

OXFORD INDUSTRIES INC

Form 10-K

July 31, 2007

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K**

- þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 1, 2007**
- 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
*(State or other jurisdiction of
incorporation or organization)*

58-0831862
*(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

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 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

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

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incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer 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 Non-accelerated filer

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

As of December 1, 2006, 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 \$782,910,464. 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 1, 2006) 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 July 27, 2007
Common Stock, \$1 par value	New York Stock Exchange	17,869,350
	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 9, 2007, 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 1, 2007.

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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 2008	52 weeks ending May 30, 2008
Fiscal 2007	52 weeks ended 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
Fourth quarter fiscal 2007	13 weeks ended June 1, 2007
Third quarter fiscal 2007	13 weeks ended March 2, 2007
Second quarter fiscal 2007	13 weeks ended December 1, 2006
First quarter fiscal 2007	13 weeks ended September 1, 2006
Fourth quarter fiscal 2006	13 weeks ended June 2, 2006
Third quarter fiscal 2006	13 weeks ended March 3, 2006

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Second quarter fiscal 2006
First quarter ended fiscal 2006

13 weeks ended December 2, 2005
13 weeks ended September 2, 2005

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PART I

Item 1. *Business*

BUSINESS AND PRODUCTS

Overview

We are an international apparel design, sourcing and marketing company that features a diverse portfolio of owned and licensed lifestyle brands, company-owned retail operations, and a collection of private label apparel businesses. Originally founded in 1942 as a Georgia corporation, we have undergone a transformation in recent years as we migrated from our historical domestic manufacturing roots towards a focus on designing, sourcing and marketing apparel products bearing prominent trademarks owned by us. During fiscal 2007, approximately 59% of our net sales were from brands owned by us compared to approximately 2% of our net sales being from owned brands in fiscal 2002.

A key component of our business strategy is to develop and market compelling lifestyle brands and products that are fashion right and evoke a strong emotional response from our target consumers. As part of this strategy, we strive to exploit the potential of our existing brands and products domestically and internationally and, as suitable opportunities arise, to acquire additional lifestyle brands that we believe fit within our business model. We consider lifestyle brands to be those brands that have a clearly defined and targeted point of view inspired by an appealing lifestyle or attitude, such as the Tommy Bahama® and Ben Sherman® brands. We believe that by generating an emotional connection with our target consumer, lifestyle brands can command higher price points at retail, resulting in higher profits. We also believe a successful lifestyle brand can provide opportunities for branded retail operations as well as licensing ventures in product categories beyond our core apparel business.

Our strategy of emphasizing branded apparel products rather than private label products is driven in part by the continued consolidation in the retail industry and the increasing concentration of apparel manufacturing in a relatively limited number of offshore markets, two trends we believe are making the private label business generally more competitively challenging. As we embarked on our brand-focused business strategy, the first major step was our acquisition of the Tommy Bahama brand and operations in June 2003. Then, in July 2004, we acquired the Ben Sherman brand and operations. In June 2006, another significant step in this transition occurred with the divestiture of our former Womenswear Group operations which produced private label women's sportswear, primarily for mass merchants.

We distribute our products through several wholesale distribution channels including national chains, department stores, mass merchants, specialty stores, specialty catalog retailers and Internet retailers. Other than our Ben Sherman operations in the United Kingdom, substantially all of our net sales are to customers located in the United States. Our largest customer, Macy's Inc. (formerly known Federated Department Stores, Inc.) represented 10% of our consolidated net sales in fiscal 2007. We also operate retail stores, restaurants and Internet websites for some of our brands.

In connection with the close of fiscal 2007, we reassessed and changed our operating groups for reporting purposes. All prior period amounts included in this report have been restated to reflect the revised operating groups. Our four operating groups for reporting purposes consist of:

Tommy Bahama;

Ben Sherman;

Lanier Clothes; and

Oxford Apparel

Generally, each operating group is differentiated by its own distinctive brands or products, product styling, pricing strategies, distribution channels and target consumers. Each operating group is managed to maximize the return on capital invested and to develop its brands and operations within the operating group in coordination with our overall strategic plans.

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We believe maintaining and growing our owned and licensed brands are critical to our success. Our owned brands include the following:

Tommy Bahama®

Indigo Palms®

Island Soft®

Arnold Brant®

Billy London®

Ben Sherman®

Nickelson®

Oxford Golf®

Solitude®

Wedge®

Ely®

Cattleman®

Cumberland Outfitters®

Kona Wind™

Tranquility Bay™

We hold licenses to produce and sell certain categories of apparel and footwear products under the following brands:

Nautica®

Kenneth Cole®

Tommy Hilfiger®

Dockers®

Oscar de la Renta®

O Oscar™

Geoffrey Beene®

Evisu®

United States Polo Association®

Lanier Clothes and Oxford Apparel also sell private label products, which comprised approximately 27% of our consolidated net sales in fiscal 2007. We consider private label sales to be sales of products exclusively to one customer under a brand name that is owned or licensed by our retail customer and not owned by us.

We operate in highly competitive domestic and international markets in which numerous U.S.-based and foreign apparel firms compete. Our operations are subject to certain risks, many of which are beyond our ability to control or predict. Important factors relating to these risks include, but are not limited to, those described in Part I, Item 1A. Risk Factors.

Table of Contents**Operating Groups**

Our business is operated through four operating groups: Tommy Bahama, Ben Sherman, Lanier Clothes and Oxford Apparel. We identify our operating groups based on the way our management organizes the components of our business for purposes of allocating resources and assessing performance. In connection with the close of fiscal 2007 and due in part to changes in our management reporting structure, we reassessed and changed our operating groups for reporting purposes. Leaders of the operating groups report directly to our Chief Executive Officer. The information below presents certain recent financial information about our operating groups (in thousands). All amounts presented below for previous periods have been restated to reflect the revised operating groups.

	Fiscal 2007	Fiscal 2006	Fiscal 2005
Net Sales			
Tommy Bahama	\$ 465,121	\$ 409,141	\$ 399,658
Ben Sherman	156,773	166,606	154,105
Lanier Clothes	165,159	180,411	173,168
Oxford Apparel	339,309	352,932	329,333
Corporate and Other	2,545	26	523
Total	\$ 1,128,907	\$ 1,109,116	\$ 1,056,787
Operating Income			
Tommy Bahama	\$ 81,533	\$ 71,522	\$ 54,128
Ben Sherman	8,372	10,329	22,305
Lanier Clothes	4,238	17,422	21,376
Oxford Apparel	22,749	14,556	14,556
Corporate and Other	(16,045)	(15,713)	(20,091)
Total	\$ 100,847	\$ 98,116	\$ 92,274
		June 1, 2007	June 2, 2006
Assets			
Tommy Bahama		\$ 469,414	\$ 423,376
Ben Sherman		223,779	212,230
Lanier Clothes		95,184	74,375
Oxford Apparel		96,627	112,325
Corporate and Other		23,734	4,074
Womenswear (discontinued)			59,215
Total		\$ 908,738	\$ 885,595

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 our operating groups.

As discussed in Note 1 of our consolidated financial statements included in this report, we sold the operations of the Womenswear Group in June 2006. The Womenswear Group produced private label women's sportswear separates, coordinated sportswear, outerwear, dresses and swimwear primarily for mass merchants. For more details on each of our operating groups, see Note 10 of our consolidated financial statements and Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, both included in this report. For financial information about geographic areas, see Note 10 of our consolidated financial statements, included in this report.

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Tommy Bahama

Tommy Bahama designs, sources and markets men's and women's sportswear and related products that are intended to define casually elegant living consistent with Tommy Bahama's aspirational lifestyle brands. Tommy Bahama's products can be found in our own retail stores as well as certain department stores and independent specialty stores throughout the United States. The target consumers of Tommy Bahama are affluent 35 and older men and women who embrace a relaxed and casual approach to daily living. Most of the apparel products offered by Tommy Bahama are intended to be suitable for both casual and professional environments.

Trademarks

Tommy Bahama's brands include the following:

Tommy Bahama, an aspirational lifestyle brand that is intended to define elegant island living with men's and women's sportswear, swimwear and accessories.

Indigo Palms, which features a collection of denim-related sportswear designed to reflect an island attitude targeted to appeal to a sophisticated, quality conscious consumer. The marketing strategy for Indigo Palms includes offering fine fabrics, treatments and styling in apparel products intended to be luxurious yet casual.

Island Soft, which takes a sophisticated, fashion-minded approach to sportswear. We believe Island Soft offers a more dressed up alternative to the original Tommy Bahama collection, featuring a group of innovative jacket/blazer hybrids, as well as trousers, shirts, sweaters and outerwear.

Tommy Bahama Relax[™], which was introduced in fiscal 2006 as a more casual complement to the Tommy Bahama brand and features cotton and linen based backyard and poolside attire.

Tommy Bahama Golf 18[™], which was launched in fiscal 2006 and brings a tropical take to men's and women's golfwear featuring high-tech fabrics and performance features.

A key component of our Tommy Bahama marketing strategy is to operate our own retail stores, which we believe permits us to develop and build brand awareness by presenting our products and brands in a setting specifically designed to evoke the lifestyle on which they are based, as further discussed below. The marketing of our Tommy Bahama brands also uses print, moving media, promotional programs, and tradeshow initiatives. We also provide point-of-sale materials and signage to our wholesale customers to enhance the presentation of our Tommy Bahama products at their retail locations. We employ a cooperative advertising program with certain of our Tommy Bahama wholesale customers.

Design, Sourcing and Distribution

We believe the quality and design of Tommy Bahama products are critical to the continued success of the Tommy Bahama brands. Tommy Bahama products are designed by brand specific teams who focus on the target consumer. The design process considers feedback from buyers, consumers, and sales agents along with market trend research. Our Tommy Bahama apparel products generally incorporate fine fabrics made of silk, linen, tencel or cotton, or blends including one or more of these fiber types.

We utilize a third party buying agent located in Hong Kong to manage the production and sourcing of the substantial majority of our Tommy Bahama products. Through this buying agent we utilize approximately 60 suppliers, substantially all of which are located in China, to manufacture our Tommy Bahama products on an order-by-order

basis. The largest ten suppliers of Tommy Bahama products provided 72% of the products acquired during fiscal 2007. Substantially all Tommy Bahama products purchased by us were package purchases. Package purchases are purchases of finished products including all raw materials and cut, sew and finish labor. We do not take ownership of package purchases until the goods are shipped. The use of third party producers enables us to reduce working capital related to work-in-process inventories.

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We ship Tommy Bahama products to our wholesale customers and our own retail stores from our distribution center located in Auburn, Washington. We seek to maintain sufficient levels of Tommy Bahama inventory at the distribution center to support programs for pre-booked orders and planned sales volume.

Wholesale Operations

We believe that the integrity and continued success of the Tommy Bahama brands are dependent in part upon careful selection of the retailers through whom Tommy Bahama products are sold. Part of our strategy is to control the distribution of our Tommy Bahama products in a manner intended to protect and grow the value of the brands. During fiscal 2007, approximately 50% of Tommy Bahama's sales were to wholesale customers. Approximately 15% of Tommy Bahama's net sales were to Tommy Bahama's largest customer, Nordstrom, Inc.

We maintain Tommy Bahama apparel sales offices and showrooms in several locations, including New York and Seattle. Our Tommy Bahama wholesale operations employ a sales force consisting of independent commissioned sales representatives.

Licensing Operations

We believe licensing is an attractive business opportunity for the Tommy Bahama brands. Once a brand is established, licensing requires modest additional capital investment but can yield high margin income. It also affords the opportunity to enhance overall brand awareness and exposure. In evaluating a licensee for Tommy Bahama, we typically consider the candidate's experience, financial stability, sourcing expertise and marketing ability. We also evaluate the marketability and compatibility of the proposed licensed products with other Tommy Bahama products.

Our agreements with Tommy Bahama licensees are for specific geographic areas and expire at various dates in the future, with certain renewal options in many cases. Generally, the agreements require minimum royalty payments as well as royalty and advertising payments based on specified percentages of the licensee's net sales of the licensed products. Our license agreements generally provide us the right to approve all products, advertising and proposed channels of distribution.

Third party license arrangements for our Tommy Bahama products include the following product categories:

Bedding and bath accessories

Men's and women's watches

Men's and women's eyewear

Men's and women's fragrance

Men's and women's neckwear

Men's and women's shoes, belts and socks

Table top accessories

Rum

Wallcoverings

Rugs

Ceiling fans

Indoor furniture

Outdoor furniture

Umbrellas

Luggage

Retail Operations

Our retail strategy for Tommy Bahama involves locating stores in upscale malls, lifestyle centers and resort destinations. Generally, we seek malls and shopping areas with high profile or luxury consumer brands. Our retail stores carry a wide range of merchandise, including apparel, footwear, home products and accessories, all presented in an island inspired atmosphere designed to be comfortable, yet distinct from the typical retail layout.

Our Tommy Bahama full price retail stores allow us the opportunity to present the brands full line of current season products, including licensed products. We believe these retail stores provide high visibility of the Tommy Bahama brands and products and also enable us to stay close to the needs and preferences of our

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consumers. We believe our presentation of products and our strategy to limit promotional sales in our Tommy Bahama retail stores are good for our brand and, in turn, enhance business with our wholesale customers. Our Tommy Bahama outlet stores serve an important role in overall inventory management by allowing us to sell discontinued and out-of-season products at better prices than are otherwise available from outside parties, while helping us to protect the integrity of the Tommy Bahama brands through controlled distribution.

Certain of our retail stores are integrated with a Tommy Bahama restaurant, a configuration we refer to as a compound.

The table below provides additional information regarding Tommy Bahama retail stores as of June 1, 2007.

	Number of Stores	Average Square Feet
Compounds	9	10,200(1)
Full Price Stores	52	3,600
Outlet Stores	7	6,400
Licensed Stores(2)	6	2,800
Total	74	

(1) Includes average retail space and restaurant space of 3,900 and 6,300 square feet, respectively.

(2) Includes stores operated outside the United States under the name Tommy Bahama by third parties pursuant to license agreements with us.

During fiscal 2007, approximately 50% of Tommy Bahama's net sales were from our retail store operations, which includes retail store and restaurant sales. For our Tommy Bahama stores open during the entire year of fiscal 2007, excluding outlet stores, restaurant sales and licensed stores, sales per square foot were approximately \$770.

During fiscal 2008, we anticipate opening an additional five to ten Tommy Bahama retail stores, after opening nine stores in fiscal 2007. The operation of retail stores and compounds requires a greater amount of capital investment than wholesale operations. Based on our build-out costs for Tommy Bahama retail stores and compounds recently completed, we estimate we spend approximately \$1.1 million and \$5.9 million in connection with the build-out of each retail store and compound, respectively. Often, the landlord provides certain incentives to fund a portion of these capital expenditures.

To further expand the direct-to-consumer approach of our Tommy Bahama retail stores, we plan to launch ecommerce functionality on the tommybahama.com website during the second quarter of fiscal 2008 to allow consumers the ability to buy Tommy Bahama products directly from us via the Internet.

Ben Sherman

Ben Sherman is a London-based designer, marketer and distributor of branded sportswear and footwear. Ben Sherman was established in 1963 as an edgy, young men's, Mod-inspired shirt brand and has evolved into a global lifestyle brand of apparel and footwear targeted at youthful-thinking men and women ages 19 to 35. Today, we offer a full Ben Sherman sportswear collection as well as tailored clothing, footwear and accessories. During fiscal 2007,

approximately 78% of Ben Sherman's net sales were in the United Kingdom and Europe. We also license the Ben Sherman name to third parties for various product categories. Our Ben Sherman products can be found in certain department stores and a variety of independent specialty stores, as well as in our own Ben Sherman retail stores.

We believe that the integrity and success of the Ben Sherman brand is dependent in part upon careful selection of the retailers through whom our Ben Sherman products are sold. We are engaged in an ongoing effort to refocus the brand and restrict distribution to attain higher price points for our Ben Sherman products. In conjunction with this repositioning, we are combining our Ben Sherman lines into one global collection under our Ben Sherman black and orange label in order to present a more unified brand image throughout

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the world. Our black and orange label apparel products are generally characterized as having better fabrics and being less conservative and more fashion forward than our other Ben Sherman labels. We believe that our emphasis on a more controlled distribution at higher price points will enhance future opportunities for the Ben Sherman brand.

We market the Ben Sherman brand through print, moving media, promotional programs and tradeshow initiatives. We also provide point-of-sale materials and signage to wholesale customers to enhance the presentation of our Ben Sherman products at third party retail locations. We also employ a cooperative advertising program with certain Ben Sherman wholesale customers.

Design, Sourcing and Distribution

We believe product quality and design are critical to the continued success of the Ben Sherman brand. Ben Sherman apparel and footwear are developed by our dedicated design team located at the Ben Sherman headquarters in London, England. Our Ben Sherman design team focuses on the target consumer and the design process combines feedback from buyers, consumers, and our sales force along with market trend research. We design our Ben Sherman apparel products to incorporate one or more of several fiber types, including cotton, wool or other natural fibers, synthetics or blends of two or more of these materials.

We primarily utilize a large third party buying agent located in Hong Kong to manage the production and sourcing of Ben Sherman apparel products primarily in Asia and use another third party buying agent for our production in Europe and other locations. Through these two buying agents, we utilized approximately 90 suppliers located throughout the world, but with a concentration in Asia, to manufacture our Ben Sherman products on an order-by-order basis. The largest ten suppliers provided approximately 60% of the Ben Sherman products acquired during fiscal 2007. Substantially all our Ben Sherman products were package 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. The use of third party producers enables us to reduce working capital related to work-in-process inventories.

We use a third party distribution center in the United Kingdom for our Ben Sherman products. In the United States, distribution services are performed by Oxford Apparel at our distribution center in Lyons, Georgia. Distribution center activities include receiving finished goods from suppliers, inspecting the products and shipping the products to wholesale customers and our Ben Sherman retail stores. We seek to maintain sufficient levels of inventory to support our programs for pre-booked orders and anticipated sales volume and to meet increased customer demand for at-once ordering.

Wholesale Operations

Part of our strategy is to maintain controlled distribution to protect and grow the value of the Ben Sherman brand. During fiscal 2007, approximately 89% of Ben Sherman's net sales were to wholesale customers. During fiscal 2007 approximately 11% of the net sales of Ben Sherman were to Ben Sherman's largest customer, Debenhams.

We maintain Ben Sherman apparel sales offices and showrooms in several locations, including London, New York and Dusseldorf. Our wholesale operations for Ben Sherman employ a sales force consisting of salaried sales employees and independent commissioned sales representatives.

We also have a license agreement which allows us to manufacture, source and distribute Evisu-brand footwear, which operations supplement our Ben Sherman brand footwear operations. During fiscal 2007, we acquired the company that owns the Nickelson trademark in the United Kingdom. The Nickelson brand gives us a lower priced alternative to our Ben Sherman brand in the United Kingdom. Approximately 9% of the net sales of Ben Sherman were sales of Evisu and Nickelson products during fiscal 2007.

Licensing Operations

We license the Ben Sherman trademark to a variety of licensees in product categories beyond Ben Sherman's core product categories. We believe licensing is an attractive business opportunity for the Ben

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Sherman brand. Once a brand is established, licensing requires modest additional capital investment but can yield high margin income. It also affords the opportunity to enhance overall brand awareness and exposure. In evaluating a potential Ben Sherman licensee, we typically consider the candidate's experience, financial stability, manufacturing performance and marketing ability. We also evaluate the marketability and compatibility of the proposed products with other Ben Sherman-brand products.

Our agreements with Ben Sherman licensees are for specific geographic areas and expire at various dates in the future. Generally, the agreements require minimum royalty payments as well as royalty and advertising payments based on specified percentages of the licensee's net sales of the licensed products. Our license agreements generally provide us the right to approve all products, advertising and proposed channels of distribution.

Third party license arrangements for Ben Sherman products include the following product categories:

Men's backpacks, travel bags and wallets

Men's and boys' watches and jewelry

Men's and women's eyewear

Men's fragrances and toiletries

Men's neckwear and pocket squares

Men's and boys' belts

Men's suits and dress shirts

Men's, women's and boys' leather outerwear

Men's and boys' underwear, socks and sleepwear

Men's gift products

Men's and women's accessories and small leather goods

Men's hats, caps, scarves and gloves

In addition to the license agreements for the specific product categories listed above, we have also entered into certain international license/distribution agreements which allow our partners the opportunity to distribute Ben Sherman products in certain geographic areas around the world, including Europe, Asia and the Middle East. The majority of the products distributed by these partners is acquired from us or other product licensees and are typically identical to the products sold in the United Kingdom and United States. We are in the early stages of these arrangements for most geographic locations, but we believe there is potential for further penetration into these markets for the Ben Sherman brand. In most markets our license/distribution partners are required to open retail stores in their respective geographic regions. As of June 1, 2007, our license/distribution partners operated seven retail stores located in Australia, Asia, Europe and the Middle East, identified as licensed stores in the table below.

Retail Operations

Our retail strategy for the Ben Sherman brand is to locate stores in higher-end malls and brand-appropriate street locations. Each retail store carries a wide range of merchandise, including apparel, footwear and accessories, all presented in a manner intended to enhance the Ben Sherman image. Our full price Ben Sherman retail stores allow the opportunity to present Ben Sherman's full line of current season products, including licensees' products. We believe our Ben Sherman retail stores provide high visibility of the brand and products and also enable us to stay close to the needs and preferences of consumers. We believe the presentation of these products in our Ben Sherman retail stores helps build brand awareness and acceptance and thus enhances business with our wholesale customers. Our outlet stores in the United Kingdom serve an important role in the overall inventory management by allowing us to sell discontinued and out-of-season products at better prices than are generally otherwise available from outside parties, while helping us protect the Ben Sherman brand by controlling the distribution of such products.

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The table below provides additional information regarding Ben Sherman retail stores as of June 1, 2007.

	Number of Stores	Average Square Feet
United States Full Price Stores	3	4,400
United Kingdom Full Price Stores	4	2,600
United Kingdom Outlet Stores	6	1,600
Licensed Stores	7	2,300
Total	20	

During fiscal 2007, approximately 11% of Ben Sherman's net sales were from retail store operations. Retail sales per square foot were approximately \$650 for our full price Ben Sherman stores open during the entire year of fiscal 2007.

During fiscal 2008, we anticipate opening an additional five full price stores, after opening three full price stores in fiscal 2007. The operation of our retail stores requires a relatively greater amount of capital investment than wholesale operations. Generally we anticipate spending approximately \$0.7 million of capital expenditures to build-out each Ben Sherman retail store. Often, the landlord provides certain incentives to fund a portion of these capital expenditures. We expect our licensing/distribution partners to open approximately ten retail stores, which we do not fund, in fiscal 2008.

Our Ben Sherman products are also sold via the Internet in the United Kingdom at bensherman.co.uk, in the United States at benshermanusa.com and in Germany at bensherman-shop.de.

Lanier Clothes

Lanier Clothes designs and markets branded and private label men's suits, sportcoats, suit separates and dress slacks across a wide range of price points. Our Lanier Clothes branded products are sold under trademarks including Nautica, Kenneth Cole (beginning in fiscal 2008), Dockers, Oscar de la Renta, O Oscar (beginning in fiscal 2008) and Geoffrey Beene, all of which are licensed to us by third parties. In fiscal 2006, we acquired the Arnold Brant brand, which is an upscale tailored brand that is intended to blend modern elements of style with affordable luxury. In addition to the branded businesses, we design and source certain private label tailored clothing products. We believe that this private label business complements our branded tailored clothing businesses. Significant private label brands for which we produce tailored clothing include Stafford, Alfani, Tasso Elba and Lands' End. Sales of private label products represented approximately 55% of Lanier Clothes' net sales during fiscal 2007.

Our Lanier Clothes products are sold to national chains, department stores, mass merchants, specialty stores, specialty catalog retailers and discount retailers throughout the United States. We believe that superior customer service and supply chain management as well as the design of quality products are all integral components of our strategy in the branded and private label tailored clothing market.

In Lanier Clothes, we have long-standing relationships with some of the United States' largest retailers including Macy's, JCPenney, Sears, Men's Wearhouse and Nordstrom. These five customers represented approximately 70% of Lanier Clothes' net sales in fiscal 2007. Macy's and JCPenney represented approximately 27% and 25% of Lanier Clothes' net sales, respectively, during fiscal 2007.

We market our branded tailored clothing products on a brand-by-brand basis targeting distinct consumer demographics and lifestyles. Our marketing programs are an integral part of the branded product offerings. For certain tailored clothing products, we employ a cooperative advertising program.

During fiscal 2007, Lanier Clothes' results were impacted by sluggish demand in the tailored clothing market at retail, difficulty in accurately forecasting demand for the combined operations of Macy's following its merger with May Department Stores Company and internal operational issues associated with shifts in sourcing to new locations and repositioning certain of our Lanier Clothes product lines. Additionally, during fiscal 2006, a manufacturing facility operated by us in Honduras was closed as we continued to move away

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from manufacturing our own tailored clothing products, resulting in charges of approximately \$1.2 million in that fiscal year.

Design, Manufacturing, Sourcing and Distribution

Our Lanier Clothes design team members are located in New York. Our design teams focus on the target consumer of the brand and the design process combines feedback from buyers and sales agents with market trend research.

In fiscal 2007, the substantial majority of all product purchases of Lanier Clothes were cut-make-trim (CMT) purchases from third party producers, on an order-by-order basis. CMT contract purchases are purchases in which we supply the raw materials and purchase cut, sew and finish labor from our third party producers. In CMT purchases, we procure and retain ownership of the raw materials throughout the manufacturing and finishing process. We have traditionally used this method in Lanier Clothes to maintain a greater level of involvement in the manufacturing process given the complexities of manufacturing tailored clothing. We also operate a manufacturing facility, located in Merida, Mexico, which produced approximately 14% of our Lanier Clothes products during fiscal 2007.

Substantially all of our CMT purchases and our related raw materials purchases were sourced from countries outside of the United States. We manage production in Latin America and Asia through a combination of efforts from our Lanier Clothes offices in Atlanta, Georgia and third party buying agents. The ten largest suppliers of Lanier Clothes provided 79% of its products during fiscal 2007.

Our various Lanier Clothes products are manufactured from a variety of fibers including wool, silk, bamboo, linen, cotton and other natural fibers as well as synthetics and blends of these materials. The majority of the materials used in the manufacturing operations are purchased in the form of woven finished fabrics directly from numerous offshore fabric mills.

For Lanier Clothes we utilize distribution centers located in Toccoa, Georgia and Greenville, Georgia. These distribution centers receive substantially all of our Lanier Clothes finished goods from suppliers, inspect those products and ship the products to our customers. We seek to maintain sufficient levels of inventory to support programs for pre-booked orders and to meet increased customer demand for at-once ordering. For selected standard tailored clothing product styles, we maintain in-stock replenishment programs providing shipment to customers within just a few days of receiving the order. These types of programs generally require higher inventory levels. Disposal of excess prior season inventory is an ongoing part of our business.

We maintain apparel sales offices and showrooms for our Lanier Clothes products in several locations, including Atlanta and New York. We employ a sales force for Lanier Clothes consisting of salaried and commissioned sales employees and independent commissioned sales representatives.

Oxford Apparel

Oxford Apparel produces branded and private label dress shirts, suited separates, sport shirts, dress slacks, casual slacks, outerwear, sweaters, jeans, swimwear, westernwear and golf apparel. Our Oxford Apparel products are sold to a variety of department stores, mass merchants, specialty catalog retailers, discount retailers, specialty retailers, green grass golf merchants and Internet retailers throughout the United States.

We design and source certain private label programs for several customers including programs under the Lands End, LL Bean and Eddie Bauer labels. Private label products represented approximately 63% of Oxford Apparel's sales during fiscal 2007.

In Oxford Apparel, we have relationships with some of the largest retailers in the United States including Sears, Men's Warehouse, Costco, Walmart and Macy's. These five customers represented approximately 50% of the net sales of Oxford Apparel in fiscal 2007, with Sears and Men's Warehouse representing approximately 18% and 11%, respectively, of Oxford Apparel's net sales.

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The following are the more significant Oxford Apparel brands that are owned by us.

Oxford Golf which was launched in the Fall of 2003 by Oxford Apparel. The Oxford Golf brand is targeted to appeal to a sophisticated golf apparel consumer with a preference for high quality and classic styling.

The Ely & Walker brands, which include Ely, Cattleman, Ely Casuals®, and Cumberland Outfitters. These brands are targeted toward a western-style shirt and sportswear consumer.

Solitude, which is a California lifestyle brand created by world champion surfer Shaun Tomson and his wife Carla. Solitude is intended to reflect the casual, beach lifestyle of Santa Barbara and to blend the elements of surf, sand and sun into a full collection of casual and dress sportswear. We also have other complementary brands of casual attire, including Kona Wind and Tranquility Bay.

Hathaway, which is a brand that traces its roots back to the 1800 s and enjoyed substantial brand awareness during the 1900 s. We own a two-thirds interest in an unconsolidated entity that owns the Hathaway trademark in the United States and several other countries, and we sell dress shirts and sportswear under the Hathaway brand.

In addition to our owned brands, Oxford Apparel is licensed to use the Tommy Hilfiger, Dockers and United States Polo Association trademarks for certain product categories.

During fiscal 2006 and fiscal 2007, we took steps to streamline the operations of Oxford Apparel. Significant steps during fiscal 2006 included the closure of three manufacturing facilities in the Dominican Republic and consolidation of certain of the Oxford Apparel support functions which resulted in charges totaling approximately \$2.2 million during fiscal 2006. In connection with these actions, we sold our Monroe, Georgia facility during fiscal 2007. During fiscal 2007, we exited certain product lines which did not provide the returns desired by us and required relatively high levels of infrastructure.

Design, Sourcing and Distribution

Our Oxford Apparel products are designed by a design team located at the Oxford Apparel offices in New York. The design team focuses on the target consumer and the process combines feedback from buyers and sales agents along with market trend research. Our Oxford Apparel products are manufactured from several types of fibers including cotton, linen, wool, silk and other natural fibers, synthetics and blends of these materials.

During fiscal 2007, Oxford Apparel acquired the substantial majority of its products on an order-by-order basis from third party producers outside of the United States. We operate buying offices in Hong Kong and Singapore that manage the production and sourcing for Oxford Apparel in Asia. During fiscal 2007, we used approximately 125 suppliers in 27 countries for our Oxford Apparel products. Suppliers in China and Indonesia accounted for approximately 25% and 22%, respectively, of the total Oxford Apparel production in fiscal 2007. Approximately 3% of Oxford Apparel s products were manufactured in a manufacturing plant owned by us in Tegucigalpa, Honduras and another 8% was purchased from a Chinese joint venture factory in which we have a 49% ownership interest.

During fiscal 2007, package purchases represented approximately 96% and CMT purchases represented approximately 4% of the third party units sourced by Oxford Apparel. As discussed above, 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. In CMT purchases, we procure and retain ownership of the raw materials throughout the manufacturing and finishing process.

We utilize a distribution center owned by us in Lyons, Georgia, which receives the majority of our Oxford Apparel finished goods from suppliers, inspects those products and ships the products to our customers. We also use third party distribution centers for certain of our Oxford Apparel products.

Some products of Oxford Apparel are shipped to our customer directly on an FOB Foreign Port basis without passing through our distribution center. In FOB Foreign Port shipments, the customer or the

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customer's freight forwarder handles the in-bound logistics and customs clearance. FOB Foreign Port transactions represented approximately 23% of the net sales of Oxford Apparel in fiscal 2007.

We seek to maintain sufficient levels of inventory to support programs for pre-booked orders and to meet increased customer demand for at-once ordering. For selected standard product styles, we maintain in-stock replenishment programs providing shipment to customers typically within a few days. These types of programs generally require relatively high inventory levels in order to meet customer requests in a timely manner. Disposal of excess prior season inventory is an ongoing part of business.

We maintain apparel sales offices and showrooms for Oxford Apparel products in several locations, including New York. We employ a sales force consisting of salaried and commissioned sales employees and independent commissioned sales representatives for our Oxford Apparel operations.

TRADEMARKS

As discussed above, we own trademarks, several of which are very important to our business. Generally, our significant trademarks are subject to registrations and pending applications throughout the world for use on a variety of items of apparel, and in some cases, 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 trademarks. In general, trademarks remain valid and enforceable as long as the trademarks are used in connection with our products and services and the required registration renewals are filed. Our significant trademarks are discussed within each operating group discussion above. Important factors relating to risks associated with our trademarks include, but are not limited to, those described in Part I, Item 1A. Risk Factors.

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 that competition within the branded apparel industry is based primarily upon design, brand image, consumer preference, price, quality, marketing and customer service. We believe our ability to compete successfully in styling and marketing is related to our ability to foresee changes and trends in fashion and consumer preference, and to present appealing branded and private label products for consumers. Particularly with respect to our private label businesses, in some instances a retailer that is our customer may compete directly with us by sourcing its products directly or by marketing its own private label brands. Important factors relating to risks associated with competition include, but are not limited to, those described in Part I, Item 1A. Risk Factors.

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 seasonal. For example, the demand for golf and Tommy Bahama products is higher in the spring and summer seasons. Generally our 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 by quarter for fiscal 2007 was 25%, 26%, 24% and 25%, respectively, and the percentage of operating income by quarter for fiscal 2007 was 23%, 25%, 19% and 33%, respectively, which may not be indicative of the distribution in future years.

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Order Backlog

As of June 1, 2007 and June 2, 2006, we had booked orders totaling \$270.9 million and \$272.5 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.

TRADE REGULATION

International trade agreements, trade preference arrangements and trade legislation are important to our business 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 products and are generally subject to duty rates of 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 generally believe that 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 primarily arises because 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. 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 competitive as a source for manufacturing.

Important factors relating to risks associated with trade regulation include, but are not limited to, those described in Part I, Item 1A. Risk Factors.

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EMPLOYEES

As of June 1, 2007, we employed approximately 4,800 persons, of whom approximately 63% were employed in the United States. Approximately 39% of our employees were retail store and restaurant employees. We believe our employee relations are good.

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 SEC's website 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 our principal executive offices at:

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, many of which are outside 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 in evaluating our company and the forward-looking statements contained in this report. 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, which could adversely affect our sales or require us to significantly modify our current business practices.

The apparel industry is cyclical and dependent upon the overall level of discretionary consumer spending, which changes as regional, 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 consumer 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 reduce our sales or require us to significantly modify our current business practices, and consequently harm our results of operations.

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The apparel industry is highly competitive and we face significant competitive threats to our business from various third parties that could reduce our sales, increase our costs, result in reduced price points for our products and/or result in decreased margins.

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. Some of our competitors may be able to adapt to changes in consumer demand more quickly, devote greater resources to establishing brand recognition or adopt more aggressive pricing policies than we can. In addition, with respect to certain of our businesses, retailers that are our customers may pose a significant competitive threat by sourcing their products directly or marketing their own private label brands. These competitive factors within the apparel industry may result in reduced sales, increased costs, lower prices for our products and/or decreased margins.

The apparel industry is subject to rapidly evolving fashion trends, and we must continuously offer innovative and upgraded products to maintain and grow our existing businesses. Failure to offer innovative and upgraded products may adversely affect our sales and lead to excess inventory, markdowns and/or dilution of our brands.

We believe that the principal competitive factors in the apparel industry are design, brand image, consumer 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 and saleable brands and products. These products must be offered at competitive prices in the respective distribution channels. Sales growth from our brands will depend largely upon our ability to continue to maintain and enhance the distinctive brand identities.

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, fashion trends and changes in consumer demographics. As is typical with new products, market acceptance of new designs and products is subject to uncertainty. In addition, the introduction of new lines and products often requires substantial costs in design, marketing and advertising, which may not be recovered if the products are not successful. 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 factors could result in the deterioration in the appeal of our brands and products, adversely affecting our business, financial condition and operating results.

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

We face many challenges in our strategy to focus more of our resources on branded products rather than private label products. An important aspect of this strategy is our ability to acquire new businesses 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, if we are unsuccessful in integrating any acquired businesses in a timely manner or if the acquisitions do not achieve the anticipated results. Evaluating and completing acquisitions in the future may strain our administrative, operational and financial resources and distract our management from our other businesses.

In addition, integrating acquired businesses is a complex, time-consuming, and expensive process. The integration process for newly acquired businesses could create a number of challenges and adverse consequences for us associated with the integration of product lines, employees, sales teams and outsourced manufacturers; employee turnover, including key management and creative personnel of the acquired and

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existing businesses; disruption in product cycles for newly acquired product lines; maintenance of acceptable standards, controls, procedures and policies; and the impairment of relationships with customers of the acquired and existing businesses. Further, we may not be able to manage the combined operations and assets effectively or realize 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 our acquisition of Tommy Bahama, the terms of any future acquisitions may require us to make substantial payments to the sellers, who may be key members of our management, in performance-based contingent payments for a number of years after the acquisition. 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 the agreements 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.

Divestitures of certain businesses or discontinuations of certain product lines which occur may require us to find alternative uses for our resources.

As we did in fiscal 2006 with respect to our Womenswear Group operations, we may determine in the near future that it is appropriate to divest or discontinue certain operations. Divestitures 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 under-utilization of our resources 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 if we divest certain businesses or discontinue certain product lines that we will be able to replace the sales and profits related to these businesses or to appropriately utilize our resources, which may result in a decline in our operating results.

The loss of key management or our inability to attract and retain qualified personnel in the future 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, including our executive officers. Competition for qualified personnel in the apparel industry is intense, and we compete for these individuals with other companies which may have greater financial resources. The unexpected loss of J. Hicks Lanier, Chairman and Chief Executive Officer, or any of our other executive officers, could materially adversely affect 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 put downward pressure on our net sales and margins.

The average net selling price of apparel continues to decrease in the apparel industry, particularly for private label products. 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. To remain competitive, we may need to reduce our prices from time to time in response to these deflationary pressures. These deflationary pressures, even if met with reduced costs that do not adversely impact our sales volume, could reduce our net sales or have an adverse impact on our margins.

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We depend on a group of key customers for a significant portion of our sales. A significant adverse change in a customer relationship or in a customer's financial position could negatively impact our net sales and profitability.

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 2007, sales to our ten largest customers accounted for approximately 44% of our total net sales. In addition, the net sales of our individual operating groups may be concentrated among several large customers. Continued consolidation in the retail industry may increase the concentration of our customers. 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 net sales and profitability.

We generally do not have long-term contracts with any of our customers. Instead, we rely 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. 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 net sales and 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.

In addition, due to long product lead times, several of our product lines are designed and manufactured in anticipation of orders for sale. We make commitments for fabric and production in connection with these lines. These commitments can be made up to several months prior to the receipt of firm orders from customers and if orders do not materialize or are canceled, we may incur expenses to terminate our fabric and production commitments and dispose of excess inventories.

Fluctuations in prices and availability of raw materials could cause delays in product deliveries to our customers and increase our costs of goods sold.

We and our third party suppliers rely on the availability of raw materials at reasonable prices. Decreases 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. 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 depending on a variety of factors, including crop yields, weather, supply conditions, government regulation, war, terrorism, labor unrest, global health concerns, economic climate, the cost of petroleum and other unpredictable factors. Additionally, costs of our third party providers or our transportation costs may increase due to these same factors. We have not historically entered into any futures contracts to hedge commodity prices. Any significant increase in the price of raw materials or decrease in the availability of raw materials could cause delays in product deliveries to our customers and increase our costs of goods sold.

We are dependent upon our third party producers and sourcing agents' ability to meet our requirements; any failures by these producers and sourcing agents to meet our requirements, or the unavailability of suitable producers and sourcing agents in the future, may negatively impact our ability to deliver quality products to our customers on a timely basis or result in higher costs or reduced net sales.

We source substantially all of our products from non-exclusive third party producers and sourcing agents located in foreign countries. Although we place a high value on long-term relationships with our suppliers, generally we do not

have long-term contracts, but instead typically conduct business on an order-by-order basis. Therefore, we compete with other companies for the production capacity of independent manufacturers.

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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. Although we monitor production in third party manufacturing locations by sending employees from our buying offices, employing local nationals and using unaffiliated buying agents, 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 ability to deliver quality products to our customers on a timely basis, which may have a negative impact on our customer relationships and result in lower net sales.

We 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. 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.

Our reliance on foreign sourcing operations expose us to risks that could result in higher costs, loss of sales or impaired customer goodwill.

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, which could result in higher costs, including product and transportation costs, unanticipated inventory accumulation, or the loss of sales, customer orders and customer goodwill.

Our business is subject to regulatory risks associated with importing products and our products may become less competitive as a result of changes in the regulatory environment.

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.

We benefit from duty-free treatment under international trade agreements and regulations such as the North American Free Trade Agreement and the Andean Trade Preference and Drug Eradication Act. The elimination of such treatment or our inability to qualify for such benefits would adversely impact our business and by increasing our cost of goods sold.

Our or any of our suppliers failure to comply with customs or similar laws could restrict our ability to import products or lead to fines or other penalties. We cannot guarantee that future regulatory actions or trade agreements will not

provide our competitors with a material advantage over us or materially increase our costs.

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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. Approximately 59% of our net sales in fiscal 2007 was attributable to branded products for which we own the trademark. 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 sufficiently 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.

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 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 sufficiently determine the extent of unauthorized use. There can be no assurance that the actions 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. From time to time, we rely on litigation and other legal action to enforce our intellectual property rights or contractual rights. As a general matter, we may not be able to sufficiently protect the value of our intellectual property through litigation. 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. In addition, if a third party imitates certain of our products in a manner that projects a lesser quality or carries a negative connotation, this could have a material adverse effect on the goodwill of our brands in the marketplace, regardless of whether it violates our intellectual property rights.

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. Litigation and other legal action of this type, regardless of whether it is successful, 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. Our debt levels may increase in the future under our existing facilities or potentially under new facilities, or the terms or forms of our financing arrangements in the future may change, which may increase our exposure to the items discussed below.

Our indebtedness includes, and any future indebtedness may include, 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

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and limit our flexibility in carrying out our business plan and planning for, or reacting to, changes in the industry in which we operate.

As indebtedness matures, 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 the covenants relating to our indebtedness could result in an event of default under those instruments, in some instances allowing the holders of that indebtedness to declare all outstanding indebtedness immediately due and payable. At maturity or in the event of an acceleration of payment obligations, we would likely be unable to pay our outstanding indebtedness with our cash and cash equivalents then on hand. 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 that are inconsistent with our current business practices or strategy.

We have interest rate risk on a portion of our indebtedness, as certain of our indebtedness is based on variable interest rates. We generally do not engage in hedging activities with respect to our interest rate risk. An increase in interest rates may require us to pay a greater amount of our funds from operations towards interest even if the amount of borrowings outstanding remains the same. As a result, we may have to revise or delay our business plans, reduce or delay capital expenditures or otherwise adjust our plans for operations.

Our sales and operating results are influenced by weather patterns and natural disasters.

Like other companies in the apparel industry, our sales volume may be adversely affected by unseasonable weather conditions or 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 and the concentration of a significant proportion of our customers in certain geographic regions as discussed below, the occurrence of such events 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 certain 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 2007. The sales denominated in foreign currencies primarily relate to Ben Sherman sales in the United Kingdom and Europe. 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.

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We are dependent on a limited number of distribution centers, making our operations particularly susceptible to disruption.

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 experience a reduction in sales, a substantial loss of inventory or 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 operating results and our customer relationships.

We rely on our licensing partners to preserve the value of our brands and as a source of royalty income.

Certain of our brands, such as Tommy Bahama and Ben Sherman, have a reputation of outstanding quality and name recognition, which make the brands valuable as a source of royalty income. 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 or due to the actions of a licensee. The improper or detrimental 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. If the licensee's products are not acceptable to consumers, if the licensee's actions are detrimental to our brands or if we do not add new license agreements, our net sales, royalty income and reputation could be negatively impacted.

We hold licenses for the use of other parties' brand names, and we cannot 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 certain trademarks and trade names, such as Nautica, Kenneth Cole, Tommy Hilfiger, Dockers, O Oscar, Geoffrey Beene and Evisu, to market our products. Approximately 14% of our net sales during fiscal 2007 related to the products for which we license the use of the trademark for specific product categories. 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.

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.

We may not be successful in operating existing retail stores and restaurants or in opening new retail stores and restaurants.

An integral part of our strategy is to develop and operate retail stores and restaurants for certain of our brands. Net sales from retail stores and restaurants were approximately 22% of our consolidated net sales during fiscal 2007. In

addition to the general risks associated with the apparel industry, risks associated with our retail and restaurant operations include our ability to find and select appropriate locations. Other risks include our ability to negotiate acceptable lease terms; build-out the facilities; source sufficient levels of consumer desirable inventory; hire, train and retain competent personnel; abide by applicable labor laws;

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install and operate effective technology systems; and apply appropriate pricing strategies. Retail stores and restaurants involve a significant capital investment and incur significant fixed operating expenditures, including obligations under long-term leases. We cannot be sure that our current locations will be profitable or that we can successfully complete our planned expansion. In addition, 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.

Our concentration of retail stores and wholesale customers for certain of our products exposes us to certain regional risks.

Our retail locations are heavily concentrated in certain geographic areas in the United States, including Florida, California and Hawaii, for our Tommy Bahama retail stores and the United Kingdom for our Ben Sherman retail stores. Additionally, a significant portion of our wholesale sales for Tommy Bahama and Ben Sherman products are concentrated in the same geographic areas. Due to this concentration, we have exposure to factors that impact these regions, including general economic conditions, weather patterns, natural disasters and other factors.

Our restaurant operations may be negatively impacted by regulatory issues or by health, safety, labor and similar operational issues, or by publicity surrounding any of these issues.

The restaurant industry is highly competitive and requires compliance with a variety of federal, state and local regulations. In particular, our Tommy Bahama 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, health inspection scores and labor relations. Regardless of whether allegations related to these matters are valid or whether we become liable, we may be materially and adversely affected by negative publicity associated with these issues. 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 Tommy Bahama 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.

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, labor laws, competition laws, and domestic and international tax legislation, makes it difficult for us to ensure that we are currently, or will be in the future, compliant with all laws and regulations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws or regulations, and unfavorable resolution to litigation or a violation of applicable laws and regulations may increase our costs and materially limit our ability to operate our business.

Our operations are reliant on information technology, and any interruption or other failure in our information technology systems may impair our ability to compete effectively in the apparel industry, including our ability to provide services to our customers and meet the needs of management.

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 as a method of communication with our customers and suppliers as well as our domestic and foreign employees. We also rely on information systems to provide relevant and accurate information to our management in order to allocate resources and forecast and report our operating results. 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 our systems. We periodically assess the appropriateness and relevance of our current financial and operational systems, which could result in a change to or replacement of these systems in the future. In doing so, there can be no assurances that we will be successful in developing or

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acquiring competitive systems which are responsive to our needs and the needs of our customers. Any interruption, or other failure, of critical business information systems, including an interruption or failure caused by our inability to successfully upgrade or change our financial or operational systems, could cause difficulties in operating our business and communicating with our customers, which could cause our sales and profits to decrease.

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 1.7 million square feet of owned and leased facilities in the United States, Germany, 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 stores and restaurants, each of which is less than 15,000 square feet per location. We do not believe that we are dependent on any individual retail or restaurant location for our business operations. These retail stores and restaurants are operated by Tommy Bahama and Ben Sherman and are described in more detail in Item 1 of this report. 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, including approximate square footage, are as follows:

Location	Primary Use	Operating Group	Square Footage	Lease Expiration
Atlanta, Georgia	Sales/administration	Corporate & Lanier Clothes	70,000	Owned
Seattle, Washington	Sales/administration	Tommy Bahama	80,000	2015
Lyons, Georgia	Sales/administration	Oxford Apparel	90,000	Owned
London, England	Sales/administration	Ben Sherman	20,000	2013
Lurgan, Northern Ireland	Sales/administration	Ben Sherman	10,000	Owned
New York, New York	Sales/administration	Various	100,000	