season to season, the apparel industry in general is subject to rapidly changing fashion trends and shifting consumer demands. Accordingly, we must anticipate, identify and capitalize upon emerging as well as proven fashion trends. We believe that our success depends on our ability to continuously develop, source, market and deliver a wide variety of innovative, fashionable, saleable brands and products. These products must be offered at competitive prices in the respective distribution channels.

Revenue growth from our brands will depend largely upon our ability to continue to maintain and enhance the distinctive brand identities. Many other companies offer products that resemble and/or compete with our branded products. They may offer these products at significantly lower price points in order to directly compete with our branded merchandise sold at higher prices. To the extent such competitors are successful, we may not be able to maintain the premium price points that our branded products have traditionally commanded.

Although we try to manage our inventory risk through early order commitments by our wholesale customers, we may place production orders with manufacturers before we have received all of a season’s orders and orders may be cancelled by our wholesale customers before shipment. To the extent actual demand exceeds forecasted demand, we may not have an adequate supply of products to meet consumer needs.

Due to the competitive nature of the apparel industry, there can be no assurance that the demand for our products will not decline or that we will be able to successfully evaluate and adapt our products to align with consumers’ preferences and fashion trends. Any failure on our part to develop appealing products and update core products could limit our ability to differentiate our products. Additionally, such a failure could leave us with a substantial amount of unsold excess inventory, which we may be forced to sell at lower price points. Any of these risk factors or a shift in consumer demographics could result in the deterioration in the appeal of our brands and products, adversely affecting our business, financial condition and operating results.

Our future success is dependent upon our ability to implement our business strategy.

Our success depends on our ability to implement our business strategy. We face many challenges in implementing our strategy of shifting from primarily a private label apparel company to a branded apparel company. Important aspects of this strategy include our ability to maintain and grow our existing lines of business, acquire additional businesses in the future and selectively dispose of or discontinue certain operations that are not in line with our strategy, each of which has certain inherent risks. As changes occur in our industry, it may be necessary for us to alter our strategy. There can be no guarantees that our strategy, at any given time, will be the optimal strategy for our company or that we will be able to implement the strategy effectively due to various factors, some of which are beyond our control. An inappropriate strategy or ineffective implementation of our strategy could result in a material adverse affect on our business, financial condition and operating results.

In order to maintain our existing business and offer new product lines, we may incur substantial costs which may not be recoverable.

We intend to continue to maintain and grow our existing business through our current customer base as well as the growth of our retail business, which may require a substantial amount of fixed costs, long term leases, capital improvements and marketing and advertising costs. Additionally, we intend to offer new product lines in the future. As is typical with new products, market acceptance of new designs and products we may introduce is subject to uncertainty. In addition, the introduction of new lines and products often require substantial costs in design, marketing and advertising, which may not be recovered if the products are not successful. In the event that the products or brands that we internally develop are not successful, our image and operating results may be negatively impacted.

The acquisition of new businesses has certain inherent risks, including, for example, strains on our management team, unexpected acquired costs, and, in some instances, earn-out payments.

We intend to continue to acquire new business in the future if appropriate investment opportunities are available. Our sales growth may be limited if we are unable to find suitable acquisition candidates at reasonable prices in the future or if the acquisitions do not achieve the anticipated results. These acquisitions may strain our administrative, operational and financial resources and distract our management from our other businesses. The integration process could create a number of challenges and adverse consequences for us, including the unexpected loss of key employees, suppliers, customers, and sales or an increase in other operating costs. Further, we may not be able to manage the combined operations and assets effectively or realize all or any of the anticipated benefits of the acquisition.

As a result of acquisitions that have occurred or may occur in the future, we may become responsible for unexpected liabilities that we failed to discover in the course of performing due diligence in connection with the acquired businesses. We cannot be assured that any indemnification to which we may be entitled from the sellers will be enforceable, collectible or sufficient in amount, scope or duration to fully offset the possible liabilities associated with the business acquired.

Similar to the terms of the Tommy Bahama acquisition, the terms of any future acquisitions may require us to make substantial payments to the sellers in performance-based contingent payments for a number of years after the acquisition. The earnings upon which these payments are contingent may not be determined by actual cash flows and consequently may not reflect our ability to make such payments. Additionally, certain of the sellers may be key members of management. It is possible that their interests with respect to the contingent payments will differ from the interests of our company as a whole. Such differences may occur if they have incentives to maximize the profitability of the acquired business during the contingent payment term, which may be to the detriment of the longer term prospects for the business.

When dispositions occur, we may be required to find alternative uses for our resources to reduce excess capacity and replace those operations.

As we did in fiscal 2006 with respect to our Womenswear operations, we may determine that it is appropriate to dispose of certain operations. Dispositions of certain businesses that do not align with the strategy of our company as a whole or the discontinuation of certain product lines which may not provide the returns that we expect may result in excess capacity (such as under-utilized financial or production resources) to some degree in the event that the operations are not replaced with new lines of business either internally or through acquisition. There can be no guarantee that we will be able to replace the sales and profits related to these businesses, which may result in a decline in our operating results.

The success of our operations depends on our ability to maintain an appropriate organization structure.

As we continue to expand into new product categories, markets and lines of business or discontinue certain operations, it is necessary for us to continue to assess the appropriate organizational structure within our company as a whole. We must integrate complementary practices and processes in order to achieve synergies or other anticipated benefits. In the past, we have consolidated various operational processes in order to reduce costs or achieve related synergies. If we are unable to effectively organize our operations and manage our product lines in the future or, if we do not achieve expected cost reductions or synergies, our business, financial condition and operating results may be negatively impacted.

We rely on key management, the loss of whom may have an adverse effect on our business, financial condition and operating results.

Our success depends upon disciplined execution at all levels of our organization. This execution requires experienced and talented management in our design, sourcing, distribution, merchandising, advertising, and support functions. The loss of J. Hicks Lanier, Chairman and Chief Executive Officer, Michael J. Setola, President, S. Anthony Margolis, Group Vice President, or any of our other executive officers or key

employees, without an appropriate succession plan, or our inability to attract or retain qualified personnel could negatively impact our business, financial condition and operating results.

The apparel industry has experienced price deflation in recent years, and price reductions in our products in the future could have an adverse impact on our business, financial condition and operating results.

The average net selling price of apparel continues to decrease in the apparel industry. The decline is primarily attributable to increased competition, excess worldwide manufacturing capacity, increased product sourcing in lower cost countries, growth of the mass merchant and discount channels of distribution, consolidation in the retail industry, excess capacity of retail space, reduced relative spending on apparel and increased value consciousness on the part of consumers. All of these impacts may continue in the future.

To remain competitive, we may need to reduce our prices from time to time in response to these deflationary pressures. If one or more of our competitors is able to reduce their production or sourcing costs in any manner, we may experience additional pricing pressures and may be forced to reduce our prices or face a decline in sales. Our inability to lower costs in response to these pricing pressures could have an adverse impact on our business, financial condition and operating results. In addition, these deflationary pressures, even if met with reduced costs that do not adversely impact our sales volume, could reduce the revenues attributable to such sales and have an adverse impact on our business, financial condition and operating results.

We depend on a group of key customers for a significant portion of our sales.

We generate a significant percentage of our sales from a few major customers, to whom we extend credit without requiring collateral, resulting in a large amount of receivables from just a few customers. For fiscal 2006, sales to our ten largest customers accounted for approximately 44% of our total net sales from continuing operations. In addition, the net sales of our individual business segments may be concentrated among several large customers. Continued consolidation in the retail industry may increase the concentration of our customers, and therefore our risks in the United States and other markets. This consolidation could result in a decrease in the number of stores that carry our products, restructuring of our customers' operations, more centralized purchasing decisions, direct sourcing and greater leverage by customers, potentially resulting in lower prices, realignment of customer affiliations or other factors which could negatively impact our business, financial condition or operating results.

We do not have long-term contracts with any of our customers, instead relying on long-standing relationships with these customers and our position within the marketplace. As a result, purchases generally occur on an order-by-order basis, and each relationship can generally be terminated by either party at any time. We face the risk that a decision by one or more major customers, whether motivated by competitive considerations, quality or style issues, financial difficulties, economic conditions or otherwise, could impact their desire or ability to purchase our products or change their manner of doing business with us. An unanticipated decline in sales to one or more major customers could adversely affect our profitability as it would be difficult to immediately, if at all, replace this business with new customers or increase sales volumes with other existing customers.

We are subject to risks associated with changes in prices and availability of raw materials and other costs.

We and our third party suppliers rely on the availability of raw materials at reasonable prices. Any decrease in the availability of raw materials could impair our ability to meet production requirements in a timely manner. The principal fabrics used in our business are cotton, linens, wools, silk, other natural fibers, synthetics and blends of these materials, some of which are heavily dependent on the cost of petroleum. The prices paid for these fabrics depend on the market price for raw materials used to produce them. The price and availability of certain raw materials has in the past fluctuated, and may in the future fluctuate, significantly depending on a variety of factors, including crop yields, weather, supply conditions, government regulation, economic climate and other unpredictable factors. Additionally, costs of our third party providers or our

transportation costs may increase due to a variety of factors including weather, supply conditions, government regulation, economic climate, energy costs and other unpredictable factors. We have not historically entered into any futures contracts to hedge commodity prices. Any significant raw material price or transportation cost increases could materially adversely affect our business, financial condition and operating results.

We are dependent upon our third party producers' and sourcing agents' ability to meet our requirements.

We source substantially all of our products from non-exclusive third party producers and sourcing agents located in foreign countries. We have not entered into long-term contracts with any of these producers and sourcing agents. Therefore, we compete with other companies for the production capacity of independent manufacturers. We regularly depend upon the ability of third party producers to secure a sufficient supply of raw materials, adequately finance the production of goods ordered and maintain sufficient manufacturing and shipping capacity. We cannot be certain that we will not experience operational difficulties with our manufacturers, such as the reduction of availability of production capacity, errors in complying with product specifications, insufficient quality control, failures to meet production deadlines or increases in manufacturing costs. Such difficulties may negatively impact our business, financial condition and operating results.

As more participants in the apparel industry continue to move towards sourcing from third parties, the competition for quality contractors has intensified. Some of these contractors have long-standing relationships with our competitors. To the extent we are not able to secure or maintain relationships with third party producers that are able to fulfill our requirements, our business, financial condition and operating results may be adversely impacted.

We, and some of our customers, require third party producers to meet certain standards in terms of working conditions, environmental protection and other matters before placing business with them. As a result of higher costs relating to compliance with these standards, we may pay higher prices than some of our competitors for products. In addition, the labor and business practices of independent apparel manufacturers have received increased attention from the media, non-governmental organizations, consumers and governmental agencies in recent years. Any failure by us or our independent manufacturers to adhere to labor or other laws or business practices accepted as ethical in our key markets, and the potential litigation, negative publicity and political pressure relating to any of these events, could disrupt our operations or harm our reputation and impact our business, financial condition and operating results.

Our dependence on foreign supply sources could result in disruptions to our operations in the event of disruptions in the global transportation network (including strikes and work stoppages at port facilities); political instability or other international events; economic disruptions; foreign currency fluctuations; labor disputes at factories; the imposition of new or adversely adjusted tariffs, duties, quotas, import and export controls, taxes and other regulations; changes in U.S. customs procedures concerning the importation of apparel products; changes in domestic or foreign governmental policies; actual or threatened acts of war or terrorism; or the occurrence of an epidemic. These and other events beyond our control could interrupt our supply chain and delay receipt of our products in the United States or United Kingdom, which could result in higher costs, including product and transportation costs, unanticipated inventory accumulation, or the loss of revenues, customer orders and customer goodwill, each of which could negatively impact our business, financial condition and operating results.

Our business is subject to regulatory risks associated with importing products.

As we source substantially all of our products from foreign countries, we are at risk to changes relating to the laws and regulations governing the importing and exporting of apparel products into and from the countries in which we operate. Substantially all of our import operations are subject to tariffs and other charges imposed on imported products. In addition, the countries in which our products are manufactured or countries into which our products are imported may impose additional or new quotas, duties, tariffs, taxes or other restrictions or adversely modify existing restrictions.

Our operations are also subject to international trade agreements and regulations such as the North American Free Trade Agreement and the WTO. Trade agreements can impose requirements that adversely affect our

business, such as limiting the countries from which we can purchase raw materials and setting quotas on products that may be imported into the United States from a particular country.

Our or any of our supplier’s failure to comply with customs or similar laws could restrict our ability to import product or lead to fines or other penalties. We cannot guarantee that future trade agreements will not provide our competitors with a material advantage over us, which may negatively impact our business, financial condition and operating results.

We may be unable to protect our trademarks and other intellectual property or may otherwise have our brand names harmed.

We believe that our registered and common law trademarks and other intellectual property, as well as other contractual arrangements, including licenses and other proprietary intellectual property rights, have significant value and are important to our continued success and our competitive position due to their recognition by retailers and consumers. Therefore, our success depends to a significant degree upon our ability to protect and preserve our intellectual property. We rely on laws in the United States and other countries to protect our proprietary rights. However, we may not be able to prevent third parties from using our intellectual property without our authorization, particularly in those countries where the laws do not protect our proprietary rights as fully as in the United States. Infringements upon our intellectual property may negatively impact our business, financial condition and operating results.

From time to time, we discover products in the marketplace that are unauthorized reproductions of certain of our branded products or that otherwise infringe upon our trademarks and other intellectual property. Such counterfeiting typically increases as brand recognition increases. Despite any precautions we may take to protect our intellectual property, policing unauthorized use of our intellectual property is difficult, expensive and time consuming and we may be unable to determine the extent of any unauthorized use. There can be no assurance that the actions that we have taken to establish and protect our trademarks and other intellectual property will be adequate to prevent the creation of counterfeits, knock-offs, imitations or infringement of our products or trademarks by third parties. In the future, we may have to rely on litigation and other legal action to enforce our intellectual property rights or contractual rights. If litigation that we initiate is unsuccessful, we may not be able to protect the value of our intellectual property and, in any case, any litigation or other legal action to enforce our intellectual property rights or contractual rights, whether successful or unsuccessful, could result in substantial costs to us and diversion of our management and other resources.

Additionally, there can be no assurance that the actions that we have taken will be adequate to prevent others from seeking to block sales of our products as violations of proprietary rights. Although we have not been materially inhibited from selling products in connection with trademark disputes, as we extend our brands into new product categories and new product lines and expand the geographic scope of our marketing, we could become subject to litigation based on allegations of the infringement of intellectual property rights of third parties. In the event a claim of infringement against us is successful, we may be required to pay damages, royalties or license fees to continue to use intellectual property rights that we had been using or we may be unable to obtain necessary licenses from third parties at a reasonable cost or within a reasonable time. Any litigation and other legal action of this type, whether successful or unsuccessful, could result in substantial costs to us and diversion of our management and other resources.

We make use of debt to finance our operations, which exposes us to risks that could adversely affect our business, financial position and operating results.

Our levels of debt vary as a result of the seasonality of our business, investments in acquisitions and working capital and divestitures. As we continue to grow our business, and potentially make acquisitions in the future, our debt levels may increase under our existing facilities or potentially under new facilities, which may increase our exposure to the items discussed below.

Our indebtedness includes certain obligations and limitations, including the periodic payment of principal and interest, maintenance of certain financial covenants and certain other limitations related to additional debt, dividend payments, investments and dispositions of assets. Our ability to satisfy these obligations will be

dependent upon our business, financial condition and operating results. These obligations and limitations may increase our vulnerability to adverse economic and industry conditions, place us at a competitive disadvantage compared to our competitors that have less indebtedness and limit our flexibility in carrying out our business plan and planning for, or reacting to, changes in the industry in which we operate. Such limitations may negatively impact our business, financial condition and operating results.

At the maturity of our indebtedness, we will be required to extend or refinance such indebtedness, sell assets to repay the indebtedness or raise equity to fund the repayment of the indebtedness. Additionally, a breach of any of the covenants relating to our indebtedness could result in an event of default under those instruments, allowing the holders of that indebtedness to declare all outstanding indebtedness immediately due and payable. If we are unable to refinance our debt, we would most likely be unable to pay our outstanding indebtedness at maturity or if our debt was declared immediately due and payable. We would, therefore, be required to seek alternative sources of funding, which may not be available on commercially reasonable terms or at all, or face bankruptcy. If we are unable to refinance our indebtedness or find alternative means of financing our operations, we may be required to curtail our operations or take other actions, which may adversely affect our business, financial condition and operating results.

Also, borrowings under our credit facilities are at variable rates of interest and expose us to interest rate risk, and we generally do not engage in hedging activities with respect to our interest rate risk. These amounts are borrowed under such facilities in order to provide us with the necessary flexibility to adjust our debt levels as appropriate to provide us with sufficient liquidity to operate our business, including as a result of the impact of seasonality on our business. In the event that interest rates increase, we may have to revise or delay our business plans, reduce or delay capital expenditures or otherwise adjust our plans for operations. An increase in interest rates may require us to pay a greater amount of our cash flow towards interest even if the amount of borrowings outstanding remains the same, which could negatively impact our business, financial condition and operating results.

The apparel industry is heavily influenced by weather patterns and natural disasters, and our business may be adversely affected disproportionately by unseasonable weather conditions or natural disasters.

Like others in our industry, our business, financial condition and operating results may be adversely affected by unseasonable weather conditions or certain natural disasters which may cause consumers to alter their purchasing habits or result in a disruption to our operations. Because of the seasonality of our business, the occurrence of such events at certain times could disproportionately impact our business, financial condition and operating results.

Our foreign sourcing operations as well as the sale of products in foreign markets result in an exposure to fluctuations in foreign currency exchange rates.

As a result of our international operations, we are exposed to increased inherent risks in conducting business outside of the United States. Substantially all of our contracts to have goods produced in foreign countries are denominated in U.S. dollars. Purchase prices for our products may be impacted by fluctuations in the exchange rate between the U.S. dollar and the local currencies of the contract manufacturers, such as the Chinese Yuan, which may have the effect of increasing our cost of goods sold in the future. If the value of the U.S. dollar decreases relative to certain foreign currencies in the future, then the prices that we negotiate for products could increase, and it is possible that we would not be able to pass this increase on to customers, which would negatively impact our margins. If the value of the U.S. dollar increases between the time a price is set and payment for a product, the price we pay may be higher than that paid for comparable goods by any competitors that pay for goods in local currencies, and these competitors may be able to sell their products at more competitive prices. Additionally, currency fluctuations could also disrupt the business of our independent manufacturers that produce our products by making their purchases of raw materials more expensive and difficult to finance.

We received U.S. dollars for greater than 85% of our product sales during fiscal 2006. The sales denominated in foreign currencies primarily relate to Ben Sherman sales in the United Kingdom and Europe

and to a lesser extent sales of certain products in Canada. An increase in the value of the U.S. dollar compared to these other currencies in which we have sales could result in lower levels of sales and earnings in our consolidated statements of earnings, although the sales in foreign currencies could be equal to or greater than amounts in prior periods.

We generally do not engage in hedging activities with respect to our exposure to foreign currency risk except that, on occasion, we do purchase foreign currency forward exchange contracts for our goods purchased on U.S. dollar terms that are expected to be sold in the United Kingdom and Europe. Any fluctuations in foreign currency exchange rates in the markets that we operate could negatively impact our business, financial condition and operating results.

We are dependent on a limited number of distribution centers, and if one becomes inoperable, our business, financial condition and operating results could be negatively impacted.

Our ability to meet customer expectations, manage inventory and achieve objectives for operating efficiencies depends on the proper operation of our primary distribution facilities, some of which are owned and others of which are operated by third parties. Finished garments from our contractors are inspected and stored at these distribution facilities. If any of these distribution facilities were to shut down or otherwise become inoperable or inaccessible for any reason, we could have a substantial loss of inventory and incur significantly higher costs and longer lead times associated with the distribution of our products during the time it takes to reopen or replace the facility. This could negatively affect our business, financial condition and operating results.

We license the right to use certain of our brand names under various agreements.

Certain of our brands, such as Tommy Bahama and Ben Sherman, have a reputation of outstanding quality and name recognition, which makes the brands valuable as a royalty source. We are able to license complementary products and obtain royalty income from the use of our brands' names. While we take significant steps to ensure the reputation of our brands is maintained through our license agreements, there can be no guarantee our brands will not be negatively impacted through our association with products outside of our core apparel products. The actions of a licensee may not only result in a decrease in the sales of our licensee's products but also could significantly impact the perception of our brands.

Additionally, while we believe that our relationship with our principal licensees are favorable and the termination of any single licensing agreement would not have a material adverse effect on our business as a whole, our long-term prospects will depend in part on the continuation of a significant percentage of existing licensing arrangements and the addition of other license agreements in the future, as well as ongoing consumer acceptance of the products sold under those license agreements. If the licensees' products are not acceptable to consumers, if licensee's actions are detrimental to our brands or if we do not add new license agreements, our business, financial condition and operating results may be negatively impacted.

We hold licenses for the use of other parties' brand names, and we may not be able to guarantee our continued use of such brand names or the quality or salability of such brand names.

We have entered into license and design agreements to use well-known trademarks and trade names, such as Nautica, Tommy Hilfiger and Oscar de la Renta to market our products. These license and design agreements will expire at various dates in the future. Although we believe our relationships with our principal licensors are generally favorable, we cannot guarantee that we will be able to renew these licenses on acceptable terms upon expiration or that we will be able to acquire new licenses to use other popular trademarks. If any one or more of these licenses expires or is terminated, we will lose the sales and profits generated pursuant to such license. The loss of such sales and profits could negatively impact our business, financial condition and operating results if not replaced with new license agreements.

In addition to certain compliance obligations, all of our significant licenses provide minimum thresholds for royalty payments and advertising expenditures for each license year which we must pay regardless of the level of our sales of the licensed products. If these thresholds are not met due to a general economic downturn

or otherwise, our licensors may be permitted contractually to terminate these agreements or seek payment of minimum royalties even if the minimum sales are not achieved. In addition, our licensors produce their own products and license their trademarks to other third parties, and we are unable to control the quality of goods that others produce. If licensors or others do not maintain the quality of these trademarks or if the brand image deteriorates, our sales and profits generated by such brands may decline and our business, financial condition and operating results may be negatively impacted.

We operate retail stores and restaurants which are subject to certain inherent risks.

An integral part of our strategy is to develop and operate retail stores and restaurants for certain of our brands, including Tommy Bahama and Ben Sherman. In addition to the general risks associated with the apparel industry, risks associated with our retail operations include our ability to find and select appropriate retail locations. Other risks include our ability to negotiate acceptable lease terms; build-out the stores; source sufficient levels of consumer desirable inventory; hire, train and retain competent store personnel; install and operate effective retail systems; and apply appropriate pricing strategies. Retail stores involve a significant capital investment and incur significant fixed operating expenditures, including obligations under long term leases. We cannot be sure that current stores will be profitable or that we can successfully complete our planned expansion. Also, as we expand the number of our retail stores, we run the risk that our wholesale customers will perceive that we are increasingly competing directly with them, which may lead them to reduce or terminate purchases of our products.

The restaurant industry is highly competitive and requires compliance with a variety of federal, state and local regulations. In particular, our restaurants typically serve alcohol and, therefore, maintain liquor licenses. Our ability to maintain our liquor licenses depends on our compliance with applicable laws and regulations. The loss of a liquor license would adversely affect the profitability of a restaurant. Additionally, as a participant in the restaurant industry, we face risks related to food quality, food-borne illness, injury and health inspection scores. The negative impact of adverse publicity relating to one restaurant may extend beyond the restaurant involved to affect some or all of the other restaurants, as well as the image of the brand as a whole.

We operate in various countries with differing laws and regulations, which may impair our ability to maintain compliance with regulations and laws.

In the ordinary course of business, we are party to certain claims, litigation or other regulatory actions. Such matters are subject to many uncertainties and we cannot predict with assurances the outcomes and ultimate financial impacts. There can be no guarantees that actions that have been or may be brought against us in the future will be resolved in our favor. Additionally, although we attempt to abide by the laws and regulations in each jurisdiction in which we operate, the complexity of the laws and regulations to which we are subject, including customs regulations, domestic and international tax legislation and environmental legislation, makes it difficult for us to ensure that we are currently, or will be in the future, compliant with all laws and regulations. In the event of an unfavorable resolution to litigation or a violation of applicable laws and regulations, our business, financial condition and operating results could be negatively impacted.

Our operations are reliant on information technology, and any interruption or other failure in our information technology systems may impair our ability to provide services to our customers.

The efficient operation of our business is dependent on information technology. Information systems are used in all stages of our operations from design to distribution and are used as a method of communication between our domestic and foreign employees, as well as our customers and suppliers. We also rely on information systems to provide relevant and accurate information to management in order to allocate resources and forecast our operating results. System failures or service interruptions may occur as a result of a number of factors, including computer viruses, hacking or other unlawful activities by third parties, disasters or failures to properly install, upgrade, integrate, protect, repair or maintain systems. Any interruption, or other failure, of critical business information systems may impair our ability to provide services to our customers and have a material adverse affect on our business, financial condition and operating results.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Our administrative and sales functions are conducted in approximately 0.5 million square feet of owned and leased space in various locations in the United States, the United Kingdom and Hong Kong. We utilize approximately 1.9 million square feet of owned and leased facilities in the United States, Mexico and Honduras in conducting our distribution and manufacturing functions. We also lease approximately 0.4 million square feet located in the United States and the United Kingdom for retail and outlet stores and restaurants, each of which is less than 17,500 square feet per location. We believe that our existing administrative, sales, distribution, manufacturing, retail store and restaurant facilities are well maintained, in good operating condition and will be adequate for our present level of operations. We anticipate that we will be able to extend our leases to the extent that they expire in the near future on terms that are satisfactory to us, or if necessary, locate substitute properties on acceptable terms. Details of our principal administrative, sales, distribution and manufacturing facilities are as follows:

Location	Primary Use	Approx. Square Footage	Lease Expiration
Atlanta, Georgia	Sales and administration	70,000	Owned
Seattle, Washington	Sales and administration	80,000	2015
Lyons, Georgia	Sales and administration	90,000	Owned
New York, New York	Sales and administration	90,000	Various through 2016
London, England	Sales and administration	20,000	2013
Lurgan, Northern Ireland	Sales and administration	10,000	Owned
Hong Kong	Sales and administration	30,000	2007
Lyons, Georgia	Distribution center	330,000	Owned
Toccoa, Georgia	Distribution center	310,000	Owned
Auburn, Washington	Distribution center	260,000	2015
Monroe, Georgia	Distribution center	240,000	Owned
Greenville, Georgia	Distribution center	120,000	Owned
Tegucigalpa, Honduras	Manufacturing plant	80,000	Owned
Merida, Mexico	Manufacturing plant	80,000	Owned

Item 3. ***Legal Proceedings***

From time to time, we are a party to litigation and regulatory actions arising in the ordinary course of business. We are not currently a party to any litigation or regulatory actions that we believe could reasonably be expected to have a material adverse effect on our financial position, results of operations or cash flows.

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

None.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information

Our common stock is listed and traded on the New York Stock Exchange under the symbol "OXM." As of June 2, 2006, there were 499 record holders of our common stock. The following table sets forth the high and low sale prices and quarter-end close price of our common stock as reported on the New York Stock Exchange for the quarters indicated.

	High	Low	Close
Fiscal 2006			
Fourth Quarter	$52.74	$38.01	$41.77
Third Quarter	$57.58	$42.00	$46.18
Second Quarter	$56.99	$40.87	$55.84
First Quarter	$51.68	$41.01	$44.86
Fiscal 2005			
Fourth Quarter	$42.59	$33.66	$41.75
Third Quarter	$42.50	$33.34	$35.88
Second Quarter	$43.45	$35.50	$41.65
First Quarter	$45.14	$35.15	$41.29

Dividends

Dividends per share declared on shares of our common stock by our board of directors during fiscal 2006 and 2005 were as follows:

Fiscal 2006	
Fourth Quarter	$0.150
Third Quarter	$0.150
Second Quarter	$0.135
First Quarter	$0.135
Fiscal 2005	
Fourth Quarter	$0.135
Third Quarter	$0.135
Second Quarter	$0.120
First Quarter	$0.120

Additionally, on August 3, 2006, our board of directors declared a cash dividend of $0.15 per share payable on September 5, 2006 to shareholders of record on August 16, 2006, which is the 185th consecutive quarterly dividend we have paid since we became a public company in July 1960.

For details about limitations on our ability to pay dividends, see note 8 of our consolidated financial statements and Part I, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, both contained in this report.

Recent Sales of Unregistered Securities

We did not sell any unregistered securities during fiscal 2006.

Purchases of Equity Securities by the Issuer and Affiliated Purchases

We have certain stock incentive plans as described in note 10 to our consolidated financial statements included in this report, all of which are publicly announced plans. Under the plans, we can repurchase shares from employees to cover the employee tax liabilities related to the exercise of stock options or the vesting of previously restricted shares. The table below summarizes stock repurchases under these programs for the fourth quarter of fiscal 2006.

Fiscal Month	Total Number of Shares Purchased	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That may yet be Purchased Under the Plans or Programs
March (3/4/06-3/31/06)	—	$ —	—	—
April (4/1/06-5/5/06)	580	44.69	—	—
May (5/6/06-6/2/06)	—	—	—	—
Total	580	$ 44.69	—	—

Additionally, we repurchased 731 shares on September 30, 2005 for an average price of $46.59 per share and 377 shares on January 20, 2006 for an average price of $53.00 per share. Each share repurchase during fiscal 2006 related to previously restricted shares repurchased from certain terminated employees to cover each such employee’s tax liabilities. We did not repurchase any other shares during fiscal 2006.

On August 3, 2006, our board of directors approved a stock repurchase authorization for up to 1 million shares of our common stock. In accordance with the authorization, we expect to repurchase our common shares from time to time in privately negotiated or open market transactions.

Securities Authorized for Issuance under Equity Compensation Plans

The information concerning equity compensation plans is incorporated in Item 12 hereof by reference to the information contained under the heading “Equity Compensation Plan Information” in our definitive Proxy Statement to be filed with the SEC not later than 120 days after our fiscal year ended June 2, 2006.

Item 6. ***Selected Financial Data***

Our selected financial data below reflects the impact of our fiscal 2004 acquisition of Tommy Bahama and our fiscal 2005 acquisition of Ben Sherman. In addition, the selected financial data below reflects the divestiture of our Womenswear Group operations in fiscal 2006, resulting in those operations being classified as discontinued operations for all periods presented.

	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002
	(Dollars in thousands, except per share amounts)				
Net sales	$1,109,116	$1,056,787	$818,687	$455,840	$423,541
Cost of goods sold	677,429	653,538	515,481	339,944	327,454
Gross profit	431,687	403,249	303,206	115,896	96,087
Selling, general and administrative expenses	339,073	314,413	228,293	99,993	89,761
Amortization of intangible assets	7,642	8,622	6,670	38	271
Royalties and other operating income	13,144	12,060	5,114	—	—
Operating income	98,116	92,274	73,357	15,865	6,055
Interest expense, net	23,971	26,146	23,530	1,772	—
Earnings before income taxes	74,145	66,128	49,827	14,093	6,055
Income taxes	22,944	22,177	18,363	5,778	2,459
Earnings from continuing operations	51,201	43,951	31,464	8,315	3,596
Earnings from discontinued operations	19,270	5,876	8,252	12,012	6,976
Net earnings	$ 70,471	$ 49,827	$ 39,716	$ 20,327	$ 10,572
Diluted earnings from continuing operations per common share	$ 2.88	$ 2.53	$ 1.88	$ 0.55	$ 0.24
Diluted earnings from discontinued operations per common share	$ 1.08	$ 0.34	$ 0.49	$ 0.79	$ 0.46
Diluted net earnings per common share	$ 3.96	$ 2.87	$ 2.38	$ 1.34	$ 0.70
Diluted weighted average shares outstanding	17,781	17,350	16,699	15,143	15,099
Dividends	$ 9,899	$ 8,515	$ 7,285	$ 6,314	$ 6,304
Dividends declared per common share	$ 0.57	$ 0.51	$ 0.45	$ 0.42	$ 0.42
Total assets related to continuing operations	$ 826,380	$ 826,297	$598,951	$408,247	$174,928
Total assets	$ 885,595	$ 905,877	$694,817	$494,365	$250,513
Long-term debt	$ 200,023	$ 289,076	$198,814	$198,586	$ 139
Shareholders' equity	$ 398,701	$ 303,501	$238,977	$189,365	$175,201
Capital expenditures	$ 24,953	$ 23,407	$ 14,073	$ 1,969	$ 1,446
Depreciation and amortization included in continuing operations	$ 22,734	$ 21,943	$ 17,971	$ 5,029	$ 5,906
Amortization of deferred financing costs	$ 2,462	$ 4,439	$ 2,655	$ 50	$ —
Book value per share at year-end	$ 22.59	$ 17.97	$ 14.74	$ 12.59	$ 11.66
Return (earnings from continuing operations) on average shareholders' equity	14.6%	16.2%	14.7%	4.6%	2.1%
Return (earnings from continuing operations) on average total assets related to continuing operations	6.2%	6.2%	6.2%	2.9%	2.1%

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

The following discussion and analysis of our operations, cash flows, liquidity and capital resources should be read in conjunction with our consolidated financial statements contained in this report.

OVERVIEW

We generate revenues and cash flow through the design, sale, production and distribution of branded and private label consumer apparel and footwear for men, women and children and the licensing of company-owned trademarks. Our principal markets and customers are located primarily in the United States. We source more than 95% of our products through third party producers. We primarily distribute our products through our wholesale customers which include chain stores, department stores, specialty stores, specialty catalog and mass merchants. We also sell our products for some brands in our own retail stores.

We operate in an industry that is highly competitive. Our ability to continuously evaluate and respond to changing consumer demands and tastes across multiple market segments, distribution channels and geographic regions is critical to our success. Although our approach is aimed at diversifying our risks, misjudging shifts in consumer preferences could have a negative effect on future operating results. Other key aspects of competition include quality, brand image, distribution methods, price, customer service and intellectual property protection. Our size and global operating strategies help us to successfully compete by providing opportunities for operating synergies. Our success in the future will depend on our ability to continue to design products that are acceptable to the markets we serve and to source our products on a competitive basis while still earning appropriate margins.

The most significant factors impacting our results and contributing to the change in diluted earnings from continuing operations per common share of $2.88 in fiscal 2006 from $2.53 in fiscal 2005 were:

- The disposition of our Womenswear Group operations for approximately $37 million on June 2, 2006, resulting in all Womenswear operations being reclassified to discontinued operations for all periods presented and diluted earnings from discontinued operations per common share of $1.08 and $0.34 in fiscal 2006 and fiscal 2005.
- The ownership of Ben Sherman for the entire year in fiscal 2006, compared to ten months in fiscal 2005 after the July 30, 2004 acquisition, partially offset by the lower Ben Sherman operating results in the last half of fiscal 2006 compared to the prior year.
- A significant increase in the operating margins of the Tommy Bahama Group as a result of certain operating efficiencies that were implemented in late fiscal 2005 and early fiscal 2006.
- The repatriation of foreign earnings during fiscal 2006, which resulted in a positive impact on our effective tax rate and an increase in earnings from continuing operations of $2.9 million, or $0.17 per diluted common share, in fiscal 2006.
- A 5% growth in consolidated net sales in fiscal 2006 compared to fiscal 2005 primarily due to the growth in our Menswear Group.
- The one-time costs of $3.4 million associated with the closure of four manufacturing facilities, consolidation of certain support functions in our Menswear Group, which resulted in after-tax costs of $0.12 per diluted common share in fiscal 2006.

RESULTS OF OPERATIONS

The following tables set forth the line items in our consolidated statements of earnings data both in dollars and as a percentage of net sales. The tables also set forth the percentage change of the data as compared to the prior year. We have calculated all percentages based on actual data, but percentage columns may not add due to rounding. Individual line items of our consolidated statements of earnings may not be directly comparable to those of our competitors, as statement of earnings classification of certain expenses may vary by company. The results of operations of Ben Sherman and the Tommy Bahama Group are included in our consolidated statements of earnings from the respective dates of the acquisitions.

	Fiscal Year		
	2006	2005	2004
		(In thousands)	
Net sales	$ 1,109,116	$ 1,056,787	$818,687
Cost of goods sold	677,429	653,538	515,481
Gross profit	431,687	403,249	303,206
Selling, general and administrative	339,073	314,413	228,293
Amortization of intangible assets	7,642	8,622	6,670
Royalties and other operating income	13,144	12,060	5,114
Operating income	98,116	92,274	73,357
Interest expense, net	23,971	26,146	23,530
Earnings before income taxes	74,145	66,128	49,827
Income taxes	22,944	22,177	18,363
Earnings from continuing operations	51,201	43,951	31,464
Gain on sale of discontinued operations, net of taxes	10,378	—	—
Earnings from discontinued operations, net of taxes	8,892	5,876	8,252
Net earnings	$ 70,471	$ 49,827	$ 39,716

	% of Net Sales Fiscal Year			% Change	
	2006	2005	2004	'05-'06	'04-'05
Net sales	100.0%	100.0%	100.0%	5.0%	29.1%
Cost of goods sold	61.1%	61.8%	63.0%	3.7%	26.8%
Gross profit	38.9%	38.2%	37.0%	7.1%	33.0%
Selling, general and administrative	30.6%	29.8%	27.9%	7.8%	37.7%
Amortization of intangible assets	0.7%	0.8%	0.8%	(11.4)%	29.3%
Royalties and other operating income	1.2%	1.1%	0.6%	9.0%	135.8%
Operating income	8.8%	8.7%	9.0%	6.3%	25.8%
Interest expense, net	2.2%	2.5%	2.9%	(8.3)%	11.1%
Earnings before income taxes	6.7%	6.3%	6.1%	12.1%	32.7%
Income taxes	2.1%	2.1%	2.2%	3.5%	20.8%
Earnings from continuing operations	4.6%	4.2%	3.8%	16.5%	39.7%
Gain on sale of discontinued operations, net of taxes	0.9%	—	—	na	na
Earnings from discontinued operations, net of taxes	0.8%	0.6%	1.0%	51.3%	(28.8)%
Net earnings	6.4%	4.7%	4.9%	41.4%	25.5%

SEGMENT DEFINITION

In our continuing operations, we have two operating segments for purposes of allocating resources and assessing performance. The Menswear Group produces branded and private label dress shirts, sport shirts, dress slacks, casual slacks, suits, sportcoats, suit separates, walkshorts, golf apparel, outerwear, sweaters, jeans, swimwear, footwear and headwear, licenses its brands for accessories and other products and operates retail stores. The Tommy Bahama Group produces lifestyle branded casual attire, operates retail stores and restaurants, and licenses its brands for accessories, footwear, furniture and other products. The head of each operating segment reports to the chief operating decision maker.

Corporate and Other is a reconciling category for reporting purposes and includes our corporate offices, substantially all financing activities, LIFO inventory accounting adjustments and other costs that are not allocated to the operating groups. LIFO inventory calculations are made on a legal entity basis which does not correspond to our segment definitions. Therefore, LIFO inventory accounting adjustments are not allocated to the operating segments. Total assets for corporate and other includes the LIFO inventory reserve of $38.0 million and $37.3 million at June 2, 2006 and June 3, 2005, respectively.

As discussed in note 3 in our consolidated financial statements included in this report, we sold our Womenswear Group operations in fiscal 2006. Our Womenswear Group produced private label women's sportswear separates, coordinated sportswear, outerwear, dresses and swimwear. The operating results of the Womenswear Group have not been included in segment information as all amounts were reclassified to discontinued operations, except for $1.9 million, $1.8 million and $2.1 million of corporate overhead costs for fiscal 2006, 2005 and 2004, respectively, that were previously allocated to the Womenswear Group that have been reclassified to Corporate and other.

The information below presents certain information about our segments.

	Fiscal Year (In thousands)			Percent Change	
	2006	2005	2004	'05 -'06	'04 -'05
Net Sales					
Menswear Group	$ 699,949	$ 656,606	$448,800	6.6%	46.3%
Tommy Bahama Group	409,141	399,658	369,148	2.4%	8.3%
Corporate and Other	26	523	739	(95.0)%	(29.2)%
Total	$ 1,109,116	$ 1,056,787	$818,687	5.0%	29.1%

	Fiscal Year (In thousands)			Percent Change	
	2006	2005	2004	'05 -'06	'04 -'05
Operating Income					
Menswear Group	$ 42,307	$ 58,237	$ 41,915	(27.4)%	38.9%
Tommy Bahama Group	71,522	54,128	50,644	32.1%	6.9%
Corporate and Other	(15,713)	(20,091)	(19,202)	21.8%	(4.6)%
Total	$ 98,116	$ 92,274	$ 73,357	6.3%	25.8%

For further information regarding our segments, see note 13 to our consolidated financial statements included in this report.

FISCAL 2006 COMPARED TO FISCAL 2005

The discussion below compares our results of operations for fiscal 2006 to fiscal 2005. Each percentage change provided below reflects the change between these periods unless indicated otherwise.

Net sales increased by $52.3 million, or 5.0%, in fiscal 2006. The increase was primarily due to an increase in the average selling price per unit of 2.3% and an increase in unit sales of 2.2%.

The Menswear Group reported a 6.6% increase in net sales in fiscal 2006. The increase was due to the unit sales increase of 3.4% in the historical Menswear business from new marketing initiatives in tailored clothing and dress, knit and woven shirts, as well as the inclusion of Ben Sherman for twelve months of fiscal 2006 versus ten months of fiscal 2005. Ben Sherman brand net sales were $166.6 million in fiscal 2006 and $154.1 million in fiscal 2005. The average selling price per unit for the historical Menswear business increased 2.6% primarily due to a change in product mix.

The Tommy Bahama Group reported a 2.4% increase in net sales in fiscal 2006. The increase was due to an average selling price per unit increase of 3.3%, excluding the private label business, resulting from increased retail sales and higher average selling price per unit on branded wholesale business. The increase in retail sales was primarily due to an increase in the number of retail stores from 53 at the end of fiscal 2005 to 59 at the end of fiscal 2006. The higher average selling price per unit on branded wholesale business was due to lower levels of off-price merchandise during fiscal 2006. The net sales increase was partially offset by exiting the private label business, which accounted for $10.0 million of sales in fiscal 2005 and virtually no sales in fiscal 2006.

Gross profit increased 7.1% in fiscal 2006. The increase was due to higher sales and higher gross margins. Gross margins increased from 38.2% of net sales in fiscal 2005 to 38.9% of net sales in fiscal 2006. The increase was primarily due to the increased margins of the Tommy Bahama Group discussed below partially offset by the sales increases in the lower margin businesses in the Menswear Group and the one-time costs associated with the closure of four manufacturing facilities in our Menswear Group.

Our gross profit may not be directly comparable to those of our competitors, as income statement classifications of certain expenses may vary by company.

Selling, general and administrative expenses, or SG&A, increased 7.8% during fiscal 2006. SG&A was 29.8% of net sales in fiscal 2005 compared to 30.6% of net sales in fiscal 2006. The increase in SG&A was primarily due to:

• the ownership of Ben Sherman for twelve months in fiscal 2006 compared to ten months in fiscal 2005;

• the higher SG&A expense structure associated with our Ben Sherman branded business;

• additional Tommy Bahama and Ben Sherman retail stores;

• expenses associated with the start-up of new marketing initiatives in the Menswear Group; and

• costs associated with the consolidation of certain support functions in the Menswear Group.

Amortization of intangible assets decreased 11.4% in fiscal 2006. The decrease was due to certain intangible assets acquired as part of our acquisitions of Tommy Bahama and Ben Sherman, which have a greater amount of amortization in the earlier periods following the acquisition than later periods. This decline was partially offset by recognizing amortization related to the intangible assets acquired in the Ben Sherman transaction for the entire period during the twelve months of fiscal 2006 compared to only ten months in the prior year.

Royalties and other operating income increased 9.0% in fiscal 2006. The increase was primarily due to the benefit of licensing related to our Ben Sherman brand for the entire twelve months of fiscal 2006, as well as higher royalty income from existing and additional licenses for the Tommy Bahama brand.

Operating income increased 6.3% in fiscal 2006.

The Menswear Group reported a 27.4% decrease in operating income in fiscal 2006. The decrease in operating income was primarily due to the decline in operating income at Ben Sherman and in our historical Menswear business. The decline in operating income in our Ben Sherman business was primarily due to markdowns, allowances and returns resulting from poorly performing product lines and aggressive sales plans in the second half of fiscal 2006. The decline in operating income in our historical Menswear business was

primarily due to the closure of the manufacturing facilities, consolidation of support functions and streamlining of operations mentioned above.

The Tommy Bahama Group reported an increase of 32.1% in operating income in fiscal 2006. The increase in operating income was primarily due to:

- improvements in gross margins due to higher retail sales, improvements in product sourcing and improved inventory management, which resulted in reduced mark-downs;
- exiting the private label business, which provided lower margins; and
- reduced amortization expense related to intangible assets.

The Corporate and other operating loss decreased $4.4 million, or 21.8%, in fiscal 2006. The decrease in the operating loss was primarily due to decreased parent company expenses, including a decrease in incentive compensation.

Interest expense, *net* decreased 8.3% in fiscal 2006. The decrease in interest expense was primarily due to the non-recurring $1.8 million charge recognized in the first quarter of fiscal 2005 related to the refinancing of our U.S. revolving credit facility in July 2004 and lower debt levels in fiscal 2006, partially offset by higher interest rates during fiscal 2006.

Income taxes were at an effective tax rate of 30.9% for fiscal 2006 compared to 33.5% for fiscal 2005. The change was primarily due to the impact of the repatriation of earnings of certain of our foreign subsidiaries during fiscal 2006.

Discontinued operations resulted from the disposition of our Womenswear Group operations on June 2, 2006, leading to all Womenswear Group operations being reclassified to discontinued operations for all periods presented and diluted earnings from discontinued operations per common share of $1.08 in fiscal 2006 and $0.34 in fiscal 2005. The increase in earnings from gain on sale and discontinued operations was primarily due to the gain on the sale of our Womenswear Group operations and higher sales in fiscal 2006.

FISCAL 2005 COMPARED TO FISCAL 2004

The discussion below compares our results of operations for fiscal 2005 to fiscal 2004. Each percentage change provided below reflects the change between these periods unless indicated otherwise.

Net sales increased $238.1 million, or 29.1%, in fiscal 2005 as a result of the sales increases in our Menswear Group and Tommy Bahama Group discussed below.

The Menswear Group reported a $207.8 million, or 46.3%, increase in net sales in fiscal 2005. The change was primarily due to the acquisition of Ben Sherman, which added sales of $154.1 million to our net sales in fiscal 2005 after our acquisition during that year and the unit sales increase of 13.5% in our historical Menswear business from new marketing initiatives in dress shirts and sport shirts, tailored clothing and the licensed Nick(it) sportswear collection. These sales increases were partially offset by an average selling price per unit decline of 1.4%, in our historical Menswear business, due to a change in product mix.

The Tommy Bahama Group reported an increase of $30.5 million, or 8.3%, in net sales in fiscal 2005 despite a reduction in net sales of $29.2 million due to exiting the private label business. The increase was primarily due to:

- our ownership of Tommy Bahama for all 53 weeks of fiscal 2005 as compared to 50 of 52 weeks in fiscal 2004;
- the unit sales increase of 10.6%, excluding the private label business;
- the average selling price per unit increase of 18.1%, excluding the private label business; and
- an increase in the number of total retail stores from 42 at May 28, 2004 to 53 at June 3, 2005.

Gross profit increased 33.0% in fiscal 2005. The increase was due to higher sales and higher gross margins. Gross margins increased from 37.0% during fiscal 2004 to 38.2% during fiscal 2005. The increase was primarily due to:

- the increased branded sales of the Tommy Bahama Group, which has higher gross margins;
- the Tommy Bahama Group's exit from the private label business, which had lower gross margins; and
- the acquisition of Ben Sherman, which has higher gross margins than our historical Menswear business.

Our gross profit may not be directly comparable to those of our competitors, as income statement classifications of certain expenses may vary by company.

Selling, general and administrative expenses increased 37.7% in fiscal 2005. SG&A was 29.8% of net sales in fiscal 2005 compared to 27.9% in fiscal 2004. The increase in SG&A was primarily due to:

- the addition of Ben Sherman, which has a higher SG&A expense structure;
- expenses associated with opening new retail stores in the Tommy Bahama Group;
- start-up costs associated with new marketing initiatives in our Menswear Group; and
- increased auditing and compliance costs primarily related to the requirements resulting from the Sarbanes-Oxley Act of 2002.

Amortization of intangible assets increased 29.3% in fiscal 2005. The change was primarily the result of the amortization of intangible assets acquired as part of the Ben Sherman acquisition, partially offset by lower amortization amounts related to the Tommy Bahama Group acquisition.

Royalties and other operating income increased 135.8% in fiscal 2005. The increase was due to an increase in royalties earned from existing licenses as well as new licenses for the Tommy Bahama and Ben Sherman brands.

Operating income increased 25.8% in fiscal 2005.

The Menswear Group reported a 38.9% increase in operating income in fiscal 2005. The increase in operating income was primarily due to the acquisition of Ben Sherman during fiscal 2005 and stronger results in our tailored clothing business. Operating income growth was partially offset by losses related to the start-up of new marketing initiatives, weaker performance in our licensed golf business and weaker performance in our private label sportswear and casual slacks business.

The Tommy Bahama Group reported a 6.9% increase in operating income in fiscal 2005. The increase was primarily due to:

- the favorable change in product mix from the lower margin private label business to the higher margin branded business;
- the higher proportion of sales through our retail stores as opposed to our wholesale distribution channel, which has lower margins that retail distribution;
- decreased amortization of intangible assets; and
- increased royalty income from new and existing licenses in fiscal 2005.

The increased operating income mentioned above was partially offset by higher marketing expenses, including $3.4 million related to our title sponsorship in the PGA Tommy Bahama Challenge Golf Tournament and increased SG&A related to opening new retail stores.

The Corporate and Other operating loss increased 4.6% in fiscal 2005. The increase in the operating loss was primarily due to increased parent company expenses partially offset by LIFO inventory accounting.

Interest expense, net increased 11.1% in fiscal 2005. The increase in interest expense was due to the interest on debt incurred to finance the acquisition of Ben Sherman and the non-cash write-off of $1.8 million

of deferred financing costs resulting from the modification of our U.S. revolving credit facility in the first quarter of fiscal 2005 associated with the Ben Sherman acquisition.

Income taxes were at an effective tax rate of 33.5% for fiscal 2005 compared to 36.8% for fiscal 2004. Variations in the effective tax rate were primarily attributable to the acquisition of Ben Sherman during fiscal 2005. Additionally, we received refunds of prior year state taxes, recorded a decrease in certain contingent tax liabilities and had a change in the relative distribution of pre-tax earnings among the various taxing jurisdictions in which we operate.

Discontinued operations resulted from the disposition of our Womenswear Group operations on June 2, 2006, leading to all Womenswear operations being reclassified to discontinued operations for all periods presented and diluted net earnings from discontinued operations per common share of $0.34 in fiscal 2005 and $0.49 in fiscal 2004. The lower earnings from discontinued operations was primarily due to lower sales in fiscal 2005 compared to fiscal 2004.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Our primary source of revenue and cash flow is our operating activities in the United States and to some extent the United Kingdom. When cash inflows are less than cash outflows, subject to their terms, we also have access to amounts under our U.S. Revolver and U.K. Revolver, each of which are described below. We may seek to finance future capital investment programs through various methods, including, but not limited to, cash flow from operations, borrowings under our current or additional credit facilities and sales of equity securities.

Our liquidity requirements arise from the funding of our working capital needs, which include inventory, other operating expenses and accounts receivable, funding of capital expenditures, payment of quarterly dividends, repayment of our indebtedness and acquisitions, if any. Generally, our product purchases are acquired through trade letters of credit which are drawn against our lines of credit at the time of shipment of the products and reduce the amounts available under our lines of credit when issued.

Cash and cash equivalents on hand was $10.5 million at June 2, 2006 compared to $6.5 million at June 3, 2005.

Operating Activities

During fiscal 2006, our continuing operations generated $81.0 million of cash. The increase in operating cash flows was primarily a result of the earnings from continuing operations for the period adjusted for non-cash activities such as depreciation, amortization and stock compensation for restricted stock awards and changes in working capital accounts. The changes in working capital accounts included lower amounts of inventories, slightly lower amounts of receivables, higher amounts of non-current liabilities including deferred rent and deferred compensation and decreases in current liabilities.

During fiscal 2005, we generated cash flows from continuing operations of $41.2 million. This cash was generated primarily from revenues from the sale of our products net of cash paid for the cost of goods sold, general and administrative operating expenses and interest expense adjusted for non-cash activities such as depreciation, amortization and stock compensation for restricted stock awards and changes in working capital accounts. The changes in working capital accounts included higher levels of inventory, accounts receivable, other non-current assets, current liabilities and other non-current liabilities.

Our working capital ratio, which is calculated by dividing total current assets by total current liabilities, was 1.98:1 and 1.85:1 at June 2, 2006 and June 3, 2005, respectively. The improvement was due to the significant reduction of current liabilities related to continuing operations (primarily accounts payable and additional acquisition cost payable) partially offset by a decrease in current assets related to continuing operations due to the decrease in inventories between periods, each as discussed below.

Receivables were $142.3 million and $145.9 million at June 2, 2006 and June 3, 2005, respectively, representing a decrease of 2%. Days' sales outstanding for our accounts receivable related to continuing operations, excluding retail sales, was 54 days and 57 days at June 2, 2006 and June 3, 2005, respectively.

Inventories were $123.6 million and $145.9 million at June 2, 2006 and June 3, 2005, respectively. This decrease was primarily a result of a reduction of inventory in our Tommy Bahama Group as we had minimal levels of excess inventory on hand at June 2, 2006 compared to June 3, 2005. Additionally, inventory in our historical Menswear Group decreased compared to June 3, 2005 primarily due to reductions in levels of replenishment program inventory. Our days supply of inventory on hand related to continuing operations, calculated on a trailing twelve month average using a FIFO basis, was 96 and 103 days at June 2, 2006 and June 3, 2005, respectively.

Prepaid expenses were $22.0 million and $20.4 million at June 2, 2006 and June 3, 2005, respectively. The increase in prepaid expenses was primarily due to us having more retail stores and higher prepaid advertising at June 2, 2006 compared to the prior year.

Current assets related to discontinued operations were $59.2 million and $74.7 million at June 2, 2006 and June 3, 2005, respectively. The decrease in current assets related to discontinued operations is a result of the disposition of the Womenswear Group inventory, except for inventory in transit, as of June 2, 2006. We anticipate that substantially all of these current assets will be converted into cash for us during the first quarter of fiscal 2007.

Current liabilities, which primarily consist of payables arising out of our operating activities, were $180.3 million and $212.4 million at June 2, 2006 and June 3, 2005, respectively. The decrease in liabilities related to continuing operations is primarily due to a change in the payment terms of certain of our suppliers during fiscal 2006, the reduction of the earn-out liability for fiscal 2006 compared to fiscal 2005 based on the terms of the agreement and the timing of certain payments, including income taxes and inventory purchases, compared to the prior year. Additionally, included in these amounts are current liabilities related to discontinued operations of $30.7 million and $15.9 million at June 2, 2006 and June 3, 2005, which increased primarily as a result of certain costs associated with our disposition of our Womenswear Group business, including payments to employees of the Womenswear Group, transaction costs and the tax liability related to the disposition.

Deferred income tax liabilities were $76.6 million and $77.2 million at June 2, 2006 and June 3, 2005, respectively. The decrease was primarily a result of changes in property, plant and equipment basis differences, amortization of acquired intangibles, deferred rent and deferred compensation balances.

Other non-current liabilities, which primarily consist of deferred rent and deferred compensation amounts, were $30.0 million and $23.6 million at June 2, 2006 and June 3, 2005, respectively. The increase was primarily due to the recognition of deferred rent during fiscal 2006 as well as the deferral of certain compensation payments to our executives in accordance with our deferred compensation plans.

Investing Activities

During fiscal 2006, investing activities used $34.6 million in cash. We paid $11.5 million for acquisitions in fiscal 2006 consisting of the earn-out payment in the first quarter of fiscal 2006 related to the fiscal 2005 Tommy Bahama Group earn-out and the payments for the acquisition of the Solitude and Arnold Brant trademarks and related working capital. Additionally, approximately $25.0 million of capital expenditures were incurred, primarily related to new Tommy Bahama and Ben Sherman retail stores.

During fiscal 2005, investing activities used $166.7 million in cash, consisting of approximately $138.3 million (net of cash acquired) for the acquisition of Ben Sherman as well as payments in the first quarter of fiscal 2005 of approximately $5.5 million related to the Tommy Bahama Group acquisition. Additionally, we incurred capital expenditures of $23.4 million primarily related to new Tommy Bahama retail stores, capital expenditures for computer equipment and software and capital expenditures associated with our leased headquarters for our Tommy Bahama Group in Seattle, Washington and our Ben Sherman U.S. operations in New York.

Non-current assets including property, plant and equipment, goodwill, intangible assets and other non-current assets increased primarily as a result of the fiscal 2006 earn-out related to the Tommy Bahama acquisition, capital expenditures for our retail stores and the impact of changes in foreign currency exchange rates. These increases were partially offset by depreciation of our fixed assets and amortization of our intangible assets.

Financing Activities

During fiscal 2006, financing activities used approximately $98.0 million in cash. The cash flow generated from our operating activities in excess of our investments as well as the proceeds from the disposition of the Womenswear Group operations were used to repay amounts on our lines of credit during fiscal 2006. We also received $4.0 million of cash provided from the exercise of employee stock options. These amounts were partially offset by the payment of $9.5 million of dividends on our common shares during fiscal 2006.

During fiscal 2005, financing activities generated $74.0 million in cash. Substantially all of these proceeds represent the funding from the U.S. Revolver to finance the Ben Sherman acquisition on July 30, 2004, partially offset by the $2.8 million paid in the first quarter of fiscal 2005 related to our refinancing of our U.S. revolving credit facility. Additionally, $2.5 million of cash was provided by the exercise of employee stock options. These cash proceeds were partially offset by the use of cash to pay $8.2 million of dividends on our common stock.

On June 5, 2006, we paid a cash dividend of $0.15 per share to shareholders of record as of May 15, 2006. Additionally, on August 3, 2006, our board of directors declared a cash dividend of $0.15 per share payable on September 5, 2006 to shareholders of record on August 16, 2006. That dividend is the 185th consecutive quarterly dividend we have paid since we became a public company in July 1960. We expect to pay dividends in future quarters. However, we may decide to discontinue or modify the dividend payment at any time if we determine that other uses of our capital, including, but not limited to, payment of debt outstanding or funding of future acquisitions, may be in our best interest, if our expectations of future cash flows and future cash needs outweigh the ability to pay a dividend or if the terms of our credit facilities limit our ability to pay dividends. We may borrow to fund dividends in the short term based on our expectations of operating cash flows in future periods. All cash flow from operations will not necessarily be paid out as dividends in all periods.

Debt decreased by $92.3 million at June 2, 2006 compared to June 3, 2005 primarily as a result of the decrease in the borrowings under the U.S. Revolver due to proceeds from our disposition of the operations of our Womenswear Group on June 2, 2006 and the excess of cash flow from operations over investments during fiscal 2006.

Cash Flows from Discontinued Operations

During fiscal 2006 and 2005 our Womenswear Group generated cash flow of $55.8 million and $10.2 million, respectively. These cash flows were primarily due to the earnings of the Womenswear Group, adjusted for any changes in working capital accounts during the year and the proceeds from the disposition of the Womenswear Group operations in fiscal 2006.

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Liquidity and Capital Resources

The table below provides a description of our significant financing arrangements (in thousands) at June 2, 2006:

	Balance
$280 million U.S. Secured Revolving Credit Facility ("U.S. Revolver"), which accrues interest (8.0% at June 2, 2006), unused line fees and letter of credit fees based upon a pricing grid tied to certain debt ratios, requires interest payments monthly with principal due at maturity (July 2009), and is collateralized by substantially all the assets of our domestic subsidiaries	$ 900
£12 million Senior Secured Revolving Credit Facility ("U.K. Revolver"), which accrues interest at the bank's base rate plus 1.2% (5.70% at June 2, 2006), requires interest payments monthly with principal payable on demand or at maturity (July 2007), and is collateralized by substantially all the United Kingdom assets of Ben Sherman	102
$200 million Senior Unsecured Notes ("Senior Unsecured Notes"), which accrue interest at 8.875% (effective rate of 9.0%), require interest payments semi-annually on June 1 and December 1 of each year, require payment of principal at maturity (June 2011), are subject to certain prepayment penalties and are guaranteed by our domestic subsidiaries	200,000
Other debt, including capital lease obligations with varying terms and conditions, collateralized by the respective assets	35
Total debt	$201,037
Unamortized discount on Senior Unsecured Notes	(884)
Short-term debt and current maturities of long-term debt	(130)
Total long-term debt, less current maturities	$200,023

The U.S. Revolver, the U.K. Revolver and the Senior Unsecured Notes each include certain debt covenant restrictions that require us or our subsidiaries to maintain certain financial ratios that are customary for similar facilities. The U.S. Revolver also includes limitations on certain restricted payments such as earn-outs, payment of dividends and prepayment of debt. As of June 2, 2006, we were compliant with all financial covenants and restricted payment provisions related to our debt agreements.

The U.S. Revolver and U.K. Revolver are used to finance trade letters of credit and standby letters of credit as well as provide funding for other operating activities and acquisitions. As of June 2, 2006, approximately $117.5 million of trade letters of credit and other limitations on availability were outstanding against the U.S. Revolver and the U.K. Revolver. The aggregate net availability under our U.S. Revolver and U.K. Revolver agreements was approximately $183 million as of June 2, 2006.

Our debt to total capitalization ratio was 33% and 49% at June 2, 2006 and June 3, 2005, respectively. The change in this ratio was primarily a result of cash flows from operations during fiscal 2006 and the disposition of the operations of the Womenswear Group on June 2, 2006. We anticipate that the amount of debt, as well as the ratio of debt to total capitalization, will remain comparable to the balance at June 2, 2006 in future periods, unless we make additional acquisitions or investments.

We anticipate that we will be able to satisfy our ongoing cash requirements, which generally consist of working capital needs, capital expenditures (primarily for the opening of Tommy Bahama and Ben Sherman retail stores) and interest payments on our debt during fiscal 2007, primarily from cash on hand and cash flow from operations supplemented by borrowings under our lines of credit, as necessary. Our need for working capital is typically seasonal with the greatest requirements generally existing from the late second quarter to early fourth quarter of each year as we build inventory for the spring/summer season. Our capital needs will depend on many factors including our growth rate, the need to finance increased inventory levels and the success of our various products.

If appropriate investment opportunities arise that exceed the availability under our existing credit facilities, we believe that we will be able to fund such acquisitions through additional or refinanced debt facilities or the issuance of additional equity. However, our ability to obtain additional borrowings or refinance

our credit facilities will depend on many factors, including the prevailing market conditions, our financial condition and our ability to negotiate favorable terms and conditions. There is no assurance that financing would be available on terms that are acceptable or favorable to us, if at all. At maturity of the U.K. Revolver, the U.S. Revolver and the Senior Unsecured Notes, we anticipate that we will be able to refinance the facilities and debt with terms available in the market at that time.

The following table summarizes our contractual cash obligations, as of June 2, 2006, by future period:

	Payments Due by Period				
	Less Than 1 year	1-3 Years	3-5 Years (In thousands)	After 5 Years	Total
Contractual Obligations					
Capital leases	$ 28	$ 7	$ —	$ —	$ 35
Senior unsecured notes	—	—	—	200,000	200,000
Interest on senior unsecured notes	17,750	35,500	35,500	—	88,750
Lines of credit	102	—	900	—	1,002
Operating leases	26,510	50,731	47,736	84,088	209,065
Minimum royalty payments	4,187	3,295	3,312	315	11,109
Letters of credit	117,517	—	—	—	117,517
Contingent purchase price	15,225	40,225	6,351	—	61,801
Total	$ 181,319	$129,758	$93,799	$284,403	$689,279

The above table does not include our interest payments for our U.S. Revolver as the interest rate and the amount that will be outstanding during any fiscal year will be dependent upon future events which are not known at this time.

Our anticipated capital expenditures for fiscal 2007 are expected to approximate $30 million. These expenditures will consist primarily of the continued expansion of our retail operations of the Tommy Bahama Group and Ben Sherman brand, including the opening of additional retail stores.

Off Balance Sheet Arrangements

We have not entered into agreements which meet the SEC's definition of an off balance sheet financing arrangement, other than operating leases, and have made no financial commitments to or guarantees with any unconsolidated subsidiaries or special purpose entities.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. On an ongoing basis, we evaluate our estimates, including those related to receivables, inventories, intangible assets, income taxes, contingencies and litigation and other accrued expenses. We base our estimates on historical experience and on various other assumptions that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe that we have appropriately applied our critical accounting policies. However, in the event that inappropriate assumptions or methods were used relating to the critical accounting policies below, our consolidated statements of earnings could be misstated.

The detailed summary of significant accounting policies is included in note 1 to our consolidated financial statements contained in this report. The following is a brief discussion of the more significant accounting policies and methods we use.

Revenue Recognition and Accounts Receivable

Our revenue consists of sales to wholesale customers, retail store and restaurant revenues and royalties. We consider revenue realized or realizable and earned when the following criteria are met: (1) persuasive evidence of an agreement exists, (2) delivery has occurred, (3) our price to the buyer is fixed and determinable, and (4) collectibility is reasonably assured.

For sales within our wholesale operations, we consider a completed purchase order or some form of electronic communication from the customer requesting the goods persuasive evidence of an agreement. For substantially all our wholesale sales, our products are considered delivered at the time that the products are shipped as substantially all products are sold based on FOB shipping point terms. This generally coincides with the time that title passes and the risks and rewards of ownership have passed to the customer. For certain transactions in which the goods do not pass through our distribution centers and title and the risks and rewards of ownership pass at the time the goods leave the foreign port, revenue is recognized at that time. In certain cases in which we retain the risk of loss during shipment, revenue recognition does not occur until the goods have reached the specified customer.

In the normal course of business we offer certain discounts or allowances to our wholesale customers. Wholesale operations' sales are recorded net of such discounts, allowances, advertising support not specifically relating to the reimbursement for actual advertising expenses by our customers and provisions for estimated returns. As certain allowances and other deductions are not finalized until the end of a season, program or other event which may not have occurred yet, we estimate such discounts and allowances on an ongoing basis considering historical and current trends, projected seasonal results and other factors. We record the discounts, returns and allowances as a reduction to net sales in our consolidated statements of earnings.

In circumstances where we become aware of a specific customer's inability to meet its financial obligations, a specific reserve for bad debts is taken as a reduction to accounts receivable to reduce the net recognized receivable to the amount reasonably expected to be collected. Such amounts are written off at the time that the amounts are not considered collectible. For all other customers, we recognize reserves for bad debts and uncollectible chargebacks based on our historical collection experience, the financial condition of our customers, an evaluation of current economic conditions and anticipated trends. We record such charges and write-offs to selling, general and administrative expenses in our consolidated statements of earnings.

Retail store and restaurant revenues are recorded, net of estimated returns, at the time of sale to consumers. Retail store and restaurant revenues are recorded net of applicable sales taxes in our consolidated statements of earnings.

Royalties, which are generally based on a percentage of the licensee's actual net sales or minimum net sales, are recorded based upon contractually guaranteed minimum levels and adjusted as sales data is received from licensees. We may receive initial payments for the grant of license rights, which are recognized as revenue over the term of the license agreement. Royalty income is included in royalties and other income in our consolidated statements of earnings.

Inventories

For segment reporting, inventory is carried at the lower of FIFO cost or market, with all adjustments being charged to operations in the period in which the facts giving rise to the adjustments become known. We continually evaluate the composition of our inventories for identification of distressed inventory. For wholesale inventory, we estimate the amount of goods that we will not be able to sell in the normal course of business and write down the value of these goods. For retail inventory, we provide an allowance for shrinkage and goods expected to be sold below cost. Each of these estimates are based on our historical experience as well as an assessment of the inventory quantity, quality and mix, consumer and retailer preferences and the current market conditions.

For consolidated financial reporting, significant portions of our inventories are valued at the lower of LIFO cost or market. LIFO inventory calculations are made on a legal entity basis which does not correspond to our segment definitions. Therefore, LIFO inventory accounting adjustments are not allocated to the

respective operating segments. As part of LIFO accounting, markdowns for inventory valued at LIFO cost are deferred until the period in which the goods are sold. However, in non-routine circumstances, such as discontinuance of a product line, markdowns below the allocated LIFO reserve are not deferred. Both the LIFO reserve and the markdown deferral are reflected in our corporate and other financial information in note 13 to our consolidated financial statements included in this report and in the results of operations in our Management's Discussion and Analysis of Financial Condition and Results of Operations.

Goodwill, net

Goodwill is recognized as the amount that the cost to acquire a company or group of assets exceeds the fair value of assets acquired less any liabilities assumed at acquisition. Such goodwill is allocated to the respective reporting unit at the time of acquisition. Goodwill is not amortized but instead evaluated for impairment annually or more frequently if events or circumstances indicate that the goodwill might be impaired. The evaluation of the recoverability of goodwill includes valuations of each applicable underlying business using fair value techniques and market comparables which may include a discounted cash flow analysis or an independent appraisal. If this analysis indicates an impairment of goodwill balances, the impairment is recognized in the consolidated financial statements.

Intangible Assets, net

At acquisition, we estimate and record the fair value of purchased intangible assets, which primarily consist of trademarks and trade names, license agreements and customer relationships. The fair values of these intangible assets are estimated based on management's assessment as well as independent third party appraisals in some cases. Such valuation may include a discounted cash flow analysis of anticipated revenues or cost savings resulting from the acquired intangible asset.

Amortization of intangible assets with finite lives, which consist of license agreements, customer relationships and covenants not to compete, is recognized over their estimated useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized. Asset lives used for our intangible assets range from 0 to 15 years. Intangible assets with finite lives are reviewed for impairment periodically if events or changes in circumstances indicate that the carrying amount may not be recoverable. If expected future undiscounted cash flows from operations are less than their carrying amounts, an asset is determined to be impaired and a loss is recorded for the amount by which the carrying value of the asset exceeds its fair value.

Trademarks and other intangible assets with indefinite lives are not amortized but instead evaluated for impairment annually or more frequently if events or circumstances indicate that the intangible asset might be impaired. The evaluation of the recoverability of intangible assets with indefinite lives includes valuations based on a discounted cash flow analysis. The fair values of trademarks are estimated on an annual basis utilizing the relief from royalty method. If this analysis indicates an impairment of an intangible asset with an indefinite useful life, the amount of the impairment is recognized in the consolidated financial statements.

Income Taxes

We recognize deferred tax liabilities and assets based on the difference between the financial and tax bases of assets and liabilities using enacted tax rates expected to apply to taxable income in the period in which such amounts are expected to be realized or settled. Our policy is to recognize net deferred tax assets, whose realization is dependent on taxable earnings in future years, when a greater than 50% probability exists that the tax benefits will actually be realized sometime in the future. Also, we provide for a reserve for items when a greater than 50% probability exists that a tax deduction taken would be disallowed under examination by the taxing authority. No material valuation allowances have been recognized in our financial statements.

At June 2, 2006, we have undistributed earnings of foreign subsidiaries of approximately $13.4 million which have been provided for in our income tax provision as the earnings are not considered permanently invested outside of the United States. If the earnings were repatriated to the United States, the earnings will be subject to United States taxation at that time. The amount of deferred tax liability recognized associated with

the undistributed earnings was approximately $3.2 million at June 2, 2006, representing the approximate excess of the United States tax liability over the creditable foreign taxes paid that would result from a full remittance of undistributed earnings.

We receive a United States income tax benefit upon the exercise of the majority of our employee stock options. The benefit is equal to the difference between the fair market value of the stock at the time of the exercise and the option price, times the approximate tax rate. We record the benefit associated with the exercise of employee stock options as a reduction to current income taxes payable and a credit directly to shareholders' equity in our consolidated balance sheets.

RECENT ACCOUNTING PRONOUNCEMENTS

See note 1 to our consolidated financial statements included in this report for a description of recent accounting pronouncements.

SEASONALITY

Although our various product lines are sold on a year-round basis, the demand for specific products or styles may be highly seasonal. For example, the demand for golf and Tommy Bahama products is higher in the spring and summer seasons. Products are sold prior to each of the retail selling seasons, including spring, summer, fall and holiday. As the timing of product shipments and other events affecting the retail business may vary, results for any particular quarter may not be indicative of results for the full year. The percentage of net sales from continuing operations by quarter for fiscal 2006 was 24%, 25%, 25% and 26%, respectively, and the percentage of operating income by quarter for fiscal 2006 was 25%, 22%, 23% and 30%, respectively, which may not be indicative of the distribution in future years.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

Interest Rate Risk

We are exposed to market risk from changes in interest rates on our indebtedness, which could impact our financial condition and results of operations in future periods. Our objective is to limit the impact of interest rate changes on earnings and cash flow, primarily through a mix of fixed and variable rate debt. This assessment also considers our need for flexibility in our borrowing arrangements resulting from the seasonality of our business, among other factors. We continuously monitor interest rates to consider the sources and terms of our borrowing facilities in order to determine whether we have achieved our interest rate management objectives.

As of June 2, 2006, approximately $1.0 million of debt outstanding (or 0.5% of our total debt) was subject to variable interest rates, with a weighted average rate of approximately 7.8%. Our average variable rate borrowings for fiscal 2006 were $97.5 million, with an average interest rate of 6.3% during the period. Our lines of credit are based on variable interest rates in order to take advantage of the lower rates available in the current interest rate environment and to provide the necessary borrowing flexibility required. To the extent that the amounts outstanding under our variable rate lines of credit change, our exposure to changes in interest rates would also change. If our average interest rate for fiscal 2006 increased by 100 basis points, our interest expense would have been approximately $0.6 million higher during the fiscal year. Due to the disposition of our Womenswear Group operations on June 2, 2006, we anticipate having lower levels of debt in future periods than we had during the course of fiscal 2006, unless we acquire additional businesses.

At June 2, 2006, we had approximately $199.2 million of fixed rate debt and capital lease obligations outstanding with substantially all the debt, consisting of our Senior Unsecured Notes, having an effective interest rate of 9.0% and maturing in June 2011. Such agreements may result in higher interest expense than could be obtained under variable interest rate arrangements in certain periods, but are primarily intended to provide long-term financing of our capital structure and minimize our exposure to increases in interest rates. A change in the market interest rate impacts the fair value of our fixed rate debt but has no impact on interest incurred or cash flows.

None of our debt was entered into for speculative purposes. We generally do not engage in hedging activities with respect to our interest rate risk and do not enter into such transactions on a speculative basis.

Trade Policy Risk

Pursuant to the 1994 Agreement on Textiles and Clothing, quotas among World Trade Organization, or WTO, member countries, including the United States, were eliminated on January 1, 2005. As a result, the international textile and apparel trade is undergoing a significant realignment which is changing our sourcing patterns, could disrupt our supply chain and could put us at a disadvantage to our competitors.

In addition, notwithstanding quota elimination, under the terms of China's WTO accession agreement, the United States and other WTO members may re-impose quotas on specific categories of products in the event it is determined that imports from China have surged or may surge and are threatening to create a market disruption for such categories of products (so called "safeguard quota"). Pursuant to this authority, both the United States and the European Union re-imposed quotas on several important product categories from China during calendar 2005. Subsequent to the imposition of safeguard quotas, both the United States and China negotiated bilateral quota agreements that cover a number of important product categories and will remain in place until December 31, 2008 in the case of the U.S.-China bilateral agreement and until December 31, 2007 in the case of the European Union-China bilateral agreement. The establishment of these quotas could cause disruption in our supply chain.

Furthermore, under long-standing statutory authority applicable to imported goods in general, the United States may unilaterally impose additional duties: (i) when imported merchandise is sold at less than fair value and causes material injury, or threatens to cause material injury, to the domestic industry producing a comparable product (generally known as "anti-dumping" duties); or (ii) when foreign producers receive certain types of governmental subsidies, and when the importation of their subsidized goods causes material injury, or threatens to cause material injury, to the domestic industry producing a comparable product (generally known as "countervailing" duties). The imposition of anti-dumping or countervailing duties on products we import would increase the cost of those products to us. We may not be able to pass on any such cost increase to our customers.

Foreign Currency Risk

To the extent that we have assets and liabilities, as well as operations, denominated in foreign currencies that are not hedged, we are subject to foreign currency transaction gains and losses. We view our foreign investments as long-term and as a result we generally do not hedge such foreign investments. We do not hold or issue any derivative financial instruments related to foreign currency exposure for speculative purposes.

We receive United States dollars for most of our product sales. Less than 15% of our net sales during fiscal 2006 were denominated in currencies other than the United States dollar. These sales primarily relate to Ben Sherman sales in the United Kingdom and Europe and sales of certain products in Canada. With the United States dollar trading at a weaker position than it has historically traded versus the pound sterling and the Canadian dollar, a strengthening United States dollar could result in lower levels of sales and earnings in our consolidated statements of earnings in future periods, although the sales in foreign currencies could be equal to or greater than amounts as previously reported. Based on our fiscal 2006 sales denominated in foreign currencies, if the dollar had strengthened by 5% in fiscal 2006, we would have experienced a decrease in sales of approximately $6.5 million.

Substantially all of our inventory purchases from contract manufacturers throughout the world are denominated in United States dollars. Purchase prices for our products may be impacted by fluctuations in the exchange rate between the United States dollar and the local currencies, such as the Chinese Yuan, of the contract manufacturers, which may have the effect of increasing our cost of goods sold in the future. Due to the number of currencies involved and the fact that not all foreign currencies react in the same manner against the United States dollar, we cannot quantify in any meaningful way the potential effect of such fluctuations on future costs. However, we do not believe that exchange rate fluctuations will have a material impact on our inventory costs in future periods.

We may from time to time purchase short-term foreign currency forward exchange contracts to hedge against changes in foreign currency exchange rates, but at June 2, 2006, we have not entered into any such agreements that have not been settled. When such contracts are outstanding, the contracts are marked to market with the offset being recognized in our consolidated statement of earnings or other comprehensive income if the transaction does not or does, respectively, qualify as a hedge in accordance with accounting principles generally accepted in the United States.

Commodity and Inflation Risk

We are affected by inflation and changing prices primarily through the purchase of raw materials and finished goods and increased operating costs to the extent that any such fluctuations are not reflected by adjustments in the selling prices of our products. Also, in recent years, there has been deflationary pressure on selling prices in our private label businesses. While we have been successful to some extent in offsetting such deflationary pressures through product improvements and lower costs, if deflationary price trends outpace our ability to obtain further price reductions, our profitability may be adversely affected. Inflation/deflation risks are managed by each business unit through selective price increases when possible, productivity improvements and cost containment initiatives. We do not enter into significant long-term sales or purchase contracts and we do not engage in hedging activities with respect to such risk.

Item 8. ***Financial Statements and Supplementary Data***

OXFORD INDUSTRIES, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except
per shares amounts)

	June 2, 2006	June 3, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 10,479	$ 6,499
Receivables, net	142,297	145,897
Inventories	123,594	145,869
Prepaid expenses	21,996	20,403
Current assets related to discontinued operations, net	59,215	74,727
Total current assets	357,581	393,395
Property, plant and equipment, net	73,663	64,194
Goodwill, net	199,232	184,571
Intangible assets, net	234,453	234,854
Other non-current assets, net	20,666	24,010
Non-current assets related to discontinued operations, net	—	4,853
Total Assets	$ 885,595	$ 905,877
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Trade accounts payable and other accrued expenses	$ 105,038	$ 122,339
Accrued compensation	26,754	29,758
Additional acquisition cost payable	11,897	25,754
Dividends payable	2,646	2,278
Income taxes payable	3,138	13,053
Short-term debt and current maturities of long-term debt	130	3,394
Current liabilities related to discontinued operations	30,716	15,873
Total current liabilities	180,319	212,449
Long-term debt, less current maturities	200,023	289,076
Other non-current liabilities	29,979	23,562
Deferred income taxes	76,573	77,242
Non-current liabilities related to discontinued operations	—	47
Commitments and contingencies		
Shareholders' Equity:		
Preferred stock, $1.00 par value; 30,000 authorized and none issued and outstanding at June 2, 2006 and June 3, 2005	—	—
Common stock, $1.00 par value; 60,000 authorized and 17,646 issued and outstanding at June 2, 2006; and 16,884 issued and outstanding at June 3, 2005	17,646	16,884
Additional paid-in capital	74,812	45,918
Retained earnings	300,973	240,401
Accumulated other comprehensive income	5,270	298
Total shareholders' equity	398,701	303,501
Total Liabilities and Shareholders' Equity	$ 885,595	$ 905,877

See accompanying notes.

OXFORD INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share amounts)

	Fiscal 2006	Fiscal 2005	Fiscal 2004
Net sales	$1,109,116	$1,056,787	$818,687
Cost of goods sold	677,429	653,538	515,481
Gross profit	431,687	403,249	303,206
Selling, general and administrative	339,073	314,413	228,293
Amortization of intangible assets	7,642	8,622	6,670
	346,715	323,035	234,963
Royalties and other operating income	13,144	12,060	5,114
Operating income	98,116	92,274	73,357
Interest expense, net	23,971	26,146	23,530
Earnings before income taxes	74,145	66,128	49,827
Income taxes	22,944	22,177	18,363
Earnings from continuing operations	51,201	43,951	31,464
Gain on sale of discontinued operations, net of taxes	10,378	—	—
Earnings from discontinued operations, net of taxes	8,892	5,876	8,252
Earnings from gain on sale and discontinued operations, net of taxes	19,270	5,876	8,252
Net earnings	$ 70,471	$ 49,827	$ 39,716
Earnings from continuing operations per common share:			
Basic	$ 2.93	$ 2.62	$ 1.95
Diluted	$ 2.88	$ 2.53	$ 1.88
Earnings from discontinued operations per common share:			
Basic	$ 1.10	$ 0.35	$ 0.51
Diluted	$ 1.08	$ 0.34	$ 0.49
Net earnings per common share:			
Basic	$ 4.03	$ 2.97	$ 2.47
Diluted	$ 3.96	$ 2.87	$ 2.38
Weighted average common shares outstanding:			
Basic	17,492	16,788	16,100
Dilutive impact of stock options, earn-out shares and unvested restricted shares	289	562	599
Diluted	17,781	17,350	16,699
Dividends per common share	$0.57	$0.51	$0.45

See accompanying notes.

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OXFORD INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, May 30, 2003	$15,044	$ 7,237	$167,084	—	$189,365
Net earnings	—	—	39,716	—	39,716
Shares issued under stock plans, net of tax benefit	395	7,212	(426)	—	7,181
Stock issued for acquisition	776	9,224	—	—	10,000
Cash dividends	—	—	(7,285)	—	(7,285)
Balance, May 28, 2004	$16,215	$ 23,673	$199,089	—	$238,977
Comprehensive income:					—
Net earnings	—	—	49,827	—	49,827
Unrealized gain on foreign currency translation	—	—	—	298	298
Total comprehensive income					50,125
Shares issued under stock plans, net of tax benefit	184	3,879	—	—	4,063
Compensation expense for stock awards	—	970	—	—	970
Stock issued for acquisition	485	17,396	—	—	17,881
Cash dividends	—	—	(8,515)	—	(8,515)
Balance, June 3, 2005	$16,884	$ 45,918	$240,401	$ 298	$303,501
Comprehensive income:					
Net earnings	—	—	70,471	—	70,471
Unrealized gain on foreign currency translation	—	—	—	4,972	4,972
Total comprehensive income					75,443
Shares issued under stock plans, net of tax benefit	277	5,889	—	—	6,166
Compensation expense for stock awards	—	3,231	—	—	3,231
Stock issued for acquisition	485	19,774	—	—	20,259
Cash dividends	—	—	(9,899)	—	(9,899)
Balance, June 2, 2006	$17,646	$ 74,812	$300,973	$ 5,270	$398,701

See accompanying notes.

OXFORD INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal 2006	Fiscal 2005	Fiscal 2004
Cash Flows From Operating Activities:			
Earnings from continuing operations	$ 51,201	$ 43,951	$ 31,464
Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities:			
Depreciation	15,092	13,321	11,301
Amortization of intangible assets	7,642	8,622	6,670
Amortization of deferred financing costs and bond discount	2,462	4,439	2,655
Stock compensation expense	1,292	907	—
Loss (gain) on sale of property, plant and equipment	248	(95)	(639)
Equity loss (income)	475	(479)	(321)
Deferred income taxes	(2,847)	(5,014)	(2,599)
Stock option income tax benefit	2,189	1,566	1,895
Changes in working capital:			
Receivables	3,689	(5,412)	(30,161)
Inventories	22,751	(32,025)	20,354
Prepaid expenses	(119)	(1,487)	1,978
Current liabilities	(27,716)	5,104	10,724
Investment in deferred compensation plan	(654)	(1,004)	(1,842)
Other non-current assets	(1,147)	(3,606)	(5,171)
Other non-current liabilities	6,397	12,455	5,500
Net cash provided by operating activities	80,955	41,243	51,808
Cash Flows From Investing Activities:			
Acquisitions, net of cash acquired	(11,501)	(143,727)	(222,737)
Contribution to joint venture investment	(431)	—	—
Distribution from joint venture investment	2,026	—	—
Decrease in restricted cash in escrow	—	—	204,986
Purchases of property, plant and equipment	(24,953)	(23,407)	(14,073)
Proceeds from sale of property, plant and equipment	265	430	1,255
Net cash used in investing activities	(34,594)	(166,704)	(30,569)
Cash Flows From Financing Activities:			
Repayment of financing arrangements	(461,326)	(542,473)	(135,555)
Proceeds from financing arrangements	368,883	624,921	135,345
Deferred financing costs paid	—	(2,766)	(7,416)
Proceeds from issuance of common stock	3,976	2,501	5,286
Dividends on common stock	(9,531)	(8,184)	(6,918)
Net cash (used in) provided by financing activities	(97,998)	73,999	(9,258)
Cash Flows From Discontinued Operations:			
Net operating cash flows provided by discontinued operations	20,417	10,360	11,147
Net investing cash flows (provided by) used in discontinued operations	35,403	(71)	350
Net financing cash flows used in discontinued operations	—	(60)	—
Net cash provided by discontinued operations	55,820	10,229	11,497
Net change in cash and cash equivalents	4,183	(41,233)	23,478
Effect of foreign currency translation on cash and cash equivalents	(203)	163	—
Cash and cash equivalents at the beginning of year	6,499	47,569	24,091
Cash and cash equivalents at the end of year	$ 10,479	$ 6,499	$ 47,569
Supplemental disclosure of non-cash investing and financing activities:			
Accrual for additional acquisition cost	$ 11,897	$ 25,754	$ 22,779
Supplemental disclosure of cash flow information:			
Cash paid for interest, net	$ 26,250	$ 33,531	$ 13,124
Cash paid for income taxes	$ 38,509	$ 21,196	$ 22,461

See accompanying notes.

OXFORD INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 2, 2006

Note 1. Summary of Significant Accounting Policies

Principal Business Activity

Oxford Industries, Inc. was founded in 1942. We are a producer and marketer of branded and private label apparel for men, women and children and an operator of retail stores and restaurants. We provide retailers and consumers with a wide variety of apparel products and services to suit their individual needs.

Fiscal Year

We operate and report our results of operations using a 52/53 week fiscal year ending on the Friday nearest May 31. As used in these financial statements, fiscal 2006, fiscal 2005 and fiscal 2004 refer to our fiscal years ended on June 2, 2006, June 3, 2005 and May 28, 2004, respectively. Fiscal 2005 includes operations for a 53-week period, whereas fiscal 2006 and 2004 each include operations for a 52-week period.

Principles of Consolidation

Our consolidated financial statements include the accounts of Oxford Industries, Inc. and any other entities in which we have a controlling financial interest, including our wholly owned domestic and foreign subsidiaries, or entities that meet the definition of a variable interest entity, of which we are deemed to be the primary beneficiary. In determining whether a controlling financial interest exists, we consider ownership of voting interests, as well as other rights of the investors. The results of operations of acquired businesses are included in our consolidated statements of earnings from the respective dates of the acquisitions. All significant intercompany accounts and transactions are eliminated in consolidation.

We account for investments in joint ventures in which we exercise significant influence, but do not control and have not been determined to be the primary beneficiary, using the equity method of accounting. Under the equity method of accounting, original investments are recorded at cost, and are subsequently adjusted for our contributions, distributions and share of income or losses of the joint ventures. Allocations of income and loss and distributions by the joint ventures are made in accordance with the terms of the individual joint venture agreements. Our investment in joint ventures accounted for under the equity method are included in other assets, net in our consolidated balance sheets and the related income (loss) is included in royalties and other operating income in our consolidated statements of earnings. Our total investment in joint ventures as of June 2, 2006 and June 3, 2005 was $0.8 million and $2.6 million, respectively. During the first quarter of fiscal 2006, Paradise Shoe Company, LLC ("Paradise Shoe") sold substantially all of its assets and distributed substantially all of the proceeds to its investors resulting in a $0.5 million gain for us, which is included in royalties and other operating income in our consolidated statements of earnings. During the three years presented, we accounted for the following investments using the equity method.

Joint Venture	Ownership Interest
Oxford Sainty Garment Manufacturing Limited ("JOS")	49%
Paradise Shoe	50%

Revenue Recognition and Accounts Receivable

Our revenue consists of wholesale, retail store and restaurant sales and royalties. We consider revenue realized or realizable and earned when the following criteria are met: (1) persuasive evidence of an agreement exists, (2) delivery has occurred, (3) our price to the buyer is fixed and determinable, and (4) collectibility is reasonably assured.

For sales within our wholesale operations, we consider a completed purchase order or some form of electronic communication from the customer requesting the goods persuasive evidence of an agreement. For

substantially all our wholesale sales, our products are considered sold and delivered at the time that the products are shipped as substantially all products are sold based on FOB shipping point terms. This generally coincides with the time that title passes and the risks and rewards of ownership have passed to the customer. For certain transactions in which the goods do not pass through our distribution centers and title and the risks and rewards of ownership pass at the time the goods leave the foreign port, revenue is recognized at that time. In certain cases in which we retain the risk of loss during shipment, revenue recognition does not occur until the goods have reached the specified customer. Retail store revenue, net of estimated returns, and restaurant revenues are recorded at the time of sale to consumers. Retail store and restaurant revenues are recorded net of applicable sales taxes in our consolidated statements of earnings.

In the normal course of business we offer certain discounts or allowances to our wholesale customers. Wholesale operations' sales are recorded net of such discounts, allowances, advertising support not specifically relating to the reimbursement for actual advertising expenses by our customers and provisions for estimated returns. As certain allowances and other deductions are not finalized until the end of a season, program or other event which may not have occurred yet, we estimate such discounts and allowances on an ongoing basis considering historical and current trends, projected seasonal results and other factors. We record the discounts, returns and allowances as a reduction to net sales in our consolidated statements of earnings. As of June 2, 2006 and June 3, 2005, reserve balances for these items were $17.3 million and $16.3 million, respectively.

In circumstances where we become aware of a specific customer's inability to meet its financial obligations, a specific reserve for bad debts is taken as a reduction to accounts receivable to reduce the net recognized receivable to the amount reasonably expected to be collected. Such amounts are written off at the time that the amounts are not considered collectible. For all other customers, we recognize reserves for bad debts and uncollectible chargebacks based on our historical collection experience, the financial condition of our customers, an evaluation of current economic conditions and anticipated trends. We record such charges and write-offs to selling, general and administrative expenses in our consolidated statements of earnings. As of June 2, 2006 and June 3, 2005, bad debt reserve balances were $3.4 million and $3.6 million, respectively.

Royalties, which are generally based on a percentage of the licensee's actual net sales or minimum net sales, are recorded based upon contractually guaranteed minimum levels and adjusted as sales data is received from licensees. We may receive initial payments for the grant of license rights, which are recognized as revenue over the term of the license agreement. Royalties were $13.4 million, $11.5 million and $4.7 million during fiscal 2006, 2005 and 2004, respectively. Such income is included in royalties and other income in our consolidated statements of earnings.

Cost of Goods Sold

We include in cost of goods sold all manufacturing, sourcing and procurement costs and expenses incurred prior to or in association with the receipt of finished goods at our distribution facilities. These costs principally include product cost, inbound freight charges, import costs, purchasing costs, internal transfer costs, direct labor, manufacturing overhead, insurance, duties, brokers' fees and consolidators' fees. For retail operations, in-bound freight from our warehouse to our own retail stores is also included.

Our gross margins may not be directly comparable to those of our competitors, as statement of earnings classifications of certain expenses may vary by company.

Selling, General and Administrative Expenses

We include in selling, general and administrative expenses, costs incurred subsequent to the receipt of finished goods at our distribution facilities, such as the cost of inspection, stocking, warehousing, picking and

packing, and shipping and handling of goods for delivery to customers. Selling, general and administrative expenses also include product design costs, selling costs, royalty costs, advertising, promotion and marketing expenses, professional fees, other general and administrative expenses and our corporate overhead costs. Additionally, all costs associated with the operations of our retail stores and restaurants, such as labor and occupancy costs, are included in selling, general and administrative expenses.

Distribution network costs, including shipping and handling, are included as a component of selling, general and administrative expenses. In fiscal 2006, 2005 and 2004, distribution network costs, including shipping and handling, related to continuing operations, included in selling, general and administrative expenses totaled approximately $28.9 million, $28.3 million and $18.3 million, respectively. We generally classify amounts billed to customers for shipping and handling fees as revenues and classify costs related to shipping in selling, general and administrative expenses in our consolidated statements of earnings.

All costs associated with advertising, promoting and marketing of our products are expensed during the periods when the advertisement first shows. Costs associated with cooperative advertising programs under which we agree to make general contributions to the customers' advertising and promotional funds are recorded as a reduction to net sales as recognized. If we negotiate an advertising plan and share in the cost for an advertising plan that is for specific ads run to market specific products purchased by the customer from us, and the customer is required to provide proof that the advertisement was run, such costs are recognized as selling, general and administrative. Advertising, promotions and marketing expenses related to continuing operations included in selling, general and administrative expense in fiscal 2006, 2005 and 2004 were $26.4 million, $26.9 million and $14.9 million, respectively. Prepaid advertising, promotions and marketing expenses related to continuing operations included in prepaid expenses in our consolidated balance sheets as of June 2, 2006 and June 3, 2005 were $1.4 million and $0.9 million, respectively.

Royalty expenses related to continuing operations recognized as selling, general and administrative expense in fiscal 2006, 2005 and 2004 were $10.4 million, $9.2 million and $9.2 million, respectively. Such amounts are dependent upon sales of our products which we sell pursuant to the terms of a license agreement with another party.

Cash and Cash Equivalents

We consider cash equivalents to be short-term investments with original maturities of three months or less for purposes of our consolidated statements of cash flows. Restricted cash in our consolidated statements of cash flows refers to cash deposits held in escrow received from our senior notes offering completed in fiscal 2003, the proceeds of which were restricted and could only be used to complete the acquisition of the Tommy Bahama Group which occurred in the first quarter of fiscal 2004. Restricted cash is not considered a cash equivalent for purposes of our consolidated statements of cash flows.

Inventories

For segment reporting, inventory is carried at the lower of FIFO cost or market with all adjustments being charged to operations in the period in which the facts giving rise to the adjustments become known. We continually evaluate the composition of our inventories for identification of distressed inventory. For wholesale inventory, we estimate the amount of goods that we will not be able to sell in the normal course of business and write down the value of these goods. For retail inventory, we provide an allowance for shrinkage and goods expected to be sold below cost. Each of these estimates are based on our historical experience as well as an assessment of the inventory quantity, quality and mix, consumer and retailer preferences and the current market conditions.

For consolidated financial reporting, significant portions of our inventories are valued at the lower of LIFO cost or market. LIFO inventory calculations are made on a legal entity basis which does not correspond

to our segment definitions. Therefore, LIFO inventory accounting adjustments are not allocated to the respective operating segments. As part of LIFO accounting, markdowns for inventory valued at LIFO cost are deferred until the period in which the goods are sold. However, in non-routine circumstances, such as discontinuance of a product line, markdowns below the allocated LIFO reserve are not deferred. Both the LIFO reserve and the markdown deferral are reflected in our corporate and other financial information in note 13.

During fiscal 2006, we adopted Financial Accounting Standards Board, or FASB, Statement No. 151 “Inventory Costs, an Amendment of ARB No. 43 Chapter 4” (“FAS 151”). FAS 151 requires that items such as idle facility expense, excessive spoilage, double freight, and re-handling be recognized as current-period charges rather than being included in inventory regardless of whether the costs meet the criterion of abnormal as defined in ARB No. 43. The adoption of FAS 151 did not have a material impact upon adoption.

Property, Plant and Equipment, net

Property, plant and equipment, including any assets under capital leases and our assets paid for by landlords as a tenant improvement allowance, is carried at cost less accumulated depreciation. Additions are capitalized while repair and maintenance costs are charged to operations as incurred. Depreciation is calculated using both straight-line and accelerated methods generally over the estimated useful lives of the assets as follows:

Buildings and improvements	7 - 50 years
Machinery and equipment	2 - 15 years
Leasehold improvements	Lesser of remaining life of the asset or lease term

Property, plant and equipment is reviewed periodically for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. If expected future undiscounted cash flows from operations are less than their carrying amounts, an asset is determined to be impaired and a loss is recorded for the amount by which the carrying value of the asset exceeds its fair value. During fiscal 2006, 2005 and 2004, we did not recognize any material impairment charges for property, plant and equipment.

Goodwill, net

Goodwill is recognized as the amount that the cost to acquire a company or group of assets exceeds the fair value of assets acquired less any liabilities assumed at acquisition. Such goodwill is allocated to the respective reporting unit at the time of acquisition. Goodwill is not amortized but instead evaluated for impairment annually or more frequently if events or circumstances indicate that the goodwill might be impaired. The evaluation of the recoverability of goodwill includes valuations of each applicable underlying business using fair value techniques and market comparables which may include a discounted cash flow analysis or an independent appraisal. If this analysis indicates an impairment of goodwill balances, the impairment is recognized in the consolidated financial statements.

In fiscal 2006 and 2005, we tested goodwill for impairment as of the first day of the fourth quarter, which coincides with the timing of our annual budgeting process, which is used in estimating future cash flows for the analysis. In fiscal 2004, we tested for impairment on the last day of the first quarter. No impairment of goodwill was identified during fiscal 2006, 2005 or 2004.

Intangible Assets, net

At acquisition, we estimate and record the fair value of purchased intangible assets, which primarily consist of trademarks and trade names, license agreements and customer relationships. The fair values of these intangible assets are estimated based on management’s assessment as well as independent third party appraisals

in some cases. Such valuation may include a discounted cash flow analysis of anticipated revenues or cost savings resulting from the acquired intangible asset.

Amortization of intangible assets with finite lives, which consist of license agreements, customer relationships and covenants not to compete, is recognized over their estimated useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized. Asset lives used for our intangible assets range from 0 to 15 years. Intangible assets with finite lives are reviewed for impairment periodically if events or changes in circumstances indicate that the carrying amount may not be recoverable. If expected future undiscounted cash flows from operations are less than their carrying amounts, an asset is determined to be impaired and a loss is recorded for the amount by which the carrying value of the asset exceeds its fair value. No impairment charges for intangible assets with finite lives related to continuing operations were recognized during fiscal 2006, 2005 or 2004.

Trademarks and other intangible assets with indefinite lives are not amortized but instead evaluated for impairment annually or more frequently if events or circumstances indicate that the intangible asset might be impaired. The evaluation of the recoverability of intangible assets with indefinite lives includes valuations based on a discounted cash flow analysis. The fair values of trademarks are estimated on an annual basis utilizing the relief from royalty method. If this analysis indicates an impairment of an intangible asset with an indefinite useful life, the amount of the impairment is recognized in the consolidated financial statements.

In fiscal 2006 and 2005, we tested intangible assets with indefinite lives for impairment as of the first day of the fourth quarter, which coincides with the timing of our annual budgeting process, which is used in estimating future cash flows for the analysis. In fiscal 2004, we tested for impairment on the last day of the first quarter. No impairment of intangible assets with indefinite lives was identified during fiscal 2006, 2005 or 2004.

Prepaid Expenses and Other Non-Current Assets, net

Amounts included in prepaid expenses primarily consist of prepaid operating expenses including rent, taxes, insurance and royalties. Other non-current assets primarily consist of investments in joint ventures which are accounted for on the equity method, deferred financing costs and investments related to our deferred compensation plans.

Deferred financing costs are amortized on a straight line basis, which approximates an effective interest method over the life of the related debt. Amortization expense for deferred financing costs, which is included in interest expense in the consolidated statements of earnings was $2.3 million, $4.3 million and $2.5 million during fiscal 2006, 2005 and 2004, respectively. In fiscal 2005, approximately $1.8 million of unamortized deferred financing costs were written off as a result of an amendment to certain of our financing arrangements and were included in the amortization expense amount above. Unamortized deferred financing costs totaled approximately $8.9 million and $11.1 million at June 2, 2006 and June 3, 2005, respectively.

Deferred license fees are amortized over the life of the related license agreement.

Investments held for our deferred compensation plans, consist of marketable securities and insurance contracts. These securities approximate the participant-directed investment selections underlying the deferred compensation liabilities. These investments, which are held in an irrevocable trust, are recorded at fair value based on quoted prices in an active market or based on valuations of insurance carriers. Realized and unrealized gains and losses on these investments are recorded in our consolidated statements of earnings and substantially offset the changes in deferred compensation liabilities to participants resulting from changes in market values. The fair values of these investments as of June 2, 2006 and June 3, 2005 were $8.5 million and $7.6 million, respectively.

Trade Accounts Payable, Accrued Compensation and Other Accrued Expenses

Liabilities for trade accounts payable, accrued compensation and other accrued expenses are carried at cost which is the fair value of the consideration expected to be paid in the future for goods and services received whether or not billed to us. Accruals for employee insurance and workers compensation, which are included in accounts payable and other accrued expenses in our consolidated balance sheets, include estimated settlements for known claims, as well as accruals for estimates of incurred but not reported claims based on our claims experience and statistical trends.

We are subject to certain claims and assessments related to legal, environmental or tax items in the ordinary course of business. For those matters where it is probable that we have incurred a loss and the loss, or range of loss, can be reasonably estimated, we have recorded reserves in the consolidated financial statements. In other instances, because of the uncertainties related to both the probable outcome and amount or range of loss, we are unable to make a reasonable estimate of a liability, if any, and therefore have not recorded a reserve. As additional information becomes available, we adjust our assessment and estimates of such liabilities accordingly.

Dividends

Dividends are accrued at the time that the dividend is declared by our board of directors.

Other Comprehensive Income

Other comprehensive income includes all changes in equity from non-owner sources such as foreign currency translation adjustments. No other items were recorded in other comprehensive income during fiscal 2006, 2005 or 2004.

Foreign Currency Translation

Assets and liabilities denominated in amounts other than the functional currency are remeasured into the functional currency at the rate of exchange in effect on the balance sheet date and income and expenses are remeasured at the average rates of exchange prevailing during the reporting period. The impact of any such remeasurement is recognized in our consolidated statements of earnings in the respective period. These gains and losses were immaterial for fiscal 2006, 2005 and 2004. The financial statements of our subsidiaries for which the functional currency is a currency other than the United States dollar are translated into United States dollars at the rate of exchange in effect on the balance sheet date for the balance sheet and at the average rates of exchange prevailing during the period for the statements of earnings. The impact of such translation is recognized in accumulated other comprehensive income in our consolidated balance sheets.

Forward Foreign Exchange Contracts

We are exposed to foreign exchange risk when we purchase or sell goods in foreign currencies. We may enter into short-term forward foreign exchange contracts in the ordinary course of business to mitigate the risk associated with foreign exchange rate fluctuations related to purchases of inventory by certain of our foreign subsidiaries. To date our forward foreign exchange contracts have not been designated as hedges for accounting purposes, thus the changes in fair value of the derivative instruments are included in net earnings. Such contracts have not been entered into for speculative purposes. Unrealized gains and losses on outstanding foreign currency exchange contracts used to mitigate currency risk on future purchases are included in earnings as a component of selling, general and administrative expenses in our consolidated statements of earnings and recognized as an asset or liability in our consolidated balance sheets. Fair values for such contracts are generally obtained from counter parties. Although we did have forward foreign exchange

contracts outstanding at times during fiscal 2006 and 2005, as of June 2, 2006 and June 3, 2005, we did not have any forward foreign exchange contracts outstanding.

Fair Value of Financial Instruments

Our financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. Given their short-term nature, the carrying amounts of cash and cash equivalents, receivables and accounts payable approximate their fair values. The carrying amounts of our variable rate borrowings approximate their fair value as the interest rate changes with the market rate. The fair value of our fixed rate debt is approximately $206.3 million as of June 2, 2006 based on discounted cash flow assessment of the required principal and interest payments.

Concentration of Credit Risk and Significant Customers

Our financial instruments that are exposed to concentrations of credit risk consist primarily of accounts receivable, for which the total exposure is limited to the amount recognized in our consolidated balance sheets. We sell our merchandise in all major retail distribution channels across the United States as well as some distribution channels in other countries. We extend and continuously monitor credit based on an evaluation of the customer’s financial condition and credit history and generally require no collateral. Credit risk is impacted by conditions or occurrences within the economy and the retail industry and is principally dependent on each customer’s financial condition. Additionally, a decision by the controlling owner of a group of stores or any significant customer to decrease the amount of merchandise purchased from us or to cease carrying our products could have a material adverse effect on our results of operations in future periods. No customer accounted for greater than 10% of our net sales from continuing operations during fiscal 2006, 2005 or 2004 or 10% of our receivables from continuing operations as of June 2, 2006.

In fiscal 2006, one customer represented 12% of our Menswear Group sales and one customer represented 16% of our Tommy Bahama Group sales. In fiscal 2005, one customer represented 15% of our Menswear Group sales and one customer represented 17% of our Tommy Bahama Group sales. In fiscal 2004, two customers represented 19% and 11% of our Menswear Group sales and one customer represented 16% of our Tommy Bahama Group sales.

Leases

In the ordinary course of business we enter into lease agreements for retail, office and warehouse/distribution space as well as leases for certain plant and equipment. The leases have varying terms and expirations and frequently have provisions to extend, renew or terminate the lease agreement, among other terms and conditions, as negotiated. We assess the lease at inception and determine whether the lease qualifies as a capital or operating lease. Assets leased under capital leases and the related liabilities are included in our consolidated balance sheets in property, plant and equipment and short-term and long-term debt, respectively. Assets leased under operating leases are not recognized as assets and liabilities in our consolidated balance sheets.

When a non-cancelable operating lease includes any fixed escalation clauses and lease incentives for rent holidays or build-out contributions, rent expense is recognized on a straight-line basis over the initial term of the lease from the date that we take possession of the space. The excess between the average rental amount and amounts currently payable under the lease is recorded in other non-current liabilities on our consolidated balance sheets. Deferred rent as of June 2, 2006 and June 3, 2005 was approximately $16.0 million and $10.8 million, respectively. Contingent rents, including those based on a percentage of retail sales over stated levels, and rental payment increases based on a contingent future event are recognized as the expense is incurred.

Income Taxes

We recognize deferred tax liabilities and assets based on the difference between the financial and tax bases of assets and liabilities using enacted tax rates expected to apply to taxable income in the period in which such amounts are expected to be realized or settled. Our policy is to recognize net deferred tax assets, whose realization is dependent on taxable earnings in future years, when a greater than 50 percent probability exists that the tax benefits will actually be realized sometime in the future. Also we provide for a reserve for items when a greater than 50 percent probability exists that a tax deduction taken would be disallowed under examination by the taxing authority. No material valuation allowances have been recognized in our financial statements.

At June 2, 2006 and June 3, 2005, we had undistributed earnings of foreign subsidiaries of approximately $13.4 million and $28 million which have been provided for in our income tax provision as the earnings are not considered permanently invested outside of the United States. If the earnings were repatriated to the United States, the earnings will be subject to United States taxation at that time. The amount of deferred tax liability recognized associated with the undistributed earnings as of June 2, 2006 and June 3, 2005 was approximately $3.2 million and $3 million, respectively, which represents the approximate excess of the United States tax liability over the creditable foreign taxes paid that would result from a full remittance of undistributed earnings.

We receive a United States income tax benefit upon the exercise of the majority of our employee stock options. The benefit is equal to the difference between the fair market value of the stock at the time of the exercise and the option price, times the approximate tax rate. We have recorded the benefit associated with the exercise of employee stock options as a reduction to income taxes payable and a credit directly to shareholders' equity in our consolidated balance sheets.

Discontinued Operations

On June 2, 2006, we sold the net assets and operations of our Womenswear Group (see note 3). The results of operations for this business have been reported as discontinued operations in our consolidated statements of earnings. The assets and liabilities related to these discontinued operations have been reclassified to current assets, non-current assets, current liabilities and non-current liabilities related to discontinued operations, as applicable.

The results of operations for this business allocated to discontinued operations were consistent with those results of operations previously reported as net sales, operating expenses and operating income for our Womenswear Group, except that approximately $1.9 million, $1.8 million and $2.1 million of corporate service costs for fiscal 2006, 2005 and 2004, respectively, that were previously allocated to our Womenswear Group were not classified as discontinued operations as we are not certain that such corporate costs will not continue.

With respect to interest expense, we have allocated interest expense to earnings from discontinued operations based on the net proceeds from the transaction as well as the proceeds from the settlement of the retained assets and liabilities related to the discontinued operations, substantially all of which are expected to be converted to cash during the first quarter of fiscal 2007. All proceeds from the transaction and the conversion of the retained assets will be used to repay debt on our U.S. Revolver (as defined in note 8). The income tax rate used for the tax effect of the discontinued operations is based on the domestic effective rate of Oxford Industries, Inc. as the assets and operations that were disposed of were primarily domestic operations of that entity and should not be impacted by rates in foreign jurisdictions or rates of other subsidiaries.

Stock-Based Compensation

We have stock-based employee compensation plans described more fully in note 10, which provide for the ability to grant stock options, restricted stock and other awards to our employees. We account for employee stock compensation plans using the intrinsic value method. No compensation expense is generally recognized related to stock options because the exercise price of our employee stock options equals the market price of the underlying stock on the date of the grant. To the extent that stock options are modified, which may result in a new measurement date and the recognition of compensation expense, such expense is included in selling, general and administrative expense in our consolidated statements of earnings.

Compensation expense, with a corresponding entry to additional paid-in capital, is recognized related to the issuance of restricted stock awards which are generally dependent upon us meeting certain performance measures in one year and the employee remaining employed by us for a specified time subsequent to the performance period. The amount of compensation expense recognized over the performance and vesting period is calculated as the market value of the shares granted on the date that the performance measures are met or when no performance measure is applicable, the market value on the grant date. The compensation expense is recognized on a straight-line basis over the performance period and required service period. To the extent that unvested stock awards are forfeited, the previously recognized expense is reversed.

The grant of stock awards resulted in $1.3 million and $0.9 million of compensation expense related to continuing operations in fiscal 2006 and 2005, respectively. No compensation expense related to stock awards was recognized in fiscal 2004. The stock compensation expense is primarily associated with our grants of restricted shares and modifications of certain stock options during the fiscal years.

Stock compensation expense of $1.9 million and $0.1 million was recognized in discontinued operations in fiscal 2006 and fiscal 2005, with no such expense recognized in fiscal 2004. This stock expense includes the expense related to the restricted stock awards granted to the Womenswear Group employees in fiscal 2006 and 2005 as well as the impact of the modification of those awards and the outstanding stock options owned by the employees of the Womenswear Group on the date of the disposition.

OXFORD INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The effect on continuing operations and net income of applying the fair value method of SFAS 123 to our stock option plans is demonstrated below (amounts in thousands, except per share amounts):

	Fiscal 2006	Fiscal 2005	Fiscal 2004
Net earnings from continuing operations, as reported	$ 51,201	$ 43,951	$ 31,464
Add: Total stock-based employee compensation expense recognized in continuing operations as determined under intrinsic value method for all awards, net of related tax effects	843	597	—
Deduct: Total stock-based employee compensation expense to be recognized in continuing operations determined under fair value based method for all awards, net of related tax effects	(1,520)	(1,331)	(549)
Pro forma earnings from continuing operations	$ 50,524	$ 43,217	$ 30,915
Basic earnings from continuing operations per common share as reported	$ 2.93	$ 2.62	$ 1.95
Pro forma basic earnings from continuing operations per common share	$ 2.89	$ 2.57	$ 1.92
Diluted earnings from continuing operations per common share as reported	$ 2.88	$ 2.53	$ 1.88
Pro forma diluted earnings from continuing operations per common share	$ 2.85	$ 2.52	$ 1.85
Net earnings as reported	$ 70,471	$ 49,827	$ 39,716
Add: Total stock-based employee compensation expense recognized net earnings as determined under intrinsic value method for all awards, net of related tax effects	2,079	639	—
Deduct: Total stock-based employee compensation expense to be recognized in net earnings determined under fair value based method for all awards, net of related tax effects	(2,854)	(1,486)	(664)
Pro forma net earnings	$ 69,696	$ 48,980	$ 39,052
Basic net earnings per common share as reported	$ 4.03	$ 2.97	$ 2.47
Pro forma basic net earnings per common share	$ 3.98	$ 2.92	$ 2.43
Diluted net earnings per common share as reported	$ 3.96	$ 2.87	$ 2.38
Pro forma diluted net earnings per common share	$ 3.93	$ 2.85	$ 2.34

Earnings Per Share

Basic earnings per share is based on the weighted average number of common shares outstanding during the period without any consideration for the impact of shares which are issuable upon the exercise of a stock option or unvested shares which are contingent upon an employee providing future services.

Diluted earnings per common share includes the effect of all stock options and unvested common shares outstanding during the period using the treasury stock method. The treasury stock method assumes that shares are issued for stock options and restricted shares that are “in the money,” and that we use the proceeds of such stock option exercises to repurchase shares at the average market value of our shares for the respective period. For purposes of the treasury stock method, proceeds consist of cash to be paid, future compensation expense to be recognized and the amount of tax benefits, if any, that will be credited to additional paid-in capital assuming exercise of the stock options and vesting of the unvested shares.

For purposes of calculating diluted earnings per share, shares issuable pursuant to any earn-out agreements and any performance based stock awards are included in the calculation as of the first day of the quarter in which the performance criteria is met. During fiscal 2005 and 2004, approximately 485,000 shares were included in the calculation as of the first day of the fourth quarter of the respective fiscal year, which is the period that the earn-out targets were met, although the shares were not issued until the next fiscal year. No shares related to the fiscal 2006 earn-out payment were included in the calculation of diluted shares outstanding as it is our intention to pay the earn-out in cash rather than common stock.

We effected a two-for-one stock split in the form of a 100% stock dividend, payable December 1, 2003, to shareholders of record on November 17, 2003. All share and per share data appearing in our consolidated financial statements and related notes reflect this stock split.

Seasonality

Although our various product lines are sold on a year-round basis, the demand for specific products or styles may be highly seasonal. For example, the demand for golf and Tommy Bahama products is higher in the spring and summer seasons. Products are sold prior to each of the retail selling seasons, including spring, summer, fall and holiday. As the timing of product shipments and other events affecting the retail business may vary, results for any particular quarter may not be indicative of results for the full year. The percentage of net sales from continuing operations by quarter for fiscal 2006 was 24%, 25%, 25% and 26%, respectively, and the percentage of operating income by quarter for fiscal 2006 was 25%, 22%, 23% and 30%, respectively, which may not be indicative of the distribution in future years.

Use of Estimates

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make certain estimates and assumptions that affect the amounts reported as assets, liabilities, revenues and expenses in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain amounts in our prior year consolidated financial statements have been reclassified to conform to the current year's presentation.

Recent Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." FAS No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. APB Opinion No. 20, "Accounting Changes," previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. We adopted FAS No. 154 in fiscal 2006. The adoption of FAS 154 did not have a material impact on our consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123 (Revised 2004), "Share-Based Payment: an Amendment of FASB Statements No. 123 and 95" ("FAS 123R"). FAS 123R is applicable for fiscal periods beginning after June 15, 2005. FAS 123R sets accounting requirements for "share-based" compensation to employees, requires companies to recognize, in the statement of earnings, the grant-date fair value of stock options and other equity-based compensation issued to employees and disallows the use of the intrinsic value method of accounting for stock-based compensation. The adoption of FAS 123R will not have any impact on our accounting for restricted stock grants; however, we estimate that the adoption of FAS 123R will result in

approximately $1.1 million of additional compensation expense recognized in continuing operations in fiscal 2007 related to unvested stock options and our employee stock purchase plan.

In July 2006, the FASB issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”). FIN 48 is applicable for fiscal years beginning after December 15, 2006 (fiscal 2008). FIN 48 utilizes a two-step approach for evaluating tax positions. Recognition occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement is only addressed if step one has been satisfied. The tax benefit is measured as the largest amount of benefit, determined on a cumulative probability basis that is more-likely-than-not to be realized upon ultimate settlement. Those tax positions failing to qualify for initial recognition are recognized in the first subsequent interim period they meet the more-likely-than-not standard, or are resolved through negotiation or litigation with the taxing authority, or upon expiration of the statute of limitations. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. FIN 48 also requires expanded disclosure requirements. We are currently evaluating the impact that FIN 48 will have on our results of operations upon adoption.

Note 2. Acquisitions

Fiscal 2006 Acquisitions

During fiscal 2006, we acquired certain trademarks including Solitude® and Arnold Brant®, and related working capital for a total purchase price of $5.9 million, of which approximately $3.7 million was recorded as indefinite lived trademarks, which are not amortized. Payment of additional contingent consideration payable in Canadian dollars, translated to $12.0 million as of June 2, 2006, is required in the event certain earnings measures are met in future periods. In connection with these acquisitions, we have also entered into certain arrangements which require that we pay a royalty fee or sales commission, generally based on a specified percentage of net sales in future periods, to the principal of the seller of these trademarks.

Fiscal 2005 Ben Sherman Acquisition

On July 30, 2004, we acquired 100% of the capital stock of Ben Sherman Limited (“Ben Sherman”), which we operate as part of our Menswear Group. Ben Sherman is a London-based designer, distributor and marketer of branded sportswear, accessories, and footwear. The purchase price for Ben Sherman was £80 million, or approximately $149 million, including associated transaction costs. The transaction was financed with cash on hand, borrowings from our U.S. Revolver and Seller Notes both as defined and described further in note 8 to our consolidated financial statements.

Fiscal 2004 Tommy Bahama Acquisition

On June 13, 2003, we acquired all of the capital stock of Viewpoint International, Inc. (“Tommy Bahama Group”), which we operate as the Tommy Bahama Group. The purchase price for the Tommy Bahama Group could be up to $328 million, consisting of $240 million in cash and $10 million in our common stock (0.8 million shares) at closing, approximately $3.4 million in transaction costs and up to $75 million in contingent payments, subject to the Tommy Bahama Group achieving certain performance targets. Such performance targets are based on earnings before interest and taxes after deduction of a capital charge based on net tangible assets. As of June 2, 2006, the contingent payments related to the first three years of the earn-out agreement have been earned in full. The selling shareholders may still earn up to $37.5 million of the contingent payments in fiscal 2007 if certain performance targets for that year and the cumulative four year period ending in fiscal 2007 are met.

Approximately 95% of the total value of the contingent payments to be paid to selling stockholders will be treated as additional purchase price and recorded as goodwill in our consolidated balance sheets. The remaining 5% of the total value of all consideration that becomes due and payable under the agreement has been designated to be paid toward an employee cash bonus plan to be distributed to employees of the Tommy Bahama Group under the terms of the plan. The contingent payments designated toward the employee cash bonus plan are charged to selling, general and administrative expense in our consolidated statements of earnings.

The Year 1 contingent payment was earned in full and was paid during fiscal 2005 in the form of approximately $6.2 million in cash and the remainder in our common stock valued at $12.88 per share for total consideration of approximately $24.6 million. The total payment exceeded the $12.5 million annual payment as the issuance price of $12.88 was less than the fair value of the stock on the date of issuance.

The Year 2 contingent payment was earned in full and was paid during fiscal 2006 in the form of approximately $6.2 million in cash and the remainder in our common stock valued at $12.88 per share for total consideration of approximately $26.9 million.

The Year 3 contingent payment was earned in full and will be paid during fiscal 2007 in the form of cash.

Pro Forma Information

The pro forma financial information presented below (in thousands, except per share data) gives effect to the Ben Sherman acquisition as if the acquisition had occurred as of the beginning of fiscal 2005 and as of the beginning of fiscal 2004. The information presented below is for illustrative purposes only and is not indicative of results that would have been achieved if the acquisition had occurred as of the beginning of fiscal 2005 or 2004 or results which may be achieved in the future.

	Fiscal 2005	Fiscal 2004
Net sales	$ 1,087,267	$ 977,713
Net earnings from continuing operations	$ 46,735	$ 37,030
Net earnings from continuing operations per share:		
Basic	$ 2.78	$ 2.30
Diluted	$ 2.69	$ 2.22

These acquisitions in fiscal 2006, 2005 and 2004 helped us achieve one of our key strategic objectives of owning lifestyle brands. The acquisitions provide strategic benefits through growth opportunities and further diversification of our business over distribution channels, price points, product categories and target customers.

Note 3. Disposition of Womenswear Group

On June 2, 2006 we sold substantially all of the assets (other than accounts receivable outstanding as of the transaction date and certain in-transit inventory) of our Womenswear Group. The purchase price equals approximately $37 million, subject to any post-closing adjustments relating to the net asset value of the transferred assets. We will collect the outstanding accounts receivable from our customers and sell the goods-in-transit of our Womenswear Group as of the date of the transaction as the goods are delivered to the purchaser of our Womenswear Group operations. We anticipate that substantially all retained assets and liabilities relating to the discontinued operations will be converted into cash during the first quarter of fiscal 2007.

In connection with the transaction, we, among other things, entered into a license agreement with the purchaser pursuant to which we granted a perpetual license (subject to the limitations set forth in the license agreement) to the purchaser to use the trade name “Oxford Collections,” a services agreement with the

purchaser pursuant to which we will, for a period of up to eighteen months, provide certain transitional support services to the purchaser in its operation of the transferred assets, and a limited non-competition agreement with the purchaser pursuant to which we have agreed (subject to the exceptions set forth in the non-competition agreement) not to engage in certain activities through May 2009.

The following represents the major classes of assets and liabilities related to the discontinued operations included in our balance sheets as of the following dates (in thousands):

	June 2, 2006	June 3, 2005
Receivables, net	48,202	51,197
Inventories	11,013	23,427
Other current assets	—	103
Total current assets	59,215	74,727
Property, plant and equipment, net	—	857
Goodwill, net	—	3,992
Other non-current assets, net	—	4
Total assets	$59,215	$79,580
Current liabilities	$30,716	$15,873
Non-current liabilities	—	47
Total liabilities	30,716	15,920
Net assets	$28,499	$63,660

Operating results of the Womenswear Group discontinued operations are shown below (in thousands):

	Fiscal 2006	Fiscal 2005	Fiscal 2004
Net sales	$ 285,159	$ 256,822	$ 297,865
Cost of goods sold	240,094	221,818	260,627
Gross profit	45,065	35,004	37,238
Selling, general and administrative	26,560	22,195	23,543
Amortization of intangible assets	—	356	39
Interest expense, net	4,202	3,001	383
Earnings from discontinued operations before income taxes	14,303	9,452	13,273
Income taxes	5,411	3,576	5,021
Earnings from discontinued operations, net of tax	$ 8,892	$ 5,876	$ 8,252

Proceeds from the transaction were equivalent to the net tangible assets of the Womenswear Group as of June 2, 2006 which were sold plus $25 million. We recognized a pre-tax gain on sale of the discontinued operations of approximately $16.7 million, which represents the proceeds amount less the book value of the goodwill related to the Womenswear Group operations of $4.0 million, transaction costs primarily consisting of professional fees of $0.5 million, payments to the employees of the Womenswear Group of approximately $1.9 million and stock compensation costs of approximately $1.8 million related to the modification of certain stock option and restricted stock awards of the employees of the Womenswear Group. We recognized income taxes of approximately $6.3 million related to the transaction.

Note 4. Restructuring and Asset Impairment

During the second half of fiscal 2006, we closed certain of our manufacturing plants in the Dominican Republic and Honduras, all of which were leased from third parties, as well as shut down our support functions at our Monroe, Georgia facility. The support functions of our Monroe facility were consolidated with the support functions of our Lyons, Georgia facility, although the distribution center in Monroe will continue operations. Each facility was operated as part of our Menswear Group.

As a result of the decisions to close these facilities, we wrote down the value of certain machinery, equipment and other assets, sold certain equipment, and incurred certain severance costs during fiscal 2006. The total charge for these items in fiscal 2006 was $1.9 million, of which $0.7 million was recognized in cost of goods sold and $1.2 million was recognized in selling, general and administrative costs. Fair value of the machinery and equipment was determined for the assets based on the proceeds that we expected to receive upon the disposition of such items. Additionally, operating losses at these facilities totaled approximately $1.5 million during the last half of fiscal 2006. Liabilities as of June 2, 2006 related to these decisions total approximately $0.9 million which is primarily for the payment of severance costs in the first quarter of fiscal 2007.

Note 5. Inventories

The components of inventories related to continuing operations are summarized as follows (in thousands):

	June 2, 2006	June 3, 2005
Finished goods	$ 99,576	$ 114,493
Work in process	6,388	8,957
Fabric, trim and supplies	17,630	22,419
Total inventory	$ 123,594	$ 145,869

As of June 2, 2006, approximately 65% of our inventories are accounted for using the LIFO method. As of June 2, 2006 and June 3, 2005, the inventory balances reflect a LIFO reserve of $38.0 million and $37.3 million, respectively, for the excess of the FIFO cost over the LIFO basis. During fiscal 2006 and 2004 inventory quantities were reduced in certain pools, which resulted in a liquidation of LIFO inventory layers carried at lower costs which prevailed in prior years. The effect of the liquidations in fiscal 2006 and 2004 was to decrease cost of goods sold and increase net earnings by approximately $0.6 million and $0.1 million, respectively. No liquidations occurred during fiscal 2005.

Note 6. Property, Plant and Equipment, Net

Property, plant and equipment, carried at cost, related to continuing operations, are summarized as follows (in thousands):

	June 2, 2006	June 3, 2005
Land	$ 2,045	$ 2,055
Buildings	29,606	28,765
Machinery and equipment	64,016	69,337
Leasehold improvements	63,430	45,951
Subtotal	159,097	146,108
Less accumulated depreciation and amortization	(85,434)	(81,914)
Total property, plant and equipment, net	$ 73,663	$ 64,194

Note 7. Goodwill and Intangible Assets

Intangible assets by category related to continuing operations are summarized below (in thousands):

	June 2, 2006	June 3, 2005
Intangible assets with finite lives:		
Gross carrying amount:		
License agreements	$ 21,114	$ 20,683
Customer relationships	19,603	19,500
Covenant not to compete	460	460
Subtotal	41,177	40,643
Accumulated amortization:		
License agreements	(12,207)	(7,941)
Customer relationships	(10,677)	(7,418)
Covenant not to compete	(345)	(230)
Subtotal	(23,229)	(15,589)
Total intangible assets with finite lives, net	17,948	25,054
Unamortized intangible assets:		
Trademarks	216,505	209,800
Total intangible assets, net	$234,453	$234,854

Based on the current estimated useful lives assigned to our intangible assets, amortization expense for fiscal 2007, 2008, 2009, 2010, and 2011 is projected to total $6.1 million, $4.3 million, $2.0 million, $1.6 million and $1.3 million, respectively.

OXFORD INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The changes in the carrying amount of goodwill related to continuing operations for fiscal 2006, 2005 and 2004 are as follows (in thousands):

Balance, May 30, 2003	$ 1,847
Tommy Bahama Group acquisition, including fiscal 2004 earn-out	109,587
Balance, May 28, 2004	111,434
Ben Sherman acquisition	46,325
Other, including translation difference	481
Tommy Bahama Group acquisition fiscal 2005 earn-out	26,331
Balance, June 3, 2005	184,571
Tommy Bahama Group acquisition fiscal 2006 earn-out	12,258
Other, including translation difference	2,403
Balance, June 2, 2006	$199,232

The goodwill related to the Ben Sherman and the Tommy Bahama Group acquisitions were allocated to the Menswear Group and Tommy Bahama Group, respectively.

Note 8. Debt

The following table details our debt (in thousands) as of the dates specified:

	June 2, 2006	June 3, 2005
$280 million U.S. Secured Revolving Credit Facility ("U.S. Revolver"), which accrues interest (8.0% at June 2, 2006), unused line fees and letter of credit fees based upon a pricing grid which is tied to certain debt ratios, requires interest payments monthly with principal due at maturity (July 2009), and is collateralized by substantially all the assets of the company and its domestic subsidiaries	$ 900	$ 90,100
£12 million Senior Secured Revolving Credit Facility ("U.K. Revolver"), which accrues interest at the bank's base rate plus 1.2% (5.7% at June 2, 2006), requires interest payments monthly with principal payable on demand or at maturity (July 2007), and is collateralized by substantially all the United Kingdom assets of Ben Sherman	102	—
$200 million Senior Unsecured Notes ("Senior Unsecured Notes"), which accrue interest at 8.875% (effective interest rate of 9.0%) and require interest payments semi-annually on June 1 and December 1 of each year, require payment of principal at maturity (June 2011), are subject to certain prepayment penalties and are guaranteed by our domestic subsidiaries	200,000	200,000
Seller Notes, which accrued interest at LIBOR plus 1.2%, required interest payments quarterly with principal payable on demand and were repaid during February, May and November 2005	—	3,342
Other debt, including capital lease obligations with varying terms and conditions, collateralized by the respective assets	35	90
Total debt	201,037	293,532
Unamortized discount on Senior Unsecured Notes	(884)	(1,062)
Short-term debt and current maturities of long-term debt	(130)	(3,394)
Long-term debt, less current maturities	$ 200,023	$ 289,076

The U.S. Revolver, the U.K. Revolver and the Senior Unsecured Notes each include certain debt covenant restrictions that require us or our subsidiaries to maintain certain financial ratios that are customary for similar facilities. The U.S. Revolver also includes limitations on certain restricted payments such as earn-outs, payment of dividends and prepayment of debt. As of June 2, 2006, we were compliant with all financial covenants and restricted payment clauses related to our debt agreements.

The U.S. Revolver and U.K. Revolver are used to finance trade letters of credit and standby letters of credit as well as provide funding for other operating activities and acquisitions, if any. As of June 2, 2006, approximately $117.5 million of trade letters of credit and other limitations on availability were outstanding against the U.S. Revolver and the U.K. Revolver. The net availability under our U.S. Revolver and U.K. Revolver agreements was approximately $183 million as of June 2, 2006.

The aggregate maturities of debt are as follows (in thousands):

Fiscal Year	
2007	$ 130
2008	7
2009	—
2010	900
2011	—
Thereafter	200,000
	$201,037

Note 9. Commitments and Contingencies

We have operating lease agreements for buildings, retail space, sales offices and equipment with varying terms. The aggregate minimum rental commitments for all non-cancelable operating leases with original terms in excess of one year are $26.5 million, $25.5 million, $25.2 million, $24.7 million, $23.0 million and $84.1 million for fiscal 2007, 2008, 2009, 2010, 2011 and thereafter, respectively. The total rent expense under all leases related to continuing operations was $34.3 million, $29.5 million and $21.8 million in fiscal 2006, 2005 and 2004, respectively, which includes contingent rent expense of $1.1 million, $1.0 million and $1.2 million during fiscal 2006, 2005 and 2004, respectively.

We are also obligated under certain apparel license and design agreements related to continuing operations to make future minimum payments of $4.2 million, $3.3 million, $3.3 million, and $0.3 million for fiscal 2007, 2008, 2009 and 2010, respectively, and none thereafter. These amounts do not include amounts due under arrangements which require a royalty fee or sales commission based on a specified percentage of net sales in future periods.

In a prior fiscal year, we discovered the presence of a hazardous waste on one of our properties. We believe that remedial action will be required, including continued investigation, monitoring and treatment of groundwater and soil. Based on advice from our environmental experts, we provided $4.5 million for this remediation in the fiscal year ended May 31, 1996, which is included in accrued expenses in our consolidated balance sheets.

During fiscal 2006, 2005 and 2004, the selling stockholders of the Tommy Bahama Group earned the maximum amount specified in the related earn-out agreement. All of these amounts have been paid except for the fiscal 2006 earn-out of $12.5 million which will be paid in fiscal 2007. Additionally, the selling stockholders of the Tommy Bahama Group will receive an additional payment if the Tommy Bahama Group's fiscal 2007 earnings are greater than 90% of the applicable target and will receive the maximum annual basic contingent payment of $12.5 million if the Tommy Bahama Group's fiscal 2007 earnings are 100% or greater than the applicable target. If the Tommy Bahama Group's earnings are between 90% and 100% of the applicable target, the annual basic contingent payment will be calculated on a straight line basis from $0 to $12.5 million. Up to 50% of any contingent payment may be paid in shares of our common stock at our option. Shares of our common stock issued at our option will be valued at the average price on the New York Stock Exchange (or other applicable exchange) for the ten full trading days prior to the applicable payment date.

Additionally, if, at the end of the four year period, cumulative earnings exceed the cumulative targets, the selling stockholders will receive 33.33% of the cumulative excess up to a maximum cumulative additional contingent payment of $25.0 million. Any cumulative additional payment will be paid in cash.

Payment of additional contingent consideration of up to $12 million is required in the event certain earnings measures are met in future periods related to one of our 2006 acquisitions. Based on the results of the acquired businesses since acquisition, as of June 2, 2006, no amounts related to these acquisitions have been earned.

Note 10. Stock Compensation

Long Term Stock Incentive Plan

At June 2, 2006, approximately 2.6 million share awards were available for issuance under our Long Term Stock Incentive Plan (the “Long Term Stock Incentive Plan”), which was approved by our shareholders on October 5, 2004. The plan allows us to grant stock based awards to employees and non-executive directors including stock options, stock appreciation rights, restricted stock and other performance-based benefits.

During fiscal 2006, we issued restricted stock awards to employees based on our achievement of certain performance criteria during fiscal 2005. The restricted shares will vest three years from the end of the fiscal year in which the awards were earned if the employee is still employed by us on that date. At the time that the shares are issued, the shareholder is entitled to the same dividend and voting rights of other holders of our common stock. The employee is restricted from transferring or selling the restricted shares and forfeits the shares upon the termination of employment prior to the end of the vesting period. The specific provisions of the awards, including exercisability and term of the award, are evidenced by agreements with the employee as determined by the compensation committee. Stock compensation expense recognized in continuing operations related to the restricted stock awards totaled $1.2 million and $0.5 million during fiscal 2006 and 2005.

During fiscal 2006 and 2005, we issued approximately 4,000 and 3,000, respectively, restricted stock awards to our non-executive employee directors. The non-executive directors must complete the current term of service on the board; otherwise, the restricted shares are forfeited. On the date of grant, the non-executive directors are entitled to the same dividend and voting rights of other holders of our common stock. The non-executive directors are restricted from transferring or selling the restricted shares prior to the end of the vesting period.

As of June 2, 2006 and June 3, 2005, approximately 75,000 and 4,000 shares of restricted stock were outstanding and subject to certain service requirements through dates including June 3, 2008. The weighted average grant date fair value for the restricted shares outstanding at June 2, 2006 was approximately $42. Additionally, approximately 47,000 unvested stock awards were earned in fiscal 2006 which will be issued as restricted stock to employees during the first quarter of fiscal 2007 and require that the employee remain employed by us until June 2, 2009. As of June 2, 2006, unearned compensation associated with unvested stock awards that will be recognized as compensation expense in continuing operations over future periods was approximately $2.7 million.

Shares granted under our previous stock incentive plans, the 1992 Stock Option Plan and the 1997 Stock Option Plan continue to be governed under those plans and the individual agreements with respect to provisions relating to exercise, termination and forfeiture. No additional grants are available under the previous plans as all options available for grant under those plans have been incorporated into the Long Term Stock Incentive Plan.

Stock options were granted with an exercise price equal to the stock’s fair market value on the date of grant. The stock options have ten-year terms and vest and become exercisable in increments of 20% on each anniversary from the date of grant. The vesting period of certain options was accelerated in fiscal 2005 that resulted in the recognition of stock compensation expense of $0.4 million in earnings from continuing operations in our consolidated statement of earnings during the year. No awards were accelerated in fiscal 2006 or fiscal 2004.

A summary of the status of our stock option plans and changes during the years ended is presented below:

	Fiscal 2006		Fiscal 2005		Fiscal 2004	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	763,380	$ 21	1,003,920	$ 19	967,160	$ 12
Granted	—	—	—	—	463,500	30
Exercised	(179,260)	17	(175,020)	14	(414,640)	14
Forfeited	(50,940)	25	(65,520)	26	(12,100)	14
Outstanding, end of year	533,180	$ 22	763,380	$ 21	1,003,920	$ 19
Options exercisable, end of year	218,460		215,080		123,920	

The following table summarizes information about stock options outstanding as of June 2, 2006.

Date of Option Grant	Number of Shares	Exercise Price	Grant Date Fair Value	Number Exercisable	Expiration Date
July 13, 1998	24,000	$17.83	$ 5.16	24,000	July 13, 2008
July 12, 1999	28,100	13.94	4.70	28,100	July 12, 2009
July 10, 2000	29,970	8.63	2.03	29,970	July 10, 2010
July 16, 2001	54,990	10.73	3.18	24,610	July 16, 2011
July 15, 2002	101,460	11.73	3.25	30,900	July 15, 2012
August 18, 2003	150,560	26.44	11.57	30,980	Aug. 18, 2013
November 17, 2003	40,000	32.15	14.81	16,000	Nov. 17, 2013
December 16, 2003	104,100	32.75	14.17	33,900	Dec. 16, 2013
	533,180			218,460	

The pro forma information in note 1 related to our stock option plans has been determined as if we had accounted for our employee stock options using the fair value method. The fair value of these options was estimated at the date of the grant using the Black-Scholes option pricing model with the following assumption ranges: Risk-free interest rates between 4.565% and 6.510%, dividend yields between 1.28% and 4.87%, volatility factors between 0.2814 and 0.3525, and expected lives of ten years.

Employee Stock Purchase Plan

On October 5, 2004, our shareholders approved the Employee Stock Purchase Plan (“ESPP”). There are approximately 0.2 million shares of common stock authorized for issuance under the ESPP, which allows for qualified employees to purchase shares on a quarterly basis based on certain limitations with respect to the employee’s salary and other limitations through payroll deductions. There are no vesting or other restrictions on the stock purchased by employees under the ESPP. On the last day of each calendar quarter, the accumulated payroll deductions are applied toward the purchase of our common stock at a price equal to 85% of the market price on that date. Stock compensation expense related to the employee stock purchase plan recognized was less than $0.1 million in fiscal 2006, 2005 and 2004.

Note 11. Income Taxes

The provision (benefit) for income taxes related to continuing operations includes the following (in thousands):

	Fiscal 2006	Fiscal 2005	Fiscal 2004
Current:			
Federal	$ 18,551	$ 21,226	18,084
State	2,560	881	1,643
Foreign	4,680	5,084	1,235
	25,791	27,191	20,962
Deferred	(2,847)	(5,014)	(2,599)
	$ 22,944	22,177	18,363

Reconciliations of the United States federal statutory income tax rates and our effective tax rates for continuing operations are summarized as follows:

	Fiscal 2006	Fiscal 2005	Fiscal 2004
Statutory rate	35.0%	35.0%	35.0%
State income taxes — net of federal income tax benefit	1.8%	1.1%	1.5%
Amortization of deductible goodwill	(1.5)%	(1.4)%	—
Section 965 repatriation	(4.0)%	—	—
Other, net	(0.4)%	(1.2)%	0.3%
Effective rate for continuing operations	30.9%	33.5%	36.8%

Deferred tax assets and liabilities are comprised of the following (in thousands):

	June 2, 2006	June 3, 2005
Deferred Tax Assets:		
Inventories	$ 2,003	$ 2,414
Accrued compensation and benefits	6,260	5,341
Allowance for doubtful accounts	566	997
Depreciation and amortization	5,458	6,353
Non-current liabilities	1,709	1,715
Deferred rent and lease obligations	1,952	1,861
Other, net	2,761	2,385
Deferred tax assets	20,709	21,066
Deferred Tax Liabilities:		
Acquired intangible assets	83,048	83,261
Foreign	3,167	3,275
Other, net	3,067	4,022
Deferred tax liabilities	89,282	90,558
Net deferred tax (liability) asset	$ (68,573)	$ (69,492)

In October 2004, the American Jobs Creation Act of 2004 (the "Act") was enacted. Among other provisions, the Act provides for a special one-time tax deduction of 85% of certain foreign earnings that are

repatriated in either an enterprise's last tax year that began before the enactment date or the first tax year that begins during the one-year period beginning on the date of enactment. As a result of execution of the Act, the accounting treatment of such unremitted earnings that are expected to be repatriated must be considered in evaluating an entity's tax provision.

During the fourth quarter of fiscal 2006, we completed our assessment of earnings to be repatriated and repatriated approximately $22.9 million of earnings, which were not previously considered permanently invested outside of the United States. The impact of this repatriation has been included in our tax provision for fiscal 2006. The repatriation of the earnings resulted in a one-time reduction to tax expense of approximately $2.9 million in fiscal 2006.

Note 12. Benefit Plans

We have tax-qualified voluntary retirement savings plans covering substantially all full-time United States employees and other similar plans covering certain foreign employees. If a participant decides to contribute, a portion of the contribution is matched by us. Our total expense under these defined contribution plans in fiscal 2006, 2005 and 2004 were $2.8 million, $2.7 million and $1.7 million, respectively.

Additionally, we have certain non-qualified deferred compensation plans offered to a select group of management and highly compensated employees with varying terms and conditions. The plans provide the participants with the opportunity to defer a portion of the participating employee's total compensation in a given plan year, of which a percentage may be matched in accordance with the terms of the respective plan. All deferred amounts vest immediately, but the matching contributions may require up to two years of service prior to vesting. The total expense for our match under these non-qualified deferred compensation plans in fiscal 2006, 2005 and 2004 was approximately $0.2 million in each year. The liabilities associated with the non-qualified deferred compensation plans are included in other non-current liabilities in our consolidated balance sheets and totaled approximately $9.5 million and $8.3 million at June 2, 2006 and June 3, 2005, respectively. We fund these deferred compensation liabilities by making contributions to rabbi trusts or other investments, dependant upon the requirements of the plan. As of June 2, 2006 and June 2, 2005, approximately $4.9 million and $3.8 million, respectively, of these investments were held in a rabbi trust. As of June 2, 2006 and June 3, 2005, the assets, including certain cash set aside for plans, approximate the liability.

Note 13. Segments

In our continuing operations, we have two operating segments for purposes of allocating resources and assessing performance. The Menswear Group produces branded and private label dress shirts, sport shirts, dress slacks, casual slacks, suits, sportcoats, suit separates, walkshorts, golf apparel, outerwear, sweaters, jeans, swimwear, footwear and headwear, licenses its brands for accessories and other products and operates retail stores. The Tommy Bahama Group produces lifestyle branded casual attire, operates retail stores and restaurants, and licenses its brands for accessories, footwear, furniture, and other products. The head of each operating segment reports to the chief operating decision maker.

Corporate and other is a reconciling category for reporting purposes and includes our corporate offices, substantially all financing activities, LIFO inventory accounting adjustments and other costs that are not allocated to the operating groups. LIFO inventory calculations are made on a legal entity basis which does not correspond to our segment definitions. Therefore, LIFO inventory accounting adjustments are not allocated to the operating segments. Total assets for corporate and other includes the LIFO inventory reserve of $38.0 million and $37.3 million, at June 2, 2006 and June 3, 2005, respectively.

As discussed in note 3, we disposed of our Womenswear Group operations in fiscal 2006, which produced private label women's sportswear separates, coordinated sportswear, outerwear, dresses and swimwear. The operating results of the Womenswear Group have not been included in our segment information as all amounts

were reclassified to discontinued operations, except that $1.9 million, $1.8 million and $2.1 million of corporate overhead costs for fiscal 2006, 2005 and 2004, respectively, that were previously allocated to the Womenswear Group have been reclassified to Corporate and other. Assets related to the Womenswear Group, as of each balance sheet date, have been included below to reconcile to total assets in our consolidated balance sheets.

The information below presents certain information about our segments (in thousands):

	Menswear Group	Tommy Bahama Group	Corporate and Other	Womenswear Group	Total
Fiscal 2006					
Net sales	$ 699,949	$409,141	$ 26	$ —	$ 1,109,116
Depreciation	4,051	10,633	408	—	15,092
Amortization of intangible assets	3,472	4,170	—	—	7,642
Operating income	42,307	71,522	(15,713)	—	98,116
Interest expense, net					23,971
Earnings before income taxes					74,145
Total assets	398,930	423,376	4,074	59,215	885,595
Purchases of property, plant and equipment	7,133	16,904	916	—	24,953
Goodwill, net	50,890	148,342	—	—	199,232
Intangible assets, net	97,455	136,998	—	—	234,453
Fiscal 2005					
Net sales	$ 656,606	$399,658	$ 523	$ —	$ 1,056,787
Depreciation	3,834	9,122	365	—	13,321
Amortization of intangible assets	3,059	5,563	—	—	8,622
Operating income	58,237	54,128	(20,091)	—	92,274
Interest expense, net					26,146
Earnings before income taxes					66,128
Total assets	412,461	412,441	1,395	79,580	905,877
Purchases of property, plant and equipment	3,136	19,953	318	—	23,407
Goodwill, net	48,653	135,918	—	—	184,571
Intangible assets, net	93,689	141,165	—	—	234,854
Fiscal 2004					
Net sales	$ 448,800	$369,148	$ 739	$ —	$ 818,687
Depreciation	3,520	7,292	489	—	11,301
Amortization of intangible assets	39	6,631	—	—	6,670
Operating income	41,915	50,644	(19,202)	—	73,357
Interest expense, net					23,530
Earnings before income taxes					49,827
Total assets	171,718	390,961	36,388	95,750	694,817
Purchases of property, plant and equipment	1,831	12,033	209	—	14,073
Goodwill, net	1,847	109,587	—	—	111,434
Intangible assets, net	256	146,728	—	—	146,984

Information for the net book value of our long-lived assets, including property, plant and equipment, goodwill and intangible assets, by geographic area is presented below (in thousands):

	June 2, 2006	June 3, 2005
United States	$ 354,507	$ 331,461
Latin America	4,859	7,217
United Kingdom and Europe	147,540	144,594
Other foreign	442	347
Total	$ 507,348	$ 483,619

Information for the net sales recognized by geographic area is presented below (in thousands):

	Fiscal 2006	Fiscal 2005	Fiscal 2004
United States and Canada	$ 987,206	$ 942,388	$ 818,687
United Kingdom and Europe	121,910	114,399	—
Total	$ 1,109,116	$ 1,056,787	$ 818,687

Note 14. Related Party Transactions

SunTrust Banks, Inc. and its subsidiaries ("SunTrust") holds shares of our common stock in various fiduciary and agency capacities and as such is a principal shareholder of our common stock. Mr. J. Hicks Lanier, our Chief Executive Officer, is on the board of directors of SunTrust and its Audit Committee. Mr. E. Jenner Wood, III, a board member of Oxford Industries, Inc. was Chairman, President and Chief Executive Officer of SunTrust Bank, Central Group, during fiscal 2006.

We maintain a syndicated credit facility under which subsidiaries of SunTrust served as agent and lender. In fiscal 2006, 2005 and 2004, the services provided and interest and fees paid to SunTrust in connection with such services are set forth below:

	Fiscal 2006	Fiscal 2005	Fiscal 2004
Service			
Interest and agent fees for our credit facility	$ 1,307,000	$ 2,999,000	$ 4,749,000
Cash management and senior notes related services	$ 106,000	$ 133,000	$ 82,000
Trustee for deferred compensation plan	$ 8,000	$ 8,000	$ 8,000
Stock transfer agent	$ 26,000	$ 10,000	$ 10,000

Our aggregate payments to SunTrust and its subsidiaries for these services, together with all of the other services described above in this section, did not exceed 1% of our gross revenues during fiscal 2006, 2005 and 2004 or 1% of SunTrust's gross revenues during its fiscal years ended December 31, 2006, 2005 and 2004.

During fiscal 2006, 2005 and 2004, the Tommy Bahama Group purchased approximately $1.2 million, $5.5 million and $2.8 million, respectively, of inventory and recorded approximately $0.2 million, $1.1 million and $1.0 million, respectively, in royalty income from Paradise Shoe Company, LLC. Prior to the sale of substantially all of its assets in the first quarter of fiscal 2006, Paradise Shoe held an exclusive license to produce and market men's and women's shoes, belts and socks under the Tommy Bahama brand. No amounts were due to or from Paradise Shoe at June 2, 2006.

During fiscal 2006, 2005 and 2004, the Menswear Group purchased approximately $11.1 million, $13.6 million and $8.6 million, respectively, of inventory from JOS. The net amount due from JOS at June 2, 2006 was $0.5 million.

OXFORD INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 15. Summarized Quarterly Data (unaudited):

Following is a summary of the quarterly results of continuing operations for the years ended June 2, 2006 and June 3, 2005 (in thousands, except per share amounts):

	Fiscal Quarter				
	First	Second	Third	Fourth	Total
2006					
Net sales	$268,475	$277,903	$275,160	$287,578	$1,109,116
Cost of goods sold	162,760	175,097	165,294	174,278	677,429
Gross profit	105,715	102,806	109,866	113,300	431,687
Selling, general and administrative	82,788	82,416	88,733	85,136	339,073
Amortization of intangible assets	1,853	1,851	1,853	2,085	7,642
Royalties and other operating income	3,261	3,653	3,117	3,113	13,144
Operating income	24,335	22,192	22,397	29,192	98,116
Interest expense, net	5,833	6,272	5,983	5,883	23,971
Earnings before income taxes	18,502	15,920	16,414	23,309	74,145
Income taxes	6,682	5,743	5,308	5,211	22,944
Earnings from continuing operations	11,820	10,177	11,106	18,098	51,201
Earnings from gain on sale and discontinued operations	2,063	831	3,496	12,880	19,270
Net earnings	$ 13,883	$ 11,008	$ 14,602	$ 30,978	$ 70,471
Basic earnings per common share from continuing operations	$ 0.68	$ 0.58	$ 0.63	$ 1.03	$ 2.93
Diluted earnings per common share from continuing operations	$ 0.67	$ 0.57	$ 0.63	$ 1.02	$ 2.88
2005					
Net sales	$212,364	$267,891	$270,363	$306,169	$1,056,787
Cost of goods sold	131,316	171,158	166,249	184,815	653,538
Gross profit	81,048	96,733	104,114	121,354	403,249
Selling, general and administrative	63,119	77,360	82,774	91,160	314,413
Amortization of intangible assets	1,703	2,414	2,255	2,250	8,622
Royalties and other operating income	1,753	3,301	3,909	3,097	12,060
Operating income	17,979	20,260	22,994	31,041	92,274
Interest expense, net	7,122	6,105	6,256	6,663	26,146
Earnings before income taxes	10,857	14,155	16,738	24,378	66,128
Income taxes	3,838	4,960	5,854	7,525	22,177
Earnings from continuing operations	7,019	9,195	10,884	16,853	43,951
Earnings from discontinued operations	(851)	(123)	3,104	3,746	5,876
Net earnings	$ 6,168	$ 9,072	$ 13,988	$ 20,599	$ 49,827
Basic earnings per common share from continuing operations	$ 0.42	$ 0.55	$ 0.65	$ 1.00	$ 2.62
Diluted earnings per common share from continuing operations	$ 0.41	$ 0.53	$ 0.63	$ 0.96	$ 2.53

OXFORD INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The sum of the four quarterly amounts for fiscal 2006 and 2005 do not necessarily equal the totals for the year then ended due to rounding differences.

Note 16. Condensed Consolidating Financial Statements:

Our Senior Unsecured Notes are guaranteed by our wholly owned domestic subsidiaries ("Subsidiary Guarantors"). All guarantees are full and unconditional. Non-guarantors consist of our subsidiaries which are organized outside the United States. Set forth below are our condensed consolidating balance sheets as of June 2, 2006 and June 3, 2005 (in thousands) as well as our condensed consolidating statements of earnings and statements of cash flows for fiscal 2006, 2005 and 2004 (in thousands). We have used the equity method with respect to investments in subsidiaries.

OXFORD INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING BALANCE SHEETS
June 2, 2006

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 5,175	$ 1,134	$ 4,181	$ (11)	$ 10,479
Receivables, net	61,428	57,785	37,227	(14,143)	142,297
Inventories	58,924	50,880	14,546	(756)	123,594
Prepaid expenses	8,959	7,321	5,716	—	21,996
Current assets related to discontinued operations, net	52,065	7,150	—	—	59,215
Total current assets	186,551	124,270	61,670	(14,910)	357,581
Property, plant and equipment, net	11,122	53,648	8,893	—	73,663
Goodwill, net	1,847	148,342	49,043	—	199,232
Intangible assets, net	1,451	139,406	93,596	—	234,453
Other non-current assets, net	677,414	143,790	1,436	(801,974)	20,666
Total Assets	$878,385	$ 609,456	$ 214,638	$ (816,884)	$ 885,595
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities related to continuing operations	70,262	57,872	35,026	(13,557)	149,603
Current liabilities related to discontinued operations	27,813	2,903	—	—	30,716
Long term debt, less current portion	200,016	7	—	—	200,023
Non-current liabilities	181,845	(154,586)	111,878	(109,158)	29,979
Deferred income taxes	(252)	46,795	30,030	—	76,573
Total shareholders'/invested equity	398,701	656,465	37,704	(694,169)	398,701
Total Liabilities and Shareholders' Equity	$878,385	$ 609,456	$ 214,638	$ (816,884)	$ 885,595

OXFORD INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING BALANCE SHEETS
June 3, 2005

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 2,713	$ 1,859	$ 1,900	$ 27	$ 6,499
Receivables, net	70,733	56,132	60,347	(41,315)	145,897
Inventories	77,494	48,313	20,522	(460)	145,869
Prepaid expenses	10,813	5,748	3,842	—	20,403
Current assets related to discontinued operations, net	64,085	9,026	1,616	—	74,727
Total current assets	225,838	121,078	88,227	(41,748)	393,395
Property, plant and equipment, net	11,042	44,841	8,311	—	64,194
Goodwill, net	1,847	135,918	46,806	—	184,571
Intangible assets, net	210	141,165	93,479	—	234,854
Other non-current assets, net	631,201	149,640	1,406	(758,237)	24,010
Non-current assets related to discontinued operations	859	3,994	—	—	4,853
Total Assets	$870,997	$ 596,636	$ 238,229	$ (799,985)	$ 905,877
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities related to continuing operations	114,664	74,083	48,860	(41,031)	196,576
Current liabilities related to discontinued operations	12,771	2,764	338	—	15,873
Long term debt, less current portion	289,053	23	—	—	289,076
Non-current liabilities	146,923	(118,452)	104,288	(109,197)	23,562
Deferred income taxes	4,038	44,239	28,965	—	77,242
Non-current liabilities related to discontinued operations	47	—	—	—	47
Total shareholders'/invested equity	303,501	593,979	55,778	(649,757)	303,501
Total Liabilities and Shareholders' Equity	$870,997	$ 596,636	$ 238,229	$ (799,985)	$ 905,877

OXFORD INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF EARNINGS
Fiscal 2006

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
Net sales	$ 521,113	$ 481,700	$ 171,723	$ (65,420)	$1,109,116
Cost of goods sold	397,939	217,803	78,422	(16,735)	677,429
Gross profit	123,174	263,897	93,301	(48,685)	431,687
Selling, general and administrative	110,073	202,402	78,774	(44,534)	346,715
Royalties and other income	276	7,806	5,359	(297)	13,144
Operating income	13,377	69,301	19,886	(4,448)	98,116
Interest (income) expense, net	30,802	(10,198)	7,520	(4,153)	23,971
Income from equity investment	61,752	12	—	(61,764)	—
Earnings before income taxes	44,327	79,511	12,366	(62,059)	74,145
Income taxes	(7,066)	25,832	4,282	(104)	22,944
Earnings from continuing operations	51,393	53,679	8,084	(61,955)	51,201
Gain on sale of discontinued operations, net of tax	14,441	(3,992)	(71)	—	10,378
Earnings from discontinued operations, net of tax	4,829	708	(2,111)	5,466	8,892
Net earnings	$ 70,663	$ 50,395	$ 5,902	$ (56,489)	$ 70,471

CONDENSED CONSOLIDATING STATEMENTS OF EARNINGS
Fiscal 2005

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
Net sales	$502,121	$ 461,620	$ 165,137	$ (72,091)	$1,056,787
Cost of goods sold	382,436	218,813	75,056	(22,767)	653,538
Gross profit	119,685	242,807	90,081	(49,324)	403,249
Selling, general and administrative	118,534	186,370	71,638	(53,507)	323,035
Royalties and other income	—	6,800	5,260	—	12,060
Operating income	1,151	63,237	23,703	4,183	92,274
Interest (income) expense, net	23,359	(8,789)	6,933	4,643	26,146
Income from equity investment	59,267	82	—	(59,349)	—
Earnings before income taxes	37,059	72,108	16,770	(59,809)	66,128
Income taxes	(7,583)	24,701	4,917	142	22,177
Earnings from continuing operations	44,642	47,407	11,853	(59,951)	43,951
Earnings from discontinued operations, net of tax	5,786	439	(394)	45	5,876
Net earnings	$ 50,428	$ 47,846	$ 11,459	$ (59,906)	$ 49,827

OXFORD INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF EARNINGS
Fiscal 2004

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
Net sales	$ 449,538	$ 389,786	$ 30,995	$ (51,632)	$ 818,687
Cost of goods sold	336,065	186,885	63	(7,532)	515,481
Gross profit	113,473	202,901	30,932	(44,100)	303,206
Selling, general and administrative	100,274	151,664	23,908	(40,883)	234,963
Royalties and other income	32	5,042	40	—	5,114
Operating income	13,231	56,279	7,064	(3,217)	73,357
Interest (income) expense, net	28,364	(1,521)	(95)	(3,218)	23,530
Income from equity investment	42,462	38	—	(42,500)	—
Earnings before income taxes	27,329	57,838	7,159	(42,499)	49,827
Income taxes	(4,132)	21,234	1,261	—	18,363
Earnings from continuing operations	31,461	36,604	5,898	(42,499)	31,464
Earnings from discontinued operations, net of tax	8,252	320	(279)	(41)	8,252
Net earnings	$ 39,713	$ 36,924	$ 5,619	$ (42,540)	$ 39,716

OXFORD INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOW
Fiscal 2006

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
Cash Flows From Operating Activities					
Net cash (used in) provided by operating activities	$ (8,760)	$ 56,628	$ 33,160	$ (73)	$ 80,955
Cash Flows from Investing Activities Acquisitions	(6,930)	(4,571)	—	—	(11,501)
Investment in joint venture	(431)	—	—	—	(431)
Distribution from joint venture	—	2,026	—	—	2,026
Purchases of property, plant and equipment	(3,575)	(19,886)	(1,492)	—	(24,953)
Proceeds from sale of property, plant and equipment	246	19	—	—	265
Dividends received from subsidiary	28,752	—	—	(28,752)	—
Net cash (used in) provided by investing activities	18,062	(22,412)	(1,492)	(28,752)	(34,594)
Cash Flows from Financing Activities					
Change in debt	(89,248)	(20)	(3,175)	—	(92,443)
Proceeds from issuance of common stock	3,976	—	—	—	3,976
Change in inter-company payable	28,922	(36,547)	7,590	35	—
Dividends on common stock	(9,531)	—	(28,752)	28,752	(9,531)
Net cash (used in) provided by financing activities	(65,881)	(36,567)	(24,337)	28,787	(97,998)
Cash Flows from Discontinued Operations					
Net operating cash flows provided by discontinued operations	23,638	1,626	(4,847)	—	20,417
Net investing cash flows provided by discontinued operations	35,403	—	—	—	35,403
Net cash provided by (used in) discontinued operations	59,041	1,626	(4,847)	—	55,820
Net change in Cash and Cash Equivalents	2,462	(725)	2,484	(38)	4,183
Effect of foreign currency translation	—	—	(203)	—	(203)
Cash and Cash Equivalents at the Beginning of Year	2,713	1,859	1,900	27	6,499
Cash and Cash Equivalents at the End of Year	$ 5,175	$ 1,134	$ 4,181	$ (11)	$ 10,479

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OXFORD INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOW
Fiscal 2005

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
Cash Flows From Operating Activities					
Net cash (used in) provided by operating activities	$ (51,086)	$ 62,519	$ 19,033	$ 10,777	$ 41,243
Cash Flows from Investing Activities					
Acquisitions	(144,360)	(29,690)	(138,256)	168,579	(143,727)
Purchases of property, plant and equipment	(1,089)	(20,760)	(1,558)	—	(23,407)
Proceeds from sale of property, plant and equipment	24	406	—	—	430
Dividends from subsidiary	8,018	2,816	—	(10,834)	—
Net cash (used in) provided by investing activities	(137,407)	(47,228)	(139,814)	157,745	(166,704)
Cash Flows from Financing Activities					
Change in debt	90,266	(109,299)	101,481	—	82,448
Deferred financing costs paid	(2,766)	—	—	—	(2,766)
Proceeds from issuance of common stock	2,501	138,885	29,694	(168,579)	2,501
Change in inter-company payable	53,834	(45,230)	2,148	(10,752)	—
Dividends on common stock	(8,184)	—	(10,834)	10,834	(8,184)
Net cash (used in) provided by financing activities	135,651	(15,644)	122,489	(168,497)	73,999
Cash Flows from Discontinued Operations					
Net operating cash flows provided by discontinued operations	10,281	774	(695)	—	10,360
Net investing cash flows used in discontinued operations	(71)	—	—	—	(71)
Net financing cash flows used in discontinued operations	(60)	—	—	—	(60)
Net cash provided by (used in) discontinued operations	10,150	774	(695)	—	10,229
Net change in Cash and Cash Equivalents	(42,692)	421	1,013	25	(41,233)
Effect of foreign currency translation	—	—	163	—	163
Cash and Cash Equivalents at the Beginning of Year	45,405	1,438	724	2	47,569
Cash and Cash Equivalents at the End of Year	$ 2,713	$ 1,859	$ 1,900	$ 27	$ 6,499

OXFORD INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOW
Fiscal 2004

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
Cash Flows From Operating Activities					
Net cash (used in) provided by operating activities	$ (90,197)	$ 161,866	$ 671	$ (20,532)	$ 51,808
Cash Flows from Investing Activities					
Acquisitions	(245,062)	—	—	22,325	(222,737)
Decrease in restricted cash	204,986	—	—	—	204,986
Purchases of property, plant and equipment	(1,998)	(11,875)	(200)	—	(14,073)
Proceeds from sale of property, plant and equipment	(322)	1,099	1,051	(573)	1,255
Net cash (used in) provided by investing activities	(42,396)	(10,776)	851	21,752	(30,569)
Cash Flows from Financing Activities					
Change in debt	(129)	144	—	(225)	(210)
Proceeds from issuance of common stock	5,286	—	—	—	5,286
Deferred financing costs paid	(7,416)	—	—	—	(7,416)
Change in intercompany payable	152,712	(150,446)	(1,141)	(1,125)	—
Dividends on common stock	(6,918)	—	—	—	(6,918)
Net cash (used in) provided by financing activities	143,535	(150,302)	(1,141)	(1,350)	(9,258)
Cash Flows from Discontinued Operations					
Net operating cash flows provided by discontinued operations	11,092	432	(377)	—	11,147
Net investing cash flows provided by discontinued operations	350	—	—	—	350
Net cash provided by discontinued operations	11,442	432	(377)	—	11,497
Net change in Cash and Cash Equivalents	22,384	1,220	4	(130)	23,478
Cash and Cash Equivalents at the Beginning of Year	23,021	218	720	132	24,091
Cash and Cash Equivalents at the End of Year	$ 45,405	$ 1,438	$ 724	$ 2	$ 47,569

SCHEDULE II

OXFORD INDUSTRIES, INC.

Valuation and Qualifying Accounts
(in thousands)

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Charged to Other Accounts — Describe	Deductions — Describe	Balance at End of Period
Year ended June 2, 2006					
Deducted from asset accounts:					
Accounts receivable reserves	$ 16,331	$ 35,354	$ —	$ (34,391)(d)	$ 17,294
Allowance for doubtful accounts	3,608	340	—	(512)(c)	3,436
Year ended June 3, 2005					
Deducted from asset accounts:					
Accounts receivable reserves	9,734	35,484	2,387(a)	(31,274)(d)	16,331
Allowance for doubtful accounts	3,448	1,263	1,307(a)	(2,410)(c)	3,608
Year ended May 28, 2004					
Deducted from asset accounts:					
Accounts receivable reserves	7,967	21,245	1,303(b)	(20,781)(d)	9,734
Allowance for doubtful accounts	3,505	(170)	—	113(c)	3,448

(a) Addition due to the acquisition of Ben Sherman.

(b) Addition due to the acquisition of Tommy Bahama.

(c) Principally accounts written off as uncollectible.

(d) Principally amounts written off related to customer discounts and allowances.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Oxford Industries, Inc. and subsidiaries

We have audited the accompanying consolidated balance sheets of Oxford Industries, Inc. and subsidiaries as of June 2, 2006 and June 3, 2005, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended June 2, 2006. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Oxford Industries, Inc. and subsidiaries at June 2, 2006 and June 3, 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 2, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Oxford Industries, Inc.'s internal control over financial reporting as of June 2, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 10, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
August 10, 2006

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

None.

Item 9A. ***Controls and Procedures***

Our Principal Executive Officer and Principal Financial Officer have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, our Principal Executive Officer and the Principal Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have not been any significant changes in our internal controls over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act) during the quarter ended June 2, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Management on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined under Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Our internal control over financial reporting is supported by a program of appropriate reviews by management, written policies and guidelines, careful selection and training of qualified personnel and a written code of conduct. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of June 2, 2006. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on our assessment and those criteria, we believe that we have maintained effective internal control over financial reporting as of June 2, 2006.

Our assessment of the effectiveness of our internal control over financial reporting as of June 2, 2006 has been audited by Ernst & Young, LLP, the independent registered public accounting firm that audited and reported on our consolidated financial statements included in this Form 10-K, as stated in their report which is included on the following page.

/s/ J. Hicks Lanier	/s/ Thomas Caldecot Chubb III
J. Hicks Lanier Chairman and Chief Executive Officer (Principal Executive Officer)	Thomas Caldecot Chubb III Executive Vice President (Principal Financial Officer)
August 10, 2006	August 10, 2006

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Oxford Industries, Inc.

We have audited management's assessment, included in the accompanying Report of Management on Internal Control over Financial Reporting, that Oxford Industries, Inc. maintained effective internal control over financial reporting as of June 2, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Oxford Industries, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Oxford Industries, Inc. maintained effective internal control over financial reporting as of June 2, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Oxford Industries, Inc. maintained, in all material respects, effective internal control over financial reporting as of June 2, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Oxford Industries, Inc. as of June 2, 2006 and June 3, 2005, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended June 2, 2006 of Oxford Industries, Inc. and our report dated August 10, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
August 10, 2006

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

The information concerning our directors and executive officers will appear in our definitive Proxy Statement under the headings "Election of Directors" and "Executive Officers," respectively, and is incorporated herein by reference.

Item 11. ***Executive Compensation***

The information concerning executive compensation will appear in our definitive Proxy Statement under the heading "Executive Compensation" and is incorporated herein by reference.

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

The information concerning security ownership of certain beneficial owners and management and related stockholder matters will appear in our definitive Proxy Statement under the headings "Equity Compensation Plan Information," "Common Stock Ownership by Management and Certain Beneficial Owners" and "Executive Compensation" and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions***

The information concerning certain relationships and related transactions will appear in our definitive Proxy Statement under the heading "Certain Transactions" and is incorporated herein by reference.

Item 14. ***Principal Accounting Fees and Services***

The information concerning principal accountant fees and services will appear in our definitive Proxy Statement under the heading "Independent Auditors" and is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) 1. *Financial Statements*

The following consolidated financial statements are included in Item 8:

- Consolidated Balance Sheets at June 2, 2006 and June 3, 2005.
- Consolidated Statements of Earnings for fiscal 2006, fiscal 2005 and fiscal 2004.
- Consolidated Statements of Shareholders' Equity for fiscal 2006, fiscal 2005 and fiscal 2004.
- Consolidated Statements of Cash Flows for fiscal 2006, fiscal 2005 and fiscal 2004.
- Notes to Consolidated Financial Statements for fiscal 2006, fiscal 2005 and fiscal 2004.

(a) 2. *Financial Statement Schedules*

• Schedule II — Valuation and Qualifying Accounts

All other schedules for which provisions is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(b) *Exhibits*

2(a)	Purchase Agreement, dated as of May 1, 2006, by and between The Millwork Trading Co., Ltd., d/b/a Li & Fung USA, and Oxford Industries, Inc.*
2(b)	Letter Agreement, dated as of June 1, 2006, by and between The Millwork Trading Co., Ltd., d/b/a Li & Fung USA, and Oxford Industries, Inc.*
3(a)	Articles of Incorporation of the Company. Incorporated by reference to Exhibit 3.1 from the Company's Form 10-Q for the fiscal quarter ended August 29, 2003.
3(b)	Bylaws of the Company, as amended. Incorporated by reference to the Company's Form 10-Q for the fiscal quarter ended August 29, 2003.
10(a)	1997 Stock Option Plan, as amended. Incorporated by reference to Exhibit 10.2 to the Company's from the Company's Form 10-Q for the fiscal quarter ended August 29, 2003.†
10(b)	1997 Restricted Stock Plan, as amended. Incorporated by reference to Exhibit 10.3 from the Company's Form 10-Q for the fiscal quarter ended August 29, 2003.†
10(c)	Non-qualified Deferred Compensation Plan, as amended. Incorporated by reference to Exhibit 10(c) from the Company's 10-K for the fiscal year ended June 3, 2005.
10(d)	Executive Medical Plan. Incorporated by reference to Exhibit 10(d) from the Company's 10-K for the fiscal year ended June 3, 2005.
10(e)	1992 Stock Option Plan. Incorporated by reference to Exhibit 10(h), from the Company's Form 10-K for the fiscal year ended June 1, 2001.†
10(f)	Viewpoint International, Inc. Non-qualified Deferred Compensation Plan. Incorporated by reference to Exhibit 10.1 from the Company's Form 8-K filed on December 3, 2004.†
10(g)	Oxford Industries, Inc. Executive Performance Incentive Plan. Incorporated by reference to Exhibit 10.1 from the Company's Form 10-Q for the fiscal quarter ended August 29, 2003.†
10(h)	Earn-out Agreement dated June 13, 2003 between the former stockholders of Viewpoint International, Inc. and Oxford Industries, Inc. Incorporated to Exhibit 10(j), from the Company's Form 8-K filed on June 26, 2003.
10(i)	Registration Rights Agreement between the former stockholders of Viewpoint International, Inc. Incorporated by reference to Exhibit 10(m), to the Company's Form 8-K filed on June 26, 2003.
10(j)	Indenture Agreement dated May 16, 2003 among the Guarantors, Oxford Industries Inc. and SunTrust Bank, Inc. Incorporated by reference to Exhibit 10(n) from the Company's Form 10-K for the fiscal year ended May 30, 2003.
10(k)	Supplemental Indenture Agreement No. 1 dated June 13, 2003 among the Guarantors, Oxford Industries Inc. and SunTrust Bank, Inc. Incorporated by reference to Exhibit 10(i) from the Company's Form 10-K for the fiscal year ended May 28, 2004.
10(l)	Supplemental Indenture Agreement No. 2 dated July 28, 2004 among the Guarantors, Oxford Industries Inc. and SunTrust Bank, Inc. Incorporated by reference to Exhibit 10(j) from the Company's Form 10-K for the fiscal year ended May 28, 2004.
10(m)	Amended and Restated Credit Agreement dated July 28, 2004 between Oxford Industries, Inc., certain of its domestic subsidiaries, and SunTrust Bank, Inc. as administrative agent, and various financial institutions of lenders and issuing banks. Incorporated by reference to Exhibit 10(k) from the Company's Form 10-K for the fiscal year ended May 28, 2004.
10(n)	First Amendment to Amended and Restated Credit Agreement dated July 28, 2004. Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on January 14, 2005.
10(o)	Oxford Industries, Inc. Long-Term Stock Incentive Plan. Incorporated by reference to Exhibit 10.1 from the Company's Form 10-Q for the fiscal quarter ended August 27, 2004.†

10(p)	Oxford Industries Employee Stock Purchase Plan, as amended and restated. Incorporated by reference to Exhibit 10.3 from the Company's Form 8-K filed on December 3, 2004.†
10(q)	2005 Performance Share Award under the Oxford Industries, Inc. Long-Term Stock Incentive Plan. Incorporated by reference to Exhibit 10.2 from the Company's Form 8-K filed on January 14, 2005.†
10(r)	First Amendment to the Oxford Industries, Inc. 1992 Stock Option Plan.*†
10(s)	Second Amendment to the Oxford Industries, Inc. 1997 Stock Option Plan.*†
10(t)	Oxford Industries, Inc. Deferred Compensation Plan. Incorporated by reference to Exhibit 10.1 from the Company's Form 8-K filed on November 10, 2005.†
10(u)	First Amendment to the Oxford Industries, Inc. Deferred Compensation Plan.*†
21	List of Subsidiaries.*
23	Consent of Independent Registered Public Accounting Firm, Ernst & Young LLP.*
24	Powers of Attorney.*
31.1	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification by Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification by Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* filed herewith

† Management contract or compensation plan or arrangement required to be filed as an exhibit to this form pursuant to Item 15(b) of this report.

We agree to file upon request of the Securities and Exchange Commission a copy of all agreements evidencing long-term debt of ours omitted from this report pursuant to Item 601(b)(4)(iii) of Regulation S-K.

Shareholders may obtain copies of Exhibits without charge upon written request to the Corporate Secretary, Oxford Industries, Inc., 222 Piedmont Avenue, N.E., Atlanta, Georgia 30308.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Oxford Industries, Inc.

By: /s/ J. Hicks Lanier
J. Hicks Lanier
Chairman and Chief Executive Officer

Date: August 10, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ J. Hicks Lanier J. Hicks Lanier	Chairman and Chief Executive Officer (Principal Executive Officer)	August 10, 2006
/s/ Thomas Caldecot Chubb III Thomas Caldecot Chubb III	Executive Vice President (Principal Financial Officer)	August 10, 2006
/s/ K. Scott Grassmyer K. Scott Grassmyer	Senior Vice President, Controller and Chief Accounting Officer	August 10, 2006
* Cecil D. Conlee	Director	August 10, 2006
* Tom Gallagher	Director	August 10, 2006
* J. Reese Lanier, Sr.	Director	August 10, 2006
* S. Anthony Margolis	Director	August 10, 2006
* James A. Rubright	Director	August 10, 2006
* Robert E. Shaw	Director	August 10, 2006
* Clarence H. Smith	Director	August 10, 2006

Signature	Capacity	Date
* E. Jenner Wood III	Director	August 10, 2006
* Helen B. Weeks	Director	August 10, 2006

*By /s/ Mary Margaret Heaton
Mary Margaret Heaton,
as Attorney-in-Fact

Exhibit 2 (a)

PURCHASE AGREEMENT

BETWEEN

THE MILLWORK TRADING CO., LTD.

as Buyer

AND

OXFORD INDUSTRIES, INC.

as Seller

DATED AS OF MAY 1, 2006

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EXHIBITS

EXHIBIT A — Form of Escrow Agreement

EXHIBIT B — Form of Non-Competition Agreement

EXHIBIT C — Form of OXM License Agreement

EXHIBIT D — Form of Services Agreement

EXHIBIT E — Form of Thirteenth Street Lease

EXHIBIT F — Form of Special Warranty Deed

EXHIBIT G — Form of Legal Opinion of Seller's Counsel

EXHIBIT H — Form of Legal Opinion of Buyer's Counsel

PURCHASE AGREEMENT

This PURCHASE AGREEMENT (this "Agreement"), is executed May 1, 2006, between THE MILLWORK TRADING CO., LTD. d/b/a LI & FUNG USA, a Delaware corporation ("Buyer"), and OXFORD INDUSTRIES, INC., a Georgia corporation ("Seller"). Buyer and Seller are sometimes referred to herein individually as a "Party" and collectively as the "Parties".

RECITALS

A. Seller, through its "Womenswear Group," presently conducts the business of designing, manufacturing, processing, marketing, importing, distributing and selling women's apparel and, to a lesser extent, men's apparel, as the "Womenswear Group" operating segment is defined under the caption "Segment Definition" in Seller's fiscal year 2005 Annual Report to its shareholders (the "Business").

B. Seller desires to sell and assign to Buyer, and/or cause to be sold and assigned to Buyer by the Seller Subsidiaries, and Buyer desires to purchase, and/or cause to be purchased by one or more Buyer Affiliates, from Seller or a Seller Subsidiary, as appropriate, the Business Assets and Buyer desires to assume, and/or cause one or more Buyer Affiliates to assume, the Assumed Liabilities, subject to all of the terms and conditions hereof.

Now, therefore, in consideration of the premises and the mutual covenants and agreements herein set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, the Parties hereby covenant and agree as follows:

ARTICLE I
DEFINITIONS

For purposes of this Agreement:

"Action" means any action, suit, arbitration, inquiry, proceeding or investigation by or before any Governmental Entity or other tribunal.

"Adjusted EBITDA" means, for the November 2005 Year, the Net Income of the Business plus the following additions to Net Income: (i) Interest Expense, (ii) Income Taxes deducted to arrive at Net Income for such period, and (iii) all amounts attributable to depreciation and amortization and impairment charges, if any, all determined in accordance with the accounting methodology set forth on Schedule 2.5.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, such other Person.

"Agreement" has the meaning set forth in the preamble hereto.

"Allocation Schedule" has the meaning set forth in Section 6.10(d).

"Ancillary Agreements" means the Escrow Agreement, the Non-Competition Agreement, the Services Agreement, the OXM License Agreement, and the Thirteenth Street Lease.

"Antitrust Authorities" has the meaning set forth in Section 6.3.

"Assumed Liabilities" has the meaning set forth in Section 2.1(b).

"Basket" has the meaning set forth in Section 8.5(a).

"Books and Records" means the books and records of the Business in whatever form, including without limitation invoices, credit records, customer lists and records, supplier lists and records, price lists, purchasing materials and records, manufacturing, maintenance and quality control records and procedures, warranty and service records, accounting records, inventory records, accounts payable records and files and litigation files, in any case, to the extent Related to the Business, except, in any case, for the books and records of the Business to the extent related to any Excluded Assets.

"Business" has the meaning set forth in paragraph A of the Recitals.

"Business Assets" has the meaning set forth in Section 2.1.

"Business Day" means any day (other than a Saturday or a Sunday) on which banks are not required to close in the State of New York.

"Business Intellectual Property" means the Intellectual Property owned by or licensed to Seller or a Seller Subsidiary Related to the Business.

"Business Employees" has the meaning set forth in Section 6.6(a).

"Business Property" has the meaning set forth in Section 4.3(b).

"Buyer" has the meaning set forth in the preamble hereto.

"Buyer Affiliates" has the meaning set forth in Section 2.1(a).

"Buyer Indemnified Parties" has the meaning set forth in Section 8.2.

"Buyer's Adjusted EBITDA Calculation" has the meaning set forth in Section 2.5(a).

"Buyer's Closing Date NAV Calculation" has the meaning set forth in Section 2.5(a).

"Buyer's Statement" has the meaning set forth in Section 2.5(a).

"Cap" has the meaning set forth in Section 8.5(a).

"Claim" has the meaning set forth in Section 4.12.

"Closing" has the meaning set forth in Section 3.1.

"Closing Date" has the meaning set forth in Section 3.1.

"Closing Date NAV" means the Net Asset Value of the Business as of the Closing Date, as finally determined in accordance with Section 2.5.

"Closing Date Physical Inventory Shrinkage Amount" means the amount, if any, of the Physical Inventory Shrinkage Amount which results in an increase to the cost of sales as reflected in the income statement for the Business for the period ending on the Closing Date; provided, however, that if the Physical Inventory Shrinkage Amount shall equal zero or shall otherwise not exist, the Closing Date Physical Inventory Shrinkage Amount shall equal zero.

"Code" means the Internal Revenue Code of 1986, as amended, and unless otherwise indicated, references to the "Code" hereunder shall also include the applicable Treasury Regulations.

"Consents" has the meaning set forth in Section 4.2.

"Contracts" mean all purchase orders, sales orders, sales representation agreements, agency agreements, manufacturer agreements, license agreements, employment and consulting agreements, confidentiality agreements and other contracts, in each case Related to the Business, to which Seller or a Seller Subsidiary is a party, but excluding (a) the Leases and Employee Benefit Plans, (b) this Agreement, (c) the Ancillary Agreements, (d) any other agreements entered or to be entered into in connection with the transactions contemplated hereby, and (e) license agreements to which Seller or any Seller Subsidiary is a licensee with respect to any Business Intellectual Property (i) which are not necessary for the conduct of the Business as presently conducted or (ii) which require payment by Seller or any Seller Subsidiary less than or equal to $1,000 per annum (other than, in the case of clauses (i) and (ii), those license agreements listed on Schedule 1.1).

"Dispute Notice" has the meaning set forth in Section 2.5(c).

"EBITDA Adjustment Payment" has the meaning set forth in Section 2.7(a).

"EBITDA Dispute Notice" has the meaning set forth in Section 2.7(c).

"EBITDA Expert" has the meaning set forth in Section 2.7(d).

"Effective Date" has the meaning set forth in Section 6.6(a).

"Effective Date NAV" means $17,251,000, being the Net Asset Value of the Business as of December 2, 2005 as set forth on Seller's November 2005 Statement.

"Employees" has the meaning set forth in Section 4.11(a).

"Employee Benefit Plan" means each employee benefit plan (as defined in Section 3(3) of ERISA), including any and all pension, retirement, profit-sharing, deferred compensation, bonus, incentive, performance, stock option, stock appreciation, phantom stock, stock purchase, restricted stock, medical, hospitalization, vision, dental or other health, life, disability, severance,

termination or other employee benefit plan, program, arrangement, agreement, policy or understanding (including, without limitation, each ERISA Plan), contributed to or sponsored by Seller for purposes of providing benefits to any current or former employee, officer or director of the Business.

"Employee Incentive Period" has the meaning set forth in Section 6.8(a).

"Employee Incentive Program" has the meaning set forth in Section 6.8(a).

"Environmental Laws" has the meaning set forth in Section 4.4(d)(ix)(A).

"Environmental Permits" has the meaning set forth in Section 4.4(d)(v).

"Environmental Reports" has the meaning set forth in Section 4.4(d)(viii).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Plan" shall have the meaning set forth in Section 3(3) of ERISA with respect to any Employee Benefit Plan maintained or contributed to by Seller or any Seller Subsidiary that currently covers employees of the Business and are subject to ERISA.

"Escrow Agent" means SunTrust Bank, a national banking association organized under the laws of the United States of America.

"Escrow Agreement" means that certain Escrow Agreement among Buyer, Seller and the Escrow Agent, in the form attached hereto as Exhibit A.

"Escrow Amount" has the meaning set forth in Section 2.3.

"Excluded Assets" means all of Seller's and the Seller Subsidiaries' rights and interests in and to the following assets: (a) cash, cash equivalents, marketable securities, bank accounts, investment accounts, safe deposit boxes and the like; (b) accounts and notes receivable (other than employee receivables reflected in the Closing Date NAV); (c) the articles of incorporation, bylaws, minute books, stock transfer ledgers and other books and records relating to the formation or organization of Seller or any Seller Subsidiary; (d) to the extent not included as a current asset in the Closing Date NAV, prepayments, deposits or refunds of Taxes, and all Tax Returns and Tax records; (e) this Agreement, the Ancillary Agreements and any other agreements entered or to be entered into in connection with the transactions contemplated hereby; (f) license agreements to which Seller or any Seller Subsidiary is a licensee with respect to any Business Intellectual Property (i) which are not necessary for the conduct of the Business as presently conducted or (ii) which require payment by Seller or any Seller Subsidiary less than or equal to $1,000 per annum (other than, in the case of clauses (i) and (ii), those license agreements listed on Schedule 1.1); (g) Employee Benefit Plans; (h) to the extent not included as a current asset in the Closing Date NAV, insurance proceeds that relate to any Retained Liabilities or other Excluded Assets; (i) to the extent not included as a current asset in the Closing Date NAV, counterclaims against any Person that has asserted or hereafter asserts a claim against Seller or a Seller Subsidiary, unless such claim is included in the Assumed Liabilities and except to the extent such counterclaim relates to the Business Assets; (j) to the

extent not included as a current asset in the Closing Date NAV, all rights, claims or causes of action against third parties relating to the Retained Liabilities; (k) to the extent not included as a current asset in the Closing Date NAV, all rights in and under all express or implied guarantees, warranties, representations, covenants, indemnities and similar rights in favor of Seller or a Seller Subsidiary relating to any Retained Liabilities or other Excluded Assets; (l) the assets, rights and properties expressly excluded from the Closing Date NAV; (m) Goods-in-Transit; (n) the goodwill associated with the trade name, "Oxford"; (o) the assets, rights and properties set forth on Schedule 1.2; and (p) all books, records and information pertaining to the foregoing Excluded Assets.

"Expert" has the meaning set forth in Section 2.5(d).

"Filing" has the meaning set forth in Section 4.2.

"Final Adjusted EBITDA" means the Adjusted EBITDA, as finally determined in accordance with Section 2.7.

"Final Statement" has the meaning set forth in Section 2.5(c).

"Financial Statements" means the balance sheet of the Business as of June 3, 2005, and the income statement of the Business for the twelve-month period ended June 3, 2005.

"FTC" has the meaning set forth in Section 6.3.

"GAAP" means generally accepted accounting principles in the United States of America, consistently applied.

"Goods-in-Transit" means all goods ordered or purchased by the Business that constitute goods either (i) in process with shipping bookings made or (ii) goods ex-factory which have not yet been delivered to Seller's distribution center.

"Governmental Entity" means any court, administrative agency or commission or any federal, state, local or foreign governmental entity or municipality or subdivision thereof.

"Guatemala Employees" has the meaning set forth in Section 6.6(a).

"Guatemala Subsidiary" means, subject to Section 6.20, an entity to be formed under the laws of Guatemala by Seller prior to the Closing.

"Hazardous Materials" has the meaning set forth in Section 4.4(d)(ix)(B).

"High Cap" has the meaning set forth in Section 8.5(a).

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, including the rules and regulations promulgated thereunder.

"HSR Filings" has the meaning set forth in Section 6.3.

"Hyatt Street Property" means the Owned Real Property located at 202 Hyatt Street, Gaffney, South Carolina.

"Income Tax" means any United States or foreign federal, state or local Taxes imposed on net income, including any interest, penalty, or addition thereto.

"Indemnified Party" has the meaning set forth in Section 8.3.

"Indemnifying Party" has the meaning set forth in Section 8.3.

"Insurance Policies" has the meaning set forth in Section 4.14.

"Intellectual Property" means any and all trademarks, service marks, copyrights, patents, inventions, trade secrets, know-how, company names, assumed fictional business names, trade names, brand names and logos, and rights in internet domain names.

"Interest Expense" means, for the November 2005 Year, the sum of (a) interest expense and internal capital charges of the Business for such period net of interest income, plus (b) any interest accrued during such period in respect of indebtedness of the Business that is required to be capitalized in accordance with GAAP, but only to the extent such interest was reflected as an expense on the Business's income statement for the November 2005 Year.

"Intermediate Cap" has the meaning set forth in Section 8.5(a).

"Judgment" means any judgment, order or decree of a Governmental Entity.

"Knowledge" means, with regard to Seller, the actual knowledge, after due inquiry, of those persons listed on Schedule 1.3; provided, however, that with respect to the representations of Seller pursuant to Section 4.16(a), "Knowledge" means the actual knowledge, after due inquiry, of the following persons listed on Schedule 1.3: Tom Chubb; Scott Grassmyer; Reese Lanier; Mark Kirby; Kayo O'Reilly; Tom Gill; and Mark Wolk.

"Law" means any judgment, order, decree or statute, law, ordinance, rule, regulation, or written and published policies of a Governmental Entity.

"Leased Real Property" means the real property leased by Seller or a Seller Subsidiary pursuant to the leases listed on Schedule 4.3(a) and Related to the Business.

"Leases" means all of the leases and subleases of the Leased Real Property Related to the Business.

"License Agreements" has the meaning set forth in Section 4.6(b).

"Lien" means lien, claim, restriction upon transfer, option, charge, security interest or other encumbrance.

"Losses" has the meaning set forth in Section 8.7.

"Material Adverse Effect" or "Material Adverse Change" means a material adverse effect or change on (a) the business, financial condition or results of operations, of the Business, taken as a whole, or (b) the ability of Seller to consummate the transactions contemplated by this Agreement, except, in any case, any such effect or change resulting from or arising in connection with (x) the compliance by Seller with the terms of Section 6.2, or (y) the announcement of this Agreement or the transactions contemplated hereby.

"Material Contract" has the meaning set forth in Section 4.7.

"Material Customer" means each of Wal-Mart Stores, Inc., Target Corporation and Blair Corporation; provided, however, that for purposes of Section 8.5, any Losses payable by Seller with respect to a claim asserted by Buyer pursuant to Section 8.2(a) for breach of a representation or warranty set forth in Section 8.16(a) arising from or relating to Blair Corporation shall be subject to the Cap.

"NAV Holdback Amount" has the meaning set forth in Section 2.4(b)(ii).

"NAV Shortfall Amount" has the meaning set forth in Section 2.5(a)(i).

"Net Asset Value" means the value of certain assets of the Business less certain liabilities of the Business, in each case as calculated in accordance with the Net Asset Value Guidelines.

"Net Asset Value Guidelines" means the guidelines set forth on Schedule 1.4.

"Net Income" means, for the November 2005 Year, the net income or loss of the Business for such period determined in accordance with GAAP; provided that there shall be excluded therefrom any extraordinary gains or losses.

"Non-Competition Agreement" means the Non-Competition Agreement, dated as of the Closing Date, to be entered into by Buyer and Seller in the form attached hereto as Exhibit B.

"Non-Transferred Business Asset" has the meaning set forth in Section 6.13(a).

"November 2005 Year" means the fiscal twelve month period beginning on November 27, 2004 and ending as of December 2, 2005.

"OPIL" means Oxford Products (International) Ltd., a subsidiary of Seller.

"Owned Real Property" means the real property listed on Schedule 4.3(a), including all improvements and structures thereon and fixtures and appurtenances thereto.

"OXM License Agreement" means the license agreement, dated as of the Closing Date, between Seller and Buyer, in the form attached hereto as Exhibit C.

"Party" or "Parties" has the meaning set forth in the preamble hereto.

"Permits" means the permits, licenses, certificates, orders, consents, authorizations, franchises and other approvals from, or required by, any Governmental Entity that are used by or necessary to operate the Business.

"Permitted Liens" means any (a) Liens in respect of Taxes, not yet due and payable; (b) mechanics', carriers', workmen's, repairmen's or other like Liens arising or incurred in the ordinary course of business which are not overdue; (c) Liens arising under original purchase price conditional sales contracts and equipment leases with third parties which are contracts entered into in connection with the Business; (d) imperfections of title or Liens affecting any assets of the Business that are *de minimis* with respect to the value or use of such asset by Buyer; (e) statutory Liens of landlords with respect to Leased Real Property; and (f) with respect to Owned Real Property and Leased Real Property, (x) easements, licenses, covenants, rights-of-way and other similar restrictions of record, (y) any conditions that may be shown by survey or title report (including, with respect to Owned Real Property, the title reports obtained by Buyer in connection with the transactions contemplated by this Agreement), and (z) zoning, building and other similar restrictions, so long as none of (x), (y) or (z) secure any monetary obligations or materially affect the marketability of the property subject thereto or materially interfere with the use of such real property substantially as currently used in the Business.

"Person" shall mean a natural person, corporation, partnership, joint venture, trust, limited liability company, unincorporated organization or other entity, or a Governmental Entity.

"Physical Inventory Shrinkage Amount" shall mean the amount, if any, by which (a) the Pre-Physical Inventory Value exceeds (b) the dollar value of the Business's inventory determined in accordance with GAAP, excluding Goods-in-Transit, as of the Closing Date based on the physical inventory count taken on the Closing Date as set forth in the Final Statement.

"Preliminary Purchase Price" has the meaning set forth in Section 2.2.

"Pre-Physical Inventory Value" shall mean the dollar value of the inventory, excluding Goods-in-Transit, of the Business as of the Closing Date as shown in the Business's general ledger accounts included in the books and records of the Business after consideration of reconciling items in the ordinary course as of the Closing Date and as determined in accordance with GAAP.

"Purchase Price" has the meaning set forth in Section 2.2.

"Related Parties" has the meaning set forth in Section 4.13.

"Related to the Business" means owned by Seller or any Seller Subsidiary and relating exclusively to the Business; provided, that "Related to the Business" excludes the assets, liabilities, operations and employees primarily related to the corporate services (accounting, human resources, legal, information technology, etc.) furnished to such operations by Seller or any Seller Subsidiary, none of which assets or liabilities shall be included in the calculation of the Net Asset Value.

"Release" has the meaning set forth in Section 4.4(d)(ix)(C).

"Required Consents" shall mean the consents of the third parties set forth on Schedule 1.5.

"Retained Liabilities" has the meaning set forth in Section 2.1(c).

"Retained Product Liability Obligations" means all Losses arising under product liability claims, whether founded upon negligence, strict liability, theories of design defect or failure to warn and/or any other legal theory, seeking compensation or recovery for or relating to personal injury or property damage caused or allegedly caused by any Business products which are either sold by the Business on or prior to the Closing Date or are included as finished goods in inventory of the Business on the Closing Date and are sold by the Business without any modification thereto following the Closing Date.

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

"Seller" has the meaning set forth in the preamble hereto.

"Seller's Closing Date NAV Calculation" has the meaning set forth in Section 2.4(a).

"Seller Disclosure Schedules" has the meaning set forth in Article IV.

"Seller Indemnified Parties" has the meaning set forth in Section 8.1.

"Seller's November 2005 Statement" means the income statement for the Business for the November 2005 Year, and a statement of assets and liabilities of the Business as of December 2, 2005 together with Seller's calculation of the Effective Date NAV and Adjusted EBITDA, prepared in accordance with the applicable provisions of this Agreement, including the accounting methodology set forth on Schedule 2.5 and the Net Asset Value Guidelines, as applicable.

"Seller Subsidiaries" means all direct and indirect subsidiaries of Seller that own any Business Assets, as set forth on Schedule 1.6.

"Services Agreement" means the Services Agreement, dated as of the Closing Date, between Seller, or a Seller Subsidiary, on the one hand, and Buyer, or a Buyer Affiliate, on the other hand, in the form attached hereto as Exhibit D.

"Shares" means, subject to Section 6.20, all of the capital stock issued and outstanding as of the Closing of Guatemala Subsidiary.

"Target EBITDA" means US$15,437,500.

"Tax Authority" means any local, municipal, governmental, state, federal, or fiscal revenue or customs or excise authority, body or agency, in the United States or elsewhere having the power or authority in relation to Taxes or Taxation.

"Tax Benefit" means any Tax refund, Tax credit or reduction in Tax expected to be realized by a Person or any of its Affiliates.

“Tax Returns” means any return, report or similar statement required to be filed with any taxing authority with respect to any Taxes (including any required schedules), including, without limitation, any information return, claim for refund, declaration of estimated Tax, and any amendment to any of the foregoing.

“Taxes” or “Taxation” means all taxes, charges, fees, levies, penalties or other assessments imposed by any United States federal, state or local or foreign taxing authority, including, but not limited to, income, excise, property, sales, value added, transfer, franchise, payroll, withholding, social security or other taxes, including any interest, penalties or additions attributable thereto.

“Third Party Claim” has the meaning set forth in Section 8.4.

“Thirteenth Street Lease” means that certain lease agreement between Buyer and Seller in the form attached hereto as Exhibit E, relating to the lease by Buyer following the Closing of Seller’s Owned Real Property located at 419 Thirteenth Street, Gaffney, South Carolina.

“Treasury Regulations” means the regulations promulgated under the Code.

“Working Capital Adjustment” has the meaning set forth in Section 2.4(b).

ARTICLE II
PURCHASE AND SALE OF BUSINESS ASSETS

Section 2.1 Purchase of Business Assets; Certain Liabilities.

(a) Subject to the terms and conditions hereof, Seller shall sell, assign, transfer and deliver or cause to be sold, assigned, transferred and delivered to Buyer (or, at Buyer’s election, to one or more Affiliates of Buyer (the “Buyer Affiliates”), and Buyer shall (or shall cause such Buyer Affiliates to) purchase, pay for and accept from Seller or from one of the Seller Subsidiaries, as appropriate, all of the assets Related to the Business, as a going concern, together with all of the properties, rights, interests, and goodwill of Seller and the Seller Subsidiaries associated therewith, tangible and intangible, real, personal and mixed, wherever located, whether now existing or hereafter acquired, to the extent of their respective ownership interests as the same exist on the Closing Date (except, in any case, for the Excluded Assets), which, together with such assets, properties, interest and rights are herein collectively referred to as the “Business Assets.” The sale, assignment, transfer and delivery of the Business Assets shall be free and clear of all Liens, except for Permitted Liens. Subject to the terms and conditions hereof, and except for the Excluded Assets, the Business Assets shall include, as the same exist on the Closing Date, all of Seller’s and the Seller Subsidiaries’ rights, title and interest in and to:

(i) All personal property, including without limitation machinery, equipment, furniture, office equipment and supplies, vehicles, computer hardware, communications and peripheral equipment, tools, dies and product tooling, that are Related to the Business;

(ii) The Hyatt Street Property;

(iii) All inventories and supplies, including raw materials, work in process and finished goods inventory that are Related to the Business, excluding goods that constitute Goods-in-Transit or goods on consignment;

(iv) Subject to Section 6.13, the Business Intellectual Property;

(v) Any and all insurance claims and rights with respect to injury, damage or loss occurring on or prior to the Closing Date under all current and past insurance policies and contracts of the Seller or the Seller Subsidiaries and proceeds thereof, to the extent (i) assignable and relating to an Assumed Liability and to the extent not attributable either to retrospectively rated policies or policies underwritten or reinsured by Seller or (ii) reflected as an asset included in the Closing Date NAV;

(vi) All rights of Seller and Seller Subsidiaries under the Contracts and the Leases; provided, however, that this Section 2.1(a)(vi) and any assignment or proposed assignment of the Contracts and Leases shall be subject to Section 6.13;

(vii) All Books and Records (to the extent located, on the Closing Date, at (w) the Hyatt Street Property, (x) Seller’s Owned Real Property located at 419 Thirteenth Street, Gaffney, South Carolina, (y) Seller’s Leased Real Property located in New York, New York or (z) Seller’s Leased Real Property located in Guatemala);

(viii) All rights and interests under or pursuant to all warranties and guarantees of or made by suppliers of the Business to the extent related to the Business Assets or the Assumed Liabilities or that are otherwise Related to the Business (except, in any case, to the extent related to Retained Liabilities);

(ix) Any and all claims (other than insurance claims which are covered by Section 2.1(a)(vi), but including counterclaims, cross claims and other claims in the nature of indemnification or contribution) and rights against other Persons to the extent relating to any Business Assets (except to the extent such claims or rights relate to Retained Liabilities) or Assumed Liabilities;

(x) All prepaid and similar items, including without limitation all prepaid expenses, deferred charges, deposits, rebates and discounts from vendors and advance payments, but in any case, only to the extent included in the Closing Date NAV and to the extent Related to the Business;

(xi) All patterns and samples Related to the Business;

(xii) All brochures, photographs, display materials, media materials, supplies, marketing and sales literature (including catalogs) that are Related to the Business;

(xiii) The Permits that are Related to the Business; provided, however, that this Section 2.1(a)(xiii) and any transfer or proposed transfer of any of such Permits shall be subject to Section 6.13;

(xiv) The goodwill and going concern value and other intangible assets, if any, of the Business, other than goodwill associated with the trade name, "Oxford," which shall inure to the benefit of Seller; and

(xv) Subject to Section 6.20, the Shares.

Notwithstanding anything to the contrary, as a result of the transactions contemplated hereby and other than as contemplated pursuant to the Ancillary Agreements, neither Buyer nor any Buyer Affiliate shall acquire a direct or indirect interest in the Excluded Assets or any properties, rights, or interests of Seller or any Seller Subsidiary other than the Business Assets.

(b) On the Closing Date, Buyer shall, or shall cause one or more of the Buyer Affiliates to, assume and/or agree to pay, perform and discharge as and when due (i) all liabilities and obligations reflected in the Closing Date NAV, (ii) the liabilities and obligations listed on Schedule 2.1(b), and (iii) those liabilities and obligations to be performed by Seller or a Seller Subsidiary from and after the Closing Date under Contracts and Leases (other than to the extent such liabilities and obligations are a result of Seller's or a Seller Subsidiary's breach, prior to the Closing, of the provisions of such Contract or Lease) (collectively, the "Assumed Liabilities") (it being understood that to the extent a Buyer Affiliate assumes and/or agrees to pay, perform and discharge any Assumed Liabilities, Buyer shall be responsible for (to the extent not performed by such Buyer Affiliate), and shall guarantee, such Buyer Affiliate's performance thereof).

(c) Notwithstanding anything herein to the contrary, Seller agrees that it shall retain or cause to be retained, and acknowledges that Buyer and the Buyer Affiliates have not agreed to pay, shall not assume and shall not have any liability or obligation with respect to any liabilities or obligations of Seller and Seller Subsidiaries other than the Assumed Liabilities (the "Retained Liabilities").

Section 2.2 Purchase Price. In consideration of Seller's sale and delivery of the Business Assets, Buyer shall, subject to the terms and conditions of this Agreement, pay to Seller a purchase price equal to US$25,000,000 plus the amount of the Effective Date NAV as set forth on Schedule 2.2 (the "Preliminary Purchase Price" and as adjusted pursuant to Sections 2.4 and 2.5, the "Purchase Price").

Section 2.3 Closing Date Payments. On the Closing Date, (a) Buyer shall pay to Seller an amount equal to ninety-five percent (95.0%) of the Preliminary Purchase Price, and (b) Buyer shall deposit an amount equal to five percent (5.0%) of the Preliminary Purchase Price (the "Escrow Amount") with the Escrow Agent, to be held in escrow in a

separate account pursuant to the terms of the Escrow Agreement and to be payable to Seller and/or Buyer in accordance with Section 2.5(a).

Section 2.4 Net Asset Value Adjustment.

(a) Seller will deliver to Buyer, not later than three (3) Business Days prior to the Closing Date, an estimated statement of the Net Asset Value of the Business on the Closing Date (the "Seller's Closing Date NAV Calculation"), which shall be prepared in accordance with the Net Asset Value Guidelines.

(b) If the Seller's Closing Date NAV Calculation is greater than the Effective Date NAV, Buyer will pay to Seller the difference between the Seller's Closing Date NAV Calculation and the Effective Date NAV (such difference, the "Working Capital Adjustment"). The Working Capital Adjustment shall be paid as follows:

(i) seventy-five (75%) percent of the Working Capital Adjustment shall be paid to Seller at the Closing, and

(ii) twenty-five (25%) percent of the Working Capital Adjustment shall be payable in accordance with Section 2.5 (such amount, the "NAV Holdback Amount").

(c) For the avoidance of doubt, if the Seller's Closing Date NAV Calculation is equal to or lower than the Effective Date NAV, there will be no Working Capital Adjustment payment and, for purposes of Section 2.2, the Preliminary Purchase Price shall be deemed to equal US$25,000,000 plus the amount of Seller's Closing Date NAV Calculation.

(d) The Preliminary Purchase Price payment made under Section 2.2 and the Working Capital Adjustment payment, if any, made under Section 2.4(b)(i) shall be paid in cash by wire transfer of immediately available funds to the account of Seller specified in wire instructions notified to Buyer in writing not less than three (3) Business Days prior to the Closing Date.

Section 2.5 NAV Calculation; Post-Closing Audit.

(a) Within 90 days following the Closing, Buyer shall cause its accountants to prepare and deliver to the Parties a statement (the "Buyer's Statement") consisting of (x) an audited statement of the assets and liabilities of the Business as of the Closing Date calculated on a basis consistent with the Seller's November 2005 Statement, which shall include Buyer's calculation of the Closing Date NAV (the "Buyer's Closing Date NAV Calculation") and (y) subject to Section 2.7 hereof, Buyer's calculation of the Adjusted EBITDA calculated on a basis consistent with the Seller's November 2005 Statement (the "Buyer's Adjusted EBITDA Calculation").

(i) In the event that the Closing Date NAV is less than the Seller's Closing Date NAV Calculation (the amount of such difference, the "NAV Shortfall Amount"), first the NAV Holdback Amount and then, if

necessary, the Escrow Amount, shall be reduced by an amount equal to the NAV Shortfall Amount, and the balance of the NAV Holdback Amount and Escrow Amount, if any, shall then be paid to Seller. Without duplication, if the NAV Shortfall Amount is greater than the sum of the NAV Holdback Amount and the Escrow Amount, the entire NAV Holdback Amount and Escrow Amount shall be retained by Buyer and Seller will reimburse to Buyer the amount by which the NAV Shortfall Amount exceeds the sum of the NAV Holdback Amount and the Escrow Amount.

(ii) In the event that the Closing Date NAV is greater than the Seller's Closing Date NAV Calculation, the Escrow Amount shall be paid to Seller and Buyer shall promptly pay to Seller the entire NAV Holdback Amount together with the amount by which the Closing Date NAV exceeds Seller's Closing Date NAV Calculation.

(iii) Any payment due under clauses (i) or (ii) above shall be made by the appropriate Party not later than five (5) Business Days after the amount owed is finally determined in accordance with Sections 2.5(c) and (d).

(b) Buyer shall permit Seller and its representatives to have reasonable access to the books, records and other documents (including work papers) pertaining to or used in connection with preparation of the Buyer's Statement and provide Seller with copies thereof (as reasonably requested by Seller), and each of the Parties and their representatives shall cooperate with the other in connection with such preparation.

(c) If Seller disagrees with the Buyer's Closing Date NAV Calculation as set forth on the Buyer's Statement, Seller shall provide written notice to Buyer disputing such calculation (a "Dispute Notice"), which Dispute Notice shall specify in reasonable detail the nature of the disagreement. If such objecting Party does not provide a Dispute Notice within ten (10) Business Days after delivery of Buyer's Statement, then such statement shall be deemed accepted by Seller, and the Buyer's Closing Date NAV Calculation reflected on Buyer's Statement shall be deemed final, and no longer subject to review or contest by either Party, and such statement shall thereafter be deemed the "Final Statement" in respect of the Closing Date NAV.

(d) If a Dispute Notice is timely delivered to Buyer, then during the 20 Business Day period following delivery of the Dispute Notice, Buyer and Seller shall attempt to resolve all disagreements and to agree upon the calculation of the Closing Date NAV. In the event the Parties are unable to agree upon the calculation of the Closing Date NAV within 20 Business Days after delivery of the Dispute Notice, either Buyer or Seller may refer the dispute to the New York City office of Deloitte & Touche or, if Deloitte & Touche is unable or unwilling to resolve such dispute, an independent firm of certified public accountants of national repute as Buyer and Seller may agree (the "Expert") on the basis that the Expert is to be instructed to make a decision on the dispute and notify Buyer and Seller of its decision within 20 Business Days of receiving the reference or such longer reasonable period as the Expert may determine. For purposes of

this Section 2.5(d), (i) Seller and Buyer shall each promptly prepare a written statement (which statement may be based upon the advice of such Party's respective accountants, at such Party's sole discretion and expense) on the matters relevant to the calculation of the Closing Date NAV which, together with all relevant documents, shall be submitted to the Expert and to the other Party, and provide to the Expert all such information as the Expert shall reasonably request, and (ii) in rendering a decision, the Expert shall state what adjustments (if any) are necessary to be made to Buyer's Statement in respect of the items in dispute in order to comply with the requirements contained in this Agreement for the calculation of the Closing Date NAV. The decision of the Expert shall, in the absence of fraud or manifest error, be final and binding on the Parties and the Closing Date NAV, reflecting the decision of the Expert and signed by the Expert, shall be deemed the Final Statement. Buyer and Seller each shall pay one-half of the fees and expenses of the Expert. If the New York City office of Deloitte & Touche is unable or unwilling to resolve a dispute referred to it under this Section 2.5(d), and if within 20 Business Days of learning of such inability or unwillingness Buyer and Seller are unable to agree on an independent firm of certified public accountants of national repute to serve as the Expert (or if such Expert is agreed upon by Buyer and Seller but is unable or unwilling to resolve such dispute), then Buyer or Seller shall refer the dispute to final binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association and the decision in the arbitration shall, in the absence of fraud or manifest error, be final and binding on the Parties, and the Closing Date NAV, reflecting the decision of the arbitration and signed by the arbitrator(s), shall be deemed the Final Statement. Buyer and Seller each shall pay one-half of the fees and expenses of the arbitration.

Section 2.6 Claims Receivables. With respect to claims receivable of the Business outstanding on the Closing Date or claims receivable of Seller arising on or after the Closing Date and relating to Goods-in-Transit, owed from vendors to the Business, that are not otherwise included as Business Assets, to the extent that any such receivables are collected, received or recovered, directly or indirectly (including, without limitation, from direct payment from such vendor or deduction or offset of amounts that otherwise would be paid to the vendor by Buyer or any of its Affiliates), by Buyer or any of its Affiliates, Buyer shall, within ten (10) Business Days following any such collection, receipt or recovery, deliver to Seller the full amount of such receivables so collected, received or recovered. To the extent that any such claims receivables are not collected, received or recovered by Seller or a Seller Subsidiary (or otherwise collected, received or recovered by Buyer or a Buyer Affiliate and delivered to Seller in accordance with the preceding sentence) on or prior to the 90th day following the Closing Date, Seller shall have the right, and the Seller Subsidiaries (as the case may be) shall have the right, to assign to Buyer (or a Buyer Affiliate) all of their rights, properties and interests in and to all such receivables upon written notice of assignment to Buyer. Following such assignment, Buyer shall, and shall cause its Affiliates (as the case may be) to, (i) use its or their (as the case may be) commercially reasonable best efforts to collect, receive or recover (including, without limitation, from direct payment from such vendor or deduction or offset of amounts that otherwise would be paid to the vendor by Buyer or any of its Affiliates) any receivables assigned in accordance with the preceding sentence, and (ii) within ten (10) Business Days following any such collection, receipt or recovery, deliver to Seller the full amount of such receivables so collected, received or recovered, net of

collection costs reasonably paid by Buyer to a third party collection services provider in respect of such receivables collected, received or recovered, plus 5.0% of the amount of such receivables as an administrative cost. The Parties agree and acknowledge that any amounts collected from a vendor in respect of claims receivables (including, without limitation, from direct payment from such vendor or deduction or offset of amounts that otherwise would be paid to the vendor) shall be applied against claims receivables of Seller and Buyer from such vendor in the order in which they were incurred.

Section 2.7 EBITDA Adjustments.

(a) If (i) the Closing Date Physical Inventory Shrinkage Amount (if any) exceeds 5% of the Pre-Physical Inventory Value, (ii) Buyer prepares and submits to Seller Buyer's Adjusted EBITDA Calculation pursuant to Section 2.5(a), and (iii) the Final Adjusted EBITDA is less than the Target EBITDA, then, in addition to adjustments under Section 2.5, the Purchase Price will be reduced by the amount equal to the product of 5.0 times the amount by which the Final Adjusted EBITDA is less than the Target EBITDA (such amount, the "EBITDA Adjustment Payment"). By way of example, if the Final Adjusted EBITDA is $15,000,000, the EBITDA Adjustment Payment shall be $2,187,500 (5.0 x $437,500 (i.e., $15,437,500 - $15,000,000)). The EBITDA Adjustment Payment shall be due and payable by Seller to Buyer not later than five (5) Business Days after determination of the Final Adjusted EBITDA in accordance with this Section 2.7.

(b) Seller shall permit Buyer and its representatives to have reasonable access to the books, records and other documents (including work papers) pertaining to or used in connection with preparation of Seller's November 2005 Statement (solely to the extent relating to Seller's calculation of the Adjusted EBITDA as set forth therein) and provide Buyer with copies thereof (as reasonably requested by Buyer), and each of the Parties and their representatives shall cooperate with the other in connection with Buyer's preparation of the Buyer's Adjusted EBITDA Calculation.

(c) If Seller disagrees with the Buyer's Adjusted EBITDA Calculation as set forth on the Buyer's Statement, Seller shall provide written notice to Buyer disputing such calculation (an "EBITDA Dispute Notice"), which EBITDA Dispute Notice shall specify in reasonable detail the nature of the disagreement. If Seller does not provide an EBITDA Dispute Notice within ten (10) Business Days after delivery of Buyer's Statement, then the Buyer's Adjusted EBITDA Calculation reflected on Buyer's Statement shall be deemed final, and no longer subject to review or contest by either Party, and such Buyer's Adjusted EBITDA Calculation shall thereafter be deemed the "Final Adjusted EBITDA."

(d) If an EBITDA Dispute Notice is timely delivered to Buyer, then during the 20 Business Day period following delivery of the EBITDA Dispute Notice, Buyer and Seller shall attempt to resolve all disagreements and to agree upon the calculation of the Final Adjusted EBITDA. In the event the Parties are unable to agree upon the calculation of the Final Adjusted EBITDA within 20 Business Days after delivery of the EBITDA Dispute Notice, either Buyer or Seller may refer the dispute to the New York City office of Deloitte & Touche or, if Deloitte & Touche is unable or unwilling to

resolve such dispute, an independent firm of certified public accountants of national repute as Buyer and Seller may agree (the "EBITDA Expert") on the basis that the EBITDA Expert is to be instructed to make a decision on the dispute and notify Buyer and Seller of its decision within 20 Business Days of receiving the reference or such longer reasonable period as the EBITDA Expert may determine. For purposes of this Section 2.7(d), (i) Seller and Buyer shall each promptly prepare a written statement (which statement may be based upon the advice of such Party's respective accountants, at such Party's sole discretion and expense) on the matters relevant to the calculation of the Adjusted EBITDA which, together with all relevant supporting documents, shall be submitted to the EBITDA Expert and to the other Party, and provide to the EBITDA Expert all such information as the EBITDA Expert shall reasonably request, and (ii) in rendering a decision, the EBITDA Expert shall state what adjustments (if any) are necessary to be made to Buyer's Statement in respect of the items in dispute in order to comply with the requirements contained in this Agreement for the calculation of the Adjusted EBITDA. The decision of the EBITDA Expert shall, in the absence of fraud or manifest error, be final and binding on the Parties and the Adjusted EBITDA, reflecting the decision of the EBITDA Expert and signed by the EBITDA Expert, shall be deemed the Final Adjusted EBITDA. Buyer and Seller each shall pay one-half of the fees and expenses of the EBITDA Expert. If the New York City office of Deloitte & Touche is unable or unwilling to resolve a dispute referred to it under this Section 2.7(d), and if within 20 Business Days of learning of such inability or unwillingness Buyer and Seller are unable to agree on an independent firm of certified public accountants of national repute to serve as the EBITDA Expert (or if such EBITDA Expert is agreed upon by Buyer and Seller but is unable or unwilling to resolve such dispute), then Buyer or Seller shall refer the dispute to final binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association and the decision in the arbitration shall, in the absence of fraud or manifest error, be final and binding on the Parties, and the Adjusted EBITDA, reflecting the decision of the arbitration and signed by the arbitrator, shall be deemed the Final Adjusted EBITDA. Buyer and Seller each shall pay one-half of the expenses of any arbitration pursuant to this Section 2.7.

(e) The Parties agree and acknowledge that if any matters shall be referred to an accounting firm or arbitrator in order to resolve any disputes with respect to the calculation of the Adjusted EBITDA and any matters shall be referred to an accounting firm or arbitrator in order to resolve any disputes with respect to the calculation of the Closing Date NAV, such matters shall, to the extent reasonable and practicable, be resolved by such firm(s) and/or arbitrator concurrently.

(f) The Parties agree and acknowledge that if (i) the Closing Date Physical Inventory Shrinkage Amount (if any) is equal to or less than 5% of the Pre-Physical Inventory Value, (ii) Buyer does not prepare and submit to Seller Buyer's Adjusted EBITDA Calculation pursuant to Section 2.5(a), or (iii) the Final Adjusted EBITDA is equal to or greater than the Target EBITDA, neither Party shall have any liability or obligation pursuant to this Section 2.7 (except for Seller's obligation pursuant to Section 2.7(b) solely to the extent necessary to permit Buyer to prepare Buyer's Adjusted EBITDA Calculation and except for fees and expenses payable in accordance with Section 2.7(d)).

ARTICLE III
CLOSING

Section 3.1 Closing; Closing Date. The closing of the purchase and sale of the Business Assets (the "Closing") shall be held at the offices of Salans, 620 Fifth Avenue, New York, New York 10020, at 10:00 a.m. on the third Business Day following the satisfaction or waiver of the conditions to Closing in Article VII (other than those conditions that by their nature are to be satisfied at the Closing), or at such other time and/or on such other date as may be mutually agreed upon in writing by the Parties (the date on which the Closing actually occurs being referred to herein as the "Closing Date"). The Closing shall be deemed effective at 11:59 p.m. Eastern time on the Closing Date.

Section 3.2 Items to be Delivered at the Closing by Seller. On the Closing Date, the Seller shall deliver or cause to be delivered to Buyer:

(a) subject to Section 6.20, duly executed transfers in favor of Buyer or its nominee of all of the Shares, together with the stock certificates representing the Shares, endorsed in blank or accompanied by duly executed assignment documents,

(b) bills of sale, certificates of titles and such other certificates and assignments for the Business Assets and the Assumed Liabilities which have been executed by Seller or a Seller Subsidiary as appropriate depending upon the situs and owner of the particular Business Asset or Assumed Liability involved,

(c) certificates of good standing or certificates of existence for each of Seller and the Seller Subsidiaries,

(d) the executed Non-Competition Agreement,

(e) the Required Consents,

(f) the executed Services Agreement,

(g) the executed OXM License Agreement,

(h) the Escrow Agreement executed by Seller and the Escrow Agent,

(i) the Thirteenth Street Lease, executed by Seller,

(j) duly executed special warranty deeds (or their functional equivalent), each in the form attached hereto as Exhibit F, transferring the Hyatt Street Property to Buyer or its nominee,

(k) payment of all deed recording fees (documentary stamps) to, and filing of any required documents related thereto with, the appropriate Governmental Entity in South Carolina in connection with the transfer of the Hyatt Street Property to Buyer or its nominee,

(l) a certificate of tax compliance from the South Carolina Department of Revenue,

(m) a South Carolina affidavit of residency from Seller or the Seller Subsidiary that holds title to the Hyatt Street Property,

(n) a certificate of the corporate secretary of Seller with respect to certain corporate matters and attaching thereto a true, correct and complete copy of the resolutions of the Board of Directors of Seller authorizing the execution, delivery and performance of this Agreement, the Ancillary Agreements, and the transactions contemplated hereby and thereby,

(o) a certificate from Seller indicating that (i) the representations and warranties of Seller contained in Article IV hereof are true and correct in all material respects as of the Closing Date, and (ii) Seller and the Seller Subsidiaries have performed and complied in all material respects with all covenants and any remedies required by this Agreement to be performed by Seller and the Seller Subsidiaries through the Closing,

(p) the Books and Records (to the extent located, on the Closing Date, at (w) the Hyatt Street Property, (x) Seller’s Owned Real Property located at 419 Thirteenth Street, Gaffney, South Carolina, (y) Seller’s Leased Real Property located in New York, New York or (z) Seller’s Leased Real Property located in Guatemala) and, to the extent not already provided (or, at Seller’s option, Seller shall provide copies of or access to), the other Books and Records and the books of account, ledgers and order books Related to the Business and used in the preparation of Seller’s November 2005 Statement, together with a list of outstanding purchase orders, Goods-in-Transit, and letters of credit outstanding,

(q) the legal opinion of Seller’s legal counsel in the form attached hereto as Exhibit G, and

(r) all other documents required to be entered into or delivered by Seller or a Seller Subsidiary at or prior to the Closing pursuant hereto.

Section 3.3 Items to be Delivered at the Closing by Buyer. At the Closing, Buyer shall deliver or cause to be delivered to the Escrow Agent the Escrow Amount and shall deliver or cause to be delivered to Seller:

(a) payment of the Preliminary Purchase Price (less the Escrow Amount) and payment of the Working Capital Adjustment (less the NAV Holdback Amount, if any), if any, in each case, in immediately available funds,

(b) assumptions for the Business Assets and the Assumed Liabilities which have been executed by Buyer or a Buyer Affiliate, as the case may be, as appropriate depending upon the situs and owner of the particular Business Asset or Assumed Liability involved,

(c) the executed Services Agreement,

(d) the executed OXM License Agreement,

(e) the executed Non-Competition Agreement,

(f) the Thirteenth Street Lease, executed by Buyer,

(g) the Escrow Agreement, executed by Buyer,

(h) a certificate of the corporate secretary of Buyer with respect to certain corporate matters and attaching thereto a true, correct and complete copy of the resolutions of the Board of Directors of Buyer authorizing the execution, delivery and performance of this Agreement, the Ancillary Agreements, and the transactions contemplated hereby,

(i) a certificate from Buyer indicating that (i) the representations and warranties of Buyer contained in Article V hereof are true and correct in all material respects as of the Closing Date, and (ii) Buyer has performed and compiled in all material respects with all covenants and agreements required by this Agreement to be performed by Seller prior to or at the Closing,

(j) the legal opinion of Buyer's counsel in the form attached hereto as Exhibit H, and

(k) all other documents required to be entered into or delivered by Buyer or a Buyer Affiliate at or prior to the Closing pursuant hereto.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF SELLER

Except as specifically set forth in the disclosure schedules which have been delivered by Seller to Buyer at or prior to the execution of this Agreement (the "Seller Disclosure Schedules"), Seller represents and warrants to Buyer, each of which is true and correct on the date hereof (except for such representations and warranties which are made as of a specific date which are true and correct as of such date), as follows:

Section 4.1 Organization, Authority, Binding Obligation of Seller. Seller is a corporation duly organized and validly existing under the laws of the State of Georgia. Seller and the Seller Subsidiaries have all requisite power and authority, corporate and otherwise, to carry on the Business as it is now being conducted, to execute, deliver and perform the respective obligations of Seller and the Seller Subsidiaries under this Agreement and, as of the Closing Date, the Ancillary Agreements, and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by Seller and any Seller Subsidiary of this Agreement and any Ancillary Agreements to which it is a party have been duly authorized by all necessary corporate action of Seller and the Seller Subsidiaries. This Agreement and, as of the Closing Date, each of the Ancillary Agreements to which Seller or any Seller Subsidiary is a party, have been duly executed and delivered by Seller or such Seller Subsidiary, and upon execution and delivery by the other parties thereto, each constitutes a valid and binding obligation of Seller or Seller Subsidiary, enforceable in

accordance with its respective terms, except as such enforcement may be limited by or subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law).

Section 4.2 No Conflicts; Consents. Except as required under the HSR Act, no consent, or Permit of, or registration, declaration or filing (each, a "Filing") with, any Governmental Entity which has not been obtained or made by Seller is required for or in connection with the execution and delivery of this Agreement by Seller or the consummation by Seller of the transactions contemplated hereby. Except as set forth on Schedule 4.2, the execution, delivery and performance of this Agreement by Seller does not, and the consummation by Seller of the transactions contemplated hereby will not, (i) violate any provision of the organizational or governing documents of Seller, (ii) subject to obtaining the Consents and the Permits and/or Filings referred to in this Section 4.2, conflict with or violate in any material respect any law applicable to Seller or any permit or order of any Governmental Entity currently in effect with respect to the Business, (iii) violate any provision of any Material Contract or by its terms expressly grant to the other party thereto the right to terminate a Material Contract directly as a result of the sale of the Business by Seller and the Seller Subsidiaries, or (iv) result in the imposition of any Lien (other than Permitted Liens) on any Business Assets pursuant to, any mortgage, lease, Permit, Contract, instrument, law, order, arbitration award or Judgment to which Seller is bound, except in the case of clauses (ii), (iii), and (iv) as would not reasonably be expected, individually or in the aggregate, to require payment by or result in a loss to the Business of more than $25,000. Schedule 4.2 sets forth all third party consents required in connection with the consummation of the transactions contemplated by this Agreement, except as would not reasonably be expected, individually or in the aggregate, to require payment by or result in a loss to the Business of more than $25,000 (the "Consents").

Section 4.3 Business Property.

(a) Schedule 4.3(a) sets forth a complete list as of the date of this Agreement of (i) the Owned Real Property and Leased Real Property, and (ii) all Leases, including with respect to each Leased Real Property (x) the name and date of each amendment or supplementing document or assignment constituting part of the applicable Lease and (y) the location of the Leased Real Property. Seller has delivered to Buyer a true and complete copy of each written Lease.

(b) Except as set forth in Schedule 4.3(b), Seller or a Seller Subsidiary has good and marketable fee title to each Owned Real Property, and good and marketable title to each leasehold estate in each Leased Real Property (the Owned Real Property or Leased Real Property being sometimes referred to herein, individually, as the "Business Property"), in each case free and clear of all Liens other than Permitted Liens.

(c) As of the date of this Agreement, the rental amounts set forth in each Lease represent the actual rent being paid, and there are no separate agreements or understandings amending or modifying such rental amounts.

(d) Schedule 4.3(d) sets forth a complete list as of the date of this Agreement of all Contracts (and all amendments, extensions and modifications thereto) to which Seller or a Seller Subsidiary is a party that contains an unperformed obligation of Seller or a Seller Subsidiary to purchase or acquire any interest in real property Related to the Business.

(e) There are no pending or, to the Knowledge of Seller, threatened condemnation or eminent domain proceedings involving any Owned Real Property or any portion thereof, or for a sale in lieu thereof. Each of the Owned Real Property (including improvements thereon and the appurtenances thereto) is reasonably suited for the purposes for which it is currently being used, and is in good operating condition for such purposes, subject to ordinary wear and tear. To the Knowledge of Seller, there are no pending or threatened condemnation or eminent domain proceedings involving any Leased Real Property or any portion thereof, or for a sale in lieu thereof. To the Knowledge of Seller, the use of the Owned Real Property and the conduct of the Business on the Owned Real Property does not violate any deed restrictions or covenants affecting such Owned Real Property, and none of the improvements on the Owned Real Property encroaches onto any other property in any material respect, provided that, without limiting the generality of the foregoing, if such encroachment could result in a forced removal, it shall be deemed material. All necessary access from public roads are, in all material respects, legally and validly available to the Owned Real Property, and all utilities sufficient for the operation of the Business as currently conducted are, in all material respects, operational on each of the Owned Real Property. To the Knowledge of Seller, there are no violations by any landlord of any peaceful and quiet possession covenant contained in the Leases.

(f) Except as set forth in Schedule 4.3(f) the Business Properties constitute all of the real property owned or leased by Seller or a Seller Subsidiary and Related to the Business.

Section 4.4 Compliance. Except as set forth on Schedule 4.4:

(a) Seller and the Seller Subsidiaries have complied in all material respects with all applicable statutes, laws and regulations of any Governmental Entity in respect of the conduct of the Business. Seller and each of the Seller Subsidiaries is operating and has operated the Business and Owned Real Property or Leased Real Property in compliance in all material respects with all applicable statutes, laws and regulations of any applicable Governmental Entity. As of the date hereof, neither Seller nor any Seller Subsidiary has received any written communication during the past two years from a Governmental Entity that alleges that Seller or the Seller Subsidiary is not in compliance in all material respects with any applicable statute, law and regulation of any Governmental Entity in the conduct of the Business and which has not been resolved in all respects.

(b) Seller and the Seller Subsidiaries have all necessary Permits required by any Governmental Entity to conduct the Business as currently conducted, including, but not limited to, those required pursuant to Environmental Laws, and is in compliance in all

material respects with the terms thereof. No violations of such Permits currently exist, and no material violations have been reported to Seller in writing in respect of such Permits within the last three years.

(c) Seller has complied, in all material respects, with all applicable statutes, laws and regulations with respect to the conduct of the Business relating to the importation of merchandise into the United States. Seller's origin declarations with respect to the conduct of the Business are, and have been, accurate in all material respects and based on the exercise of reasonable care. As of the date hereof, Seller has not received any written, or to the Knowledge of Seller, oral, communication with respect to the conduct of the Business during the past five years from United States Customs and Border Protection, or its predecessor, the United States Customs Service, that: (i) alleges that Seller is not in compliance with any applicable statute, law and regulations; (ii) excludes merchandise; or (iii) asserts that Seller owes additional duties, liquidated damages, penalties, or fees.

(d) For purposes of this Section 4.4(d), Seller and the Seller Subsidiaries shall be deemed to include any predecessor by merger or consolidation and any persons from which Seller and any Seller Subsidiary have assumed liabilities under Environmental Laws in connection with the Business by contract or operation of Law.

(i) Seller and each Seller Subsidiary is operating and has operated the Business and the Business Property in compliance in all material respects with all Environmental Laws.

(ii) Neither Seller nor any Seller Subsidiary has received a written notice, demand, claim, request for information, or to the Knowledge of Seller, any other notice or claim in connection with the Business indicating that Seller or any Seller Subsidiary is in material violation of, or is potentially materially liable under, any Environmental Law with respect to the conduct of the Business, the substance of which communication has not been materially resolved.

(iii) There is no material civil, criminal, or administrative claim, notice of violation or proceeding pending, nor any material Judgment issued, against Seller or any Seller Subsidiary with respect to the Business, nor to Seller's Knowledge, threatened against the foregoing, in each case (i) relating in any way to Environmental Law and (ii) which has not been resolved in all material respects.

(iv) No Hazardous Materials exist on, under or within any Owned Real Property or any Leased Real Property that has given, or is reasonably expected, under reasonable and prudent business practices, to give rise to liability of Seller or any Seller Subsidiary under any Environmental Law, except as would not reasonably be expected, individually or in the aggregate, to require payment by or result in a loss to the Business of more than $25,000. No Hazardous Materials have been treated or Released by

Seller or any Seller Subsidiary in the conduct or operation of the Business (i) in quantities requiring investigation or cleanup pursuant to applicable Environmental Law or (ii) in a manner that is reasonably likely to form the basis of material liability under Environmental Law. No Hazardous Materials have been Released by Seller or a Seller Subsidiary in the conduct or operation of the Business at any offsite location, including any storage, treatment or disposal facility, (i) in quantities requiring investigation or cleanup pursuant to applicable Environmental Law or (ii) in a manner that is reasonably likely to form the basis of material liability under Environmental Law. No cleanup has occurred at any Business Property that is reasonably likely to result in the assertion or creation of a Lien (other than Permitted Liens) on such property by any Governmental Entity with respect thereto, nor has any such assertion of a Lien been made in writing by any Governmental Entity.

(v) Seller and the Seller Subsidiaries possess or have applied for all Permits required under Environmental Law necessary to conduct the Business as currently conducted and to own and operate the Owned Real Property and lease the Leased Real Property ("Environmental Permits"), except those Permits the failure of which to possess would not reasonably be expected to require payment by or result in a loss to the Company of more than $25,000. All such Environmental Permits which have been issued to the applicable entity are validly held, and the applicable entity has complied in all material respects with all terms and conditions thereof. None of Seller or any Seller Subsidiary has received written notice of any proceeding relating to modification, revocation or non-renewal of any Environmental Permit as a result of the execution and delivery of this Agreement or transactions contemplated by this Agreement. Schedule 4.4(d) of the Seller Disclosure Schedule sets forth a list as of the date of this Agreement of all Environmental Permits.

(vi) Except as set forth on Schedule 4.4(d), there are no underground storage tanks located on any of the Owned Real Property or the Leased Real Property.

(vii) There is not at, on or in any Business Property located at the Hyatt Street Property any friable asbestos-containing material, polychlorinated biphenyls, lead-based paint or toxic mold in amounts or concentrations which currently require, as conditions currently exist, remediation under applicable Environmental Law to prevent human health effects or damage to the Business Property, except as would not reasonably be expected, individually or in the aggregate, to require payment by or result in a loss to the Business of more than $25,000.

(viii) Seller has made available to Buyer copies of all environmental risk assessment or environmental compliance assessment reports generally referred to as "Phase I Reports" and other environmental reports, studies,

assessments, and sampling data ("Environmental Reports") in Seller's possession that have been issued since January 1, 2001 for or relating to the Business Property.

(ix) As used in this Agreement:

A. "Environmental Laws" means any Law, Permit or Judgment issued or promulgated by any Governmental Entity, relating to the environment, preservation or reclamation of natural resources, or to the protection of human health as it relates to environment or to the management, Release or threatened Release of Hazardous Materials;

B. "Hazardous Materials" means (1) any and all radioactive materials or wastes, petroleum (including crude oil or any fraction thereof) or petroleum distillates, asbestos or asbestos containing materials, and (2) any other wastes, materials, chemicals or substances regulated or defined as hazardous pursuant to any Environmental Law; and

C. "Release" means any spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching, dumping, pouring, emptying, escape or emanation of any Hazardous Material in, into, onto, or through the environment (including ambient air, surface water, ground water, soils, land surface and subsurface strata) or within any building, structure, facility or fixture.

Section 4.5 Title to Assets. Seller or a Seller Subsidiary has good title to, or a valid leasehold interest in, or right or license to use, the Business Assets and other tangible assets used or held for use in the operation or conduct of the Business or Related to the Business, in each case free of any Liens, other than Permitted Liens. Except as set forth on Schedule 4.5, the Business Assets together with Buyer's rights and interests under the Services Agreement and other agreements executed pursuant to the terms hereof constitute all of the assets, rights and/or interests which are used in, and are sufficient for, the operation of the Business as it is currently being conducted.

Section 4.6 Intellectual Property.

(a) Schedule 4.6(a) contains an accurate and complete list of all patents, patent applications, registered trademarks, trademark applications, registered trade names, trade name applications, registered copyrights, copyright applications and domain name registrations included in the Business Intellectual Property. To the Knowledge of Seller and except as set forth on Schedule 4.6(a), Seller or a Seller Subsidiary is validly licensed to use, or otherwise has the right to use, all of the Business Intellectual Property. There are no restrictions on the direct and indirect transfer of any contract, or any interest therein, held by Seller or any Seller Subsidiary in respect of such Business Intellectual Property, except as set forth on Schedule 4.6(a) or except as would not reasonably be

expected, individually or in the aggregate, to require payment by or result in a loss to the Company of more than $25,000. Except as set forth in Schedule 4.6(a) or as would not reasonably be expected, individually or in the aggregate, to require payment by or result in a loss to the Company of more than $25,000, as of the date hereof, neither Seller nor any Seller Subsidiary has received since January 1, 2000 any written, or to the Knowledge of Seller, any oral notice that it is in default (or with the giving of notice or lapse of time or both, would be in default) under any contract to use such Business Intellectual Property and none of the Business Intellectual Property has been, or will be, charged with Liens by Seller and the Seller Subsidiaries or otherwise, other than (x) Liens released at the Closing and (y) Permitted Liens. Except as set forth on Schedule 4.6(a), none of the Business Intellectual Property is subject to any pending or, to the Knowledge of Seller, threatened challenge or reversion and, to the Knowledge of Seller, the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements shall not create any right of termination, cancellation or reversion with respect thereto anywhere in the world. Except as set forth on Schedule 4.6(a), none of the Business Intellectual Property that is owned by Seller or any Seller Subsidiary is licensed to any person or entity. To the Knowledge of Seller, use of the Business Intellectual Property does not infringe on or misappropriate any Intellectual Property rights of any third party, and there is no claim for damages or any proceeding pending or threatened against Seller or any Seller Subsidiary with respect thereto. To the Knowledge of Seller, no person is infringing or otherwise acting adversely with respect to Seller's or any Seller Subsidiary's rights under or in respect of any of the Business Intellectual Property as of the date hereof.

(b) Schedule 4.6(b) lists all of the license agreements to which Seller or any Seller Subsidiary is a licensee with respect to any Business Intellectual Property, which are necessary for the conduct of the Business as presently conducted and which require payment by Seller or any Seller Subsidiary greater than $1,000 per annum (the "License Agreements"). Each License Agreement is in full force and effect in accordance with its terms, and Seller or the Seller Subsidiary, as applicable, has performed all material obligations due and required to be performed by it under such License Agreement as of the date hereof and Seller or the Seller Subsidiary is not (with or without the lapse of time or the giving of notice, or both) in breach or default in any material respect thereunder, and, to the Knowledge of Seller, no other party to any such License Agreement is (with or without the lapse of time or the giving of notice, or both) in breach or default in any material respect thereunder. There are no claims pending or, to the Knowledge of Seller, threatened against Seller or any Seller Subsidiary by any third party asserting that any of the intellectual property rights licensed to Seller or any Seller Subsidiary under any License Agreement, or any proprietary designs developed by Seller or any Seller Subsidiary in connection with any License Agreement, infringes upon the intellectual property rights of such third party.

Section 4.7 Contracts. Except as described in Schedule 4.7 (all Contracts (other than the License Agreements), agreements, commitments and instruments required to be set forth on such Schedule 4.7 of the Seller Disclosure Schedules, collectively, the "Material Contracts"), neither Seller nor any Seller Subsidiary is a party to or bound by

any of the following Contracts (other than the License Agreements) with respect to the Business:

(a) lease or contract under which the Business is a lessee of, or holds or uses, any machinery, equipment, vehicle or other personal property owned by a third party and pursuant to which Seller or a Seller Subsidiary is obligated to spend more than $50,000 per annum;

(b) contract for the future purchase of inventory, materials, supplies or equipment pursuant to which Seller or any Seller Subsidiary is obligated to spend more than $25,000 per annum under any such contract other than in the usual and ordinary course of the Business;

(c) contract under which Seller or any Seller Subsidiary has borrowed or may borrow any money or issued or may issue any note, indenture or other evidence of indebtedness or directly or indirectly guaranteed liabilities or obligations of others (other than endorsements of checks for the purpose of collection in the ordinary course of business);

(d) mortgage, pledge, security agreement, deed of trust or other document granting an encumbrance on Seller's or any Seller Subsidiary's assets;

(e) management, service or consulting or other similar type of contract which involves payments by Seller or any Seller Subsidiary in excess of $25,000 per annum;

(f) covenant not to compete or confidentiality agreement; or

(g) any contract granting to any person first-refusal, first-offer or similar preferential right to purchase or acquire any asset or assets which are material to the Business.

Except as set forth in Schedule 4.7, each Material Contract is a valid and binding obligation of Seller or the Seller Subsidiary party thereto and, to the Knowledge of Seller, the other parties thereto and is in full force and effect in accordance with its terms. Except as set forth on Schedule 4.7, Seller or a Seller Subsidiary has performed all material obligations required to be performed by it to the date hereof under the Material Contracts to which it is a party and is not (with or without the lapse of time or the giving of notice, or both) in breach or default thereunder and, to the Knowledge of Seller, no other party to any such Material Contract is (with or without the lapse of time or the giving of notice, or both) in breach or default in any material respect thereunder. Seller and the Seller Subsidiaries have not received any notice of termination of any Material Contract to which it is a party.

Section 4.8 Financial Statements.

(a) Attached hereto as Schedule 4.8(a)(i) are the Financial Statements and the Seller's November 2005 Statement. Except as otherwise set forth on Schedule 4.8(a)(ii) with respect to the Financial Statements, the Financial Statements and the Seller's November 2005 Statement have been prepared in accordance with the accounting

methodology set forth on Schedule 2.5 and in accordance with the Net Asset Value Guidelines, as applicable, and fairly represent in all material respects the financial condition of the Business as of the dates set forth therein, and the results of operations of the Business and changes in financial position (and, solely with respect to the Seller's November 2005 Statement, the cash flows) of the Business for the periods indicated, and are reconcilable to the books and records of the Business.

(b) Except as set forth in Schedule 4.8(b), the Business has no material liabilities or obligations, whether secured or unsecured, accrued, determined, absolute or contingent, asserted or unasserted or otherwise, and no event had occurred which would cause or give rise to any material liabilities or obligations, in each case which are required to be reflected or reserved in a balance sheet or the notes thereto under GAAP, but which are not reflected or reserved against in the Seller's November 2005 Statement, except for liabilities or obligations which arose in the ordinary course of business since the date of the Seller's November 2005 Statement.

(c) Except as set forth in Schedule 4.8(c), since December 2, 2005 through the date hereof, there has not been, occurred or arisen with respect to the Business any:

(i) capital expenditures or commitment by Seller or any Seller Subsidiary exceeding $50,000, other than in the ordinary course of the Business;

(ii) purchase of any real property or real property interest to be included as part of the Business Assets or disposition of any Owned Real Property;

(iii) destruction of, damage to or loss of any material assets, material business or material customer (whether or not covered by insurance);

(iv) change in accounting methods or practices (including any change in depreciation or amortization policies or rates);

(v) revaluation of the Business Assets;

(vi) except for normal merit, or cost-of-living, or promotional increases to individual employees in accordance with past practices of Seller or any Seller Subsidiary, increase in the rate of compensation for any employee of the Business or the entering or alteration of any employment, consulting, or managerial services agreement affecting the Business;

(vii) the adoption or amendment of any Employee Benefit Plan affecting employees of the Business, other than amendments (i) that are required by Law or that are not applicable to employees of the Business, or (ii) which either (A) do not increase the cost, in the aggregate, of all such Employee Benefit Plans to the employer, or (B) have the prior consent of Buyer, which consent shall not be unreasonably withheld;

(viii) the hiring or the offer to hire as an employee, the retention or the offer of retention as a consultant, or otherwise the agreement to pay for services

rendered or to be rendered other than for the Business, any persons who, on or after December 2, 2005 were employees of, or full-time consultants to, the Business, other than persons listed on Schedule 4.8(c)(viii);

(ix) the acceleration or delay of any sale of the products of the Business, except in the ordinary course of business;

(x) agreement, contract, lease or commitment or any extension or modification of the terms thereof which involves the payment of greater than $50,000 per annum, or any intercompany obligations other than in the ordinary course of business and consistent with past practices;

(xi) sale, lease, license or other disposition of any of the Business' material assets or properties, or any creation of any security interest in such assets or properties except in the ordinary course of business consistent with past practices;

(xii) amendment or termination of any Material Contract or License Agreement;

(xiii) waiver or release of any right or claim in excess of $50,000;

(xiv) Material Adverse Change;

(xv) action taken by Seller or any Seller Subsidiary that would violate Section 6.2; or

(xvi) agreement by Seller or any Seller Subsidiary or any officer or employee thereof to do any of the things described in the preceding clauses (i) through (xv) (other than as contemplated hereby).

(d) With respect to the Business, Seller and the Seller Subsidiaries maintain accurate books and records reflecting in all material respects each of their assets and liabilities and maintain proper and adequate internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of annual financial statements for external purposes in accordance with GAAP.

Section 4.9 Disputes and Offsets. Each of the Business' customer purchase orders outstanding as of the date hereof or as of the Closing Date arose in the ordinary course of the Business and constitutes a bona fide customer purchase order. Except as set forth on Schedule 4.9, as of the date hereof, none of the Business' customer purchase orders is the subject of any written, or to the Knowledge of Seller other, dispute, offset or claim by any customer, other than pursuant to the terms of such purchase order.

Section 4.10 Inventory. All of the Business's inventory consists of a quality, quantity and price usable and/or saleable in the ordinary course of the Business, net of applicable reserves. To the Knowledge of Seller, such inventory is related to a valid, bona fide

customer order or Seller's replenishment program, or such inventory is otherwise being maintained in a manner consistent with past practice. Other than with respect to Goods-in-Transit or as otherwise set forth on Schedule 4.10, all such inventory is located at facilities of the Business and has not been consigned to any third party. All such inventory is recorded in accordance with GAAP applied at the lower of cost or market using the first-in first-out (FIFO) identification method. All products of the Business have been produced in compliance with all "codes of conduct" of its licensors and customers, including any provisions thereof relating to labor practices of Seller and the Seller Subsidiaries, their vendors or their contract manufacturers. Seller and the Seller Subsidiaries maintain reasonable policies, practices and procedures with respect to the security and safeguard of inventory and other assets (including, with respect to employee and third party theft and other loss) of the Business and have not made any material changes to such policies, practices and procedures during the year prior to the date hereof.

Section 4.11 Employee and Related Matters: ERISA.

(a) Schedule 4.11(a) sets forth a true and correct list of each employee of Seller or a Seller Subsidiary devoted primarily to the Business as of April 24, 2006 (except with respect to Guatemala Employees, a true and correct list of each Guatemala Employee as of March 29, 2006), each of their respective positions, each of their respective hourly wage or salary or other cash compensation, and the most recent dates that each such employee's services commenced (the "Employees").

(b) None of the Employees is covered by a collective bargaining agreement. Except as set forth on Schedule 4.11(b), with respect to the Business Employees (i) each of Seller and the Seller Subsidiary is in compliance in all material respects with all applicable laws respecting employment and employment practices, including those pertaining to wages, hours, overtime, working conditions, collective bargaining, employment discrimination, immigration, occupational safety and health, worker's compensation and unemployment insurance, (ii) there is no unfair labor practice complaint against Seller or any Seller Subsidiary pending or, to the Knowledge of Seller, threatened before the National Labor Relations Board with respect to Seller or any Seller Subsidiary , (iii) there are no discrimination charges (relating to sex, age, religion, race, national origin, ethnicity, handicap or veteran status) pending before any Governmental Entity or court of competent jurisdiction against Seller or any Seller Subsidiary, and (iv) there is no labor strike, slowdown, stoppage or similar dispute pending or, to the Knowledge of Seller, threatened against Seller or any Seller Subsidiary.

(c) Schedule 4.11(c) sets forth a list of all Employee Benefit Plans. Seller has made available to Buyer a true and complete copy of each Employee Benefit Plan (including without limitation all amendments thereto), and a true and complete copy of (i) each amendment thereto, (ii) a copy of each trust or other funding arrangement, (iii) the most recent summary plan description and summary of material modifications, and (iv) the most recently filed IRS Form 5500 for each Employee Benefit Plan, if any.

(d) Except as set forth on Schedule 4.11(d), none of the Employee Benefit Plans is a plan that is or ever has been subject to Title IV of ERISA, Section 302 of

ERISA or Section 412 of the Code (a “defined benefit plan”). None of the Employee Benefit Plans is (i) a “multiemployer plan” as defined in Section 3(37) of ERISA, (ii) a plan or arrangement described under Section 4(b)(5) or 401(a)(1) of ERISA, or (iii) a plan maintained in connection with a trust described in Section 501(c)(g) of the Code. Except as set forth on Schedule 4.11(d), (x) none of the Employee Benefit Plans provides for the payment of separation, severance, termination or similar-type benefits to any Person, and (y) none of the Employee Benefit Plans provides for or promises retiree medical or retiree life insurance benefits to any current or former employee, officer or director of the Business other than obligations pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended. Each of the Employee Benefit Plans is subject only to the laws of the United States or a political subdivision thereof.

(e) Except as set forth on Schedule 4.11(e), each of the Employee Benefit Plans has been operated and administered, in all material respects, in accordance with its terms and applicable laws, including but not limited to, ERISA and the Code. Except as set forth on Schedule 4.11(e), no legal action, suit or claim is pending or, to the Knowledge of Seller, threatened, with respect to any Employee Benefit Plan (other than claims for benefits in the ordinary course) and, to the Knowledge of Seller, no fact or event exists that could reasonably be expected to give rise to any such action, suit or claim.

(f) The Internal Revenue Service has issued a favorable determination letter with respect to each Employee Benefit Plan which is intended to be qualified or exempt from taxation within the meaning of Section 401(a), 401(k) or 501(a) of the Code and, to the Knowledge of Seller, no event, action or omission has occurred since the date of any such determination letter that would adversely affect such qualified status.

(g) There has been no non-exempt prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) with respect to any Employee Benefit Plan which could give rise to a material liability imposed on Seller or any Seller Subsidiary. Seller and Seller Subsidiaries have not incurred any material liability for any excise tax arising under Section 4971, 4972, 4975, 4980 or 4980B of the Code and, to the Knowledge of Seller, no fact or event exists which could reasonably be expected to give rise to such material liability. Seller and Seller Subsidiaries have not incurred any material liability relating to Title IV of ERISA (other than for the payment of premiums to the Pension Benefit Guaranty Corporation), and, to the Knowledge of Seller, no fact or event exists which could reasonably be expected to give rise to such material liability.

(h) Contributions, dividends, premiums or payments required to be made with respect to any Employee Benefit Plan have been made on or before their due dates. All such contributions have been fully deducted for income tax purposes and no such deduction has been challenged or disallowed by any Governmental Entity and, to the Knowledge of Seller, no fact or event exists which could reasonably be expected to give rise to any such challenge or disallowance.

(i) Except as set forth on Schedule 4.11(i) or as required by applicable law, there has been no amendment to, written interpretation of or announcement (whether or

not written) by Seller and Seller Subsidiaries relating to, or change in employee participation criteria or coverage criteria under, any Employee Benefit Plan that would increase materially the expense of maintaining such Employee Benefit Plan above the level of the expense incurred in respect thereto for the most recent fiscal year ended prior to the date hereof.

(j) Except as set forth on Schedule 4.11(j), no employee or former employee of Seller and Seller Subsidiaries will become entitled to any bonus, retirement, severance, job security or similar benefit or enhanced benefit (including acceleration of vesting or exercise of an incentive award) solely as a result of the transactions contemplated hereby.

(k) Schedule 4.11(k) sets forth a list of all former employees of the Business whose employment was terminated since January 1, 2004 (either voluntarily by the employee or by Seller or any Seller Subsidiary), and indicates whether any claims were made by such former employee in connection with such employee's termination. Seller has provided Buyer with a copy of all written settlement agreements, releases or other agreements executed by any such former employees in connection with the termination of their employment.

(l) To the Knowledge of Seller, none of the Employees listed on Schedule 4.11(l) has terminated his or her employment with Seller or any Seller Subsidiary, or has put Seller or any Seller Subsidiary on notice of such Employee's intent to terminate his or her employment as a result of the transactions contemplated by this Agreement on or prior to the Closing Date.

Section 4.12 Litigation. Except as set forth in Schedule 4.12, there is no claim, counterclaim, action, suit, order, proceeding or investigation (each a "Claim") pending or, to the Knowledge of Seller, threatened against Seller or any Seller Subsidiary with respect to the Business. Neither Seller nor any Seller Subsidiary is subject to or in default under any Judgment with respect to the Business.

Section 4.13 Transactions with Related Parties. Except as set forth on Schedule 4.13, no officer or director of Seller or any Seller Subsidiary, nor any of their respective spouses or immediate family members (collectively, the "Related Parties"), directly or indirectly owns, on an individual or joint basis, any material interest in, nor serves as an officer or director or in another similar capacity of, any competitor, distributor or supplier of the Business or any organization that has a contract or arrangement with Seller or any Seller Subsidiary relating to the Business. No Related Party has any ownership rights in and to the Business, except to the extent that a Related Party is a stockholder of Seller.

Section 4.14 Insurance. Schedule 4.14 sets forth a list of all insurance policies currently in effect that insure the property and assets of the Business (the "Insurance Policies"), and true and complete copies of all Insurance Policies have been made available to Buyer. Except as set forth on Schedule 4.14, each Insurance Policy is valid and binding and in full force and effect, all premiums due thereunder have been paid and Seller or any Seller Subsidiary, as the case may be, has not received any notice of cancellation, termination or default or denial of coverage in respect of any such Insurance Policy. There is no claim by

Seller or any Seller Subsidiary pending under any of the Insurance Policies as to which coverage has been questioned, denied or disputed by the underwriters of such Insurance Policies relating to the Business. To the Knowledge of Seller, there is no threatened termination of, or premium increase (other than normal premium increases) with respect to, any of such Insurance Policies relating to the Business.

Section 4.15 Tax Matters. Except as set forth on Schedule 4.15:

(a) all Tax Returns that were required to be filed by Seller or any Seller Subsidiary on or before the Closing Date have been or will be timely filed, and all such Tax Returns are true, correct and complete in all material respects, and all Taxes shown as owing on such Tax Returns have been or will be paid or adequately accrued;

(b) neither Seller nor any Seller Subsidiary has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency;

(c) there are no outstanding Liens for Taxes upon the assets of Seller or any Seller Subsidiary, other than for Taxes not yet due and payable;

(d) neither Seller nor any Seller Subsidiary (A) has received any written notice of any proposed adjustment, deficiency or assessment from any taxing or other Governmental Entity that is currently outstanding with respect to Income Taxes or any written notice of material deficiency or assessment that is currently outstanding from any taxing or other Governmental Entity with respect to any other Taxes, or (B) currently is under audit, or has received written notice of commencement of, any audit that is on-going by any taxing or other Governmental Entity concerning any Taxes;

(e) no written claim for Taxation has been made within the prior six years by a Governmental Entity in a jurisdiction where Seller or any Seller Subsidiary does not file Tax Returns that it is or may be subject to Taxation in that jurisdiction;

(f) Seller and the Seller Subsidiaries have, in all material respects, withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any Employee, independent contractor, creditor, stockholder, or other third party;

(g) neither Seller nor any Seller Subsidiary has made any payments, is obligated to make any payments, or is a party to any agreement that as a result of the transactions contemplated hereby could obligate it to make any payments the deduction for which would be disallowed under Code Section 280G;

(h) Seller and the Seller Subsidiaries have not entered into any tax shelter transaction of the type listed by the Internal Revenue Service as abusive; and

(i) Seller has recognized and paid any and all Taxes on any phantom income that may have arisen in respect of but not limited to pre-payments, installment sales and

changes to accounting methods Related to the Business as a result of the actions or omissions of Seller prior to the Closing Date.

Section 4.16 Customers; Suppliers.

(a) No Material Customer has cancelled, terminated or, to the Knowledge of Seller, informed Seller or any Seller Subsidiary that such customer intends to cancel or otherwise terminate its relationship with the Business. To the Knowledge of Seller, no Material Customer has affirmatively advised Seller that such customer proposes to materially decrease its business with Seller Relating to the Business, understanding, for purposes of this representation, that, except to the extent purchase orders have actually been placed with Seller by a Material Customer, no Material Customer is obligated to purchase any goods, or do any business, with Seller or a Seller Subsidiary. For purposes of this Section 4.16(a), “materially decrease” shall mean to reduce purchases by a Material Customer during the 2006 calendar year to a level such that total purchases (expressed in dollars) by such customer during the 2006 calendar year would be in a dollar amount less than 75% of the total purchases (expressed in dollars) by such Material Customer during the 2005 calendar year.

(b) To the Knowledge of Seller, no key supplier of the Business is in default in any material respect in connection with any delivery of materials, products or services, which default has not been cured or is not otherwise in the process of being cured.

Section 4.17 Certain Payments.

(a) Neither Seller nor any Seller Subsidiary, nor, to the Knowledge of Seller, any director, officer, agent, employee or other person associated with or acting on behalf of Seller or any Seller Subsidiary has (i) provided, or arranged for the provision of, any unlawful contribution, unlawful gift, unlawful entertainment or other unlawful expense relating to any political party or official thereof or any candidate for public office; (ii) violated any provision of the Foreign Corrupt Practices Act of 1977, as amended, the anti-laundering compliance provisions of the USA PATRIOT Act of 2001, as amended, or any anti-corruption laws or regulations of the jurisdiction of organization or principal activities of the Company; (iii) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any person (including any representative or employee of any Governmental Entity); or (iv) violated or operated in noncompliance with any export restrictions, anti-boycott regulations or embargo regulations.

(b) None of the assets and properties of Seller or the Seller Subsidiaries (i) has been acquired by Seller or any Seller Subsidiaries pursuant to a transaction that has involved directly or indirectly an illegal payment to a representative or employee of any Governmental Entity or (ii) to the Knowledge of Seller, represents the proceeds of any illegal activity.

Section 4.18 Broker Fees. No broker or finder is entitled to any brokerage fees, commission or finders’ fee in connection with the transactions contemplated

by this Agreement or any other agreement contemplated hereby pursuant to any arrangement with Seller.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller, each of which is true and correct on the date hereof, as follows:

Section 5.1 Organization; Authority; Binding Obligation. Buyer is duly organized, validly existing and in good standing under the laws of Delaware. Buyer has the requisite authority and power to enter into, execute and deliver this Agreement and each Ancillary Agreement to which it is a party and to perform its obligations hereunder and thereunder. The execution, delivery and performance by Buyer of this Agreement and each of the Ancillary Agreements to which it is a party have been duly authorized by all necessary corporate action of Buyer. This Agreement and each of the Ancillary Agreements to which it is a party have been duly executed and delivered by Buyer and each constitutes a valid and binding obligation of Buyer, enforceable in accordance with its respective terms, except as such enforcement may be limited by or subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law).

Section 5.2 No Conflicts. The execution, delivery and performance by the Buyer of this Agreement and the Ancillary Agreements to which it is a party do not and will not (with or without notice or lapse of time, or both) conflict with or result in any violation of (a) the certificate or articles of incorporation, bylaws or similar governing documents of Buyer, or (b) any Law applicable to Buyer or its properties or assets or violate or conflict with, or result in a breach under, or require any consent or approval to be obtained from any Governmental Entity or party to, any contract to which Buyer is subject or is bound except for compliance with and filing under the HSR Act.

Section 5.3 Broker Fees. Except for fees payable to Financo, Inc., which fees are the sole responsibility of Buyer, no broker or finder is entitled to any brokerage fees, commission or finders' fee in connection with the transactions contemplated by this Agreement or any other agreement contemplated hereby pursuant to any arrangement with Buyer.

Section 5.4 Litigation. There is no Claim pending or, to the knowledge of Buyer, threatened against Buyer or any Buyer Affiliate which seek to enjoin, rescind or materially delay the transactions contemplated by this Agreement or otherwise prevent the Buyer from complying in all material respects with the terms and provisions of this Agreement.

Section 5.5 Available Funds. Buyer has, and on the Closing Date will have, sufficient funds to purchase the Business Assets and pay the Purchase Price in

accordance with the terms hereof, pay all related fees and expenses and effect all other transactions contemplated hereby.

ARTICLE VI
CERTAIN COVENANTS AND UNDERSTANDINGS

Section 6.1 Full Access. At all reasonable times prior to and including the Closing Date, Seller shall cause to be afforded to the officers, attorneys, accountants, and other authorized representatives of Buyer all reasonable access during normal business hours to the offices, properties, Books and Records, including all commitments and records Related to the Business, and to the employees of Seller and the Seller Subsidiaries and their agents and consultants, in order that Buyer may have an opportunity to make such reasonable legal, accounting, business or other review or investigation of the Business as Buyer shall reasonably desire to have made, it being understood that Buyer shall endeavor to conduct any such review in a manner not disruptive to the Business. On the Closing Date, Seller shall use commercially reasonable efforts to cooperate with Buyer to allow Buyer and its authorized representatives to perform a review of the physical inventory of the Business in connection with Buyer's preparation of the Buyer's Statement.

Section 6.2 Preservation of Business; Transfer of Assets. From and after the date hereof and through the Closing Date, Seller shall use its reasonable best efforts to (i) cause Seller to preserve substantially intact the Business, (ii) keep available the services of the employees involved in the Business and (iii) preserve Seller's present relationships with persons having significant business relations therewith and shall conduct the Business only in the ordinary course, except as otherwise contemplated hereby or with prior agreement of Buyer (which agreement shall not be unreasonably withheld). Without limiting the generality of the foregoing, Seller shall not and shall cause the Seller Subsidiaries to not, without the prior written consent of Buyer, except as specifically required by this Agreement, cause or purposely assist in causing to occur any of the following with respect to the Business from and after the date hereof and prior to the earlier of the Closing Date or the termination of this Agreement in accordance with Section 9.14:

(a) any capital expenditure or commitment by Seller or any Seller Subsidiary relating to the Business, either individually or in the aggregate, exceeding $50,000, other than in the ordinary course of the Business;

(b) purchase any real property or real property interest to be included as part of the Business Assets or disposition of any Owned Real Property;

(c) sell, transfer, convey, mortgage or lease any Owned Real Property or grant or permit any lien (other than Permitted Liens) upon any of the Owned Real Property or Leased Real Property;

(d) destruction of, damage to or loss of any material assets of the Business (whether or not covered by insurance);

(e) make or change any tax or accounting methods or practices (including any change in tax election or change in depreciation or amortization policies or rates but not

including adopting methods or practices that were not previously available due to changes in law or tax/accounting practice) relating to the Business or cease to maintain their Books and Records in a manner consistent with past practices;

(f) any revaluation by Seller of any of the Business' assets;

(g) except as set forth on Schedule 6.2(g), make any Contract, license, Lease or commitment (other than purchases of inventory) or any extension or modification of the terms thereof which (A) involves the payment of greater than $50,000 per annum, (B) involves any payment or obligation to any Affiliate of Seller other than in the ordinary course of business consistent with past practices, or (C) involves the sale of material assets (other than sales of inventory in the ordinary course of the Business);

(h) sell, lease, license or undertake any other disposition of any of the Business' assets or properties, except in the ordinary course of business consistent with past practices, or create any security interest in such assets or properties other than Permitted Liens;

(i) materially amend or terminate early any Material Contract or License Agreement;

(j) except for normal merit, or cost-of-living, or promotional increases to employees in accordance with past practices at Seller or any Seller Subsidiary, increase the rate of compensation for any employee of the Business or enter or alter any employment, consulting, or managerial services agreement affecting the Business, except in the ordinary course of the Business consistent with past practices;

(k) adopt or amend any Employee Benefit Plan affecting employees of the Business, other than amendments (i) that are required by Law or that are not applicable to employees of the Business (provided that Seller or any Seller Subsidiary shall notify Buyer regarding any such amendments as soon as reasonably practicable), or (ii) which either (A) do not increase the cost, in the aggregate, of all such Employee Benefit Plans to the employer, or (B) have the prior consent of Buyer, which consent shall not be unreasonably withheld;

(l) hire or offer to hire as an employee, retain or offer to retain as a consultant, or otherwise agree to pay for services rendered or to be rendered other than for the Business any persons who, on or after the date hereof were employees of, or full-time consultants to, the Business, other than persons listed on Schedule 4.8(c)(viii);

(m) accelerate or delay the sale of the products of the Business, except in the ordinary course of the Business consistent with past practice;

(n) waive or release any right or claim of the Business in excess of $200,000;

(o) knowingly violate any Law applicable to the Business;

(p) fail to pay the accounts payable and other current liabilities of the Business in any manner other than in the ordinary course of business consistent with past practices; or

(q) negotiate or agree to do any of the things described in the preceding clauses (a) through (p) (other than as contemplated hereby).

Section 6.3 Hart-Scott-Rodino Filing. Each of Seller and Buyer have filed, on April 14, 2006, with the United States Federal Trade Commission (the "FTC") and the United States Department of Justice (together with the FTC, the "Antitrust Authorities") the notification and report form and any supplemental information requested in connection therewith (the "HSR Filings") pursuant to the HSR Act, required for the transactions contemplated hereby. Seller and Buyer shall keep each other reasonably apprised of the status of any communications with, and any inquiries or requests for additional information from, any Antitrust Authority and shall comply promptly with any such inquiry or request and shall promptly provide any supplemental information requested in connection with the filings made hereunder pursuant to the HSR Act. Each Party shall use its reasonable best efforts to obtain any clearance required under the HSR Act for the consummation of the transactions contemplated by this Agreement. Notwithstanding the foregoing, in no event shall Buyer be obligated to dispose of or hold separate any portion of the Business.

Section 6.4 Notices and Consents. Each Party shall, and shall cause its Affiliates to, use its commercially reasonable best efforts to obtain, and to cooperate in obtaining, all Required Consents; provided, however, that the Parties shall not be required to pay or commit to pay any amount to (or incur any obligation in favor of) any person from whom any such Required Consent may be required (other than nominal filing or application fees).

Section 6.5 Insurance. From and after the Closing Date, with respect to any loss, liability, expense, cost or damage relating to, resulting from or arising out of the conduct of the Business on or prior to the Closing Date for which Seller would be entitled to assert, or cause any other person or entity to assert, a claim for recovery under any Insurance Policies, at the request of Buyer, Seller will use its commercially reasonable efforts to assert, or to assist Buyer to assert, one or more claims under such Insurance Policies covering such loss, liability, expense, cost or damage. Seller shall be solely responsible for maintaining insurance policies insuring Goods-in-Transit until title passes to Buyer in accordance with Section 6.13(e).

Section 6.6 Transfer of Employees.

(a) Except as otherwise set forth on Schedule 6.6(a)(i), Buyer shall offer or cause a Buyer Affiliate to offer employment to each employee of Seller or a Seller Subsidiary devoted primarily to the Business on the terms and with benefits as set forth on Schedule 6.6(a)(i), and with the base wage or salary in effect on the Closing Date, with such employment to commence on the day next following the Closing Date (such commencement day shall be referred to as the "Effective Date" and all such employees shall be referred to collectively as the "Business Employees"). Buyer's or Buyer

Affiliate's offer of employment, on the terms and with the benefits as set forth in Schedule 6.6(a)(i), and with the base wages and salaries in effect on the Closing Date, to all Business Employees creates a successor employer (as that term is commonly understood in acquisition/divestiture transactions) relationship and therefore, no severance, shutdown or permanent job separation benefits shall be owed by Seller or any Seller Subsidiary to such Business Employees, other than with respect to the employees of Oxford International de Guatemala, S.A. devoted primarily to the Business (the "Guatemala Employees"). Seller shall use its reasonable best efforts to take those actions contemplated on Schedule 6.6(a)(ii); provided, however, that in no event shall Seller be required to make any payment to Buyer or any third parties or concede anything of value in connection with taking such actions.

(b) Notwithstanding the foregoing, the following shall constitute Retained Liabilities except to the extent reflected as a liability in the Closing Date NAV: (i) all liabilities for severance pay and other separation benefits arising under an Employee Benefit Plan to or with respect to the Business Employees that arise out of (A) the purchase and sale of the Business, or (B) the events occurring before the Effective Date (with respect to Business Employees); (ii) except as otherwise provided in this Agreement, all other liabilities arising out of the employment of any Business Employees with respect to the people before they become employees of Buyer or any Buyer Affiliate; and (iii) except as otherwise provided in this Agreement, all liabilities and obligations relating to current and former employees of the Business (and their respective dependents) who do not become Business Employees as of the Closing. Without limiting the foregoing, Seller shall be responsible for all the required severance payments to the Guatemala Employees payable by Seller or a Seller Subsidiary upon termination of their employment upon the consummation of the transactions contemplated by this Agreement.

Section 6.7 Letters of Credit. With respect to any outstanding letters of credit which have been issued by Seller or any Seller Subsidiary on behalf of the Business in connection with the issuance of bona fide purchase orders for goods of the Business, from and after the Closing Date, Buyer will provide Seller and the issuing bank of such letters of credit with an undertaking (in form and substance satisfactory to Seller and such issuing bank), pursuant to which Buyer will reimburse Seller, any Seller Subsidiary, and the issuing bank for any obligations (including, without limitation, all principal, penalties, interest, charges, premiums and similar expenses in connection with such letters of credit) of the Business or of Seller or of any Seller Subsidiary arising under such letters of credit.

Section 6.8 Employee Incentive Program.

(a) For the period beginning on the Closing Date and ending on the second anniversary of the Closing Date (the "Employee Incentive Period"), Seller shall be responsible for, and Buyer shall cooperate with Seller in the administration of, an employee incentive program, which program shall be comprised of three benefits to certain Business Employees: (i) cash, (ii) Seller non-qualified stock options, and (iii) Seller restricted stock (the "Employee Incentive Program"), which Employee Incentive Program is described in more details on Schedule 6.8. The Business Employees who shall be eligible for the Employee Incentive Program are listed on Schedule 6.8, and the

benefits running to each such Business Employee are described opposite each such Employee's name. The benefits under the Employee Incentive Program as fully described on Schedule 6.8 shall be delivered on the dates listed on Schedule 6.8. The Employee Incentive Program shall be structured and operated such that it is exempt from the application of Section 409A of the Code.

(b) For any cash payments to be made to eligible Business Employees under the Employee Incentive Program following the Closing Date, five (5) Business Days prior to any such payments by Buyer with funds provided by Seller as described on Schedule 6.8, Seller shall pay over to Buyer an amount equal to such payments, and Buyer hereby undertakes to make such payments directly to such eligible Business Employees within two (2) Business Days after receipt of such amounts from Seller.

(c) In the event Income Tax is assessed against any Business Employee as a result of the payments or other benefits called for under the Employee Incentive Program for any tax year other than the tax year in which the payment is made or the benefit is provided or an additional Tax or interest under Section 409A of the Code is assessed against any Business Employee as a result of the payments or other benefits called for under the Employee Incentive Program, (i) if such assessment results from Seller's failure to make any payments to such Business Employee or Buyer in accordance with the terms of this Agreement, then Seller shall make the payments contemplated in the next sentence or (ii) if such assessment results from Buyer's failure to make any payments to such Business Employee in accordance with the terms of this Agreement (after Buyer has received the relevant funds payable by Seller hereunder as and when payable to Buyer pursuant to the terms of this Agreement), then Buyer shall make the payments contemplated in the next sentence. Seller or Buyer (as applicable and in accordance with the preceding sentence) shall make a payment to a Business Employee for any Income Tax or additional Tax or interest under Section 409A assessed against such employee as a result of the payments or other benefits called for under the Employee Incentive Program for any tax year other than the tax year in which the payment is made or the benefit is provided as and when such assessments are made that is sufficient to pay in full (1) any such Tax and interest, (2) any federal, state and local Income Tax and social security or other employment Tax on the payment made to pay such Tax and interest, as well as any additional Tax and interest under Section 409A of the Code on the payments called for under this Agreement, (3) any interest or penalties assessed against such employee by the Internal Revenue Service (other than interest or penalties related to such employee's failure to promptly pay any Taxes, penalties or interest following receipt of indemnity payments from the Buyer), and (4) professional fees, costs and expenses associated with any audit or proceeding to the extent such fees, costs and expenses relate to the application of Section 409A of the Code to the Employee Incentive Program; provided, (x) such employee takes such action to mitigate or challenge such Tax, penalties or interest as Seller or Buyer may reasonably request in writing and at Seller's or Buyer's (as applicable) expense and (y) such employee is employed by Buyer or an Affiliate of Buyer at the time such Tax or interest is assessed.

Section 6.9 Transition. Neither Seller nor any Seller Subsidiary will take any action that such entity knows is designed or intended to have the effect of

discouraging any lessor, licensor, customer, supplier or other business associate of the Business from maintaining the same business relationships with the Business after the Closing as it has prior to the Closing.

Section 6.10 Tax Matters.

(a) Adjustment to Purchase Price. Any payment by Buyer or Seller made pursuant to Section 8.1 or 8.2 will be an adjustment to the Purchase Price unless a determination (as defined in Section 1313 of the Code) causes any such payment not to constitute an adjustment to the Purchase Price for United States federal Income Tax purposes.

(b) Transfer Taxes. Seller shall timely file all required sales, transfer or use tax returns and make all payments of sales, transfer or use taxes imposed on Seller that arise from the sale of the Business, including the Shares. Seller shall provide Buyer with copies of such tax returns for review prior to the filing of such transfer tax returns, and Buyer shall provide to Seller any applicable exemption certificates reasonably requested by Seller to qualify for exemption from such taxes. Upon receipt of evidence by Buyer of payment by Seller of any such sales, transfer or use taxes, Buyer shall reimburse Seller for up to an aggregate of $1,000 of such taxes.

(c) Assistance and Cooperation. After the Closing Date, each of Seller and Buyer shall:

(i) make available to the other and to any taxing authority as reasonably requested all information, records and documents relating to Taxes of the Business; and

(ii) in the case of Seller, after Closing, maintain, or cause to be maintained, any Tax Returns, tax records and similar items relating to taxable periods or portions thereof ending on or before the Closing Date for a reasonable period and not dispose of such items unless Buyer has been provided a reasonable opportunity to keep such items.

(d) Allocation of Purchase Price. The total consideration for the acquisition contemplated by this Agreement shall be allocated among the Business Assets purchased by Buyer in a manner required by applicable Tax laws and agreed by Buyer and Seller and as set forth in Internal Revenue Form 8594 or in such other writing to be executed by Buyer and Seller after the Closing Date (the “Allocation Schedule”). The Allocation Schedule shall be binding on the Parties for all purposes, and each of the Buyer and Seller shall use the asset values consistent with such Allocation Schedule for purposes of all reports and returns with respect to Taxes.

Section 6.11 Apportionment.

(a) Buyer and Seller agree that as of 11:59 p.m. (EST) on the day prior to the Closing Date, the following items shall be apportioned between Buyer and Seller: rents,

Taxes, sewer charges, and other items that are customarily apportioned in the State of South Carolina.

(b) Buyer and Seller agree that if any past due rents are owing by tenants, if any, of Seller at the time of the Closing, Buyer agrees that the first monies received shall be received by Buyer as trustee for Seller on account or in payment of the month of Closing and then to the current month and then to months prior to Closing, and Buyer agrees to remit forthwith to Seller the amount of such past due rentals to which Seller is entitled, so collected out of the monies received by Buyer. Rents due for a period prior to the month of Closing shall be paid to Seller, when, as and if received by Buyer, and Buyer agrees to bill all tenants in arrears for rent arrears.

Section 6.12 Books and Records; Personnel.

(a) Neither Buyer nor Seller nor their respective subsidiaries shall within seven years after the Closing Date or, with respect to tax records within the later of seven years after the Closing Date or six years of the applicable statute of limitations as extended, dispose of or destroy any business records or files of Seller or Seller Subsidiaries Related to the Business for periods prior to the Closing Date, without first offering to turn over possession thereof to the other Party by written notice at least 30 days prior to the proposed dates of such disposition or destruction.

(b) From and after the Closing Date, to the extent reasonably required by a Party in connection with the preparation of Tax returns or other legitimate purposes specified in writing, each Party shall (subject to applicable contractual and privacy obligations) allow the other Party and its agents access to all business records and files (other than those containing competitively sensitive or privileged information) of Seller or Seller Subsidiaries Related to the Business, which relate to periods prior to the Closing Date, upon reasonable advance notice during normal working hours, and each Party shall (subject to applicable contractual and privacy obligations) have the right, at its own expense, to make copies of any such records and files, provided, however, that any such access or copying shall be had or done in such a manner so as not to interfere with the normal conduct of business.

(c) From and after the Closing Date, each Party shall make available to the other Party upon written request at the requesting Party's expense: (a) personnel to assist locating and obtaining records and files for periods prior to Closing Date; and (b) personnel whose assistance or participation is reasonably required in anticipation of, preparation for, or the prosecution or defense of existing or future claims or Actions, Tax Returns or other matters in which the Parties don't have any adverse interest.

(d) Any confidential, proprietary or trade secret information provided under this Section 6.12 may not be disclosed to any third party without the prior consent of the Party initially providing such information. This obligation of confidentiality shall cease to apply to information that is or enters into the public domain through no breach hereof by the Party receiving such information, or is required to be disclosed as a matter of law (provided that the Party receiving such information shall give prior notice to the other

Party of such requirement and the right to participate in any proceeding regarding such disclosure, and provided further that the Party receiving such information has sought to obtain all available confidentiality protection for such information when disclosed).

Section 6.13 Non-Transferability.

(a) To the extent that any Business Asset is not capable of being sold, assigned, transferred, delivered or subleased without the consent or waiver of any third person (including a Governmental Entity), or if such sale, assignment, transfer, delivery or sublease or attempted sale, assignment, transfer, delivery or sublease would constitute a breach thereof or a violation of any Law, this Agreement shall not constitute a sale, assignment, transfer, delivery or sublease thereof, or an attempted sale, assignment, transfer, delivery or sublease thereof (each, a "Non-Transferred Business Asset"). The Parties acknowledge that Goods-in-Transit on the Closing Date shall not be deemed Business Assets as of such date and will be treated in accordance with Section 6.13(e) below.

(b) Notwithstanding anything in this Agreement to the contrary, with respect to any Non-Transferred Business Assets, neither Seller nor any Seller Subsidiary shall be obligated to sell, assign, transfer, deliver or sublease to Buyer or any Buyer Affiliate (and neither Buyer nor any Buyer Affiliate shall be required to accept) such Non-Transferred Business Asset without first having obtained all necessary consents and waivers with respect to such Non-Transferred Business Asset. Seller shall use all reasonable commercial efforts, and Buyer shall cooperate with Seller, to obtain said consents and waivers and to resolve the impediments to the sale, assignment, transfer, delivery or subleases required by this Agreement and to obtain any other consents and waivers as necessary to convey to Buyer or the Buyer Affiliate any of the Non-Transferred Business Assets.

(c) To the extent that such consents and waivers are not obtained by Seller, or until the impediments to the sale, assignment, transfer, delivery or sublease referred to therein are resolved, Seller shall use all reasonable commercial efforts, with the costs of Seller related thereto to be promptly reimbursed by Buyer, to (a) provide, at the request of Buyer, to Buyer the benefits of any Non-Transferred Business Asset, to the extent Related to the Business, (b) cooperate in any reasonable and lawful arrangement designated to provide such benefits to Buyer, and (c) enforce, at the request of and for the account of Buyer, any rights of Seller arising from any Non-Transferred Business Asset against any third person (including a Governmental Entity), including the right to elect to terminate in accordance with the terms thereof upon the advice of Buyer. Buyer shall not be required by this Section 6.13 to enter into any arrangement that would impose any additional cost, expense or liability or that would deprive Buyer of any benefits or profits arising out of the Non-Transferred Business Asset in question.

(d) To the extent that Buyer is provided the benefits of any Non-Transferred Business Asset (whether from Seller or otherwise), Buyer shall perform at the direction of Seller and for the benefit of any third person (including a Governmental Entity), the obligations of Seller thereunder or in connection therewith.

(e) With respect to all Goods-in-Transit on the Closing Date that are imported into the U.S. by Seller or a Seller Subsidiary, Buyer shall, upon presentation by Seller of all customary paperwork and delivery to the Business's distribution center in Gaffney, South Carolina, promptly pay to Seller (i) Seller's actual cost attributable to such Goods-in-Transit with respect to FOB costs, broker costs, third-party agent costs, freight-forwarding costs, freight (including land, sea and air), taxes, duties and any other out-of-pocket costs, and (ii) an additional amount equal to (x) 5% of the FOB cost as commission for services provided by OPIL if OPIL provides sourcing and administrative services or (y) 1% of the FOB cost as commission for services provided by OPIL if OPIL provides exclusively administrative services. Following the Closing, Buyer will provide Seller with reasonable assistance, through Buyer's office staff located in Gaffney, South Carolina, consistent with the practices and procedures of the Business prior to the Closing, (1) in identifying shipments of goods which constitute Goods-In-Transit and (2) in creating one or more reports listing the relevant details of shipments of Goods-In-Transit, including purchase order numbers, bills of lading numbers, commercial invoice numbers and other identifying information reasonably requested by Seller. Copies of the shipping documents for all Goods-In-Transit will be made available to Seller by Buyer upon Seller's reasonable request.

Section 6.14 Post-Closing Covenants; General. In case, at any time after the Closing, any further action is necessary to carry out the purposes of this Agreement or any Ancillary Agreements to which a Party is a party, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as any other Party reasonably may request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor under Article VIII below).

Section 6.15 Notice to Third Parties. After the Closing, at the reasonable request of Buyer, Seller and Buyer shall send a jointly executed letter to those persons and entities as Buyer may reasonably request notifying such persons or entities of the consummation of the transactions contemplated by this Agreement.

Section 6.16 Public Announcements. No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement or the transactions contemplated hereby without the prior written approval of the other Party, except as may be required by Law or stock exchange regulations. Neither Buyer nor Seller shall issue or make any subsequent press release or other public statement with respect to the transactions contemplated hereby without the prior written approval of the other Party, except as may be required by Law or stock exchange regulations.

Section 6.17 Further Assurances. Each Party shall, from time to time on being reasonably requested to do so by the other Party, now or at any time in the future, take all commercially reasonable actions necessary to do or procure the doing of all such acts and/or execute or procure the execution of all such documents, at the sole cost and expense of the requesting Party, in a form reasonably satisfactory to the other Party as the other Party may reasonably consider necessary for giving full effect to this Agreement and securing to the

other Party the full benefit of the rights, powers and remedies upon such other Party in this Agreement and the Ancillary Agreements.

Section 6.18 Receivables. Notwithstanding Section 2.6 and subject to the next sentence, from and after the Closing, (a) to the extent that any cash or other property is collected, received or recovered, directly or indirectly (including, without limitation, from direct payment from a third party or deduction or offset of amounts that otherwise would be paid to a third party by Buyer or any of its Affiliates), by Buyer or any of its Affiliates with respect to receivables included in the Excluded Assets or otherwise to which Seller is entitled, Buyer shall, within five (5) Business Days following any such collection, receipt or recovery, deliver to Seller the full amount of such receivables so collected, received or recovered, and (b) to the extent that any cash or other property is collected, received or recovered, directly or indirectly (including, without limitation, from direct payment from a third party or deduction or offset of amounts that otherwise would be paid to a third party by Seller or any of its Affiliates), by Seller or any of its Affiliates with respect to receivables originated by Buyer or otherwise included in the Business Assets, Seller shall, within five (5) Business Days following any such collection, receipt or recovery, deliver to Buyer the full amount of such receivables so collected, received or recovered. Each Party shall reasonably cooperate with the other Party in attempts to collect their respective receivables, and Seller and Buyer shall maintain open communication with respect to the collection of receivables from account debtors of Buyer and/or Seller.

Section 6.19 Buying Agents. Prior to the Closing, at Buyer's reasonable request, Seller shall make available to Buyer the opportunity to meet with Seller's buying agents, at a reasonable time and place (it being understood that a reasonable place shall include, without limitation, a buying agent's principal place of business). If (a) any of Seller's buying agents advise Buyer in writing that it intends not to perform its existing obligations under its agency agreement with Seller or (b) ceases to perform its obligations under the terms of its agency agreement with Seller, at Buyer's reasonable request, Seller shall reasonably cooperate with Buyer in connection with attempting to obtain reasonable assurances for Buyer and Seller that each such buying agent will perform its existing obligations under its agency agreement with Seller following the Closing.

Section 6.20 Guatemala Subsidiary. Seller shall use its reasonable efforts to cause, at or prior to the Closing, Guatemala Subsidiary to be organized and validly existing under the laws of Guatemala; provided, however, that if, as of the Closing, Guatemala Subsidiary is not organized and validly existing: (a) Seller shall cause to be sold, transferred, assigned and delivered to Buyer or a Buyer Affiliate all of Oxford International de Guatemala, S.A.'s assets Related to the Business (other than Excluded Assets) consistent with its sale, transfer, assignment and delivery of the Business Assets (other than the Shares) pursuant to Section 2.1(a); (b) without limiting the generality of Section 2.1(b), Buyer shall, or shall cause one or more of the Buyer Affiliates to, assume and/or agree to pay, perform and discharge, as and when due, (x) all of Oxford International de Guatemala, S.A.'s liabilities and obligations reflected in the Closing Date NAV, (y) the liabilities and obligations of Oxford International de Guatemala, S.A. listed on Schedule 2.1(b), and (z) those liabilities and obligations to be performed by Oxford International de Guatemala, S.A. from and after the Closing Date under Contracts and Leases; (c) notwithstanding anything in this Agreement to the contrary, the

Business Assets shall not be deemed to include the Shares; and (d) notwithstanding anything in this Agreement to the contrary, Seller shall be relieved of any obligation hereunder to deliver to Buyer or a Buyer Affiliate at the Closing the Shares, transfers or assignments of the Shares and/or stock certificates representing the Shares, and Buyer's obligation to consummate the transactions to be performed by it in connection with the Closing shall not be subject to Seller's execution and delivery of the agreements, instruments and certificates provided for in Section 3.2(a).

ARTICLE VII
CONDITIONS TO OBLIGATIONS TO CLOSE

Section 7.1 Conditions to Obligation of Buyer. The obligation of Buyer to consummate the transactions to be performed by it in connection with the Closing is subject to the satisfaction (or waiver by Buyer as of the Closing) of the following conditions:

(a) no Material Adverse Effect shall have occurred and be continuing;

(b) None of Seller's buying agents shall have (i) advised Buyer in writing that it intends not to perform its existing obligations under its agency agreement with Seller or (ii) ceased to perform its obligations under the terms of its agency agreement with Seller, in each case, in a manner that, collectively with any such other buying agents that have advised Buyer in writing that they intend to not perform their respective existing obligations under agency agreements with Seller or that have ceased to perform their respective obligations under agency agreements with Seller, would reasonably be expected to have a Material Adverse Effect; provided, however, that if any such buying agent(s) shall have so advised Buyer in writing or ceased to perform obligations under the terms of its or their (as the case may be) respective agency agreement(s) with Seller, Seller may, at its sole cost, in satisfaction of the condition set forth in this Section 7.1(b), (x) obtain reasonable assurances for Buyer and Seller from such buying agent(s) that it or they (as the case may be) will perform its or their (as the case may be) existing obligations under its or their (as the case may be) agency agreement(s) with Seller following the Closing, (ii) enter into an agency agreement(s) with another Person(s) who would reasonably be expected to fulfill the obligations of such buying agent(s), or (iii) notify Buyer in writing that Seller or one of its Affiliates shall fulfill the obligations of such buying agent(s), in each case to the extent necessary to reasonably expect that a Material Adverse Effect would not be likely to occur as a result of the buying agent's or agents' actions;

(c) there shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement or any Ancillary Agreements;

(d) (i) the representations and warranties set forth in Article IV above shall be true and correct in all material respects at and as of the Closing Date (provided, however, that, solely for purposes of this Section 7.1(d), the matters disclosed in any Environmental Report (including without limitation any Phase I or Phase II evaluation) relating to the Hyatt Street Property prepared or received by or on behalf of Buyer or any

of its Affiliates prior to the Closing shall be deemed disclosed in the Seller Disclosure Schedules with respect to the representations and warranties in Sections 4.3 and 4.4, and no such matter so disclosed shall form the basis for deeming any representation or warranty set forth in Section 4.3 or 4.4 untrue or incorrect), (ii) Seller and the Seller Subsidiaries shall have performed and complied with all of their covenants hereunder in all material respects through the Closing, and (iii) Seller and the Seller Subsidiaries shall have delivered to Buyer a certificate dated the Closing Date and signed by Seller confirming the foregoing;

(e) Seller and the Seller Subsidiaries, as applicable, shall have executed and delivered to Buyer the agreements, instruments and certificates provided for in Section 3.2;

(f) all of the Required Consents shall have been obtained without any amendments to any of the License Agreements, other than any amendments consented to by Buyer;

(g) the waiting period under the HSR Act shall have expired or been terminated;

(h) any mechanics', carriers', workmen's, repairmen's or other like Liens on the Business Property shall have been satisfied or Seller shall have provided an indemnity or bond in a dollar amount sufficient to cover the face amount of such Liens; and

(i) all actions to be taken by Seller and the Seller Subsidiaries in connection with consummation of the transactions as specified by this Agreement and the Ancillary Agreements and all certificates, opinions, instruments, and other documents required to be delivered by Seller pursuant to this Agreement will have been delivered.

Section 7.2 Conditions to Obligation of Seller. The obligation of Seller to consummate the transactions to be performed by each of them in connection with the Closing is subject to satisfaction (or waiver by Seller as of the Closing) of the following conditions:

(a) (i) the representations and warranties set forth in Article V above shall be true and correct in all material respects at and as of the Closing Date as though such representations and warranties had been made on and as of the Closing Date, (ii) Buyer shall have performed and complied with all of its covenants hereunder in all material respects through the Closing, and (iii) Buyer shall have delivered to Seller a certificate dated the Closing Date and signed by an authorized officer of Buyer confirming the foregoing;

(b) there shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement or any Ancillary Agreements;

(c) Buyer shall have delivered to Seller the agreements, instruments and certificates provided for in Section 3.3;

(d) the waiting period under the HSR Act shall have expired or been terminated; and

(e) all actions to be taken by Buyer in connection with consummation of the transactions as specified by this Agreement and the Ancillary Agreements and all certificates, opinions, instruments, and other documents required to be delivered by Buyer pursuant to this Agreement will have been delivered.

ARTICLE VIII
INDEMNIFICATION

Section 8.1 Indemnification of Seller. Buyer shall, from and after the Closing, defend and promptly indemnify and hold harmless Seller, the Seller Subsidiaries and their respective officers, directors, Affiliates, attorneys and representatives (collectively, the "Seller Indemnified Parties"), from, against, for, and in respect of and pay any and all Losses suffered, sustained, incurred or required to be paid by any such party arising out of or resulting from:

(a) any breach of any representation, warranty, covenant or agreement of Buyer contained in this Agreement;

(b) the Assumed Liabilities; or

(c) any claims against a Seller Indemnified Party arising from or relating to the operations of the Business from and after the Closing Date, including, without limitation, liabilities relating to Business Assets arising from and after the Closing Date with respect to events occurring from and after the Closing Date.

Section 8.2 Indemnification of Buyer by Seller. Seller shall, from and after the Closing, defend, indemnify, and hold harmless Buyer and its officers, directors, stockholders, Affiliates, subsidiaries, attorneys and representatives (collectively, "Buyer Indemnified Parties") from, against, for and in respect of and pay any and all Losses suffered, sustained, incurred or required to be paid by any such party arising out of or resulting from:

(a) any breach of any representation or warranty of Seller and the Seller Subsidiaries contained in this Agreement;

(b) any breach of any covenant or agreement of Seller and the Seller Subsidiaries contained in this Agreement;

(c) the Retained Liabilities;

(d) To the extent not reflected as a liability in the Closing Date NAV, Losses arising from:

(i) third-party claims arising under any Contract or License Agreement as a result of alleged breaches thereunder by Seller prior to the Closing Date;

(ii) liability or obligations of Seller under Employee Benefit Plans for occurrences prior to the Closing Date;

(iii) liability or obligations of Seller relating to claims of any employee of Seller or a Seller Subsidiary for wrongful discharge, sexual or other harassment, discrimination, equal opportunity, unfair labor practice for occurrences relating to such employee's employment with Seller or a Seller Subsidiary prior to the Closing Date;

(iv) liabilities or obligations of Seller for fees and expenses with respect to this Agreement or any of the transactions contemplated hereunder including, without limitation, legal and accounting fees which by the terms of this Agreement are to be paid by Seller;

(v) liabilities or obligations of Seller under any indemnity, defense or hold harmless provision or agreement entered into by Seller prior to the Closing under which Seller has an indemnity, defense or hold harmless obligation to a third party to the extent arising from occurrences prior to the Closing Date; or

(vi) liabilities and obligations of Seller arising from any customer audits with respect to any pre-Closing periods; or

(e) Retained Product Liability Obligations.

Section 8.3 Procedure. Any Party seeking indemnification pursuant to this Agreement (the "Indemnified Party") shall promptly give the Party from whom such indemnification is sought (the "Indemnifying Party") written notice of the matter with respect to which indemnification is being sought, which notice shall specify in reasonable detail, if known, the amount or an estimate of the amount of the liability arising therefrom and the basis of the claim or indemnification obligation. Such notice shall be a condition precedent to any liability of the Indemnifying Party for indemnification hereunder, but the failure of the Indemnified Party to give such prompt notice shall not adversely affect the Indemnified Party's right to indemnification hereunder except, and only, to the extent that the Indemnifying Party is prejudiced by such failure.

Section 8.4 Settlement of Third Party Claims. In connection with any indemnification claim arising out of a claim or legal proceeding (a "Third Party Claim") by a person or entity who is not a Party, the Indemnifying Party shall be entitled to control the defense of any such claim with counsel reasonably acceptable to the Indemnified Party at the Indemnifying Party's own cost and expense, including the cost and expense of reasonable attorneys' fees and disbursements in connection with such defense. The Indemnifying Party shall be entitled to agree to a settlement of, or the stipulation of any judgment arising from, any such Third Party Claim, provided, however, that the Indemnified Party shall have the right to consult as to the conduct of any such settlement or stipulation, including, without limitation, the strategy to be employed and the amounts and nature of any settlement or the terms of any stipulation, including consent thereto, which consent shall not be unreasonably

withheld or delayed by the Indemnified Party; provided, further, that no such consent shall be required from the Indemnified Party if (A) the Indemnifying Party pays or causes to be paid all Losses arising out of such settlement or judgment concurrently with the effectiveness thereof (as well as all other Losses theretofore incurred by the Indemnified Party which then remain unpaid or unreimbursed and are otherwise indemnifiable pursuant to this Article VIII), (B) in the case of a settlement, the settlement is conditioned upon a complete release by the claimant of the Indemnified Party, and (C) such settlement or judgment does not require the encumbrance of any asset of the Indemnified Party or impose any restriction upon its conduct of business or otherwise materially adversely affect its business, including, without limitation, use of any of the Intellectual Property.

Section 8.5 Limitations on Indemnification.

(a) Notwithstanding anything in this Agreement to the contrary (and except as otherwise set forth in this Section 8.5(a)), no Buyer Indemnified Party will be entitled to assert any claim for indemnification under Section 8.2(a) unless the amount of such Loss by the Buyer Indemnified Party exceeds an amount equal to $450,000 (the “Basket”) in the aggregate, in which event the Buyer Indemnified Party may only claim indemnification for such Losses pursuant to Section 8.2(a) exceeding the Basket; provided, however, that any claim asserted by Buyer for breach of the representations and warranties set forth in Sections 4.1, 4.4, 4.5, 4.15 and 4.18 shall not be subject to the Basket. Notwithstanding anything in this Agreement to the contrary (and except as otherwise set forth in this Section 8.5(a)), (i) the maximum aggregate amount of Losses payable by Seller pursuant to Section 8.2(a) (other than with respect to a claim asserted by Buyer for breach of any of the representations and warranties set forth in Sections 4.1, 4.4, 4.5, 4.8(a), 4.10, 4.15, 4.16(a) (other than with respect to breaches arising from or relating to Blair Corporation) and 4.18) shall be limited to an amount equal to $10,000,000 (the “Cap”), (ii) the maximum aggregate amount of Losses payable by Seller with respect to a claim asserted by Buyer pursuant to Section 8.2(a) for breach of a representation or warranty set forth in Section 4.8(a) or 4.10 shall be limited to an amount equal to $15,000,000 (the “Intermediate Cap”), and (iii) the maximum aggregate amount of Losses payable by Seller with respect to a claim asserted by Buyer pursuant to Section 8.2(a) for breach of a representation or warranty set forth in Section 4.16(a) (except for breaches arising from or relating to Blair Corporation, which shall be subject to the Cap) shall be limited to an amount equal to $25,000,000 (the “High Cap”). Notwithstanding the foregoing, any claim asserted by Buyer pursuant to Section 8.2(a) for breach of a representation or warranty set forth in Sections 4.1, 4.4, 4.5, 4.15 and 4.18, and any claims under Sections 8.2(b), 8.2(c), 8.2(d) and 8.2(e) shall not be subject to the Basket, the Cap, the Intermediate Cap or the High Cap. Notwithstanding anything to the contrary in this Agreement, the liability of Seller to the Buyer Indemnified Parties pursuant to this Article VIII for Losses shall be considered in the aggregate and shall be determined on a cumulative basis so that the Losses of any Buyer Indemnified Party under this Article VIII shall be combined with all other Losses of the Buyer Indemnified Parties under this Article VIII for purposes of determining limitations of liability, including the Cap, the Intermediate Cap or the High Cap.

(b) Notwithstanding anything in this Agreement to the contrary, the amount of Losses otherwise payable to an Indemnified Party pursuant to this Article VIII shall be net of any insurance proceeds actually received by Indemnified Parties resulting from such Losses under insurance policies maintained by Seller or a Seller Subsidiary prior to the Closing. No liability shall attach to an Indemnifying Party in respect of any claim if such claim would not have arisen but for a change in legislation or accounting policies made after the Closing Date or a change in interpretation of applicable Law as determined by a court or pursuant to an administrative rule-making decision.

Section 8.6 Survival of Representations, Warranties and Agreements. All representations and warranties and statements made by Buyer and Seller in this Agreement and the Ancillary Agreements, or in any document or certificate delivered pursuant hereto or thereto shall survive the Closing Date for a period of twenty-one (21) months from the Closing Date, except that the representations and warranties made in Section 4.1 (Organization, Authority, Binding Obligation of Seller), Section 4.4 (Compliance), Section 4.5 (Title to Assets), and Section 4.11(c) (Employee Benefit Plans) shall survive and remain in effect for the period of the applicable statute of limitations, and Section 4.15 (Tax Matters) shall survive and remain in effect for the period of the applicable statute of limitations plus 30 days. Without limiting the foregoing, (a) no Buyer Indemnified Party shall be entitled to assert any claim for indemnification pursuant to Section 8.2(a) following the twenty-one-month anniversary of the Closing Date; provided that with respect to a claim for indemnification pursuant to Section 8.2(a) with respect to the representations in Section 4.1 (Organization, Authority, Binding Obligation of Seller), Section 4.4 (Compliance), Section 4.5 (Title to Assets), and Section 4.11(c) (Employee Benefit Plans), no Buyer Indemnified Party shall be entitled to assert any claim for indemnification following the expiration of the applicable statute of limitations, and with respect to the representations in Section 4.15 (Tax Matters), no Buyer Indemnified Party shall be entitled to assert any claim for indemnification following the expiration of the applicable statute of limitations plus 30 days, and (b) no Buyer Indemnified Party shall be entitled to assert any claim for indemnification pursuant to Section 8.2(b), (c), (d) or (e) following the thirty month anniversary of the Closing Date.

Section 8.7 Definition of Losses. For purposes of this Article VIII, "Losses" shall mean all damages, awards, judgments, assessments, fines, penalties, charges, costs, expenses and other payments suffered or incurred, all reasonable costs and expenses of investigating any claim, lawsuit or arbitration and any appeal therefrom, all reasonable attorneys', accountants', investment bankers', and expert witness' fees incurred in connection therewith, whether or not such claim, lawsuit or arbitration is ultimately defeated and, subject to this Article VIII, all amounts paid incident to any compromise or settlement of any such claim, lawsuit or arbitration. Notwithstanding anything in this Agreement to the contrary, no special, indirect, consequential or punitive damages or losses of any kind (including but not limited to loss of profits, loss of revenue, loss of use, loss of production, costs of capital or costs connected with the interruption of operation), regardless of the legal theory on which the claim is based, shall be recoverable under this Agreement or deemed Losses; provided, however, that the preceding clause shall not be deemed to limit or restrict Buyer's ability to bring a claim against Seller for any breach or inaccuracy in any of the representations, warranties or covenants of Seller contained in this Agreement that results in any material diminution in the value of the Business taken as a whole.

Section 8.8 Sole Remedy. If the Closing shall occur, the indemnification provided for in Section 8.2 shall be the sole and exclusive remedy of the Buyer Indemnified Parties, and the indemnification provided for in Section 8.1 shall be the sole and exclusive remedy of the Seller Indemnified Parties, in each such case whether in contract, tort or otherwise, for all matters arising under or in connection with this Agreement and the transactions contemplated hereby, including, without limitation, for any inaccuracy or breach of any representation, warranty, covenant or agreement set forth herein.

ARTICLE IX
MISCELLANEOUS

Section 9.1 Fees and Expenses. Except as otherwise provided in this Agreement, each Party will bear its own direct expenses incurred in connection with the negotiation and preparation of this Agreement and the Ancillary Agreements and the consummation and performance of the transactions contemplated hereby.

Section 9.2 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been given if delivered personally or sent by overnight courier, or certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally, one day after deposit with an overnight courier, or if mailed, five (5) days after the date of deposit in the United States mails, as follows:

If to Buyer:

The Millwork Trading Co., Ltd.
d/b/a Li & Fung USA
1359 Broadway, 21st Floor
New York, NY 10018
Attn: Thomas M. Haugen

With a copy to:

Salans
Rockefeller Center
620 Fifth Avenue
New York, New York 10020
Attn: Robert K. Smits, Esq.

If to Seller:

Oxford Industries, Inc.
222 Piedmont Avenue, N.E.
Atlanta, GA 30308-3391
Attn: General Counsel

With a copy to:

King & Spalding LLP
191 Peachtree Street
Atlanta, GA 30303-1763
Attn: Russell B. Richards, Esq.

Any notice given hereunder may be given on behalf of any Party by its counsel or other authorized representatives. The address of any Party may be changed on notice to the other Party duly served in accordance with the foregoing provisions.

Section 9.3 Governing Law; Disputes. This Agreement shall be governed by and construed in accordance with the laws of New York, and the Parties irrevocably submit to the exclusive jurisdiction of the federal and state courts located in New

York, New York for resolution of any disputes hereunder; provided, however, that with respect to disagreements relating to the Buyer's Closing Date NAV Calculation under Section 2.5, such disagreements shall be finally settled as provided in Section 2.5(c) and (d), and that with respect to disagreements relating to the Adjusted EBITDA, such disagreements shall be finally settled as provided in Section 2.7(c), (d) and (e) (as applicable); and further provided that matters pertaining to the Owned Real Property and the Leased Real Property shall be governed by and construed in accordance with the laws of the State in which such property is located.

Section 9.4 Waiver of Jury Trial. Each Party to this Agreement hereby waives, to the fullest extent permitted by law, any right to trial by jury of any claim, counterclaim, demand, action, or cause of action (a) arising under this Agreement or any Ancillary Agreement, or (b) in any way connected with or related or incidental to the dealings of the Parties hereto in respect of this Agreement or any of the transactions related hereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity, or otherwise. Each Party to this Agreement hereby agrees and consents that any such claim, counterclaim, demand, action, or cause of action shall be decided by court trial without a jury and that the Parties may file an original counterpart of a copy of this Agreement with any court as written evidence of the consent of the Parties hereto to the waiver of their right to trial by jury.

Section 9.5 Entire Agreement. This Agreement, including the Seller Disclosure Schedules and Exhibits hereto, and the Ancillary Agreements are intended to embody the complete, final and exclusive agreement among the Parties with respect to the purchase of the Business Assets and the related transactions and are intended to supersede all previous negotiations, commitments, writings, agreements and representations, written or oral, with respect thereto and may not be contradicted by evidence of any such prior or contemporaneous agreement, understanding or representations, whether written or oral.

Section 9.6 Exclusive Representations and Warranties. Notwithstanding anything contained in Article IV or Article V or any other provision of this Agreement, it is the explicit intent of each Party, and each Party acknowledges and agrees, that neither Seller nor Buyer makes any representation or warranty whatsoever, express or implied, except those representations and warranties set forth in Article IV, in the case of Seller, and Article V, in the case of Buyer.

Section 9.7 Assignability; Binding Effect. This Agreement may not be assigned by Seller without the prior written consent of Buyer. Buyer may, in its discretion, transfer and assign this Agreement to an affiliate, subsidiary or to a successor of Buyer by merger or sale of assets; provided, however, that such assignee has the financial capacity to perform all of its obligations under this Agreement and the Ancillary Agreements, and provided, further, that no such assignment shall relieve Buyer of any of its obligations hereunder. Without limiting the generality of the foregoing, Seller acknowledges and agrees that Buyer may designate a nominee to purchase and acquire the Owned Real Property at Closing and assign all of its rights in respect thereof to such nominee. This Agreement and the Ancillary Agreements and the respective rights, covenants, conditions and obligations of the Parties and any instrument or agreement executed pursuant hereto and thereto shall be binding

upon and enforceable by, and shall inure to the benefit of, the Parties and their respective heirs, successors and permitted assigns and legal representatives.

Section 9.8 Amendments. This Agreement may not be amended or modified, nor may compliance with any condition or covenant set forth herein be waived, except by a writing duly and validly executed by each Party, or in the case of a waiver, the Party waiving compliance; provided, however, that no such waiver shall operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits a waiver or consent by or on behalf of any Party, such waiver or consent shall be given in writing.

Section 9.9 Severability. In the event that any one or more of the provisions contained in this Agreement, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained in this Agreement shall not be in any way impaired thereby, it being intended that all of the rights and privileges of the Parties shall be enforceable to the fullest extent permitted by law.

Section 9.10 Third-Party Rights. Nothing in this Agreement, whether express or implied, is intended to confer rights or remedies under or by reason of this Agreement on any persons other than the Parties, each Indemnified Party and their respective successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any Party, nor shall any provisions give any third person any right of subrogations over or action against any Party.

Section 9.11 Certain Interpretative Matters. The language in all parts of this Agreement shall in all cases be construed simply, accurately to its fair meaning, and not strictly for or against any of the Parties. There shall be no presumption against any Party on the ground that such Party was responsible for drafting this Agreement or any part thereof, and any rule of law, or any legal decision that would require interpretation of any claimed ambiguities in this Agreement against the Party that drafted it has no application and is expressly waived. The Section headings of this Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof. Where the context or construction requires, all words applied in the plural shall be deemed to have been used in the singular, and vice versa; the masculine shall include the feminine and neuter, and vice versa; and the present tense shall include the past and future tense and vice versa.

Section 9.12 Incorporation of Exhibits and Schedules. The Exhibits and the Seller Disclosure Schedules are incorporated herein by reference and made a part hereof.

Section 9.13 Execution in Counterparts. For the convenience of the Parties and to facilitate execution, this Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall taken together constitute one and the same document. In making proof of this Agreement, it shall not be necessary to produce or account for more than one counterpart evidencing execution by each

Party. Delivery of a facsimile version of one or more signatures to this Agreement shall be deemed adequate delivery for purposes of this Agreement.

Section 9.14 Termination. This Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing (a) by mutual written consent of Seller and Buyer, (b) by any Party, if the Closing has not occurred prior to July 31, 2006, provided that the party seeking termination pursuant to this clause (b) is not in breach of any of its representations, warranties, covenants or agreements contained in this Agreement, (c) by Seller if, as a result of action or inaction by Buyer, the Closing shall not have occurred on or prior to the date that is ten (10) Business Days following the date on which all of the conditions to Closing set forth in Section 7.1 are satisfied or waived (other than those conditions that by their nature are to be satisfied at the Closing), or (d) by Buyer if, as a result of action or inaction by Seller, the Closing shall not have occurred on or prior to the date that is ten (10) Business Days following the date on which all of the conditions to Closing set forth in Section 7.2 are satisfied or waived (other than those conditions that by their nature are to be satisfied at the Closing). If this Agreement is terminated in accordance with the preceding sentence, no Party shall have any liability to any other Party; provided, however, if such failure to close the transactions contemplated hereby is due to the inability to satisfy the conditions set forth in Section 7.1(c), 7.1(d), 7.2(a) or 7.2(c) because of the intentional breach of a representation or covenant, the breaching Party will be liable for damages incurred by the non-breaching Party as a result of such breach.

Section 9.15 Specific Performance. The Parties agree that irreparable damage would occur in the event that the provisions of this Agreement were not performed in accordance with their specific terms. Accordingly, it is hereby agreed that the Parties shall be entitled to an injunction or injunctions to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

Section 9.16 Bulk Sales Laws. Each of the Parties waives compliance with the “bulk sale,” “bulk transfers” or similar Laws and all other similar Laws in all applicable jurisdictions in respect of the transactions contemplated by this Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed in their respective names by their respective officers duly authorized, as of the date first written above.

BUYER:

THE MILLWORK TRADING CO., LTD.,
d/b/a LI & FUNG USA

By: /s/ Thomas Haugen
Name: Thomas Haugen
Title: President

SELLER:

OXFORD INDUSTRIES, INC.

By: /s/ Thomas C. Chubb III
Name: Thomas C. Chubb III
Title: Executive Vice President

[SIGNATURE PAGE TO THE PURCHASE AGREEMENT]

Exhibit 2(b)

THE MILLWORK TRADING CO., LTD.
1359 Broadway, 21st Floor
New York, New York 10018

June 1, 2006

Oxford Industries, Inc.
222 Piedmont Avenue, N.E.
Atlanta, GA 30308-3391

Dear Gentlemen:

Reference is made to that certain Purchase Agreement (the "Purchase Agreement"), dated May 1, 2006, between THE MILLWORK TRADING CO., LTD. d/b/a LI & FUNG USA, a Delaware corporation ("Buyer"), and OXFORD INDUSTRIES, INC., a Georgia corporation ("Seller"). Capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed to them in the Purchase Agreement.

WHEREAS:

A. Buyer and Seller have previously entered into the Purchase Agreement pursuant to which Buyer has agreed to acquire certain assets of the Business of Seller.

B. Buyer and Seller desire to amend the Purchase Agreement by this agreement (the "Amendment") as specifically set forth below.

NOW, THEREFORE:

Buyer and Seller hereby agree to amend the Purchase Agreement as follows:

1. Article I. The definition of "Goods-In-Transit" in Article I of the Purchase Agreement is deleted in its entirety and replaced with the following:

"Goods-in-Transit" means all goods ordered or purchased by the Business pursuant to Purchase Orders pending as of the Closing Date, which goods (i) have not yet been delivered to Seller's distribution center as of the Closing, and (ii)(A) are shipped consigned to Seller or Seller's letter-of-credit-issuing bank pursuant to a bill of lading or air waybill dated not later than June 18, 2006 or (B) are shipped consigned to Seller pursuant to a bill of lading or air waybill dated on or after June 19, 2006 but for which Seller had, in good faith, booked a shipping date not later than June 18, 2006. For purposes of the definition "Goods-in-Transit," "Purchase Orders" mean all purchase orders, purchase memos and similar contracts, commitments and undertakings to purchase goods.

2. Schedule 4.6. Schedule 4.6(a) is hereby amended to add to the information included in Exhibit A to this Amendment.

3. Schedule 6.8. Schedule 6.8 of the Purchase Agreement (Employee Incentive Program) is deleted in its entirety and replaced with Schedule 6.8, attached hereto and incorporated herein.

4. Binding Effect. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

5. Severability. If any provision of this Amendment shall be held to be invalid or unenforceable, in whole or in part, neither the validity nor the enforceability of the remainder hereof shall in any way be affected.

6. Amendments and Waivers. No provision of this Amendment may be amended or waived without the prior written consent of each of the other parties hereto.

7. Governing Law. This Amendment shall be governed by and construed in accordance with the law of the State of New York.

8. No Waivers. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

9. Counterparts; Integration. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures hereto were upon the same instrument. This Amendment together with the Purchase Agreement constitutes the entire agreement and understanding between the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment as of the date first above written.

OXFORD INDUSTRIES, INC.

By: /s/ Thomas C. Chubb III
Name: Thomas C. Chubb III
Title: Executive Vice President

THE MILLWORK TRADING CO., LTD.

By: /s/ Thomas Haugen
Name: Thomas Haugen
Title: President

Exhibit 10(r)

FIRST AMENDMENT TO THE
OXFORD INDUSTRIES, INC. 1992 STOCK OPTION PLAN

Pursuant to §XIV of the Oxford Industries, Inc. 1992 Stock Option Plan, as amended (the “Plan”), Oxford Industries, Inc. (the “Company”) hereby amends the Plan as follows:

§ 1.

By amending Section VIII of the Plan to read as follows:

VIII.
TERMS OF OPTIONS

The period during which an option granted under this Plan can be exercised shall commence on the last day of the six (6) month period which begins on the date of grant of the option and continue until such option expires by its terms. No option granted under this Plan shall be exercisable by its terms after the earlier of (a) the date the option is exercised in full, (b) the termination for any reason of such option (including, without limitation, the cancellation, expiration or exchange of such option), (c) the expiration of ten (10) years from the date such option is granted, or (d) the expiration of three (3) months from the date the employee first ceases to be an employee of the Company or any of its Subsidiary Corporations for any reason, except as otherwise provided in the terms of the option in accordance with the provisions of this Section VIII relating to death or permanent disability of the eligible employee or the termination of employment of the eligible employee in connection with a divestiture.

Any option granted under this Plan may, but shall not be required to, provide any or all of the following:

(a) in the event the eligible employee dies prior to the expiration of the option, the option may be exercised in whole or in part by the person or persons to whom such right passes by will or inheritance or by the executor or administrator of the eligible employee’s estate at any such time or within such time as the Committee may specify in the terms of the option; or

(b) in the event the eligible employee first ceases employment with the Company or any of its Subsidiary Corporations because of permanent and total disability (within the meaning of Section 22(e)(3) of the Code) prior to expiration of the option, the option may be exercised by such disabled eligible employee in whole or in part at such time or within such time as the Committee may specify in the terms of the option, but in no event later than the expiration of one (1) year from the date the eligible employee ceases such employment by reason of such disability; or

(c) in the event the Company or any of its Subsidiary Corporations terminates the employment of the eligible employee in connection with the sale of the Company’s

womenswear division prior to the expiration of the option, the option may be exercised by such terminated eligible employee in whole or in part at such time or within such time as the Committee may specify in the terms of the option, as amended;

provided, however, that in no such event shall the option be exercisable after the expiration of ten (10) years from the date such option is granted.

§ 2.

This First Amendment is contingent on the successful closing of the divestiture of the Company's womenswear division. All provisions of the Plan shall be modified as necessary to reflect the new option term provisions of the Plan as provided above. All other provisions of the Plan not inconsistent herewith are hereby confirmed and ratified.

IN WITNESS WHEREOF, the Company has caused this FIRST AMENDMENT to be executed.

OXFORD INDUSTRIES, INC.

By: /s/ Thomas C. Chubb III
Name: Thomas C. Chubb III
Title: Executive Vice President

Exhibit 10(s)

**SECOND AMENDMENT TO THE
OXFORD INDUSTRIES, INC. 1997 STOCK OPTION PLAN**

Pursuant to §XIV of the Oxford Industries, Inc. 1997 Stock Option Plan, as amended (the "Plan"), Oxford Industries, Inc. (the "Company") hereby amends the Plan as follows:

§ 1.

By amending Section VIII of the Plan to read as follows:

**VIII.
TERMS OF OPTIONS**

The period during which an option granted under this Plan can be exercised shall commence on the last day of the six (6) month period which begins on the date of grant of the option and continue until such option expires by its terms. No option granted under this Plan shall be exercisable by its terms after the earlier of (a) the date the option is exercised in full, (b) the termination for any reason of such option (including, without limitation, the cancellation, expiration or exchange of such option), (c) the expiration of ten (10) years from the date such option is granted, or (d) the expiration of three (3) months from the date the employee first ceases to be an employee of the Company or any of its Subsidiary Corporations for any reason, except as otherwise provided in the terms of the option in accordance with the provisions of this Section VIII relating to death or permanent disability of the eligible employee or the termination of employment of the eligible employee in connection with a divestiture.

Any option granted under this Plan may, but shall not be required to, provide any or all of the following:

(a) in the event the eligible employee dies prior to the expiration of the option, the option may be exercised in whole or in part by the person or persons to whom such right passes by will or inheritance or by the executor or administrator of the eligible employee's estate at any such time or within such time as the Committee may specify in the terms of the option; or

(b) in the event the eligible employee first ceases employment with the Company or any of its Subsidiary Corporations because of permanent and total disability (within the meaning of Section 22(e)(3) of the Code) prior to expiration of the option, the option may be exercised by such disabled eligible employee in whole or in part at such time or within such time as the Committee may specify in the terms of the option, but in no event later than the expiration of one (1) year from the date the eligible employee ceases such employment by reason of such disability; or

(c) in the event the Company or any of its Subsidiary Corporations terminates the employment of the eligible employee in connection with the sale of the Company's

womenswear division prior to the expiration of the option, the option may be exercised by such terminated eligible employee in whole or in part at such time or within such time as the Committee may specify in the terms of the option, as amended;

provided, however, that in no such event shall the option be exercisable after the expiration of ten (10) years from the date such option is granted.

§ 2.

This Second Amendment is contingent on the successful closing of the divestiture of the Company's womenswear division. All provisions of the Plan shall be modified as necessary to reflect the new option term provisions of the Plan as provided above. All other provisions of the Plan not inconsistent herewith are hereby confirmed and ratified.

IN WITNESS WHEREOF, the Company has caused this SECOND AMENDMENT to be executed.

OXFORD INDUSTRIES, INC.

By: /s/ Thomas C. Chubb III
Name: Thomas C. Chubb III
Title: Executive Vice President

Exhibit 10 (u)

FIRST AMENDMENT TO THE OXFORD INDUSTRIES, INC.
DEFERRED COMPENSATION PLAN

Pursuant to § 10.12 of the Oxford Industries, Inc. Deferred Compensation Plan (the “Plan”), Oxford Industries, Inc. (the “Company”) hereby amends the Plan as follows:

1.

Exhibits B and D to the Plan are replaced in their entirety with new Exhibits B and D attached hereto.

2.

Except as specifically set forth herein, the terms of the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, the Company has caused this First Amendment to be executed on the date set forth below.

OXFORD INDUSTRIES, INC.

By /s/ Thomas C. Chubb III
Name Thomas C. Chubb III
Title Executive Vice President

EXHIBIT B

PRE-2005 OXFORD PLAN

SPECIAL RULES APPLICABLE TO 2005 COMPENSATION

Notwithstanding any other provision of the Pre-2005 Oxford Plan to the contrary, the provisions of this Exhibit B shall supersede all inconsistent provisions of the Pre-2005 Oxford Plan with respect to amounts deferred in taxable years beginning after December 31, 2004 and before January 1, 2006 (and earnings on such amounts). All other provisions of the Pre-2005 Oxford Plan shall apply with respect to such deferrals to the extent not inconsistent with the provisions of this Exhibit B or Section 409A of the Code, as determined by the Plan Administrator in its sole and absolute discretion. This Exhibit B is intended to (a) satisfy the requirements of Section 409A(a)(2), (3) and (4) of the Code for deferrals made after December 31, 2004 and before January 1, 2006 and (b) not constitute a material modification of the Pre-2005 Oxford Plan with respect to amounts deferred before January 1, 2005.

1. Account(s). A separate bookkeeping account shall be established to account for deferrals made in taxable years beginning after December 31, 2004 and before January 1, 2006 and any earnings on such deferrals. The portion of any Account that was not fully vested on December 31, 2004 shall be treated as a deferral made in taxable years beginning after December 31, 2004.

2. Participation. A Deferral Commitment shall only apply to defer a portion of Compensation consisting of base salary, commissions and/or bonus compensation earned by a Participant during the Deferral Period. The deadline for completion and submission of a Deferral Commitment and Distribution Election Form is December 31, 2004.

3. Change in Employment Status. The provisions of Section 3.6 of the Pre-2005 Oxford Plan shall not apply.

4. Hardship Distributions. The provisions of Sections 2.14 and 5.4 of the Pre-2005 Oxford Plan shall not apply, and Section 7.2(d) of the Plan shall apply as if incorporated in the Pre-2005 Oxford Plan.

5. Distribution of Retirement Account. In order for a termination of employment with the Company to trigger a distribution, the termination of employment must qualify as a “separation from service” within the meaning of Section 409A of the Code and the regulations thereunder. Distribution upon termination of employment will be made in the form selected by the Participant, unless the Participant terminates employment prior to Retirement, in which case the Retirement Account shall be paid in the form of a lump sum payment, with no Committee discretion to pay in another form. A distribution made as a result of the Participant’s termination of employment (whether prior to or upon Retirement) will commence on the first regularly

scheduled pay date that coincides with or immediately follows the first day of the calendar month that is 6 months from the date the Participant terminates employment.

6. In-Service Account. A Participant may revise an in-service distribution election to change the time of distribution; provided, however, that (1) the revision will not take effect until 12 months after the date it is made, (2) the revision must be made at least 12 months before the in-service distribution otherwise would commence, and (3) the in-service distribution will be deferred for at least 5 years from the date the in-service distribution would have commenced in the absence of the revision.

7. Death. If distribution is made as a result of the Participant's death under Section 5.3 of the Pre-2005 Oxford Plan, distribution will commence on the first regularly scheduled pay date that coincides with or immediately follows the first day of the calendar quarter immediately following the quarter in which his or her death occurred.

8. Withdrawal with Penalty. The provisions of Section 5.5 of the Pre-2005 Oxford Plan shall not apply.

9. Delay of Payments Under Certain Circumstances. Section 7.2(e) of the Plan shall apply as if incorporated in the Pre-2005 Oxford Plan.

10. Amendment and Complete Termination. The provisions of Sections 9.1 and 9.2(b) of the Pre-2005 Oxford Plan shall not apply, and Section 10.12 of the Plan shall apply as if incorporated in the Pre-2005 Oxford Plan.

EXHIBIT D

TOMMY BAHAMA PLAN

SPECIAL RULES APPLICABLE TO 2005 COMPENSATION

Notwithstanding any other provision of the Tommy Bahama Plan to the contrary, the provisions of this Exhibit D shall supersede all inconsistent provisions of the Tommy Bahama Plan with respect to amounts deferred in taxable years beginning after December 31, 2004 and before January 1, 2006 (and earnings on such amounts) and earnings in 2005 on deferrals made in taxable years before January 1, 2005. All other provisions of the Tommy Bahama Plan shall apply with respect to such deferrals to the extent not inconsistent with the provisions of this Exhibit D or Section 409A of the Code, as determined by the Plan Administrator in its sole and absolute discretion. This Exhibit D is intended to (a) satisfy the requirements of Section 409A(a)(2), (3) and (4) of the Code for deferrals made after December 31, 2004 and before January 1, 2006 and (b) not constitute a material modification of the Tommy Bahama Plan with respect to amounts deferred before January 1, 2005.

1. Account(s). A separate bookkeeping account shall be established to account for deferrals made in taxable years beginning after December 31, 2004 and before January 1, 2006 (and any earnings on such deferrals) and earnings in 2005 on deferrals made in taxable years before January 1, 2005. The portion of any Deferred Compensation Account that was not fully vested on December 31, 2004 shall be treated as a deferral made in taxable years beginning after December 31, 2004.

2. Deferral Elections. In no event may a Deferral Election be made later than the last day of the Plan Year preceding the Plan Year in which the amount being deferred is earned by the Participant, except that a Deferral Election with respect to Excess Contributions payable to the Participant in 2005 may be made on or before December 31, 2004 in accordance with Q&A 21 of IRS Notice 2005-1.

3. Time and Method of Payment. In order for a termination of employment or association with the Employers to qualify as a Distribution Event, the termination of employment or association must qualify as a “separation from service” within the meaning of Section 409A of the Code and the regulations thereunder. Section 5.1 of the Tommy Bahama Plan is amended to provide that distributions shall be made in a single, lump sum payment and will commence on the first regularly scheduled pay date that coincides with or immediately follows the first day of the calendar month that is 6 months from the Participant’s Distribution Date.

4. Disability or Death. If distribution is made as a result of the Participant’s disability or death under Sections 5.2 or 5.3 of the Tommy Bahama Plan, distribution will commence on the first regularly scheduled pay date that coincides with or immediately follows the first day of the calendar quarter immediately following the quarter in which his or her disability or death occurred.

5. Unforeseeable Financial Emergency. The provisions of Sections 1.20, 3.2(c) and 5.5 of the Tommy Bahama Plan shall not apply, and Section 7.2(d) of the Plan shall apply as if incorporated in the Tommy Bahama Plan.

6. Delay of Payments Under Certain Circumstances. Section 7.2(e) of the Plan shall apply as if incorporated in the Tommy Bahama Plan.

7. Amendment and Termination. The provisions of Section 8 of the Tommy Bahama Plan shall not apply, and Section 10.12 of the Plan shall apply as if incorporated in the Tommy Bahama Plan.

Exhibit 21

SUBSIDIARIES OF OXFORD INDUSTRIES, INC.

Lionshead Clothing Company, Inc.

Oxford Caribbean, Inc.

Oxford Garment, Inc.

Oxford Private Limited of Delaware, Inc.

Piedmont Apparel Corporation

Ben Sherman Clothing, Inc.

Oxford International, Inc.

Oxford of South Carolina, Inc.

Camisas Bahia Kino S.A. de C.V.

Confecciones Monzini SA

Industrias Lanier De Honduras S. de R.L.

Industrias Oxford de Merida, S.A. de CV

Manufacturera de Sonora, S.A. de CV

O.R. Fashions S de R.L.

Oxford Internacional de Guatemala Sociedad Anonima

Oxford Phillipines, Inc.

Oxford Products (International) Limited

Oxford International Limited (HK)

Top Candor Limited

Oxford of Europe

Oxford de Colon, S.A.

Ben Sherman Holdings Limited

Oxford Industries (UK2) Limited

Oxford Industries (UK3) Limited

Ben Sherman Limited

Ben Sherman Group Limited

Textile Caledonia Investments Limited

Ben Sherman (Manufacturing) Limited

Ben Sherman (Lurgan) Limited

Sherman Cooper Marketing Limited

Slix Limited

Dunkeld Fashions Limited

Ben Sherman (Australia) Pty. Ltd.

The Branded Shirt Company Limited

Tern Shirt Limited

Neal & Cooper Limited

Tommy Bahama Group, Inc.

Tommy Bahama R&R Holdings, Inc.

Tommy Bahama Beverages, LLC

Tommy Bahama Texas Beverages, LLC

SFI of Oxford Acquisition Corporation, Inc.

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of Oxford Industries, Inc.:

(1) Registration Statements (Form S-8 Nos. 33-7231 and 33-64097) pertaining to the Oxford Industries, Inc. 1992 Stock Option Plan

(2) Registration Statements (Form S-8 Nos. 333-113000 and 333-59411) pertaining to the Oxford Industries, Inc. 1997 Stock Option Plan

(3) Registration Statement (Form S-8 No. 333-59409) pertaining to the Oxford Industries, Inc. 1997 Restricted Stock Plan

(4) Registration Statement (Form S-8 No. 333-121538) pertaining to the Oxford Industries, Inc. Long-Term Stock Incentive Plan

(5) Registration Statement (Form S-8 No. 333-121535) pertaining to the Oxford Industries, Inc. Employee Stock Purchase Plan

(6) Registration Statement (Form S-3 No. 333-119263) pertaining to the registration of 485,243 shares of Oxford Industries, Inc. Common Stock

(7) Registration Statement (Form S-8 No. 333-130010) pertaining to the Oxford Industries, Inc. Deferred Compensation Plan

(8) Registration Statement (Form S-3 No. 333-13009) pertaining to the registration of 485,243 shares of Oxford Industries, Inc. Common Stock

(9) Registration Statement (Form S-3 No. 333-110598) pertaining to the registration of 776,400 shares of Oxford Industries, Inc. Common Stock

of our reports dated August 10, 2006, with respect to the consolidated financial statements and schedule of Oxford Industries, Inc., Oxford Industries, Inc. management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Oxford Industries, Inc., included in this Annual Report (Form 10-K) for the year ended June 2, 2006.

/s/ Ernst & Young LLP

Atlanta, Georgia
August 10, 2006

EXHIBIT 24

POWER OF ATTORNEY

The undersigned, a director of Oxford Industries, Inc. (the "Company"), does hereby constitute and appoint each of Thomas E. Campbell, Mary Margaret Heaton, Tiffany Easton and Suraj A. Palakshappa his true and lawful attorney-in-fact and agent, each with full power of substitution and re-substitution, for him and in his name, place and stead, to sign the Company's Form 10-K Annual Report pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the "Act"), for the fiscal year ended June 2, 2006 and to file the same, with all exhibits thereto and other documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto each such attorney-in-fact full power and authority to sign such document on behalf of the undersigned and to make such filing, as fully for all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that the attorney-in-fact, or his substitutes, may lawfully do or cause to be done by virtue hereof. In addition, each such attorney-in-fact shall have full power and authority to execute on the undersigned's behalf in his capacity as a director of the Company subject to the reporting requirements of the Act, all Forms required to be filed by the undersigned under the Act, including Forms 3, 4 and 5, in accordance with the Act and the rules and regulations promulgated thereunder. In addition, each such attorney-in-fact shall have full power and authority to do and perform any and all acts on his behalf which may be necessary or desirable to complete, execute and timely file any such Forms with the U.S. Securities and Exchange Commission and any stock exchange or similar authority.

OXFORD INDUSTRIES, INC.

Cecil D. Conlee
Cecil D. Conlee
Date: August 3, 2006

Thomas C. Gallagher
Thomas C. Gallagher
Date: August 3, 2006

J. Reese Lanier, Sr.
J. Reese Lanier, Sr.
Date: August 3, 2006

S. Anthony Margolis
S. Anthony Margolis
Date: August 3, 2006

James A. Rubright
James A. Rubright
Date: August 3, 2006

Robert E. Shaw
Robert E. Shaw
Date: August 8, 2006

Clarence H. Smith
Clarence H. Smith
Date: August 3, 2006

Helen B. Weeks
Helen B. Weeks
Date: August 3, 2006

E. Jenner Wood III
E. Jenner Wood III
Date: August 3, 2006

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, J. Hicks Lanier, certify that:

1. I have reviewed this report on Form 10-K of Oxford Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2006

/s/ J. Hicks Lanier
J. Hicks Lanier
Chairman and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Thomas Caldecot Chubb III, certify that:

1. I have reviewed this report on Form 10-K of Oxford Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2006

/s/ Thomas Caldecot Chubb III
Thomas Caldecot Chubb III
Executive Vice President
(Principal Financial Officer)

EXHIBIT 32.1

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

In connection with the Annual Report of Oxford Industries, Inc. (the "Company") on Form 10-K ("Form 10-K") for the year ended June 2, 2006 as filed with the Securities and Exchange Commission on the date hereof, I, J. Hicks Lanier, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Form 10-K fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ J. Hicks Lanier
J. Hicks Lanier
Chairman and Chief Executive Officer
(Principal Executive Officer)

August 10, 2006

EXHIBIT 32.2

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

In connection with the Annual Report of Oxford Industries, Inc. (the “Company”) on Form 10-K (“Form 10-K”) for the year ended June 2, 2006 as filed with the Securities and Exchange Commission on the date hereof, I, Thomas Caldecot Chubb III, Executive Vice President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Form 10-K fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas Caldecot Chubb III
Thomas Caldecot Chubb III
Executive Vice President
(Principal Financial Officer)

August 10, 2006