PERRY ELLIS INTERNATIONAL, INC
Form 10-K
April 14, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended January 31, 2015

OR

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

Commission File number 0-21764

Perry Ellis International, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Florida **(State or Other Jurisdiction of** **Incorporation or Organization)**	**59-1162998** **(I.R.S. Employer** **Identification No.)**
3000 N.W. 107th Avenue Miami, Florida **(Address of Principal Executive Offices)**	**33172** **(Zip Code)**

(305) 592-2830

(Registrant s telephone number, including area code)

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

Common Stock, $.01 par value **Title of Each Class**	**NASDAQ Global Select Market** **Name of Each Exchange** **on Which Registered**

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 x

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 x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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 the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant is approximately $237,921,000 (as of August 2, 2014).

The number of shares outstanding of the registrant s Common Stock is 15,341,000 (as of April 7, 2015).

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference:

Portions of the Company s Proxy Statement for the 2015 Annual Meeting Part III

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Unless the context otherwise requires, all references to Perry Ellis, the Company, we, us or our include Perry Ellis International, Inc. and its subsidiaries. References in this report to annual financial data for Perry Ellis refer to fiscal years ended January 31, 2015, February 1, 2014 and February 2, 2013. The periods presented in these financial statements are the fiscal years ended January 31, 2015 (fiscal 2015), February 1, 2014 (fiscal 2014) and February 2, 2013 (fiscal 2013). Fiscal 2015 and fiscal 2014 each contained 52 weeks while fiscal 2013 contained 53 weeks. This Form 10-K contains references to trademarks held by us and those of third parties.

General information about Perry Ellis can be found at www.pery.com. We make our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, available free of charge on our website, as soon as reasonably practicable after they are electronically filed with the SEC. The information contained on our website is not included as part of or incorporated by reference into this Form 10-K.

FORWARD-LOOKING STATEMENTS

We caution readers that this report includes forward-looking statements as that term is used in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations rather than historical facts and they are indicated by words or phrases such as anticipate, believe, budget, contemplate, continue, could, envision, estimate, expect, guidance, indicate, intend, ma potential, predict, probably, pro-forma, project, seek, should, target, or will or the negative thereof or other variations thereon an or phrases or comparable terminology. Such forward-looking statements include, but are not limited to, statements regarding Perry Ellis strategic operating review, growth initiatives and internal operating improvements intended to drive revenues and enhance profitability, the implementation of Perry Ellis profitability improvement plan and Perry Ellis plans to exit underperforming, low growth brands and businesses. We have based such forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, many of which are beyond our control. These and other important factors may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Some of the factors that could affect our financial performance, cause actual results to differ from our estimates, or underlie such forward-looking statements, are as set forth below and in various places in this report. These factors include, but are not limited to:

- general economic conditions,
- a significant decrease in business from or loss of any of our major customers or programs,
- anticipated and unanticipated trends and conditions in our industry, including the impact of recent or future retail and wholesale consolidation,
- recent and future economic conditions, including turmoil in the financial and credit markets,
- the effectiveness of our planned advertising, marketing and promotional campaigns,
- our ability to contain costs,
- disruptions in the supply chain, including, but not limited to those caused by port disruptions,
- our future capital needs and our ability to obtain financing,

our ability to protect our trademarks,

our ability to integrate acquired businesses, trademarks, tradenames, and licenses,

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- our ability to predict consumer preferences and changes in fashion trends and consumer acceptance of both new designs and newly introduced products,
- the termination or non-renewal of any material license agreements to which we are a party,
- changes in the costs of raw materials, labor and advertising,
- our ability to carry out growth strategies including expansion in international and direct-to-consumer retail markets,
- our plans, strategies, objectives, expectations and intentions, which are subject to change at any time at our discretion,
- potential cyber risk and technology failures that could disrupt operations or result in a data breach,
- the level of consumer spending for apparel and other merchandise,
- our ability to compete,
- exposure to foreign currency risk and interest rate risk,
- possible disruption in commercial activities due to terrorist activity and armed conflict,
- actions of activist investors and the cost and disruption of responding to those actions, and
- other factors set forth in this report and in our other Securities and Exchange Commission (SEC) filings.

You are cautioned that all forward-looking statements involve risks and uncertainties detailed in our filings with the SEC. You are cautioned not to place undue reliance on these forward-looking statements, which are valid only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements to reflect new information or the occurrence of unanticipated events or otherwise.

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PART I

Item 1. Business
Overview

We are one of the leading apparel companies in the United States. We manage a portfolio of major brands, some of which were established over 100 years ago. We design, source, market and license our products nationally and internationally at multiple price points and across all major levels of retail distribution in over 25,000 selling doors. Our portfolio of highly recognized brands include: Axist®, Ben Hogan®, Cubavera®, Farah®, Grand Slam®, Jantzen®, John Henry®, Laundry by Shelli Segal®, Manhattan®, Original Penguin® by Munsingwear® (Original Penguin), Perry Ellis®, Rafaella®, and Savane®. We also (i) license the Callaway Golf® brand, PGA Tour® brand, and the Jack Nicklaus® brand for golf apparel, (ii) license the Jag® brand for men s and women s swimwear and cover-ups and (iii) license the Nike® brand for swimwear and swimwear accessories.

We distribute our products primarily to wholesale customers that represent all major levels of retail distribution including department stores, national and regional chain stores, mass merchants, specialty stores, sporting goods stores, the corporate wear market, e-commerce, as well as clubs and independent retailers, in the United States, Canada, Mexico, the United Kingdom and Europe. Our largest customers include Walmart Stores Inc., which includes Sam s Wholesale Club (Sam s) together (Walmart), Kohl s Corporation (Kohl s), Macy s, Inc. (Macy s), The M Group, and Dillard s Inc. (Dillard s). As of April 1, 2015, we operated 42 Perry Ellis, nine Original Penguin and three multi-brand retail outlet stores located primarily in upscale retail outlet malls across the United States, United Kingdom and Puerto Rico. As of April 1, 2015 we also operated three Perry Ellis, two Cubavera and 19 Original Penguin full price retail stores located in upscale demographic markets in the United States and United Kingdom. In addition, we leverage our design, sourcing and logistics expertise by offering a limited number of private label programs to retailers. In order to maximize the worldwide exposure of our brands and generate high margin royalty income, we license our brands through four worldwide, 67 domestic, and 89 international license agreements covering over 100 countries.

In fiscal 2015, our Men s Sportswear and Swim segment, which is comprised of men s sportswear, swimwear and accessories, accounted for 71% of our total revenues, our Women s Sportswear segment accounted for 15% of our total revenues, our Direct-to-Consumer segment, which is comprised of retail and e-commerce, accounted for 10% of our total revenues and our licensing segment accounted for approximately 4% of our total revenues. Finally, our U.S. based business represented approximately 88% of total revenues, while our foreign operations represented 12% of total revenues for fiscal 2015.

Our licensing business is a significant contributor to our operating income. We license the brands we own to third parties for the manufacturing and marketing of various products in distribution channels and countries in which we do not distribute those brands, including men s and women s apparel and footwear, men s suits, underwear, loungewear, outerwear, fragrances, eyewear and accessories. These licensing arrangements heighten the overall awareness of our brands without requiring us to make capital investments or incur additional operating expenses.

Our Competitive Strengths

We believe that our competitive strengths position us to capitalize on several trends that have affected the apparel industry in recent years. These trends include:

- the consolidation of the department and chain store distribution channels into a smaller number of larger retailers,

- the increased dependence of retailers on reliable suppliers who have design expertise, advanced systems and technology, and the ability to quickly meet changing consumer tastes, the continued importance of strong brands as a source of product differentiation, and

planning, sourcing, and replenishment requirements from customers versus managed inventory capabilities of vendors.

We believe that we have the following competitive strengths in our industry:

Portfolio of nationally and internationally recognized brands. We currently own or license a portfolio of over 30 brands, which enjoy high recognition within their respective consumer segments. Our brands attract a loyal following of consumers and retailers who desire high quality, well-designed fashion apparel and accessories. We have developed our premier brand, Perry Ellis, into an American sportswear lifestyle brand. Our other owned brands include prominent names such as Ben Hogan, Cubavera, Original Penguin, Savane, Rafaella, Laundry by Shelli Segal, and Jantzen. Additionally, we license various brands including Callaway Golf, Jack Nicklaus, Nike and PGA TOUR. To broaden our brands consumer reach into additional categories and geographies, we also license several of our owned brands to third parties. We believe our strong brand recognition supports the strength of the business by helping to define consumer preferences and drive selling space at retailers.

Diversified business model. We believe that our diversified business model allows us to maximize the reach of our brand portfolio while reducing the risk associated with any single brand, product category or point of distribution. We view our business as being diversified:

By brand**:** We maintain a global portfolio of over 30 highly recognized brands that appeal to fashion conscious consumers across various income levels. We design, source, market and license most of our products on a brand-by-brand basis targeting distinct consumer demographic and lifestyle profiles. For example, we market the Perry Ellis and Original Penguin brands to higher-income consumers, and market the Grand Slam and Savane brands to middle-income consumers. We also market brands that target women through our Rafaella and Laundry by Shelli Segal brands, as well as through our family of golf and swimwear products, which include Callaway, Jantzen and Nike.

By product**:** We design and market apparel and accessories in a broad range of both men s and women s product categories, which we believe increases the stability of our business. Our menswear offerings include career and casual sportswear, golf apparel, sports apparel, swimwear, activewear and accessories. Our womenswear offerings include dresses, sportswear, swimwear, activewear and accessories. We believe that our product diversity decreases our dependence on a single product line or fashion trend and contributes substantially to our growth opportunities.

By distribution channel**:** We market our products across multiple levels of retail distribution, allowing us to reach a broad range of consumers domestically and internationally. We distribute our products through luxury stores, department stores, national and regional chain stores, mass merchants, specialty stores, sporting goods stores, the corporate wear market, e-commerce, as well as clubs and independent retailers. Our products are distributed through approximately 25,000 doors at some of the nation s leading retailers, including Walmart, Kohl s, Macy s, the Marmaxx Group, and Dillard s. We also distribute our products through our own retail stores, which include 42 Perry Ellis, nine Original Penguin and three multi-brand retail outlet stores and three Perry Ellis, two Cubavera and 19 Original Penguin full-price retail stores. We also operate e-commerce sites for several of our brands. Finally, we have successfully expanded product and brand distribution in the United Kingdom, Canada, Latin America and Europe, and believe additional opportunities exist for further international expansion of our brand base.

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The following table illustrates the current diversity of a cross section of our brands and products we produce and market and their respective distribution channels:

Distribution Channels	Brands			
Luxury Stores	Original Penguin	Laundry by Shelli Segal	Callaway Golf	
Department Stores	Perry Ellis Savane	Rafaella Laundry by Shelli Segal	Callaway Golf PGA TOUR	Jag Nike Swim
	Original Penguin Cubavera	Jantzen	Jack Nicklaus	Store Brands
Chain Stores	Savane	Axist	PGA TOUR	Nike Swim
	The Havanera Co.	John Henry	Grand Slam	Store Brands
	Jack Nicklaus	Jag		
Mass Merchants	Ben Hogan	Store Brands		
Corporate/Green Grass/	Callaway Golf	Jack Nicklaus	PGA TOUR	Nike Swim
Sporting Goods				
Specialty Stores	Jag	Original Penguin	Jantzen	Nike Swim
	Laundry by Shelli Segal	Savane		
International (1)	Perry Ellis	Callaway Golf	PGA TOUR	Jantzen
	Original Penguin	Laundry by Shelli Segal	Ben Hogan	Nike Swim
	Farah	Rafaella	Manhattan	Store Brands
Direct-to-Consumer	Original Penguin	Rafaella	Cubavera	Farah
	Perry Ellis	Callaway Golf		

(1) This channel includes Company operated retail stores, e-commerce and concession locations.

Strong relationships with our retailers. We believe that our established relationships with retailers allow us to maximize the selling space dedicated to our products, monitor our brand presentation and merchandising selection, and proactively introduce new brands and products. Because of our quality brands and products, dedication to customer service, design expertise and sourcing capabilities, we have developed and maintained long-standing relationships with our largest customers.

Solid licensing capabilities and relationships. We license many of the brands we own, and, as a result, have gained significant experience in identifying potential licensing opportunities. We have established relationships with many licensees and believe these relationships provide opportunities to grow our revenues and earnings while minimizing capital expenditures and execution risk. We believe that our broad portfolio of brands also appeals to licensees because our brands (i) are solidly positioned in retail outlets at all major levels of retail distribution, (ii) have increased our exposure nationally and internationally and (iii) give licensees the opportunity to sell their products through different channels distribution. For example, a manufacturer of women s leather bags might license the Laundry by Shelli Segal brand to enter the luxury store channel. By licensing our owned brands, we offer consumers a complete product assortment by brand. We also coordinate our marketing efforts with licensees, thereby maximizing exposure for our brands and our return on investment.

Sophisticated global low-cost sourcing capabilities. We have sourced our products globally for over 45 years and employ sophisticated logistics and supply chain management systems to maintain maximum flexibility. Our network of worldwide company owned sourcing offices and some agents enables us to meet our customers needs in an efficient and high quality manner without relying on any one vendor, factory, or country. In fiscal 2015, based on the total units, we sourced our products from Asia (74%), the Middle East (17%) and the Americas (9%). We maintain a staff of over 300 experienced sourcing professionals in five offices in China (including Hong Kong), as well as in the United States, Taiwan, Bangladesh, Indonesia and Vietnam. Our sourcing offices closely monitor our suppliers and provide strict quality assurance analyses that allow us to consistently maintain our high quality standard for our customers. We have a compliance department that works closely with our quality assurance staff to ensure that our sourcing partners comply with Company-mandated and country-specific labor and employment regulations. We believe that sourcing our products overseas allows us to manage our inventories more effectively while avoiding capital investments in production facilities. Because of our sourcing experience, capabilities and relationships, we believe that we are well positioned to take advantage of the changing textile and apparel quota environment.

Design expertise and advanced technology. We maintain a staff of designers, merchandisers and artists who are supported by a staff of design professionals, including assistant designers, technical designers, graphic artists and production assistants. Our in-house design staff designs substantially all of our products using advanced three dimensional computer-aided design technology that minimizes the time-intensive and costly production of sewn prototypes prior to customer approval. In addition, this technology provides our customers with products that have been custom designed for their specific needs and meet current fashion trends. We design and employ advanced fabric and design technologies to ensure a proper fit and outstanding performance when creating our women s and men s golf and swimwear apparel. We regularly upgrade our computer technology, including our Product Lifecycle Management systems, to enhance our design capabilities, and facilitate communication with our global suppliers and customers on a real-time basis resulting in faster reaction to new product developments by competitors and meeting the ever-changing needs of our customers.

Our sales planners have an enhanced ability to manage and monitor our retail customers inventory at the SKU level through utilization of our Oracle Retail Planning system. This system helps planners maximize the sales and margins of our products by identifying opportunities for our retailer customers to improve inventory turns which reduces our product returns and markdowns and improves our profitability. We use PerrySolutions in-house planning software and Oracle Retail during the assortment planning process to allocate the optimal size/color and quantity mix for the initial retail product rollout.

Our Data Warehouse, Geographical Information Systems and IBM SPSS are utilized to detect future trends and identify new business opportunities. Our e-commerce environment utilizes Demandware coupled with the best of breed e-commerce cloud and social media services to create an integrated leading edge environment. We recently completed implementation of a cloud loyalty system utilizing Salesforce, Oracle-Eloqua, and Starmount s mobile POS. These solutions improve our understanding of our direct-to-consumer market allowing us to engage the customer at the time of purchase resulting in significant increases in revenue per transaction.

Experienced management team. Our senior management team averages more than 30 years in the apparel industry and has extensive experience in growing and rejuvenating brands, structuring licensing agreements, and building strong relationships with global suppliers and retailers. George Feldenkreis, who founded the Company in 1967, has served as the Company s chief executive officer and chairman since 1993. Oscar Feldenkreis, who has been involved in all aspects of the Company s operations since joining the Company full-time in 1980 has served as President and Chief Operating Officer since 1993. George Feldenkreis and Oscar Feldenkreis have employment agreements through January 30, 2016. Additionally, we have an established highly experienced team of senior managers who support our business.

Our Business Strategy

We seek to grow our leading lifestyle brands by strengthening our market share at wholesale, by geographic expansion, by driving efficiencies across our supply chain and corporate infrastructure, and by growing our higher margin businesses, including international and licensing. Our strategy is to capitalize on the significant opportunities presented by our core brands Perry Ellis and Original Penguin, optimize our category and product competency in golf apparel and increase revenue and profitability of our women s and other businesses through the execution of the following strategies:

Continue to strengthen the competitive position and recognition of our lifestyle brands. We intend to continue growing brand awareness and customer loyalty in North America and internationally by managing each of our brands individually, developing a distinctive merchandising and marketing strategy for every product category and distribution channel, and opening new retail stores in high-visibility locations. We maintain our advertising position in global fashion publications, participation in trade shows, event and celebrity sponsorships, cooperative advertising in print and broadcast media, as well as growing our online advertising exposure and internet presence directly to consumers.

We partner with leading wholesale customers in national and regional department, mid-tier department, mass market, specialty and independent stores in the United States, Mexico, Europe and Canada. These longstanding relationships enable us to access large numbers of our key consumers in a targeted manner. In addition, we are engaged in wholesale growth initiatives such as advertising support in the form of point-of-sale fixtures and signage to enhance the presentation and brand image of our products. We also participate in shop-in-shops which are separate sales areas dedicated to a specific Company brand within our customers stores to help differentiate and enhance the presentation of our products. We participate in incentive programs with our retailer customers, including customer loyalty, discounts, allowances and cooperative advertising funds. We also offer sales incentive programs directly to consumers through our Supreme Perks Loyalty Program which targets consumers in our direct-to-consumer channel.

The strength and agility of our global brands has been instrumental in helping us expand our licensing business. We collaborate with a select number of product licensees who produce and sell products requiring specialized expertise that are enhanced by our brands strengths. In addition, we have entered into agreements with non-manufacturing licensees who have particular expertise in the distribution of our products in countries and geographic territories, such as South Korea, the Philippines, the Middle East, China, South Africa, Latin America and the Caribbean.

Expand our product offerings. We have been a leader in men s apparel for many years and believe we can continue to grow this business by leveraging our expertise and experience in design and manufacturing, in our relationships with leading retailers, and in our sourcing capabilities to expand to new product categories by capitalizing on our brands strong awareness and loyalty among consumers. We can both optimize our strong business opportunities and attract new customers to our brands. For example, the recently launched Opti-Series product line infuses golf apparel with progressive technologies such as Opti-Shield, a technology woven directly into the fabric which offers ultraviolet protection from the sun s harmful rays. This is the result of coordinated research, planning and design efforts, drawing on years of experience as a leading golf apparel manufacturer. Furthermore, we have developed a washable suit in our Shanghai laboratory and utilized their expertise in fabric construction, product finishes, as well as state of the art processes.

Grow our Direct-to-Consumer Channel. We seek to expand and leverage the high gross margin direct-to-consumer channel, which includes e-commerce, full-price stores and outlet stores, and where we control all aspects of the operation, thereby complementing our wholesale business. This year, we consolidated the business segment under a single operating group to ensure our omni-channel operations are interdependent.

E-commerce is our fastest growing direct-to-consumer channel. As a complement to our wholesale business, we currently market Perry Ellis, Original Penguin, Farah, Rafaella, Cubavera and Callaway Apparel products online in the United States and internationally. We are continuing to expand our e-commerce initiatives by rolling out additional brand sites and enhancing the online capabilities and functionality of our e-commerce sites to improve the shopping experience and increase sales. At the same time, these enhancements enable us to expand the number of countries to which we are able to ship. In addition, we plan to continue servicing our indirect e-commerce channel platforms for our retail partners by further investing in product presentation and selling capabilities to strengthen the competitive position and image of our current brands on their respective websites.

In addition to e-commerce, our stores allow us to showcase a brand s full line of current season products, with fixtures and imagery, which we believe reinforce our brand image and enables us to control the entire customer experience. We will continue to expand our store base both domestically and internationally by opening new retail locations for Perry Ellis, Original Penguin and other brands. We also continue to increase global comparable store sales with a number of initiatives already under way to increase the size and frequency of purchases by our existing customers and to attract new customers. Such initiatives include, among others, maximizing the merchandise assortment within existing stores, providing exceptional customer service, creating compelling store environments and offering new products, small leather goods, travel products and accessories.

In addition to our direct-to-consumer operations, our licensees, distributors and other independent parties own and operate over 90 licensing partnership stores. These are primarily mono brand stores selling Company branded products with the same look and feel as Company operated stores. The majority of these licensing partnership stores are located in Latin America and Asia.

Grow International Businesses. We believe that our strong brand portfolio and broad product offerings enable us to seek additional growth opportunities in geographic areas where we are underpenetrated, such as Europe and Asia. Our historic growth focused primarily on the wholesale channel within the United States, and accordingly, our revenues are concentrated in that distribution channel. We intend to strengthen our existing markets and successfully expand our business in relatively underdeveloped or under optimized markets. Our immediate concentration is investing in our momentum in Europe, Canada and Latin America while building out our penetration in Asia and in Middle East. For example, last year we significantly expanded our penetration in Europe, with development in France, Spain, Benelux and Italy. This includes increasing our international retail store base, as well as increasing our wholesale doors and shop-in-shop conversions at select department stores throughout Europe. We also seek to expand revenue through licensing partnerships across Asia, the Middle East, African and Indian markets.

Adapt to our continually changing marketplace. We will continue to make the necessary investments and implement strategies to meet the growing needs of our customers on a timely basis in the ever-changing apparel industry. We are currently focusing on expanding our business in the following areas:

We continue to elevate our Perry Ellis brand by leveraging the creative talent of our design and merchandising teams. We intend to hold our semi-annual runway shows which reinforce Perry Ellis designer status and high-fashion image, creating excitement around the collections and generating global multimedia press coverage. We continue to make investments in global advertising and integrated marketing programs, with the popular Very Perry advertising campaign as the current cornerstone of our global marketing strategies.

We implemented a successful wholesale strategy for Original Penguin, transitioning from a classification business to full-lifestyle offerings at wholesale in order to more efficiently and effectively exploit the development opportunities for the brand. The Be an Original spirit of the brand inspires a wide range of contemporary, all-American designs that appeal to a diverse array of global consumers.

We continue to increase our wholesale sales by increasing shop-in-shops for Perry Ellis, Original Penguin and Rafaella. We believe that our proprietary shop-in-shop fixtures effectively communicate our brand image within the department store, enhance the presentation of our merchandise and create a more personalized shopping experience for department store customers. We plan to grow our North American shop-in-shop footprint at select department stores by continuing to convert existing wholesale door space into shop-in-shops and expanding the size of existing shop-in-shops.

We are a leading manufacturer of golf lifestyle products and our branded portfolio includes Callaway Golf, PGA TOUR, Grand Slam, Ben Hogan, and Jack Nicklaus. We believe there is opportunity to capitalize on the evolution of golf apparel which continues to replace traditional sportswear attire and permits us to expand across multiple distribution channels. We added Callaway Golf to our portfolio of golf brands during fiscal 2010, and in fiscal 2013 expanded our licensing agreement to include off-course, green grass and sporting goods retailers while also expanding the territory to the entire Western Hemisphere. In fiscal 2013, we concluded the purchase of the Ben Hogan trademark and launched apparel with a retail partner during the latter part of that year. In fiscal 2014, we launched the Ben Hogan Premium Collection and accessories products at multiple retailers. In fiscal 2014, we also entered into an agreement to develop apparel for the Jack Nicklaus brand. In fiscal 2015, we expanded the penetration of our distribution under the Callaway Golf brand into Europe, the Middle East and Africa.

We are focused on several initiatives to increase our direct-to-consumer sales, including further expansion of our full-priced retail sales, our outlet stores and our continued launch of e-commerce web sites. Operationally, we seek to maximize the omni-channel experience through store fulfillment of online orders, executing small-door and climate-right strategies and expanding higher margin businesses including luggage, footwear and accessories.

We continue to evaluate our businesses for productivity and profitability. This year, we successfully realized $12 million of cost reductions between cost of goods sold and selling general and administrative expenses, through process enhancements, inventory management and consolidation.

Since the beginning of Fiscal 2014, we have exited 30 underperforming brands and businesses, totaling $80 million in revenues. The process has enabled our company to better manage working capital and focus on deriving value from our core brands and higher-margin businesses.

Expand our licensing opportunities. We believe licensing to third parties is an attractive opportunity for our brands by providing increased customer exposure domestically and internationally, as well as opportunities for future product extensions. We intend to continue to expand the international distribution of our brands through licensing. This year, we entered into 27 new licensing agreements to expand our product offerings under our well-known brands and broaden the markets that we serve. We now have approximately 160 license agreements, covering over 100 territories outside of the United States, to use our brands in numerous product categories, including apparel, accessories, footwear, soft home goods and fragrances. We have a robust pipeline of new agreements in development as we expand product categories and markets.

We provide support to these business partners and ensure the integrity of our brand names by taking an active role in the design, quality control, advertising, marketing and distribution of licensed products. We are focusing resources on globalizing core brands and upgrading existing licensees. We intend to leverage the 2016 introduction of Perry Ellis in Europe as a springboard for additional licensing revenue. For Original Penguin, we seek to continue to grow in key licensed categories including kid s apparel and footwear, accessories, watches and eyewear.

Licensing arrangements relate to a broad range of PEI brands. In addition to the revenues and brand awareness that licensing provides us, we also believe that licensing our brands benefits us by providing significant high-margin operating income contribution.

Pursue strategic acquisitions and opportunities that leverage and enhance our business platforms. We continually review acquisition opportunities and believe that our existing infrastructure and management depth will enable us to complete additional acquisitions in the apparel industry should there be an attractive prospect. While we believe we have a diverse portfolio of brands with growth potential, we will continue to explore trademarks and licensing opportunities that we believe are additive to our overall business. New license opportunities allow us to fill new product and brand portfolio needs. We take a disciplined approach to acquisitions, seeking brands with broad consumer recognition that we can grow profitably and expand by leveraging our infrastructure and core competencies and, where appropriate, by extending the brand through licensing.

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Corporate Governance

In addition to our initiatives to build and sustain our growth, we have undertaken a number of initiatives to enhance the composition of our Board and enhance our corporate governance framework, which we have summarized below.

Board Composition

We have a highly qualified, experienced, diverse and effective Board, and its members are actively engaged in overseeing management as it executes on its plans for enhancing shareholder value. We believe our Board members have the integrity, knowledge, breadth of relevant and diverse experience and commitment necessary to navigate Perry Ellis through the complex, dynamic and highly competitive global business environment in which we operate and to deliver superior value to our shareholders. Our directors bring with them a broad and diverse set of skills and experiences, including in the areas of apparel, merchandising, retailing, e-commerce, branding, marketing, customer service, sales, logistics, operations, distribution, store planning and development, government relations, finance, mergers and acquisitions, capital markets, capital allocation, capital structure, risk management, global operations and strategic planning.

We continue to recruit additional talent to the Board to bring their skills and insights to help grow the Company. In December 2014, we announced the appointment of Jane DeFlorio, a seasoned investment banker and former Managing Director in the U.S. Retail and Consumer Group at Deutsche Bank Securities, as an independent director to the Perry Ellis Board. Jane will be the third independent director to join the Board over the past 18 months, along with J. David Scheiner, a veteran retailer with over 35 years of experience in senior roles at major retailers, and Alexandra Wilson, co-founder of Gilt, the innovative online shopping destination. All three newly-added independent directors provide valuable perspectives and insights to the Board, have complementary retail industry experience and possess the necessary qualities and experience to be important contributors to Perry Ellis strategy to drive value for shareholders. More than two-thirds of the Board is composed of independent directors and, of the seven members of the Board, three have joined the Board since February 2014.

The Board appreciates the importance of recruiting new nominees to bring new perspectives, insights, experiences and competencies to the Board and how the addition of such new talent can enhance the Company s long-term prospects. Accordingly, while we are very excited about the addition to the Board of these three highly qualified and very experienced independent directors, we are continuously looking for additional Board candidates who will expand the depth and breadth of your Board s talent and provide us with additional competencies and resources for growing shareholder value.

Corporate Governance Practices

The Board is committed to enhancing the Company s corporate governance practices. Examples of the Board s commitment to adopting best practices in corporate governance are the following:

Majority Voting: In accordance with the revised corporate governance guidelines we adopted in June 2014, directors who do not receive a majority of the votes cast are required to tender their resignations to the Nominating and Governance Committee which then decides whether to recommend to the Board that such resignation be accepted.

Stock Ownership Policy: The Company has adopted stock ownership guidelines requiring senior executive officers and outside directors to hold the Company s common stock with a value of at least 1x their base salary and 1x their annual retainer, respectively.

Hedge / Pledge Policy: The Board has adopted restrictions on engaging in hedging transactions involving the Company s common stock and on pledging such common stock, in each case, by the Company s directors and executive officers.

Related Party Transactions Policy: In the fourth quarter of 2014, the Board adopted a new related party transactions policy to ensure that related party transactions are appropriately scrutinized and reviewed. We have also taken appropriate steps to ensure that the operations of Perry Ellis and any other company are kept separate and distinct.

Reassessment of All Related Party Transactions

As part of our ongoing effort to assess our historical business practices, our Board is in the process of revisiting all related party transactions previously undertaken by the Company. While our Board s Governance Committee reviews and approves the Company s related party transactions, we recognize that a number of our shareholders believe that best practices in corporate governance require that we minimize the Company s participation in related party transactions even if there is a strong underlying economic rationale. In response to shareholder input, our Board is committed to phasing out many of these historical business arrangements. In that regard, we have made significant progress executing on that commitment, including the following:

Aircraft Charter Agreement: The aircraft charter arrangement that we had maintained for business purposes is no longer in effect.

Lease Agreements: The Company continues to work towards unwinding certain related party lease agreements, which include administrative offices, warehouse distribution and retail space in close proximity to our corporate headquarters. The Company entered into a termination agreement for the lease relating to the warehouse and retail space on April 13, 2015.

Insurance Brokerage Arrangements: A third party review process for all future insurance-related brokerage arrangements is underway and the brokerage arrangements for all upcoming policies are subject to competitive bid.

Recent Developments

On April 6, 2015, we elected to call for the partial redemption of $100 million of our $150 million outstanding 7.875% Senior Subordinated Notes due 2019 (the Notes) and a notice of redemption was sent to all registered holders of the Notes. The redemption price for the Notes is equal to 103.938% of the principal amount of the Notes, plus accrued and unpaid interest to, but not including, the redemption date, which will be on May 6, 2015.

In connection with the partial redemption of the Notes, on April 1, 2015, we entered into a commitment letter (the Commitment Letter) with Wells Fargo Bank, National Association, as agent under the Amended and Restated Loan and Security Agreement dated as of December 2, 2011, as amended (the Loan Agreement), pursuant to which the maximum principal balance that may be outstanding under the Loan Agreement will be increased by $75 million to a maximum of $200 million. The closing under the Commitment Letter is subject to customary closing conditions and is expected to occur not later than April 30, 2015.

On March 31, 2015, we expanded our licensing agreement with Nike, Inc. to include additional territories globally with immediate expansion into certain countries within Europe, Central and South America.

On March 19, 2015, the Company entered into an agreement to sell the intellectual property of its C&C California brand to ACH C&C LLC.

Brands

In Fiscal 2015 and 2014, approximately 92% of our net sales were from brands that we own or license. We currently own and license nationally and internationally, over 30 recognized brands that are sourced for and sold throughout all major levels of retail distribution. Our owned brands include: Axist, Ben Hogan, Cubavera, Farah, Grand Slam, Jantzen, John Henry, Laundry by Shelli Segal, Original Penguin, Perry Ellis, Rafaella and Savane. We also distribute the Callaway Golf, Nike, Jag, Jack Nicklaus and PGA TOUR brands under licensing arrangements.

We license our premier brand, Perry Ellis, and many others, including: Cubavera, Gotcha, Jantzen, Laundry by Shelli Segal, and Original Penguin, for products in distribution channels where we do not sell directly to retailers. Licensed products include fragrances, leather goods, accessories, jewelry, home goods and more.

In addition, we license our brands internationally to further bolster our global penetration. Our depth of brand selection enables us to target consumers across a wide range of ages, incomes and lifestyles, while reducing our reliance on any single distribution channel, customer or demographic group.

A synopsis of some of our major brands follows:

Ben Hogan. Ben Hogan was winner of 64 PGA TOUR events and holder of nine major championships. The Ben Hogan collection is reflective of the legend himself, in that it is characterized by an exceptional sense of style with a passion for excellence.

Callaway Golf. We became the official apparel licensee of Callaway Golf Company in March 2009. The Callaway Golf apparel men s and women s collection includes classic and fashion lines featuring knit and woven shirts, pullovers, jackets, sweaters, vests, pants, shorts, headwear and accessories. We recently launched a direct-to-consumer website, callawayapparel.com, and took over sales and distribution of Callaway Apparel in Europe, the Middle East, and Africa, in an agreement that runs through December 2017, with an option to extend through 2022.

Grand Slam. Munsingwear introduced the world famous Grand Slam knit shirt in 1951. In 1954, an iconic logo was added to the left chest area a groundbreaking design element that created a classic. Today, Grand Slam is a performance line that reflects the classic golf lifestyle, on and off the course.

Jack Nicklaus. Nicknamed the Golden Bear, Jack Nicklaus is widely regarded as a sports icon and one of the greatest champions in the history of golf, winning a record total of 18 professional major-championship titles and 73 PGA official PGA TOUR victories worldwide. There is no line of premium pro-performance clothing more deserving of his name than Jack Nicklaus® golf apparel. The current licensing agreement runs through December 2018 with an option to extend through 2023.

Laundry by Shelli Segal. From red carpet to runway, the Laundry by Shelli Segal collection is a reflection of the L.A. Girl feminine and contemporary with an energetic and free-spirited attitude, always craving the next fashion statement. Every season, Laundry by Shelli Segal styles interprets the latest trends, while adding unique style to create a signature look. The line is sought after by fashionistas and Hollywood A-listers alike. Launched in 1988, Laundry by Shelli Segal dresses will take you from work to play the label offers the perfect dress for the occasion. For more information visit laundrybyshellisegal.com.

Nike. Revolutionizing swim through constant innovation in competition and training, Nike Swim is defining the next generation of outfitting for sport. We are the official licensee in the United States, Canada and Mexico. Nike Swim products are sold through sporting goods, better specialty and department stores. The license agreement was extended to additional international territories and to run through 2021, with an option to extend to 2023.

Original Penguin. The Original Penguin brand is a cultural icon and represents a mix of iconic American Sportswear and contemporary fashion that appeals to a style-savvy consumer who s into the details but doesn t take fashion too seriously. Focused on the millennial consumer, the Original Penguin lifestyle re-defines the terms geek-chic and eccentric preppy with a strong focus on Americana and vintage-inspired looks. The product line is sold worldwide at upscale department and upper-tier specialty stores and includes apparel, shoes and accessory items. The brand is also sold through stand-alone stores in the United States as well as the United Kingdom, Argentina, Chile and the Philippines. It is also sold online at originalpenguin.com (U.S.) and at originalpenguin.co.uk (Europe).

Perry Ellis. The Perry Ellis brand is faithful to a witty vision of American Sportswear updated to address current trends, and does so with a strong focus on quality, value, comfort and innovation. The Perry Ellis lifestyle appeals primarily to higher-income, fashion-conscious professional men. We also license the Perry Ellis brand to third parties for a wide variety of apparel and non-apparel products. Perry Ellis products are sold in upscale and major department stores, both domestically and internationally, in stand-alone stores, and online at perryellis.com.

PGA TOUR. The PGA TOUR is synonymous with high performance and a commitment to excellence qualities that have been incorporated into PGA TOUR apparel. The official PGA TOUR season is covered in virtually every major market in North America with hundreds of thousands of on-site fans and millions of television viewers worldwide. The brand is sold to mid-tier department stores and sporting goods stores. The line offers superior quality, performance and comfort for golfers and non-golfers alike. PGA TOUR apparel performs like a champion while remaining a fashion leader. The license was originally acquired in 2004, and has been extended through July 2017 with an option for an extension through July 2022.

Rafaella. Founded in 1982, Rafaella focuses on understanding the needs of the modern woman who leads an on-the-go lifestyle. The brand s continued success is a result of combining luxury fabrics and great style with an impeccable fit. The line provides sophisticated style that transitions easily from day to night. Rafaella Sport launched in spring 2015 with a casual athleisure complement to the main collection. The brand is sold in better department stores and on its e-commerce site at rafaellasportswear.com.

Savane. The Savane collection offers an array of styles, silhouettes and fabrications for every wearing occasion. Innovative product launches include: Eco-Start® products made with Repreve® recycled fibers, and slim fit Travel Intelligence® that utilizes our signature CRUSHPROOF® technology. Comfort innovation and performance are the key attributes of Savane. The line is available at national department and regional specialty stores. For further information visit savane.com.

Products and Product Design

We offer a broad line of high quality men s career and casual sportswear, golf apparel, sports apparel, swimwear, activewear and accessories. Our womenswear offerings include dresses, sportswear, swimwear, activewear and accessories. Substantially all of our products are designed by our in-house staff utilizing our advanced computer-aided design technology. This technology enables us to produce computer-generated simulated samples that display how a particular style will look in a given color and fabric before it is actually produced. These samples can be printed on paper or directly onto fabric to accurately present the colors and patterns to a potential customer. In addition, we can quickly alter the simulated sample in response to our customers needs, such as change of color, print layout, collar style and trimming, pocket details and/or placket treatments. The use of computer-aided design technology minimizes the time-consuming and costly need to produce actual sewn samples prior to retailer approval, allows us to create custom-designed products meeting the specific needs of customers and reduces a product s time to market, from conception to the delivery of the product to customers.

In designing our apparel products, we seek to promote consumer appeal by combining functional, colorful and high quality fabrics with creative designs and graphics. Styles, color schemes and fabrics are also selected to encourage consumers to coordinate outfits and form collections, thereby encouraging multiple purchases. Our designers stay abreast of the latest design trends, fabrics, colors, styles and consumer preferences by attending trade shows, periodically conducting market research in Europe, Asia and the United States and using outside consultants. Our purchasing department also seeks to improve the quality of our fabrics by staying informed about the latest trends in fabric all over the world. In addition, we actively monitor the retail sales of our products to determine changes in consumer trends.

Our products include:

Men s Tops. We offer a broad line of sport shirts, sweaters, fleece, outerwear and jackets. This includes cotton and cotton-blend printed, yarn-dyed and solid knit shirts, cotton woven shirts, silk, cotton and rayon printed button front sport shirts, linen sport shirts, golf shirts, and embroidered knits and woven shirts. Our shirt line also includes dress casual shirts, brushed twill shirts, jacquard knits and yarn-dyed flannels. Additionally, we are one of the leading distributors of guayabera-style shirts in the United States. We market shirts under a number of our own brands as well as the private labels of our retail customers. Our tops are produced in a wide range of men s sizes, including sizes for the big and tall men s market. Sales of tops accounted for approximately 34%, 36% and 36% of net sales during fiscal 2015, 2014, and 2013, respectively.

Men s Bottoms. Our bottoms line includes a variety of styles of wool, wool-blend, linen and polyester/rayon dress pants, casual pants in cotton and polyester/cotton, and linen/cotton walking shorts. We market our bottoms as single items or as a collection to complement our shirt lines. Sales of bottoms accounted for approximately 28%, 30% and 31% of net sales during fiscal 2015, 2014, and 2013, respectively.

Swimwear. Our swimwear line includes women s, men s and junior s swimwear and accessories. Sales of swimwear and accessories accounted for approximately 10%, 10% and 9% of net sales during Fiscal 2015, 2014 and 2013, respectively.

Women s Sportswear, Dress and Contemporary. Laundry by Shelli Segal and Rafaella have increased our distribution of women s contemporary products, both in the dress and sportswear product category. During fiscal 2015, 2014 and 2013, sales in this product category represented approximately 20%, 17% and 18% of net sales, respectively.

Accessories. We also offer accessories under our existing brands, as well as private label. The majority of the accessories we sell are leather accessories. Accessories accounted for approximately 8%, 7% and 6% of net sales during each of fiscal 2015, 2014 and 2013, respectively.

Licensing Operations

We license certain brands we own to third parties for various product categories in distribution channels and countries where we may not distribute our brands. Licensing enhances the images of our brands by widening the range, product offerings and distribution of products sold under our brands without requiring us to make capital investments or incur additional operating expenses. As a result of this strategy, we have gained experience in identifying potential licensing opportunities and have established relationships with numerous licensees. Our licensing operation is also a significant contributor to our operating income.

As of January 31, 2015, we were the licensor in 160 license agreements, four worldwide, 67 domestic and 89 international, for various products including footwear, men s suits, sportswear, dress shirts and bottoms, underwear, loungewear, outerwear, activewear, neckwear, fragrances, eyewear, accessories and home. Wholesale sales of licensed products by our licensees were approximately $637 million, $596 million and $545 million in fiscal 2015, 2014, and 2013, respectively. We received royalties from these sales of approximately $31.7 million, $29.7 million and $27.1 million in fiscal 2015, 2014, and 2013, respectively. We believe that our long-term licensing opportunities will continue to grow domestically and internationally. Although the Perry Ellis brand has international recognition, we still perceive the brand to be under-penetrated in international markets such as Europe, Latin America and Asia. We are actively working to expand our base of licensees for the Perry Ellis brand in international markets. We believe that our brand and licensing experience will enable us to capitalize on these international opportunities and that our operations in the United Kingdom will assist us in this endeavor.

We have been successful with licensing our Original Penguin brand, both domestically and internationally, in categories such as footwear, fragrance, eyewear, hats, watches and neckwear. We also believe that Laundry by Shelli Segal and Rafaella provide multiple licensing opportunities such as accessories, footwear and fragrance.

To maintain a brand s image, we closely monitor our licensees and approve all licensed products. In evaluating a prospective licensee, we consider the candidate s experience, financial stability, manufacturing performance and marketing ability. We also evaluate the marketability and compatibility of the proposed products with our other products. We regularly monitor product design, development, merchandising and marketing of licensees, and schedule meetings throughout the year with licensees to ensure quality, uniformity and consistency with our products. We also give our licensees a view of our products and fashion collections and our expectations of where their products should be positioned in the marketplace. In addition to approving, in advance, all of our licensees products, we also approve their advertising, promotional and packaging materials.

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As part of our licensing strategy, we work with our licensees to further enhance the development, image, and sales of their products. We offer licensees marketing support, and our relationships with retailers help the licensees generate higher revenues.

Our license agreements generally extend for a period of three to five years with options to renew prior to expiration for an additional multi-year period based upon a licensee meeting certain performance criteria. The typical agreement requires that the licensee pay us the greater of a royalty based on a percentage of the licensee s net sales of the licensed products or a guaranteed minimum royalty that typically increases over the term of the agreement. Generally, licensees are required to contribute to us additional monies for advertising and promotion of the licensed products in their covered territory.

Marketing, Distribution and Customers

We market our apparel products to customers principally through the direct efforts of our in-house sales staff and independent commission sales representatives who generally market other product lines as well as ours. We also attend major tradeshows and market weeks in the apparel industry as well as tradeshows in our swimwear, golf, and corporate businesses.

We operate 42 Perry Ellis, nine Original Penguin and three multi-brand retail outlet stores, three Perry Ellis full price retail stores, two Cubavera full price retail stores and 19 Original Penguin full price retail stores. We also have e-commerce web sites for our Perry Ellis, Cubavera, Callaway, Farah, Original Penguin, and Rafaella brands with goals to expand our e-commerce offerings.

We believe that customer service is a key factor in successfully marketing our apparel products. We coordinate efforts with customers to develop products meeting their specific needs using our design expertise and computer-aided design technology. Utilizing our sourcing capabilities, we strive to produce and deliver products to our customers on a timely basis.

Our in-house sales staff is responsible for customer follow-up and support, including monitoring prompt order fulfillment and timely delivery. We utilize EDI and self-hosted site for certain customers in order to provide advance-shipping notices, process orders and conduct billing operations. In addition, certain customers use the EDI system to communicate their weekly inventory requirements per store to us. We then fill these orders either by shipping directly to the individual stores or by sending shipments, individually packaged and bar coded by store, to a centralized customer distribution center.

We use PerrySolutions in-house planning software that enables our sales planners to manage our retail customers inventory at the SKU level. In addition, we use Oracle Retail during the assortment planning process to allocate the correct quantities for the initial rollout of product at retail. These systems help us maximize sales and margins of our products by increasing inventory turns for the retailer, which in turn reduces our product returns and markdowns and increases our profitability. We also use demographic mapping data software that helps us develop specific micro-market plans for our customers and provide them with enhanced returns on our various product lines. Our Data Warehouse, Geographical Information Systems and IBM SPSS are utilized to detect future trends and identify new business opportunities. Our e-commerce environment utilizes Demandware coupled with the best of breed e-commerce Cloud and social media services creating an integrated leading edge environment.

We use the Oracle Retail suite of products with the goal of reducing markdowns, increasing inventory turns and increasing revenues while automating the process. The different modules allow us to monitor our customers product by store and quickly react to changes in consumer behavior. The suite also includes best of breed store inventory and point of sales software, which allows us to keep just in time inventory at our retail stores. This investment shows our commitment to understanding our consumer in order to strengthen our brands as well as our effort to support the continued expansion of our direct retail businesses. Additionally, we invested in Trade Management Oracle Financials software to quickly and positively resolve customer claims.

We sell merchandise to a broad spectrum of retailers, including national and regional chains, upscale department, mass merchant and specialty stores. Our largest customers include Walmart, Kohl s, Macy s, Marmaxx Group and Dillard s. We have developed and maintained long-standing relationships with these customers. We also sell merchandise to corporate wear distributors.

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Net sales to our five largest customers accounted for approximately 49%, 43% and 46% of net sales in fiscal 2015, 2014, and 2013, respectively. For fiscal 2015, four customers accounted for over 10% of net sales; Walmart accounted for 14% and Kohl s, Macy s and Marmaxx Group each accounted for 10% of net sales, respectively. For fiscal 2014, two customers accounted for over 10% of net sales; Kohl s and Macy s accounted for approximately 11% and 10% of net sales, respectively. For fiscal 2013, two customers accounted for over 10% of net sales; Kohl s and Macy s accounted for approximately 14% and 10% of net sales, respectively.

Advertising and Promotions

We communicate through a variety of online and traditional medias, targeting both the trade and our end consumers. In order to promote our men s sportswear at the retail level, we participate in cooperative advertising in print and broadcast media, which features our products in our customers advertisements. The cost of this cooperative advertising is shared with our customers. We also conduct various in-store marketing activities with our customers, such as retail events and promotions, the costs of which are shared by our customers. These events and promotions are in great part orchestrated to coincide with high volume shopping times such as holidays (Christmas and Thanksgiving), Mother s Day and Father s Day. In addition to event promotion, we place perennial displays and signs of our products in retail establishments.

We use direct consumer advertising in select markets featuring the Perry Ellis, Cubavera, Rafaella, Savane and Original Penguin brand names through the placement of highly visible billboards, sponsorships and special event advertising. We also maintain informational websites featuring our brands. We create and implement editorial and public relations strategies designed to heighten the visibility of our brands. All of these activities are coordinated around each brand in an integrated marketing approach.

While we continue to utilize traditional marketing and advertising vehicles such as print and media, we have also increased our focus on social media. Utilizing such areas as our e-commerce platform, brand ambassadors, Twitter, Facebook, Pinterest, Instagram, Google+, and others, we have expanded our reach to customers who utilize these branding and shopping forums.

These same strategies, modified for each individual market, are used for our international efforts in more than a dozen other countries.

Seasonality and Backlog

Our products have historically been geared towards lighter weight apparel generally worn during the spring and summer months. We believe that this seasonality has been reduced with our introduction of fall, winter and holiday merchandise. The swimwear business, however, is highly seasonal in nature, with the vast majority of our sales occurring in our first and fourth quarters.

We generally receive orders from our retailers approximately five to seven months prior to shipment. For the majority of our sales, we have orders from our retailers before we place orders with our suppliers. A summary of the order and delivery cycle for our four primary selling seasons, excluding swimwear, is illustrated below:

Merchandise Season	Advance Order Period	Delivery Period to Retailers
Spring	July to September	January to March
Summer	October to December	April and May
Fall	January to March	June to September
Holiday	April to June	October and November

Sales and receivables are recorded when inventory is shipped. Our backlog of orders includes confirmed and unconfirmed orders, which we believe, based on our past experience and industry practice will be confirmed. As of March 25, 2015, the backlog for orders and shipments to date of our products was approximately $577 million, as compared to approximately $578 million as of March 10, 2014. The amount of unfilled orders at a point in time is affected by a number of factors, including the mix of product, the timing of the receipt and processing of customer orders and the scheduling of the sourcing and shipping of the product, which in most cases depends on the desires of the customer. Our backlog is also affected by an on-going trend among retailers to reduce the lead-time on their orders. In recent years, our customers have been more cautious of their inventory levels and have delayed placing orders and re-orders compared to our previous experience. Due to these factors a comparison of unfilled orders from period to period is not necessarily meaningful and may not be indicative of eventual actual shipments.

Supply of Products and Quality Control

We currently use independent contract manufacturers to supply the substantial majority of the products we sell. Of the total units of sourced products in fiscal 2015, 74% was sourced from suppliers in Asia, 17% was sourced from suppliers in the Middle East and 9% was sourced from suppliers in the Americas, respectively. We believe that the use of numerous independent contract manufacturers allows us to maximize production flexibility, while avoiding significant capital expenditures, work-in-process inventory build-ups and the costs of maintaining and operating production facilities. We have had relationships with some suppliers for over 30 years, however, none of these relationships are formal or require either party to purchase or supply any fixed quantity of product.

The vast majority of our products are purchased as full packages, where we place an order with the supplier and the supplier purchases all the raw materials, assembles the garments and ships them to our distribution facilities or third party facilities.

We maintain a staff of experienced sourcing professionals in five offices in China (including Hong Kong), as well as the United States, Taiwan, Bangladesh, Indonesia and Vietnam. This staff sources our products worldwide, monitors our suppliers purchases of raw material, and monitors production at contract manufacturing facilities in order to ensure quality control and timely delivery. We also operate through independent agents in Asia and the Middle East. Our sourcing personnel based in our United States based offices perform similar functions with respect to our suppliers in the Americas. We conduct inspections of samples of each product prior to cutting by contractors, during the manufacturing process and prior to shipment. We also have full-time quality assurance inspectors located globally.

Generally, the foreign contractors purchase the raw material in accordance with our specifications. Raw materials, which are in most instances made and/or colored especially for us, consist principally of piece goods and yarn and are specified by us from a number of foreign and domestic textile mills and converters.

We are committed to ethical sourcing standards and require our independent contractors to comply with our code of conduct. We monitor compliance by our foreign contract manufacturers with applicable laws and regulations relating to, for example, the payment of wages, working conditions and the environment. As part of our compliance program, we maintain compliance departments in the United States and overseas and routinely perform audits of our contract manufacturers and require corrective action when appropriate.

Import Operations and Import Restrictions

Our import operations are subject to constraints imposed by bilateral trade agreements between the United States and a number of foreign countries. These agreements impose quotas on the amount and type of goods that can be imported into the United States from some countries. Most of our imported products are also subject to United States customs duties.

We closely monitor developments in quotas, duties, and tariffs and continually seek to minimize our exposure to these risks through, among other things, geographical diversification of our contract manufacturers, maintaining our overseas offices, allocating overseas production to product categories where more quotas are available, and shifting of production among countries and manufacturers.

Under the terms of the World Trade Organization (WTO) Agreement on Textiles and Clothing, WTO members removed all quotas effective January 1, 2005, and the current environment over textile quotas continues to rapidly change. While the danger of quota embargoes has subsided since the removal of quotas for WTO

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member countries, threats to some apparel categories in China and Vietnam present themselves on occasion through proposed protectionist legislation in the U.S. Congress. These events are closely monitored and our board and executive level memberships in various apparel trade associations ensure early awareness and communication to our sourcing staff.

We believe that our extensive management and sourcing capability, our flexible sourcing model, and our experience and relationships throughout the world enable us to take advantage of the changing textile and apparel environment. Because of our sourcing experience, capabilities and relationships, we believe we are well positioned to take advantage of the changing textile and apparel quota environment.

Competition

The apparel industry is highly competitive and fragmented. Our competitors include numerous apparel designers, manufacturers, importers, licensors, and our own customers private label programs, many of which are larger and have greater financial and marketing resources than we have available to us. We believe that the principal competitive factors in the industry are: (1) brand name and brand identity, (2) timeliness, consistency, reliability and quality of services provided, (3) market share and visibility, (4) price, and (5) the ability to anticipate customer and consumer demands and maintain appeal of products to customers.

We strive to focus on these points and have proven our ability to anticipate and respond quickly to customer demands with our brands, range of products and our ability to operate within the industry s production and delivery constraints. We believe that our continued dedication to customer service, product assortment and quality control, as well as our aggressive pursuit of licensing and acquisition opportunities, directly addresses the competitive factors in all market segments. Our established brands and relationships with retailers have resulted in a loyal following of customers.

We understand that the level of competition and the nature of our competitors vary by product segment. In particular, in the mass market channel, manufacturers constitute our main competitors in this less expensive segment of the market, while high profile domestic and foreign designers and licensors account for our main competitors in the more upscale segment of the market. Although we have been able to compete successfully to date, there can be no assurance that significant new competitors will not develop in the future.

Trademarks

Trademarks, trade names, copyrights and domain names, as well as related logos and designs are valuable in the development and marketing of our products and are important to our continued success including the growth of our international licensed businesses. We have registered this intellectual property in the United States and in more than 170 countries where our products are manufactured or sold. Our material trademarks are registered with the United States Patent and Trademark Office and in other countries. We regard our trademarks and other proprietary rights as valuable assets that are critical in the marketing of our products, and, therefore, we vigorously protect our trademarks and other proprietary rights against infringements.

Environmental Matters

We are committed to minimizing the negative impact of our business activities on the environment and believe our operations are in compliance with all applicable laws and regulations. Additionally, our business activities could be negatively impacted by severe weather conditions which could affect the sale of our products or disrupt our sourcing.

Employees

As of March 1, 2015 and 2014, we had approximately 2,600 and 2,700, employees worldwide, respectively. None of our employees are subject to a collective bargaining agreement. We consider our employee relations to be satisfactory.

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Item 1A. Risk Factors

Our business faces certain risks. The risks described below may not be the only risks we face. Additional risks that we do not yet know of or that we currently think are immaterial may also impair our business. If any of the events or circumstances described as risks below or elsewhere in this report actually occurs, our business, results of operations or financial condition could be materially and adversely affected.

We rely on a few key customers, and a significant decrease in business from the loss of any one key customer or key program could substantially reduce our revenues and harm our business.

We derive a significant amount of our revenues from a few major customers. For example, net sales to our five largest customers accounted for approximately 49%, 43% and 46% of net sales for fiscal 2015, 2014 and 2013, respectively. For fiscal 2015, four customers accounted for over 10% of net sales: Walmart accounted for 14% and Kohl s, Macy s and Marmaxx Group each accounted for 10% of net sales, respectively. For fiscal 2014, two customers accounted for over 10% of net sales: Kohl s and Macy s accounted for approximately 11% and 10% of net sales, respectively. For fiscal 2013, two customers accounted for over 10% of net sales: Kohl s and Macy s accounted for approximately 14% and 10% of net sales, respectively.

A significant decrease in business from or loss of any of our major customers could harm our financial condition by causing a significant decline in revenues.

We do not have long-term contracts with any of our customers and purchases generally occur on an order- by-order basis. We believe that purchasing decisions are generally made independently by individual department stores within a company-controlled group. There has been a trend, however, toward more centralized purchasing decisions. As such decisions become more centralized, the risk to us of such concentration increases. Furthermore, our customers could curtail or cease their business with us because of changes in their strategic and operational initiatives, such as an increased focus on private label, consolidation with another retailer, changes in our customer s buying patterns, financial instability and other reasons. If our customers curtail or cease business with us, our revenues could significantly decrease and our financial condition could be significantly harmed.

Recent and future economic conditions, including turmoil in the financial and credit markets, may adversely affect our business.

Recent economic conditions may adversely affect our business, our customers, and our financing and other contractual arrangements. In addition, conditions may remain depressed in the future or may be subject to further deterioration. Recent and future developments in the United States and global economies may lead to further reductions in consumer spending, which could have an adverse effect on the sales of our products. Such events could adversely affect the business of our wholesale and retail customers, which may among other things, result in financial difficulties leading to restructuring, bankruptcies, liquidations, and other unfavorable events of our customers, and may cause such customers to reduce or discontinue orders of our products. Financial difficulties of our customers may also affect the ability of our customers to access credit markets or lead to higher credit risk relating to receivables from customers. Recent or future turmoil in the financial and credit markets could make it more difficult for us to obtain financing or refinance existing debt when the need arises or on terms that would be acceptable to us.

Domestic and international political situations may also affect consumer confidence. The threat, outbreak or escalation of terrorism, military conflicts or other hostilities could lead to further decreases in consumer spending.

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The worldwide apparel industry is heavily influenced by general economic conditions, which could negatively impact our orders and our overall results of operations.

The apparel industry is highly cyclical and heavily dependent upon the overall level of consumer spending. Purchases of apparel and related goods tend to be highly correlated with cycles in the disposable income of consumers. Our wholesale customers may anticipate and respond to adverse changes in economic conditions and uncertainty by reducing inventories and canceling orders. Accordingly, a reduction in consumer spending in any of the regions in which we compete as a result of any substantial deterioration in general economic conditions (including as a result of uncertainty in world financial markets, weakness in the credit markets, changes in the price of fuel, international turmoil or terrorist attacks) or increases in interest rates could adversely affect the sales of our products.

We may not be able to anticipate consumer preferences and fashion trends, which could negatively affect acceptance of our products by retailers and consumers and result in a significant decrease in net sales.

Our failure to anticipate, identify and respond effectively to changing consumer demands and fashion trends could adversely affect acceptance of our products by retailers and consumers and may result in a significant decrease in net sales or leave us with a substantial amount of unsold inventory. We believe that our success depends on our ability to anticipate, identify and respond to changing fashion trends in a timely manner. Our products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to rapid change. We may not be able to continue to develop appealing styles or successfully meet constantly changing consumer demands in the future. In addition, any new products or brands that we introduce may not be successfully received by retailers and consumers. Due to the acquisitions of Laundry by Shelli Segal, and Rafaella, we have increased our exposure to women s apparel, thus making us subject to additional changes in fashion trends as women s fashion trends have historically changed more rapidly than men s. If our products are not successfully received by retailers and consumers and we are left with a substantial amount of unsold inventory, we may be forced to rely on markdowns or promotional sales to dispose of excess, slow-moving inventory. If this occurs, our business, financial condition, results of operations and prospects may be harmed.

The failure of our suppliers to use acceptable ethical business practices could cause our business to suffer.

We require our suppliers to operate in compliance with applicable laws and regulations regarding working conditions, employment practices, conflict minerals and environmental compliance. Additionally, we or our customers operating guidelines may require additional obligations in those areas. We do not, however, control our suppliers or their labor and other business practices. If one of our suppliers violates labor or other laws or implements labor or other business practices that are generally regarded as unethical in the United States, the shipment of finished products to us could be interrupted, orders could be cancelled, relationships could be terminated and our reputation could be damaged. Any of these events could have a material adverse effect on our revenue and, consequently, our results of operations.

Increases in the prices of raw materials used to manufacture our products or increases in costs to transport our products could materially increase our costs and decrease our profitability.

The principal fabrics used in our business are made from cotton, wool, silk, synthetic and cotton-synthetic blends. The prices we pay for these fabrics are dependent on the market prices for the raw materials used to produce them, primarily cotton and chemical components of synthetic fabrics. These raw materials are subject to price volatility caused by weather, supply conditions, government regulations, energy costs, economic climate and other unpredictable factors. Fluctuations in petroleum prices may also influence the prices of related items such as chemicals, dyestuffs and polyester yarn as well as the costs we incur to transport products from our suppliers and costs we incur to distribute products to our customers. Any raw material price increase or increase in costs related to the transport of our products (primarily petroleum costs) could increase our cost of sales and decrease our profitability unless we are able to pass higher prices on to our customers. In addition, if one or more of our competitors is able to reduce its production costs by taking greater advantage of any reductions in raw material prices or favorable sourcing agreements, we may face pricing pressures from those competitors and may be forced to reduce our prices or face a decline in net sales, either of which could have an adverse effect on our business, results of operations or financial condition.

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Fluctuations in the price, availability and quality of the fabrics or other raw materials used to manufacture our products, as well as the price for labor, marketing and transportation, could have a material adverse effect on our cost of sales or our ability to meet our customers demands. The prices for such fabrics depend largely on the market prices for the raw materials used to produce them. The price and availability of such raw materials may fluctuate significantly, depending on many factors. In the future, we may not be able to pass all or a portion of such higher prices on to our customers.

We are dependent upon the revenues generated by brands we license from third parties, and the loss or inability to renew certain of these licenses could reduce our net income.

The interruption of the business of third parties that license their brands to us could adversely affect our net income. We currently license the Nike, Jag, PGA TOUR, Jack Nicklaus and Callaway Golf brands from third parties. These licenses vary in length of term, renewal conditions and royalty obligations. The average term of these licenses is three to five years with automatic renewals depending upon whether we achieve certain targeted sales goals. We may not be able to renew or extend any of these licenses on favorable terms, if at all. If we are unable to renew or extend any of these licenses, we could experience a decrease in net income.

We are dependent upon the revenues generated by the licensing of our brands to third parties, and the loss or inability to renew certain of these licenses could reduce our royalty income and consequently reduce our net income.

The loss of several licensees of our brands at any one time could adversely affect our royalty income and net income. Royalty income from licensing our brands to third parties accounted for $31.7 million, or 4% of total revenues, for fiscal 2015 and $29.7 million, or 3% of total revenues, for fiscal 2014. These licenses vary in length of term, renewal conditions and royalty obligations. The average term of these licenses is three to five years with automatic renewals depending upon whether certain targeted performance goals are met. We may not be able to renew or extend any of these licenses on favorable terms, if at all. If we are unable to renew or extend any of these licenses, we could experience a decrease in royalty income and net income.

Our business could be harmed if we do not deliver quality products in a timely manner.

Our sourcing, logistics and technology functions operate within substantial production and delivery requirements and subjects us to the risks associated with suppliers, transportation, distribution facilities and other risks. Labor disruptions at independent factories where our goods are produced, the shipping ports we use, or our transportation carriers create significant risks for our business, particularly if these disputes result in work slowdowns, lockouts, strikes, or other disruptions. Most recently, we experienced the impact of the West Coast port slowdowns and work stoppages which resulted in a significant backup of cargo containers at West Coast ports including the port through which we sourced a significant portion of our products. We experienced delays in the shipment of our products as a result of this disruption. Although the West Coast ports are now fully functioning, it is expected that the effects of the disruption could last into the middle of 2015.

If we do not comply with customer product requirements or meet their delivery requirements, our customers could reduce our selling prices, require significant margin support, reduce the amount of business they do with us, or cease to do business with us, all of which could harm our business.

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, the occurrence of such events could disproportionately impact our business, financial condition and operating results.

Proxy contests threatened or commenced against the Company could be disruptive and costly and the possibility that activist shareholders may wage proxy contests or gain representation on or control of our Board of Directors could cause uncertainty about the strategic direction of our business.

On July 17, 2014, Legion Partners Asset Management, LLC, a shareholder in the Company (Legion), filed a Schedule 13D with the SEC disclosing that it beneficially owned 5.9% of the Company s shares of common stock and indicating that it believed that there were opportunities for the Company to enhance shareholder value that it would like to see pursued. Subsequently, while Legion has not, to date, provided the Company with any advance notice of nomination or shareholder proposal, Legion has indicated to the Company that it may seek to nominate one or more individuals to the Company s Board of Directors at the Company s 2015 Annual Meeting of Shareholders.

If Legion pursues a proxy contest or other actions at the 2015 Annual Meeting of Shareholders to elect directors other than those recommended by our Board of Directors, or takes other actions that contest or conflict with the Company s strategic direction, any such actions could have an adverse effect on the Company because:

- responding to proxy contests and other actions by activist shareholders such as Legion can be costly and time-consuming, disrupt our operations, and divert the attention of our management and employees away from their regular duties and the pursuit of our business strategies;

- perceived uncertainties as to our future direction as a result of changes to composition of our board may lead to the perception of a change in the direction of the business, instability or lack of continuity which may be exploited by our competitors, cause concern to our current or potential customers, may result in the loss of potential business opportunities and make it more difficult to attract and retain qualified personnel and business partners and may affect our relationships with vendors, customers and other third parties;

- these types of actions could cause significant fluctuations in our company s stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business; and

- if individuals are elected to our Board with a specific agenda, it may adversely affect our ability to effectively implement our business strategy and create additional value for our shareholders.

We are subject to United States federal and state laws and, and if any of the laws or regulations are amended or if new laws or regulations are adopted, compliance could become more expensive and directly affect our income.

We are subject to U.S. federal, state and local laws and regulations affecting our business, including those promulgated under the Occupational Safety and Health Act, the Consumer Product Safety Act, the Flammable Fabrics Act, the Textile Fiber Product Identification Act, the rules and regulations of the Consumer Products Safety Commission, the Department of Homeland Security and various labor, workplace and related laws, as well as environmental laws and regulations. If any of these laws is amended or new laws are adopted, compliance could become more costly, and our failure to comply with such laws may expose us to potential liabilities, which could have an adverse impact on our results of operation.

Because we do business abroad, our business could be harmed if changes in political or economic stability, laws, exchange rates, or foreign trade policies should occur.

Our relationship with our foreign suppliers subjects us to the risks of doing business abroad. Because some of our suppliers are located at great geographic distances from us, our transportation costs are increased and longer lead times are required, which reduces our flexibility. Our finished goods are also subject to import duties, quotas and other restrictions. Other risks in doing business with foreign suppliers include political or economic instability, terrorist activities, and restrictions on the transfer of funds. Our efforts to maintain compliance with local laws and regulations may require us to incur significant expenses, and our failure to comply with such laws may expose us to potential liability, which could have an adverse effect on our results of operations.

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Our business operations has several international components including sourcing of product, licensing and distribution arrangements and direct operations in Canada, Mexico and Europe which expose us to foreign exchange risk and such risk may increase as we expand our international operations and licensing and distribution portfolio. Changes in exchange rates between the United States dollar and other currencies can impact our financial results in two ways; a translation impact and a transaction impact. The translation impact refers to the impact that changes in exchange rates can have on our published financial results, as our revenue and profit earned in local foreign currencies is translated into United States dollars using an average exchange rate over the representative period. Accordingly, during times of a strengthening United States dollar, particularly against the British Pound, the Canadian dollar, and the Mexican Peso, our results of operations will be negatively impacted, as was the case during fiscal 2015, and during times of a weakening United States dollar, our results of operations will be favorably impacted.

Although we have not been affected in a material way by any of the foregoing factors, we cannot predict the likelihood or frequency of any such events occurring and any material disruption may have an adverse affect on our business.

We may face challenges integrating the operations of our recently acquired brands or any businesses we may acquire, which may negatively impact our business.

As part of our strategy of making selective acquisitions, we acquire new brands and product categories, including our acquisitions of Rafaella and Ben Hogan. Acquisitions have inherent risks, including the risk that the projected sales and net income from the acquisition may not be generated, the risk that the integration is more costly and takes longer than anticipated, risks of retaining key personnel, and risks associated with unanticipated events and unknown legal liabilities. Any of these and other risks may harm our business. We cannot assure you that any acquisition will not have a material adverse impact on our financial condition and results of operations.

With respect to previous acquisitions, we faced challenges in consolidating functions and integrating management procedures, personnel and operations in an efficient and effective manner, which if not managed as projected, could have negatively impacted our business. Some of these challenges included increased demands on management related to the significant increase in the size and diversity of our business after the acquisition, the dedication of management s attention to implement our strategies for the business, the retention and integration of key employees, determining aspects of the acquired business that were to be kept separate and distinct from our other businesses, and difficulties in assimilating corporate culture and practices into ours.

We have a significant amount of debt, which could have important negative consequences to us, including making it difficult for us to satisfy all of our obligations in the event we experience financial difficulties.

As of January 31, 2015, we had approximately $172.9 million of debt outstanding (excluding amounts outstanding under our letter of credit facility). Our indebtedness could have important consequences, including:

- making it more difficult for us to satisfy our obligations with respect to our senior subordinated notes,
- increasing our vulnerability to adverse general economic and industry conditions, as we are required to devote a proportionally greater amount of our cash flow to paying principal and interest on our debt,
- limiting our ability to obtain additional financing to fund large capital expenditures, acquisitions and other general corporate requirements,
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund capital expenditures or other general corporate purposes,
- increasing our vulnerability to adverse changes in governmental regulations,

limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, and

placing us at a competitive disadvantage compared to our less leveraged competitors during periods in which we experience lower earnings and cash flow.

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Our ability to pay interest on our indebtedness and to satisfy our other debt obligations will depend upon, among other things, our future operating performance and cash flow and possibly our ability to refinance indebtedness when necessary. Each of these factors is, to a large extent, dependent on general economic, financial, competitive, legislative, regulatory and other factors beyond our control. If, in the future, we cannot generate sufficient cash from operations to make scheduled payments on our indebtedness or to meet our liquidity needs or other obligations, we will need to refinance our existing debt, obtain additional financing or sell assets. If we are unable to do so, we cannot assure you that we will be able otherwise to renegotiate or refinance any of our debt, or obtain additional debt, on commercially reasonable terms or at all. We cannot assure you that our business will generate cash flow, or that we will be able to obtain funding sufficient to satisfy our debt service requirements.

Our profitability may decline as a result of increasing pressure on margins.

The apparel industry is subject to significant pricing pressure caused by many factors, including intense competition, consolidation in the retail industry, pressure from retailers to reduce the costs of products and changes in consumer spending patterns. These factors may cause us to reduce our sales prices to retailers and consumers, which could cause our gross margin to decline if we are unable to appropriately manage inventory levels and/or reduce our operating costs. If we fail to adequately manage our product costs or operating expenses, our profitability will decline. This could have a material adverse effect on our results of operations, liquidity and financial condition.

Our ability to conduct business in international markets may be affected by legal, regulatory, political and economic risks.

Our ability to capitalize on growth in new international markets and to maintain the current level of operations in our existing international markets is subject to risks associated with international operations. These include:

- the burdens of complying with a variety of foreign laws and regulations,
- compliance with U.S. and other country laws relating to foreign operations, including U.S. and foreign anti-corruption laws such as the Foreign Corrupt Practices Act, which prohibits U.S. companies from making improper payments to foreign officials for the purpose of obtaining or retaining business,
- unexpected changes in regulatory requirements,
- new tariffs or other barriers in some international markets,
- political instability and terrorist attacks,
- changes in diplomatic and trade relationships, and
- general economic fluctuations in specific countries or markets.

We cannot predict whether quotas, duties, taxes, or other similar restrictions will be imposed by the United States, the European Union, countries in Asia, or other countries upon the import or export of our products in the future, or what effect any of these actions would have on our business, financial condition or results of operations. Changes in regulatory, geopolitical, social or economic policies and other factors may have a material adverse effect on our business in the future or may require us to significantly modify our current business practices.

We operate in a highly competitive and fragmented industry and our failure to successfully compete could result in a loss of one or more significant customers.

The apparel industry is highly competitive and fragmented. Our competitors include numerous apparel designers, manufacturers, importers and licensors, many of which have greater financial and marketing resources than us. We believe that the principal competitive factors in the apparel industry are:

brand name and brand identity,

timeliness, reliability and quality of services provided,

- market share and visibility,
- the ability to obtain sufficient retail floor space,
- price, and
- the ability to anticipate customer and consumer demands and maintain appeal of products to customers.

The level of competition and the nature of our competitors varies by product segment with low-margin, mass-market manufacturers being our main competitors in the less expensive segment of the market and U.S. and foreign designers and licensors competing with us in the more upscale segment of the market. If we do not maintain our brand names and identities and continue to provide high quality and reliable services on a timely basis at competitive prices, we may not be able to continue to successfully compete in our industry. If we are unable to compete successfully, we could lose one or more of our significant customers, which, if not replaced, could negatively impact our sales and financial performance.

Our balance sheet includes intangible assets and goodwill. A decline in the estimated fair value of an intangible asset or of a reporting unit could result in an impairment charge recorded in our operating results, which could be material.

Goodwill and other indefinite-lived intangible assets are tested for impairment annually and between annual tests if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Also, we review our amortizable intangible assets for impairment if an event occurs or circumstances change that would indicate the carrying amount may not be recoverable. If the carrying value of an intangible asset or goodwill were to exceed its fair value, the asset would be written down to its fair value, with the impairment charge recognized as a noncash expense in our operating results. Adverse changes in future market conditions or weaker operating results compared to our expectations may impact our projected cash flows and estimates of weighted average cost of capital, which could result in a potentially material impairment charge if we are unable to recover the carrying value of our goodwill and other intangible assets.

Our success depends upon the continued protection of our trademarks and other intellectual property rights.

Our registered and common law trademarks, as well as certain of our licensed trademarks, have significant value and are instrumental to our ability to market our products. Our failure to successfully protect our intellectual property rights, or the substantial costs that we may incur in doing so, may have an adverse effect on our operations.

We may have additional tax liabilities.

We are subject to income taxes in the United States and many foreign jurisdictions. In addition to judgments associated with valuation accounts, our current tax provision can be affected by our mix of income and identification or resolution of uncertain tax positions. Because income from domestic and international sources may be taxed at different rates, the shift in mix during a year or over years can cause the effective tax rate to change. We regularly are under audit by tax authorities. Although we believe our tax estimates are reasonable, the final determination of our tax liabilities as a result of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our financial position, results of operations, or cash flows in the period or periods for which that determination is made. In addition, there have been proposals to reform U.S. tax laws that would significantly impact how U.S. multinational corporations are taxed on foreign earnings. We earn a portion of our income in foreign countries. Although we cannot predict whether or in what form this proposed legislation will pass, if enacted it could have a material adverse impact on our tax expense and cash flow.

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If we are unable to fully utilize our deferred tax assets, our profitability could be reduced.

Our deferred income tax assets include tax loss and foreign tax credit carryforwards in various jurisdictions. Realization of deferred tax assets is based on a number of factors, including whether there will be adequate levels of taxable income in future periods to offset the tax loss and foreign tax credit carryforwards in jurisdictions where such assets have arisen. Valuation allowances are recorded in order to reduce the deferred tax assets to the amount expected to be realized in the future. In assessing the adequacy of our valuation allowances, we consider various factors including reversal of deferred tax liabilities, forecasted future taxable income and potential tax planning strategies. These factors could reduce the value of the deferred tax assets, which could have a material effect on our profitability.

We depend on certain key personnel the loss of which could negatively impact our ability to manage our business.

Our future success depends to a significant extent on retaining the services of certain executive officers and directors, in particular George Feldenkreis, our Chairman of the Board and Chief Executive Officer, and Oscar Feldenkreis, our Vice Chairman, President and Chief Operating Officer. They are each party to an employment agreement that expires in January 30, 2016. The loss of the services of either George Feldenkreis or Oscar Feldenkreis, or any other key member of management, could have a material adverse effect on our ability to manage our business. Our continued success is dependent upon our ability to attract and retain qualified management and operational personnel to support our future growth. Our inability to do so may have a significant negative impact on our ability to manage our business.

We rely significantly on the use of information technology. Cybersecurity risks - any technology failures causing a material disruption to operational technology or cyber-attacks on our systems affecting our ability to protect the integrity and security of customer and employee information could harm our reputation and/or could disrupt the Company s operations and negatively impact our business.

We increasingly rely on information technology systems to process, transmit and store electronic information. A significant portion of the communication between personnel, customers and suppliers depends on information technology. We use information technology systems and networks in our operations and supporting departments such as marketing, accounting, finance, and human resources. The future success and growth of our business depend on streamlined processes made available through information systems, global communications, internet activity and other network processes.

Like most companies, despite our current security measures, our information technology systems, and those of our third-party service providers, may be vulnerable to information security breaches, acts of vandalism, computer viruses and interruption or loss of valuable business data. Stored data might be improperly accessed due to a variety of events beyond our control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. We have technology security initiatives and disaster recovery plans in place to mitigate our risk to these vulnerabilities, but these measures may not be adequate or implemented properly to ensure that our operations are not disrupted or that data security breaches do not occur. Any disruption to these systems or networks could result in product fulfillment delays, key personnel being unable to perform duties or communicate throughout the organization, loss of retail and internet sales, significant costs for data restoration and other adverse impacts on our business and reputation.

Hackers and data thieves are increasingly sophisticated and operate large-scale and complex automated attacks. Any breach of our network may result in the loss of valuable business data, misappropriation of our consumers or employees personal information, or a disruption of our business. Despite our existing security procedures and controls, if our network was compromised, it could give rise to unwanted media attention, materially damage our customer relationships, harm our business, reputation, results of operations, cash flows and financial condition, result in fines or lawsuits, and may increase the costs we incur to protect against such information security breaches, such as increased investment in technology, the costs of compliance with consumer protection laws and costs resulting from consumer fraud.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The general location, use, ownership status, approximate size, and lease expiration dates of the principle properties which we currently occupy are set forth below:

Location	Use	Lease Expiration	Ownership Status	Approximate Area in Square Feet
Miami, Florida	Principle Executive and Administrative Offices; Warehouse and Distribution Facility	N/A	Owned	240,000
Miami, Florida	Administrative Functions	2019	Leased	16,000
Miami, Florida	Distribution Functions	2019	Leased	50,000
Seneca, South Carolina	Distribution Center	N/A	Owned	345,000
Tampa, Florida	Distribution Center	N/A	Owned	305,000
Beijing, China	3 Administrative Office Units	N/A	Owned	12,000
New York, New York	Office, Design and Showrooms	2023 through 2028	Leased	135,150
Portland, Oregon	Office Space	2016	Leased	19,000
Commerce, California	Office Space	2018	Leased	39,400
Witham and London, UK	Distribution and Administrative Functions	2023	Leased	67,100

In addition, we lease several locations in Texas, Wisconsin, and California totaling approximately 9,000 square feet of office space/showroom.

We also lease 76 retail stores, comprising approximately 192,000 square feet of selling space in the United States and United Kingdom.

In addition, we lease several locations internationally totaling approximately 50,000 square feet of offices.

Our principal executive and administrative office, warehouse and distribution facility is encumbered by a $11.6 million mortgage, which loan is due on August 1, 2020. The facility in Tampa, Florida is encumbered by a $11.6 million mortgage, which loan is due on January 23, 2019.

Item 3. Legal Proceedings

The Company is a defendant in Humberto Ordaz v. Perry Ellis International, Inc., Case No. BC490485 (Cal. Sup. Ct. 2012), involving claims for unpaid wages, missed breaks and related claims, which was originally filed on August 17, 2012 by a former employee in the Company s California administrative offices. The plaintiff sought an unspecified amount of damages. The lawsuit has been pleaded but not certified as a class action. Mediation was held during the third quarter of fiscal 2015. Currently, the parties have reached a tentative settlement which is set for a preliminary approval hearing on April 13, 2015. The tentative settlement amount has been provided for in the Company s results of operations.

The Company is, from time to time, a party to litigation that arises in the normal course of its business operations. The Company is not presently a party to any other litigation that it believes might have a material adverse effect on its business operations.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

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

(a) Market Information
Our common stock is currently listed for trading on the NASDAQ Global Select Market under the symbol PERY and was previously listed for trading on the Nasdaq Global Market (formerly the Nasdaq National Market) under the symbol PERY since June 1999. Prior to that date, our trading symbol was SUPI based upon our former name, Supreme International Corporation. The following table sets forth, for the periods indicated, the range of high and low per share bids of our common stock as reported by the NASDAQ Global Select Market. Such quotations represent inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	High	Low
Fiscal Year 2015		
First Quarter	$ 15.85	$ 12.37
Second Quarter	18.92	14.40
Third Quarter	21.71	17.11
Fourth Quarter	27.00	20.00
Fiscal Year 2014		
First Quarter	$ 19.59	$ 16.02
Second Quarter	22.19	17.55
Third Quarter	21.03	17.59
Fourth Quarter	19.68	14.14

(b) Holders
As of April 7, 2015, there were approximately 300 registered shareholders of record of our common stock. We believe the number of beneficial owners of our common stock is in excess of 5,000.

(c) Dividends
During December 2012, the Board of Directors authorized the payment of a one-time cash dividend of $1.00 per common share, to be paid to our shareholders of record at the close of business on December 21, 2012. Payment of cash dividends is subject to certain covenants under our senior credit facility and the indenture governing our senior subordinated notes**.** See footnotes 12 and 13 to our consolidated financial statements included in Item 8 of this Report. Any future decision regarding payment of cash dividends will depend on our earnings and financial position and such other factors as our board of directors deems relevant.

(d) Securities Authorized for Issuance under Equity Compensation Plans

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Equity Compensation Plan Information for Fiscal 2015

The following table summarizes as of January 31, 2015 the shares of our common stock subject to outstanding awards or available for future awards under our equity compensation plans.

Plan Category	Number of shares to be issued upon exercise of outstanding options, and rights	Weighted-average exercise price of outstanding options, and rights	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in the first column)
Equity compensation plans approved by security holders (1)	1,030,630	$ 17.27	400,064
Equity compensation plans not approved by security holders			
Total	1,030,630	$ 17.27	400,064

(1) Represents awards made pursuant to our 2002 Equity Compensation Plan and our Second Amended and Restated 2005 Long-Term Incentive Compensation Plan.

(e) Performance Graph

The following graph compares the cumulative total shareholder return on our common stock with the cumulative total shareholder return on the Nasdaq Composite and the S&P Apparel, Accessories & Luxury Goods Index commencing on February 1, 2009 and ending on January 31, 2015. The graph assumes that $100 was invested on January 31, 2011 in our common stock or in the Nasdaq Composite Index and the S&P Apparel, Accessories & Luxury Goods Index, and that all dividends are reinvested. Past performance is not necessarily indicative of future performance.

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	INDEXED RETURNS					
	Base Period	Years Ending				
Company / Index	**Jan 10**	**Jan 11**	**Jan 12**	**Jan 13**	**Jan 14**	**Jan 15**
Perry Ellis International, Inc.	100.00	175.61	96.94	126.43	102.65	156.63
NASDAQ Composite	100.00	126.93	133.60	151.14	200.01	228.61
S&P Apparel, Accessories & Luxury Goods	100.00	140.63	198.83	185.26	211.42	219.19

(f) Sales of Unregistered Securities
Not Applicable.

(g) Purchase of Equity Securities by the Issuer and Affiliated Purchasers.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Approximate Dollar Value that May Yet Be Purchased under the Plans or Programs
November 7, 2014	2,859(1)	$ 22.00		$ 14,867,000
November 29, 2014 to January 2, 2015	185,427(2)	$ 25.13	185,427	$ 10,206,000
January 3, 2015 to January 30, 2015	74,397(2)	$ 25.40	74,397	$ 8,316,000

(1) Represents shares withheld to pay statutory income taxes resulting from vesting of restricted shares.

(2) During fiscal 2015, our Board of Directors extended the stock repurchase program to authorize us to purchase, from time to time and as market and business conditions warrant, up to $60 million of our common stock for cash in the open market or in privately negotiated transactions through October 31, 2015. Although our Board of Directors allocated a maximum of $60 million to carry out the program, we are not obligated to purchase any specific number of outstanding shares and will reevaluate the program on an ongoing basis. Total purchases under the plan to date amount to $51.7 million.

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Item 6. Selected Financial Data

Summary Historical Financial Information

(Amounts in thousands, except for per share data)

The following selected financial data is qualified by reference to, and should be read in conjunction with, the Consolidated Financial Statements of Perry Ellis and related Footnotes thereto included in Item 8 of this report and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Fiscal Years Ended	January 31, 2015	February 1, 2014	February 2, 2013	January 28, 2012	January 29, 2011
Income Statement Data:					
Net sales	$ 858,237	$ 882,573	$ 942,451	$ 955,549	$ 763,884
Royalty income	31,735	29,651	27,102	25,043	26,404
Total revenues	889,972	912,224	969,553	980,592	790,288
Cost of sales	586,968	609,436	652,352	656,850	507,829
Gross profit	303,004	302,788	317,201	323,742	282,459
Selling, general and administrative expenses	268,783	272,716	263,854	248,618	220,018
Depreciation and amortization	12,198	12,626	13,896	13,673	12,211
Impairment on assets		42,977	3,516	6,066	392
Gain on sale of long-lived assets	885	6,162	410		
Operating income (loss)	22,908	(19,369)	36,345	55,385	49,838
Costs on early extinguishment of debt				1,306	730
Interest expense	14,291	15,025	14,836	16,103	13,203
Net income (loss) before income taxes	8,617	(34,394)	21,509	37,976	35,905
Income tax provision (benefit)	45,792	(11,615)	6,708	12,459	11,393
Net (loss) income	(37,175)	(22,779)	14,801	25,517	24,512
Less: Net income attributable to noncontrolling interest					400
Net (loss) income attributable to Perry Ellis International, Inc.	$ (37,175)	$ (22,779)	$ 14,801	$ 25,517	$ 24,112
Net (loss) income attributable to Perry Ellis International, Inc. per share:					
Basic	$ (2.50)	$ (1.52)	$ 1.01	$ 1.71	$ 1.84
Diluted	$ (2.50)	$ (1.52)	$ 0.97	$ 1.60	$ 1.70
Weighted average number of shares outstanding					
Basic	14,856	14,988	14,715	14,927	13,110
Diluted	14,856	14,988	15,315	15,950	14,149
Other Financial Data:					
EBITDA (a)	$ 35,106	$ (6,743)	$ 50,241	$ 69,058	$ 62,049
EBITDA margin (b)	3.9%	(0.7%)	5.2%	7.0%	7.9%

Cash flows from operations	55,143	220	76,981	712	21,004
Cash flows from investing	(21,147)	(27,354)	(8,908)	(2,327)	(94,491)
Cash flows from financing	(17,785)	(588)	(37,085)	7,011	73,600
Capital expenditures	(16,918)	(22,246)	(10,740)	(13,811)	(6,695)

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Fiscal Years Ended	January 31, 2015	February 1, 2014	February 2, 2013	January 28, 2012	January 29, 2011
Balance Sheet Data (at year end):					
Working capital	$ 240,170	$ 278,197	$ 273,773	$ 289,916	$ 248,606
Total assets	684,989	706,735	763,129	724,195	686,033
Total debt (c)	172,900	181,875	175,382	197,490	229,129
Total stockholders equity	302,017	347,533	371,240	366,495	302,940

a) EBITDA represents earnings before interest expense, cost on early extinguishment of debt, depreciation and amortization, noncontrolling interest and income taxes as outlined below in tabular format. EBITDA is not a measurement of financial performance under accounting principles generally accepted in the United States of America, and does not represent cash flow from operations. EBITDA is presented solely as a supplemental disclosure because we believe that it is a common measure of operating performance in the apparel industry. The following provides a reconciliation of net income to EBITDA:

Fiscal Years Ended	January 31, 2015	February 1, 2014	February 2, 2013 (in thousands)	January 28, 2012	January 29, 2011
Net (loss) income attributable to Perry Ellis International, Inc.	$ (37,175)	$ (22,779)	$ 14,801	$ 25,517	$ 24,112
Depreciation and amortization	12,198	12,626	13,896	13,673	12,211
Interest expense	14,291	15,025	14,836	16,103	13,203
Income tax provision (benefit)	45,792	(11,615)	6,708	12,459	11,393
Net income attributable to noncontrolling interest					400
Costs on early extinguishment of debt				1,306	730
EBITDA	$ 35,106	$ (6,743)	$ 50,241	$ 69,058	$ 62,049

b) EBITDA margin represents EBITDA as a percentage of total revenues. EBITDA margin as a percentage of revenue is presented solely as a supplemental disclosure because we believe that it is a common measure of operating performance in the apparel industry. The following provides a reconciliation of gross profit to EBITDA margin as a percentage of revenue:

Fiscal Years Ended	January 31, 2015	February 1, 2014	February 2, 2013 (in thousands)	January 28, 2012	January 29, 2011
Gross profit	$ 303,004	$ 302,788	$ 317,201	$ 323,742	$ 282,459
Less:					
Selling, general and administrative expenses	268,783	272,716	263,854	248,618	220,018
Impairment on assets		42,977	3,516	6,066	392
Plus:					
Gain on sale of long-lived assets	885	6,162	410		
EBITDA	$ 35,106	$ (6,743)	$ 50,241	$ 69,058	$ 62,049
Total revenue	$ 889,972	$ 912,224	$ 969,553	$ 980,592	$ 790,288
EBITDA margin as a percentage of revenue	3.9%	-0.7%	5.2%	7.0%	7.9%

c) Total debt includes balances outstanding under Perry Ellis International s senior credit facility, senior subordinated notes payable, real estate mortgages, and lease payable-long term.

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

We began operations in 1967 as Supreme International Corporation with a focus on marketing guayabera shirts, and other men s apparel products targeted at the Hispanic market in Florida and Puerto Rico. Over time we expanded our product line to offer a variety of men s sport shirts. In 1988, we added the Natural Issue brand and completed our initial public offering in 1993. In 1996, we began an expansion strategy through the acquisition of brands including the Munsingwear family of brands in 1996, the John Henry and Manhattan brands from Perry Ellis Menswear in 1999 and the Perry Ellis brand in 1999. Following the Perry Ellis acquisition, we changed our name from Supreme International Corporation to Perry Ellis International, Inc. to better reflect the name recognition that the brand provided. In 2002, we acquired the Jantzen brand and in June 2003 we acquired Perry Ellis Menswear, our largest licensee, giving us greater control of the Perry Ellis brand, as well as adding other brands owned by Perry Ellis Menswear. In February 2005, we completed an acquisition of certain assets of Tropical Sportswear International Corporation, making us one of the largest suppliers of bottoms in the United States. In January 2006, we completed the acquisition of primarily all of the worldwide intellectual property of the leading California lifestyle company Gotcha International, including the Gotcha, Girl Star and MCD logo trademarks and the intellectual property license agreements. In February 2008, we completed the acquisition of the Laundry by Shelli Segal and C&C California brands giving us a stronger product line in dresses and women s sportswear. In January 2011, we completed the acquisition of the Rafaella brand further increasing our product line in women s sportswear. In February 2012, we completed the acquisition of Ben Hogan and further strengthened our golf product line. In March 2015, we sold our C&C California brand.

We are one of the leading apparel companies in the United States. We manage a portfolio of major brands, some of which were established over 100 years ago. We design, source, market and license our products nationally and internationally at multiple price points and across all major levels of retail distribution in over 25,000 selling doors. Our portfolio of highly recognized brands include: Axist®, Ben Hogan®, Cubavera®, Farah®, Grand Slam®, Jantzen®, John Henry®, Laundry by Shelli Segal®, Manhattan®, Original Penguin® by Munsingwear® (Original Penguin), Perry Ellis®, Rafaella®, and Savane®. We also (i) license the Callaway Golf® brand, PGA Tour® brand, and the Jack Nicklaus® brand for golf apparel, (ii) license the Jag® brand for men s and women s swimwear and cover-ups and (iii) license the Nike® brand for swimwear and swimwear accessories.

We distribute our products primarily to wholesale customers that represent all major levels of retail distribution including department stores, national and regional chain stores, mass merchants, specialty stores, sporting goods stores, the corporate wear market, e-commerce, as well as clubs and independent retailers, in the United States, Canada, Mexico, the United Kingdom and Europe. Our largest customers include Walmart, Kohl s, Macy s, The Marmaxx Group, and Dillard s. As of April 1, 2015, we operated 42 Perry Ellis, nine Original Penguin and three multi-brand retail outlet stores located primarily in upscale retail outlet malls across the United States, United Kingdom and Puerto Rico. As of April 1, 2015 we also operated three Perry Ellis, two Cubavera and 19 Original Penguin full price retail stores located in upscale demographic markets in the United States and United Kingdom. In addition, we leverage our design, sourcing and logistics expertise by offering a limited number of private label programs to retailers. In order to maximize the worldwide exposure of our brands and generate high margin royalty income, we license our brands through four worldwide, 67 domestic, and 89 international license agreements covering over 100 countries.

In fiscal 2015, our Men s Sportswear and Swim segment, which is comprised of men s sportswear, swimwear and accessories, accounted for 71% of our total revenues, our Women s Sportswear segment accounted for 15% of our total revenues, our Direct-to-Consumer segment, which is comprised of retail and e-commerce, accounted for 10% of our total revenues and our licensing segment accounted for approximately 4% of our total revenues. Finally, our U.S. based business represented approximately 88% of total revenues, while our foreign operations represented 12% of total revenues for fiscal 2015.

Our licensing business is a significant contributor to our operating income. We license the brands we own to third parties for the manufacturing and marketing of various products in distribution channels and countries in

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which we do not distribute those brands, including men s and women s apparel and footwear, men s suits, underwear, loungewear, outerwear, fragrances, eyewear and accessories. These licensing arrangements heighten the overall awareness of our brands without requiring us to make capital investments or incur additional operating expenses.

Our products have historically been geared towards lighter weight apparel generally worn during the spring and summer months. We believe that this seasonality has been reduced with the strengthening of our fall, winter, and holiday merchandise. Our swimwear business, however, is highly seasonal in nature, with the significant majority of our sales occurring in our first and fourth quarters. Seasonality can be affected by a variety of factors, including the mix of advance and fill-in orders, the amount of sales to different distribution channels, and overall product mix among traditional merchandise, fashion merchandise and swimwear. Our higher-priced products generally tend to be less sensitive to economic and weather conditions. Revenues for our second quarter will typically be lower than our other quarters due to the impact of seasonal sales.

We believe that our future growth will come as a result of organic growth from our continued emphasis on our existing brands; new and expanded product lines; domestic and international licensing opportunities; international, direct retail and e-commerce opportunities and selective acquisitions and opportunities that fit strategically with our business model. Our future results may be impacted by risks and trends set forth in Item 1A. Risk Factors and elsewhere in this report.

Recent Accounting Pronouncements

See Footnotes to the Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data for recent accounting pronouncements.

Critical Accounting Policies

Included in the footnotes to the consolidated financial statements in this report is a summary of all significant accounting policies used in the preparation of our consolidated financial statements. We follow the accounting methods and practices as required by accounting principles generally accepted in the United States of America (GAAP). In particular, our critical accounting policies and areas in which we use judgment are revenue recognition, the estimated collectability of accounts receivable, the recoverability of obsolete or overstocked inventory, the impairment of assets that are our trademarks and goodwill, the recoverability of deferred tax assets and the measurement of retirement related benefits.

Revenue Recognition. Sales are recognized at the time legal title to the product passes to the customer, generally FOB Perry Ellis distribution facilities, net of trade allowances, discounts, estimated returns and other allowances, considering historical and anticipated trends. Revenues are recorded net of corresponding sales taxes. Retail store revenue is recognized net of estimated returns and corresponding sales tax at the time of sale to consumers. Royalty income is recognized when earned on the basis of the terms specified in the underlying contractual agreements.

Accounts Receivable. We maintain an allowance for doubtful accounts receivable and an allowance for estimated trade discounts, co-op advertising, allowances provided to retail customers to flow goods through the retail channel, and losses resulting from the inability of our retail customers to make required payments considering historical and anticipated trends. Management reviews these allowances and considers the aging of account balances, historical experience, changes in customer creditworthiness, current economic and product trends, customer payment activity and other relevant factors. A small portion of our accounts receivable are insured for collections. Should any of these factors change, the estimates made by management may also change, which could affect the level of future provisions.

Inventories. Our inventories are valued at the lower of cost or market value. Estimates and judgment are required in determining what items to stock and at what levels, and what items to discontinue and how to value them. We evaluate all of our inventory style-size-color stock keeping units, or SKUs, to determine excess or slow-moving SKUs based on orders on hand and projections of future demand and market conditions. For those units in inventory that are so identified, we estimate their market value or net sales value based on current realization trends. If the projected net sales value is less than cost, on an individual SKU basis, we write down inventory to reflect the lower value. This methodology recognizes projected inventory losses at the time such losses are evident rather than at the time goods are actually sold.

Intangible Assets. We review our intangible assets with indefinite useful lives for possible impairments at least annually and perform impairment testing during the fourth quarter of each year by among other things, obtaining independent third party valuations. We evaluate the fair value of our identifiable intangible assets for purposes of recognition and measurement of impairment losses. Evaluating indefinite useful life assets for impairment involves certain judgments and estimates, including the interpretation of current economic indicators and market valuations, and our strategic plans with regard to our operations, historical and anticipated performance of our operations and other factors. If we incorrectly anticipate these trends or unexpected events occur, our results of operations could be materially affected. We estimate the fair value of the trademarks based on an income approach using the relief-from-royalty method. This methodology assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to exploit the related benefits of trademark assets. The cash flow models we use to estimate the fair values of our trademarks involve several assumptions. Changes in these assumptions could materially impact our fair value estimates. Assumptions critical to the fair value estimates are: (i) discount rates used to derive the present value factors used in determining the fair value of the trademarks; (ii) royalty rates used in the trademark valuations; (iii) projected revenue and expense growth rates; and (iv) projected long-term growth rates used in the derivation of terminal year values. These and other assumptions are impacted by economic conditions and expectations of management and could change in the future based on period-specific facts and circumstances. We base our fair value estimates on assumptions we believe to be reasonable, but which are unpredictable and inherently uncertain.

Goodwill. Goodwill represents the excess of the purchase price over the value assigned to tangible and identifiable intangible assets of businesses acquired and accounted for under the acquisition method. We review goodwill at least annually for possible impairment during the fourth quarter of each year using a discounted cash flow analysis that requires that certain assumptions and estimates be made regarding industry economic factors and future profitability and cash flows. Evaluating goodwill for impairment involves certain judgments and estimates, including the interpretation of current economic indicators and market valuations, and our strategic plans with regard to our operations, historical and anticipated performance of our operations and other factors. If we incorrectly anticipate these trends or unexpected events occur, our results of operations could be materially affected. Assumptions critical to the fair value estimates are: (i) discount rates used to derive the present value factors used in determining the fair value of each reporting unit; (ii) projected revenue and expense growth rates; and (iii) projected long-term growth rates used in the derivation of terminal year values. Adverse changes in these assumptions could materially impact our fair value estimates and result in additional goodwill impairments. The goodwill impairment test is a two-step process that requires us to make decisions in determining appropriate assumptions to use in the calculation. The first step consists of estimating the fair value of each reporting unit and comparing those estimated fair values with the carrying values, which include the allocated goodwill. If the estimated fair value is less than the carrying value, a second step is performed to compute the amount of the impairment, if any, by determining an implied fair value of goodwill. The determination of each reporting unit s implied fair value of goodwill requires us to allocate the estimated fair value of the reporting unit to its assets and liabilities. Any unallocated fair value represents the implied fair value of goodwill which is compared to its corresponding carrying amount.

Deferred Taxes. We account for income taxes under the liability method. Deferred tax assets and liabilities are recognized based on the differences between financial statement and tax basis of assets and liabilities using presently enacted tax rates. The ultimate realization of the deferred tax assets is assessed based upon all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. A valuation allowance is recorded, if required, to reduce deferred tax assets to that portion which is expected to more likely than not be realized.

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The ultimate realization of the deferred tax assets, related to net operating losses, is dependent upon the generation of future taxable income during the periods prior to their expiration. If our estimates and assumptions about future taxable income are not appropriate, the value of our deferred tax asset may not be recoverable, and may result in an increase to our valuation allowance that will impact current earnings.

It is our policy to provide for uncertain tax positions and the related interest and penalties based upon management s assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. To the extent that we prevail in matters for which a liability for an unrecognized tax benefit is established or are required to pay amounts in excess of the liability, our effective tax rate in a given financial statement period may be affected.

In addition to judgments associated with valuation accounts, our current tax provision can be affected by our mix of income and identification or resolution of uncertain tax positions. Because income from domestic and international sources may be taxed at different rates, the shift in mix during a year or over years can cause the effective tax rate to change.

Retirement-Related Benefits. The pension obligations related to our defined benefit pension plans are developed from actuarial valuations. Inherent in these valuations are key assumptions, including the discount rate, expected return of plan assets, future compensation increases, and other factors, which are updated on an annual basis. Management is required to consider current market conditions, including changes in interest rates, in making these assumptions. Actual results that differ from the assumptions are accumulated and amortized over future periods, and therefore, generally affect the recognized pension expense or benefit and our pension obligation in future periods. The fair value of plan assets is based on the performance of the financial markets, particularly the equity markets. Therefore, the market value of the plan assets can change dramatically in a relatively short period of time. Additionally, the measurement of the plan s benefit obligation is highly sensitive to changes in interest rates. As a result, if the equity market declines and/or interest rates decrease, the plan s estimated accumulated benefit obligation could exceed the fair value of the plan assets and therefore, we would be required to establish an additional minimum liability, which would result in a reduction in shareholders equity for the amount of the shortfall.

Our Results of Operations for Fiscal 2015

The following table sets forth, for the periods indicated selected items in our consolidated statements of operations expressed as a percentage of total revenues:

Fiscal Years Ended	January 31, 2015	February 1, 2014	February 2, 2013
Net sales	96.4%	96.7%	97.2%
Royalty income	3.6%	3.3%	2.8%
Total revenues	100.0%	100.0%	100.0%
Cost of sales	66.0%	66.8%	67.3%
Gross profit	34.0%	33.2%	32.7%
Selling, general and administrative expenses	30.2%	29.9%	27.2%
Depreciation and amortization	1.4%	1.4%	1.4%
Impairment on long-lived assets	0.0%	4.7%	0.4%
Gain on sale of long-lived assets	0.1%	0.7%	0.0%
Operating (loss) income	2.5%	-2.1%	3.7%
Costs on early extinguishment of debt	0.0%	0.0%	0.0%
Interest expense	1.6%	1.7%	1.5%
Net (loss) income before income taxes	0.9%	-3.8%	2.2%
Income tax provision (benefit)	5.1%	-1.3%	0.7%
Net (loss) income	-4.2%	-2.5%	1.5%

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The following table sets forth, for the periods indicated, selected financial data expressed by segments and includes a reconciliation of EBITDA to operating income by segment, the most directly comparable GAAP financial measure:

	January 31, 2015	February 1, 2014 (in thousands)	February 2, 2013
Revenues by segment:			
Men s Sportswear and Swim	$ 635,182	$ 664,824	$ 708,202
Women s Sportswear	130,852	135,994	149,084
Direct-to-Consumer	92,203	81,755	85,165
Licensing	31,735	29,651	27,102
Total revenues	$ 889,972	$ 912,224	$ 969,553

	January 31, 2015	February 1, 2014 (in thousands)	February 2, 2013
Reconciliation of operating income to EBITDA			
Operating income (loss) by segment:			
Men s Sportswear and Swim	$ 3,847	$ 8,975	$ 24,366
Women s Sportswear	859	(10,883)	(4,028)
Direct-to-Consumer	(6,675)	(12,306)	(6,640)
Licensing	24,877	(5,155)	22,647
Total operating income (loss)	$ 22,908	$ (19,369)	$ 36,345
Add:			
Depreciation and amortization			
Men s Sportswear and Swim	$ 6,627	$ 7,043	$ 8,573
Women s Sportswear	1,903	1,899	1,902
Direct-to-Consumer	3,519	3,549	3,054
Licensing	149	135	367
Total depreciation and amortization	$ 12,198	$ 12,626	$ 13,896
EBITDA by segment:			
Men s Sportswear and Swim	$ 10,474	$ 16,018	$ 32,939
Women s Sportswear	2,762	(8,984)	(2,126)
Direct-to-Consumer	(3,156)	(8,757)	(3,586)
Licensing	25,026	(5,020)	23,014
Total EBITDA	$ 35,106	$ (6,743)	$ 50,241
EBITDA margin by segment			
Men s Sportswear and Swim	1.6%	2.4%	4.7%
Women s Sportswear	2.1%	(6.6%)	(1.4%)
Direct-to-Consumer	(3.4%)	(10.7%)	(4.2%)
Licensing	78.9%	(16.9%)	84.9%
Total EBITDA margin	3.9%	(0.7%)	5.2%

EBITDA consists of earnings before interest, cost on early extinguishment of debt, depreciation and amortization, noncontrolling interest and income taxes. EBITDA is not a measurement of financial performance under accounting principles generally accepted in the United States of America, and does not represent cash flow from operations. The most directly comparable GAAP financial measure, presented above, is operating income by segment. EBITDA and EBITDA margin by segment are presented solely as a supplemental disclosure because management believes that they are a common measure of operating performance in the apparel industry.

The following is a discussion of our results of operations for the fiscal year ended January 31, 2015 (fiscal 2015) as compared with the fiscal year ended February 1, 2014 (fiscal 2014) and fiscal 2014 compared with the fiscal year ended February 2, 2013 (fiscal 2013).

Our fiscal 2015 results as compared to our fiscal 2014 results

Net sales. Men s Sportswear and Swim net sales in fiscal 2015 were $635.2 million, a decrease of $29.6 million, or 4.5%, from $664.8 million in fiscal 2014. The net sales decrease was attributed primarily to the exit of $20 million in certain private and retailer exclusive branded programs and planned reductions in Perry Ellis domestically. Additionally, the impact of the West Coast port congestion and lockdown impacted our fourth quarter significantly. We had $18 million in missed shipments due to this issue at fiscal year-end. These decreases were partially offset by increases across our golf sportswear brands, Original Penguin and Nike swim.

Women s Sportswear net sales in fiscal 2015 were $130.9 million, a decrease of $5.1 million, or 3.8%, from $136.0 million in fiscal 2014. The segment was negatively impacted by $5 million of the missed West Coast port shipments. Despite this, we refined distribution to focus on full price specialty and department stores and reduced programs to the special markets channel and have begun to see market share gains in our products.

Direct-to-Consumer net sales in fiscal 2015 were $92.2 million, an increase of $10.4 million, or 12.7%, from $81.8 million in fiscal 2014. The increase was driven by a 3.2% comparable same store sales improvement driven by Perry Ellis, as well as by our direct e-commerce sales, which posted a 34.1% sales increase over the comparable period last year.

Royalty income. Royalty income for fiscal 2015 was $31.7 million, an increase of $2.0 million, or 6.7%, from $29.7 million in fiscal 2014. Royalty income increases were attributed to increases in the Perry Ellis, Original Penguin and Laundry brands, as well as, 27 new licensing agreements executed during the period. Approximately 82.6% of our royalty income was attributed to guaranteed minimum royalties with the balance attributable to royalty income in excess of guaranteed minimums for fiscal 2015.

Gross profit. Gross profit was $303.0 million in fiscal 2015, an increase of $0.2 million, or 0.1%, as compared to $302.8 million in fiscal 2014. Despite our net sales decrease, gross profit is essentially even as compared to prior year, due to the factors described below regarding our margin expansion during fiscal 2015 and our expansion in royalty income as described above.

Gross profit margin. In fiscal 2015, gross profit margins were 34.0% as a percentage of total revenue as compared to 33.2% in fiscal 2014, an increase of 80 basis points. The increase was primarily attributed to a reduction in promotional activity in the sportswear collection businesses, a more favorable revenue mix between branded and private label revenues, as well as, a stronger contribution from our higher margin international platform and licensing revenues. Direct-to-consumer segment also realized fewer promotions across all venues. These margin improvements were partially offset by liquidation of exited programs in golf and sportswear.

Selling, general and administrative expenses. Selling, general and administrative expenses in fiscal 2015 were $268.8 million, a decrease of $3.9 million, or 1.4%, from $272.7 million in fiscal 2014. The decrease is primarily attributed to a $9 million reduction associated with our infrastructure review, which was partially offset by $3 million in investments in our international growth strategy, which included the launch of our golf business in Europe. We also experienced a $1.8 million unfavorable foreign exchange loss principally driven by the strength of the U.S. dollar against global currencies.

EBITDA. Men s Sportswear and Swim EBITDA margin in fiscal 2015 decreased 80 basis points to 1.6%, from 2.4% in fiscal 2014. The EBITDA margin was negatively impacted by the reduced leverage due to the decrease in net sales described above. The EBITDA margin was favorably impacted from cost savings as a result of our infrastructure review, as well as, favorable gross margin expansion driven by the mix of revenue in our

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international business coupled with increased margins in our Perry Ellis and Original Penguin sportswear collections. During fiscal 2014, the margin was negatively impacted by costs associated with our relocation of our New York offices.

Women s Sportswear EBITDA margin in fiscal 2015 increased 870 basis points to 2.1%, from (6.6%) in fiscal 2014. The EBITDA margin was positively impacted by the increase in gross margin experienced in Rafaella sportswear, partially offset by the negative impact of the reduced leverage from the decrease in net sales described above. Additionally, during fiscal 2014, the margin was negatively impacted by costs associated with the relocation of our New York offices.

Direct-to-Consumer EBITDA margin in fiscal 2015 increased 730 basis points to (3.4%), from (10.7%) in fiscal 2014. The increase was primarily attributable to the increase in revenue from our stores and e-commerce business, as described above. the increase in revenue resulted in a favorable leverage in selling, general and administrative expenses. In addition, we consolidated our businesses under one operational team thereby reducing overhead. EBITDA margin also benefited from the expansion in gross profit margins discussed above.

Licensing EBITDA margin in fiscal 2015 increased to 78.9%, from (16.9%) in fiscal 2014. In fiscal 2014, an impairment of $34.3 million on long-lived assets was recognized. No such impairment was recognized during fiscal 2015, thus the large increase in EBITDA margin. Additionally, other increases were attributed to the increase in royalty income from the 27 new licensing agreements.

Depreciation and amortization. Depreciation and amortization in fiscal 2015 was $12.2 million, a decrease of $0.4 million, or 3.2%, from $12.6 million in fiscal 2014. The decrease is attributed to assets becoming fully depreciated and fewer capital expenditures during the current year. For fiscal 2015 we had capital expenditures of $16.9 million as compared to capital expenditures of $22.2 million in fiscal 2014.

Gain on sale of long-lived assets. During fiscal 2015, we entered into a sales agreement, in the amount of $1.3 million, for the sale of Australian, Fiji and New Zealand trademark rights with respect to Jantzen. Payments on the purchase price are due in five installments of $250,000 over a five year period. Interest on the purchase price that remains unpaid will accrue at a rate of 3.5% per annum calculated on an annual basis. As a result of this transaction, we recorded a gain of $0.9 million in the licensing segment.

During fiscal 2013, we entered into a sales agreement, in the amount of $7.5 million, for certain Asian trademark rights with respect our John Henry brand. The transaction closed in the first quarter of fiscal 2014. As a result of this transaction, we recorded a gain of $6.3 million. This gain was included in our licensing segment s operating income. The gain of $6.3 million was partially offset by the ($0.1) million loss related to the sale of our Winnsboro distribution facility during the third quarter of fiscal 2014.

Interest expense. Interest expense in 2015 was $14.3 million, a decrease of $0.7 million, or 4.7%, from $15.0 million in fiscal 2014. The primary reason for the decrease is related to the savings generated from the refinancing of our mortgage loans in the second half of fiscal 2014, as well as lower average borrowings on our credit facility as compared to our borrowings in the prior year.

Income taxes. Our income tax (benefit) provision in fiscal 2015 was $45.8 million, a $57.4 million increase as compared to ($11.6) million in 2014. For fiscal 2015, our effective tax rate was 531.4% as compared to 33.8% for 2014. The current year provision was impacted by a charge of $42.4 million due to the establishment of a valuation allowance on our domestic differed tax assets. The West Coast port congestion and our cumulative losses under Accounting Standards Codification 740 resulted in the non-cash valuation reserve being required. The position does not impact the Company s ability to use its deferred tax assets in the future. See Footnotes to the Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data for further details regarding taxable income by jurisdiction.

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Net loss. Our net loss in fiscal 2015 was ($37.2) million, an increase of $14.4 million, or 63.2%, as compared to net loss of ($22.8) million in fiscal 2014. The changes in operating results were due to the items described above.

Our fiscal 2014 results as compared to our fiscal 2013 results

Net sales. Men s Sportswear and Swim net sales in fiscal 2014 were $664.8 million, a decrease of $43.4 million, or 6.1%, from $708.2 million in fiscal 2013. The net sales decrease was attributed primarily to decreases in our mid-tier channel, with private and exclusive brands down over 20% as we strategically exited lower margin programs, and as that channel experienced more softness and retailers worked aggressively to manage inventory. These decreases were partially offset by increases of 13% in golf apparel revenues, inclusive of Callaway, PGA Tour and Ben Hogan, which were partially offset by reductions in Grand Slam. Increases were also experienced in our licensed Nike swimwear.

Women s Sportswear net sales in fiscal 2014 were $136.0 million, a decrease of $13.1 million, or 8.8%, from $149.1 million in fiscal 2013. The net sales change was attributable primarily to decreases in our contemporary Laundry dress business and overall replenishment business for Rafaella.

Direct-to-Consumer net sales in fiscal 2014 were $81.8 million, a decrease of $3.4 million, or 4.0%, from $85.2 million in fiscal 2013. The decrease was driven by lower traffic patterns in our stores influenced by macroeconomic factors, such as the unseasonal weather conditions as well as overall economic weakness and consumer pull back in spending. Additionally, ecommerce sales were down from last year due to the rollout of a less promotional strategy across our sites implemented during the third quarter of fiscal 2013.

Royalty income. Royalty income for fiscal 2014 was $29.7 million, an increase of $2.6 million, or 9.6%, from $27.1 million in fiscal 2013. Royalty income increases were attributed to increases in our licensed Original Penguin, Perry Ellis and contemporary Laundry businesses. Approximately 81.8% of our royalty income was attributed to guaranteed minimum royalties with the balance attributable to royalty income in excess of guaranteed minimums for fiscal 2014.

Gross profit. Gross profit was $302.8 million in fiscal 2014, a decrease of $14.4 million, or 4.5%, as compared to $317.2 million in fiscal 2013. This decrease is attributed to the reduction in net sales as described above and the factors described within the gross profit margin section below.

Gross profit margin. In fiscal 2014, gross profit margins were 33.2% as a percentage of total revenue as compared to 32.7% in fiscal 2013, an increase of 50 basis points. This increase is primarily associated with higher margins in our golf lifestyle apparel, as well as margin expansion in our Rafaella collection sportswear business driven by reduced markdowns, a more favorable revenue mix as a result of lower private label revenues, as well as a stronger contribution from the Company s higher margin international platform and licensing revenues. These margin improvements were partially offset by increased liquidation sales in the fashion swim business.

Selling, general and administrative expenses. Selling, general and administrative expenses in fiscal 2014 were $272.7 million, an increase of $8.8 million, or 3.3%, from $263.9 million in fiscal 2013. The increase was in line with our expectations and was primarily attributed to additional investment in brand marketing, ecommerce photography, and other infrastructure spends. Also, we experienced costs in the amount of $2.1 million related to the relocation of our New York offices and $0.8 million in costs associated with the sale of the Asian rights of the John Henry trademark. Also included were costs in the amount of approximately $1.6 million related to reorganization within our business. During fiscal 2013, we experienced costs in the amount of approximately $8.0 million related to our realignment, which primarily encompassed voluntary early retirement costs, the exit and consolidation of our west and east coast third party logistics warehouses, relocation of our New York offices and severance expense related to exited businesses.

EBITDA. Men s Sportswear and Swim EBITDA margin in fiscal 2014 decreased 230 basis points to 2.4%, from 4.7% in fiscal 2013. The EBITDA margin was negatively impacted by reduced leverage from the increased infrastructure expenditures in this segment. The margin was also negatively impacted by costs associated with the relocation of our New York offices.

Women s Sportswear EBITDA margin in fiscal 2014 decreased 520 basis points to (6.6%), from (1.4%) in fiscal 2013. The decrease was primarily attributable to the impairment of goodwill in the amount of $7.7 million to its estimated fair value as described below and the impact of costs associated with the relocation of our New York offices. The margin was positively impacted by the increase in gross margin in Rafaella sportswear, as well as Laundry.

Direct-to-Consumer EBITDA margin in fiscal 2014 decreased 650 basis points to (10.7%), from (4.2%) in fiscal 2013. The decrease was primarily attributable to the reduction in revenue from our stores and ecommerce business, as described above. Because of the reduction in revenue, we were not able to realize a favorable leverage in selling, general and administrative expenses. Also the decrease was attributable to the impairment of certain long-lived assets (leaseholds) in the amount of $0.9 million to their estimated fair value as described below.

Licensing EBITDA margin in fiscal 2014 decreased to (16.9%), from 84.9% in fiscal 2013. This decrease was primarily attributed to an impairment of $34.3 million on assets recognized during fiscal 2014, as discussed below. No comparable impairment occurred during fiscal 2013. This decrease was partially offset by the gain on the sale of the Asian rights of the John Henry brand as described below.

Depreciation and amortization. Depreciation and amortization in fiscal 2014, was $12.6 million, a decrease of $1.3 million, or 9.4%, from $13.9 million in fiscal 2013. The decrease is attributed to the reduction in depreciation associated with the impairments of long-lived assets taken during the fourth quarter of fiscal 2013, offset by the increases in depreciation related to our capital expenditures, primarily in the direct-to-consumer segment and corporate leaseholds.

Impairment on assets. During the fourth quarter of fiscal 2014, we recorded a $43.0 million impairment charge to reduce the net carrying value of certain assets. As a result of our annual impairment analysis, during fiscal 2014, we recorded trademark and goodwill impairment charges of $34.3 million and $7.7 million, respectively, due to decreases in our projected revenues principally resulting from our internal review of brands and businesses that will be afforded a reduced focus in our forward strategy. This is a positive step as we streamline our business/brand model. Some of the impairments resulted from a decline in the future anticipated cash flows from these trademarks, which was due, in part, to the current economic challenges and market conditions in the apparel industry. Additionally, our discount rate used to derive the present value factors used in determining the fair value of the trademarks increased as a result of the depression in our stock price experienced during the fourth quarter of fiscal 2014. There was no such impairment for fiscal 2013. In addition, we recorded a $0.9 million impairment charge to reduce the net carrying value of certain long-lived assets (primarily leaseholds) to their estimated fair value. During the fourth quarter of fiscal 2013, we recorded a $3.5 million impairment charge to reduce the net carrying value of certain long-lived assets (primarily leaseholds) and real property.

Gain on sale of long-lived assets. During the fourth quarter of fiscal 2013, we entered into a sales agreement, in the amount of $7.5 million, for certain Asian trademark rights with respect to our John Henry brand. The transaction closed in the first quarter of fiscal 2014. As a result of this transaction, we recorded a gain of $6.3 million. This gain was included in our licensing segment s operating income. We plan to continue to execute our domestic strategy for the John Henry brand as a modern lifestyle resource for sale to select retailers as well as to license it in Latin America. The gain of $6.3 million was partially offset by the $0.1 million loss related to the sale of our Winnsboro distribution facility during the third quarter of fiscal 2014.

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Interest expense. Interest expense in 2014 was $15.0 million, an increase of $0.2 million, or 1.4%, from $14.8 million in fiscal 2013. The primary reason for the increase in interest expense is due to the higher average borrowings on our credit facility as compared to our borrowings in the prior year.

Income taxes. Our income tax (benefit) provision in fiscal 2014 was ($11.6) million, an $18.3 million decrease as compared to $6.7 million in 2013. For fiscal 2014, our effective tax rate was 33.8% as compared to 31.2% for 2013. The increase in the tax rate is attributed to a larger proportion of non-deductible and permanent items being generated in the U.S. as opposed to foreign jurisdictions, with lower statutory rates combined with the fiscal 2014 loss as a result of trademark impairments. See Footnotes to the Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data for further details regarding taxable income by jurisdiction.

Net (loss) income. Net loss in fiscal 2014 was ($22.8) million, a decrease of $37.6 million, or 254.1%, as compared to net income of $14.8 million in fiscal 2013. The changes in operating results were due to the items described above.

Our Liquidity and Capital Resources

We rely principally on cash flow from operations and borrowings under our senior credit facility to finance our operations, pension funding requirements, acquisitions, future redemption of our senior subordinated notes payable and capital expenditures; and to a lesser extent, on letter of credit facilities for the acquisition of a small portion of our inventory purchases. We believe that our working capital requirements will increase for next year as we continue to expand internationally. As of January 31, 2015, our total working capital was $240.2 million as compared to $278.2 million as of February 1, 2014. We believe that our cash flows from operations and availability under our senior credit facility and remaining letter of credit facilities are sufficient to meet our working capital needs and capital expenditure needs over the next year. We also believe that our real estate assets, which had a net book value of $22.7 million at January 31, 2015, have a higher market value. These real estate assets may provide us with additional capital resources. Additional borrowings against these real estate assets, however, would be subject to certain loan to value criteria established by lending institutions. As of January 31, 2015, we had mortgage loans on these properties totaling $23.2 million.

We consider the undistributed earnings of our foreign subsidiaries as of January 31, 2015, to be indefinitely reinvested and, accordingly, no U.S. income taxes have been provided thereon. As of January 31, 2015, the amount of cash associated with indefinitely reinvested foreign earnings was approximately $13.5 million. We have not, nor do we anticipate the need to, repatriate funds to the United States to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with our domestic debt service requirements.

Net cash provided by operating activities was $55.1 million in fiscal 2015 as compared to cash provided by operating activities of $0.2 million in fiscal 2014 and cash provided by operating activities of $77.0 million in fiscal 2013.

The cash provided by operating activities in fiscal 2015 is primarily attributable to a decrease in inventory of $20.1 million, a decrease in accounts receivable of $6.5 million, a decrease of prepaid income taxes of $1.1 million and an increase in accounts payable and accrued expenses of $4.2 million; partially offset by a decrease in deferred pension obligation of $3.6 million. Our inventory turnover ratio remained flat at 3.4 as compared to fiscal 2014. While the inventory turnover ratio remained flat, inventory levels declined as noted above resulting from tighter inventory management.

The cash provided by operating activities in fiscal 2014 is primarily attributable to a decrease in accounts receivable of $28.0 million; partially offset by an increase in inventory of $23.9 million, an increase in prepaid income taxes of $0.2 million, an increase in other assets of $0.2 million, a decrease in accounts payable and accrued expenses of $20.8 million and deferred pension obligation of $3.2 million. As a result of our increased inventory balance, our inventory turnover ratio decreased to 3.4 as compared to 3.8 for the comparable period in fiscal 2013.

Net cash used in investing activities was $21.1 million in fiscal 2015, as compared to cash used by investing activities of $27.4 million in fiscal 2014. The net cash used during fiscal 2015, primarily reflects the purchase of property and equipment of $16.7 million, primarily for new leaseholds, and the purchase of investments in the amount of $31.5 million; partially offset by proceeds from investment maturities of $26.6 million and the proceeds from notes receivable associated with the sale of Australian, Fiji and New Zealand Jantzen trademark right in the amount of $0.3 million.

Net cash used in investing activities was $27.4 million in fiscal 2014, as compared to cash used by investing activities of $8.9 million in fiscal 2013. The net cash used during fiscal 2014, primarily reflects the purchase of property and equipment of $22.2 million, primarily for new leaseholds, and the purchase of investments in the amount of $15.4 million; partially offset by proceeds from the sale of certain Asian trademark rights with respect to John Henry of $4.9 million and by the net proceeds on the sale of our Winnsboro distribution facility of $1.9 million as well as the cash surrender value on the termination of key man life insurances in the amount of $3.6 million. Net cash used in investing activities was $8.9 million in fiscal 2013, which primarily reflects the purchase of property and equipment in the amount of $9.8 million and the purchase of Ben Hogan in the amount of $7.0 million; partially offset by the proceeds related to the Rafaella purchase price adjustment of $4.5 million and a deposit on the sale of an intangible asset of $2.6 million. We anticipate capital expenditures during fiscal 2016 of approximately $15.0 million in new leasehold improvements, technology, systems, retail stores, and other expenditures.

Net cash used in financing activities was $17.8 million in fiscal 2015, as compared to cash used by financing activities of $0.6 million in fiscal 2014. The net cash used during fiscal 2015 primarily reflects net payments on our senior credit facility of $8.2 million, purchases of treasury stock of $8.8 million, payments on real estate mortgages of $0.8 million, and payments on capital leases of $0.3 million; partially offset by proceeds from exercises of stock options of $0.4 million.

Net cash used in financing activities was $0.6 million in fiscal 2014, as compared to cash used by financing activities of $ 37.1 million in fiscal 2013. The net cash used during fiscal 2014 primarily reflects net borrowings on our senior credit facility of $8.2 million and proceeds from exercises of stock options of $0.2 million; partially offset by purchases of treasury stock of $7.0 million, payments on real estate mortgages of $1.4 million, payments in deferred financing fees of $0.3 million and payments on capital leases of $0.3 million. Net cash used in financing activities in fiscal 2013 was $37.1 million, which reflects net payments on our senior credit facility of $21.7 million, dividends paid of $15.0 million and the purchase of treasury stock of $2.6 million; partially offset by proceeds from exercises of stock options of $1.8 million and a tax benefit from the exercise of stock options of $1.6 million.

Our Board of Directors has authorized us to purchase, from time to time and as market and business conditions warrant, up to $60 million of our common stock for cash in the open market or in privately negotiated transactions through October 31, 2015. Although our Board of Directors allocated a maximum of $60 million to carry out the program, we are not obligated to purchase any specific number of outstanding shares and will reevaluate the program on an ongoing basis.

During fiscal 2015, 2014 and 2013, we repurchased shares of our common stock at a cost of $8.8 million, $7.0 million and $2.6 million, respectively. As of January 31, 2015, there were 770,753 shares of treasury stock outstanding at a cost of approximately $15.7 million. As of February 1, 2014, there were 400,516 shares of treasury stock outstanding at a cost of approximately $7.0 million. Total purchases under the plan to date amount to approximately $51.7 million.

During January 2013, we retired 1,290,022 shares of treasury stock, recorded at a cost of approximately $18.5 million, on the Company s consolidated balance sheets. Accordingly, during fiscal 2013, we reduced common stock and additional paid-in-capital by $13,000 and $18.5 million, respectively.

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Acquisitions

Acquisition of Ben Hogan

On February 16, 2012, we acquired the world-wide intellectual property rights of the Ben Hogan family of brands from Callaway Golf Company for a purchase price of $7.0 million. The acquisition was financed through existing cash and borrowings under our existing senior credit facility. Ben Hogan brands are ideally positioned to strengthen our golf business within the Men s Sportswear and Swim segment.

The assets acquired were composed of tradenames, which have been identified as indefinite useful life assets and are not subject to amortization.

7 $^{7}/_{8}$% $150 Million Senior Subordinated Notes Payable

In March 2011, we issued $150 million 7 $^{7}/_{8}$% senior subordinated notes, due April 1, 2019. The proceeds of this offering were used to retire the $150 million 8 $^{7}/_{8}$% senior subordinated notes due September 15, 2013 and to repay a portion of the senior credit facility. The proceeds to us were $146.5 million yielding an effective interest rate of 8.0%.

Certain Covenants. The indenture governing the senior subordinated notes contains certain covenants which restrict our ability and the ability of our subsidiaries to, among other things, incur additional indebtedness in certain circumstances, pay dividends or make other distributions on, redeem or repurchase capital stock, make investments or other restricted payments, create liens on assets to secure debt, engage in transactions with affiliates, and effect a consolidation or merger. We are not aware of any non-compliance with any of our covenants in this indenture. We could be materially harmed if we violate any covenants because the indenture s trustee could declare the outstanding notes, together with accrued interest, to be immediately due and payable, which we may not be able to satisfy. In addition, a violation could also constitute a cross-default under the senior credit facility, the letter of credit facilities and the real estate mortgages resulting in all of our debt obligations becoming immediately due and payable, which we may not be able to satisfy.

On April 6, 2015, we elected to call for the partial redemption of $100 million of our $150 million outstanding 7.875% Senior Subordinated Notes due 2019 and a notice of redemption was sent to all registered holders of the Notes. The redemption price for the Notes is equal to 103.938% of the principal amount of the Notes, plus accrued and unpaid interest to, but not including, the redemption date, which will be on May 6, 2015.

Senior Credit Facility

On January 9, 2014, we amended and restated our existing senior credit facility (the Credit Facility), with Wells Fargo Bank, National Association, as agent for the lenders, and Bank of America, N.A., as syndication agent. The Credit Facility provides a revolving credit facility of up to an aggregate amount of $125 million, subject to increases from time to time in increments of $25 million up to a maximum of $200 million. The Credit Facility has been extended through December 1, 2018. At January 31, 2015, the Company had no outstanding borrowings under the Credit Facility. At February 1, 2014, the Company had outstanding borrowings of $8.2 million under the Credit Facility.

In connection with the partial redemption of the Notes, on April 1, 2015, we entered into a Commitment Letter with Wells Fargo Bank, National Association, as agent under the Credit Facility, pursuant to which the maximum principal balance that may be outstanding under the Credit Facility will be increased by $75 million to a maximum of $200 million. The closing under the Commitment Letter is subject to customary closing conditions and is expected to occur not later than April 30, 2015.

Certain Covenants. The Credit Facility contains certain financial and other covenants, which, among other things, require us to maintain a minimum fixed charge coverage ratio if availability falls below certain thresholds. We are not aware of any non-compliance with any of its covenants in this Credit Facility. These covenants may restrict our ability and the ability of our subsidiaries to, among other things, incur additional indebtedness and liens in certain circumstances, redeem or repurchase capital stock, make certain investments or sell assets. We may pay cash dividends subject to certain restrictions set forth in the covenants including, but not limited to, meeting a minimum excess availability threshold and no occurrence of default. We could be materially harmed if we violate any covenants, as the lenders under the Credit Facility could declare all amounts outstanding, together with accrued interest, to be immediately due and payable. If we are unable to repay those amounts, the lenders could proceed against our assets and our subsidiaries that are borrowers or guarantors. In addition, a covenant violation that is not cured or waived by the lenders could also constitute a cross-default under certain of our other outstanding indebtedness, such as the indenture relating to our $7\,{}^{7}/_{8}\%$ senior subordinated notes due April 1, 2019, letter of credit facilities, or our real estate mortgage loans. Such a cross-default could result in all of our debt obligations becoming immediately due and payable, which we may not be able to satisfy.

Borrowing Base. Borrowings under the Credit Facility are limited to a borrowing base calculation, which generally restricts the outstanding balance to the sum of (a) 87.5% of eligible receivables plus (b) 87.5% of eligible foreign accounts up to $1.5 million plus (c) the lesser of (i) the inventory loan limit, which equals 80% of the maximum credit under the Credit Facility at the time, or (ii) a maximum of 70.0% of eligible finished goods inventory, or 90.0% of the net recovery percentage (as defined in the Credit Facility) of eligible inventory.

Interest. Interest on the outstanding principal balance drawn under the Credit Facility accrues, at the prime rate and at the rate quoted by the agent for Eurodollar loans. The margin adjusts quarterly, in a range of 0.50% to 1.00% for prime rate loans and 1.50% to 2.00% for Eurodollar loans, based on the previous quarterly average of excess availability plus excess cash on the last day of the previous quarter.

Security. As security for the indebtedness under the Credit Facility, we have granted to the lenders a first priority security interest (subject to liens permitted under the Credit Facility to be senior thereto) in substantially all of our existing and future assets, including, without limitation, accounts receivable, inventory, deposit accounts, general intangibles, equipment and capital stock or membership interests, as the case may be, of certain subsidiaries, and real estate but excluding our non-U.S. subsidiaries and all of our trademark portfolio.

Letter of Credit Facilities

As of January 31, 2015, we maintained two U.S. dollar letter of credit facilities totaling $45.0 million and one letter of credit facility totaling $0.3 million utilized by our United Kingdom subsidiary. Each documentary letter of credit is secured primarily by the consignment of merchandise in transit under that letter of credit and certain subordinated liens on our assets.

During fiscal 2014, we decreased the letter of credit sublimit in our Senior Credit Facility to $30.0 million. At January 31, 2015 and February 1, 2014, there was $33.7 million and $33.5 million, respectively, available under the existing letter of credit facilities.

Real Estate Mortgage Loans

In July 2010, we paid off our then existing real estate mortgage loan and refinanced our main administrative office, warehouse and distribution facility in Miami with a $13.0 million mortgage loan. The loan is due on August 1, 2020. The interest rate has been modified since the refinancing date. The interest rate was 4.25% per annum and monthly payments of principal and interest of $71,000 were due, based on a 25-year amortization with the outstanding principal due at maturity. In July 2013, we amended the mortgage loan agreement to modify the interest rate. The interest rate was reduced to 3.9% per annum and the terms were restated to reflect new monthly payments of principal and interest of $69,000, based on a 25-year amortization with the outstanding principal due at maturity. At January 31, 2015 the balance of the real estate mortgage loan totaled $11.4 million, net of discount, of which $345,000 is due within one year.

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In June 2006, we entered into a mortgage loan for $15 million secured by our Tampa facility. The loan is due on January 23, 2019. The mortgage loan has been refinanced and the interest rate has been modified since such date. The interest rate was 4.00% per annum and quarterly payments of principal and interest of approximately $248,000 were due, based on a 20-year amortization with the outstanding principal due at maturity. In January 2014, we again amended the mortgage loan to modify the interest rate. The interest rate was reduced to 3.25% per annum and the terms were restated to reflect new monthly payments of principal and interest of approximately $68,000, based on a 20-year amortization with the outstanding principal due at maturity. At January 31, 2015, the balance of the real estate mortgage loan totaled $11.5 million, net of discount, of which approximately $446,000 is due within one year.

The real estate mortgage loans contain certain covenants. We are not aware of any non-compliance with any of the covenants. If the we violate any covenants, the lender under the real estate mortgage loan could declare all amounts outstanding thereunder to be immediately due and payable, which we may not be able to satisfy. A covenant violation could constitute a cross-default under our senior credit facility, the letter of credit facilities and the indenture relating to our senior subordinated notes resulting in all of our debt obligations becoming immediately due and payable, which we may not be able to satisfy.

Contractual Obligations and Commercial Contingent Commitments

The following tables illustrate the balance of our contractual obligations and commercial contingent commitments as of January 31, 2015:

	Payments Due by Period (in thousands)				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Long-term debt, net of interest	$ 173,196	$ 791	$ 1,729	$ 161,048	$ 9,628
Interest on long-term debt (1)	45,085	12,641	25,193	7,031	220
Operating leases	185,796	21,907	40,368	33,765	89,756
Capital leases	77	77			
Employee agreements	4,000	2,500	1,000	500	
Pension liability	45,829	45,829			
Royalty minimum guaranties	23,046	9,869	12,517	660	
Total contractual obligations	$ 477,029	$ 93,614	$ 80,807	$ 203,004	$ 99,604

(1) Includes interest payments based on contractual terms and excludes interest on the senior credit facilty, which typically approximates. $1.0 million per year.

	Amount of Contingent Commitment Expiration Per Period (in thousands)				
Other Commercial Contingent Commitments	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Standby letters of credit	$ 11,595	$ 11,595	$	$	$
Total commercial commitments	$ 11,595	$ 11,595	$	$	$
Total contractual obligations and other commercial contingent commitments	$ 488,624	$ 105,209	$ 80,807	$ 203,004	$ 99,604

At January 31, 2015, we had a liability for unrecognized tax benefits and an accrual for the payment of related interest and penalties totaling $1.0 million. Due to the uncertainties related to these tax matters, we are unable to make a reasonably reliable estimate when cash settlement with a taxing authority will occur in relation to these liabilities.

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements, as defined by applicable GAAP and SEC rules.

Derivative Financial Instruments

Derivative financial instruments such as interest rate swap contracts and foreign exchange contracts are recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative financial instruments are either recognized in income or stockholders equity (as a component of comprehensive income), depending on whether the derivative is not designated as a hedge or is designated as a hedge of changes in fair value or cash flows. When designated as a hedge of changes in fair value, the effective portion of the hedge is recognized as an offset in income with a corresponding adjustment to the hedged item. When designated as a hedge of changes in cash flows, the effective portion of the hedge is recognized as an offset in comprehensive income with a corresponding adjustment to the hedged item and recognized in income in the same period as the hedged item is settled. See Item 7A Quantitative and Qualitative Disclosures About Market Risk for further discussion about derivative financial instruments.

Effects of Inflation and Foreign Currency Fluctuations

We do not believe that inflation or foreign currency fluctuations significantly affected our financial position and results of operations as of and for the fiscal year ended January 31, 2015.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The market risk inherent in our financial statements represents the potential changes in the fair value, earnings or cash flows arising from changes in interest rates. We manage this exposure through regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. Our policy allows the use of derivative financial instruments for identifiable market risk exposure, including interest rate. We currently do not have any derivative financial instruments for identifiable market risk.

The table below provides information about our financial instruments that are sensitive to changes in interest rates:

	Less than 1 yr 2016	1 - 3 yrs 2017	2018	4 - 5 yrs 2019	2020	After 5 yrs Thereafter	Total	Fair Value 2015
Long-term Liabilities:								
7 $^{7}/_{8}$% Senior Subordinated Notes Payable	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 150.0	$ 0.0	$ 150.0	$ 157.0
Fixed Interest Rate	7.88%	7.88%	7.88%	7.88%	7.88%	N/A	N/A	
Real Estate Mortgage Loan	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 9.6	$ 11.6	$ 11.6
Fixed Interest Rate	3.90%	3.90%	3.90%	3.90%	3.90%	3.90%	3.90%	
Real Estate Mortgage Loan	$ 0.4	$ 0.5	$ 0.5	$ 10.2	$ 0.0	$ 0.0	$ 11.6	$ 11.6
Fixed Interest Rate	3.25%	3.25%	3.25%	3.25%	3.25%	N/A	3.25%	
Senior Credit Facility	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Average Variable Interest Rate (A)	1.93%	1.93%	1.93%	1.93%	N/A	N/A	1.93%	

(A) The senior credit facility has a variable rate of interest of either 1) the published prime lending rate or 2) the Eurodollar rate with adjustments of both rates based on meeting certain financial conditions.

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Commodity Price Risk

We are exposed to market risks for the pricing of cotton and other fibers, which may impact fabric prices. Fabric is a portion of the overall product cost, which includes various components. We manage our fabric prices by using a combination of different strategies including the utilization of sophisticated logistics and supply chain management systems, which allow us to maintain maximum flexibility in our global sourcing of products. This provides us with the ability to re-direct our sourcing of products to the most cost-effective jurisdictions. In addition, we may modify our product offerings to our customers based on the availability of new fibers, yield enhancement techniques and other technological advances that allow us to utilize more cost effective fibers. Finally, we also have the ability to adjust our price points of such products, to the extent market conditions allow. These factors, along with our foreign-based sourcing offices, allow us to procure product from lower cost countries or capitalize on certain tariff-free arrangements, which help mitigate any commodity price increases that may occur. We have not historically managed, and do not currently intend to manage, commodity price exposures by using derivative instruments.

Item 8. Financial Statements And Supplementary Data

See pages F-1 through F-52 appearing at the end of this report.

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

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Exchange Act Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our Chairman of the Board and Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of January 31, 2015.

The purpose of disclosure controls and procedures is to ensure that information required to be disclosed in our reports filed with or submitted to the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable rather than absolute assurance that the objectives of the control system are met. The design of a control system must also reflect the fact that there are resource constraints, with the benefits of controls considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud (if any) within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that simple errors or mistakes can occur. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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Our internal controls are evaluated on an ongoing basis by our internal audit function and by other personnel in our organization. The overall goals of these various evaluation activities are to monitor our disclosure and internal controls and to make modifications as necessary, as disclosure and internal controls are intended to be dynamic systems that change (including improvements and corrections) as conditions warrant. Part of this evaluation is to determine whether there were any significant deficiencies or material weaknesses in our internal controls, or whether we had identified any acts of fraud involving personnel who have a significant role in our internal controls. Significant deficiencies are control issues that could have a significant adverse effect on the ability to record, process, summarize and report financial data in the financial statements. Material weaknesses are particularly serious conditions where the internal control does not reduce to a relatively low level the risk that misstatements caused by error or fraud may occur in amounts that would be material in relation to the financial statements and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Based upon this evaluation, our Chairman of the Board and Chief Executive Officer and our Chief Financial Officer concluded that, our disclosure controls and procedures were effective as of January 31, 2015 in providing reasonable assurance that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and (ii) that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

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MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

April 14, 2015

Management of Perry Ellis International, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

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

Management assessed the effectiveness of our internal control over financial reporting as of January 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework (2013)*.

Management determined that, as of January 31, 2015, our internal control over financial reporting was effective.

Our internal control over financial reporting as of January 31, 2015, has been audited by PricewaterhouseCoopers LLP, an independent registered certified public accounting firm, as stated in their report which is which is included in Part II, Item 8.

/s/ GEORGE FELDENKREIS	/s/ ANITA BRITT
George Feldenkreis	**Anita Britt**
Chairman of the Board and Chief Executive Officer	**Chief Financial Officer**

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Changes in Internal Controls over Financial Reporting

There have been no changes in our internal controls over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding our directors and executive officers required by this item is included in our Proxy Statement relating to our 2015 Annual Meeting under the captions Election of Directors and is incorporated herein by reference.

Information regarding our audit committee and our audit committee financial expert required by this item is included in our Proxy Statement relating to our 2015 Annual Meeting under the caption Corporate Governance- Meetings and Committees of the Board of Directors and is incorporated herein by reference.

Information regarding compliance with Section 16 of the Securities Exchange Act of 1934 is included in our Proxy Statement relating to our 2015 Annual Meeting under the caption Section 16(a) Beneficial Ownership Reporting Compliance and is incorporated herein by reference.

We have adopted a Code of Ethics that applies to all of our directors, officers, and employees. The Code of Ethics is posted on our website at www.pery.com. Amendments to, and waivers granted under, our Code of Ethics, if any, will be posted to our website as well.

Information describing any material changes to the procedures by which security holders may recommend nominees to our Board of Directors is included in our Proxy Statement related to our 2015 Annual Meeting under the caption Corporate Governance-Meetings and Committees of the Board of Directors.

Item 11. Executive Compensation

Information required by this item is included in our Proxy Statement related to our 2015 Annual Meeting under the captions Executive Compensation , Compensation Discussion and Analysis, Director Compensation and Compensation Committee Report and is incorporated herein by reference.

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

Information required by this item is included in our Proxy Statement related to our 2015 Annual Meeting under the captions Security Ownership of Certain Beneficial Owners and Management and Executive Compensation and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence

Information required by this item is included in our Proxy Statement related to our 2015 Annual Meeting under the captions Certain Relationships and Related Transactions and Corporate Governance-Meetings and Committees of the Board of Directors and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information required by this item is included in our Proxy Statement related to our 2015 Annual Meeting Statement under the caption Principal Accountant Fees and Services and is incorporated herein by reference.

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Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report

(1) Consolidated Financial Statements.
The following Consolidated Financial Statements of Perry Ellis International, Inc. and subsidiaries are included in Part II, Item 8:

All other schedules required by applicable Securities and Exchange Commission regulations are either not required under the related instructions or inapplicable, therefore such schedules have been omitted.

(3) Exhibits

Exhibit No.	Exhibit Description	Where Filed
3.1	Registrant s Amended and Restated Articles of Incorporation	Filed as an Exhibit to the Registrant s Proxy Statement for its 1998 Annual Meeting and incorporated herein by reference.
3.2	Articles of Amendment to Articles of Incorporation	Filed as an Annex to the Registrant s Proxy Statement for its 2003 Annual Meeting and incorporated herein by reference.
3.3	Registrant s Amended and Restated Bylaws	Filed as an Exhibit to the Registrant s Registration Statement on Form S-1 (File No. 33-60750) and incorporated herein by reference.
3.4	Amended and Restated Bylaws of Perry Ellis International, Inc.	Filed as an Exhibit to the Registrant s Current Report on Form 8-K dated December 8, 2014 and incorporated herein by reference.
3.5	Third Restated Articles of Incorporation of Perry Ellis International, Inc.	Filed as an Exhibit to the Registrant s Current Report on Form 8-K dated December 8, 2014 and incorporated herein by reference.
3.6	Fourth Restated Articles of Incorporation of Perry Ellis International, Inc.	Filed as an Exhibit to the Registrant s Current Report on Form 8-K dated February 6, 2015 and incorporated herein by reference.

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Exhibit No.	Exhibit Description	Where Filed
4.1	Form of Common Stock Certificate	Filed as an Exhibit to the Registrant s Registration Statement on Form S-1 (File No. 33-60750) and incorporated herein by reference.
4.7	Indenture by and among Perry Ellis International, Inc., the Subsidiary Guarantors party thereto and U.S. Bank Trust National Association dated March 8, 2011	Filed as an Exhibit to the Registrant s Registration Statement on Form S-3 (File No. 333-167728) dated December 23, 2014and incorporated herein by reference.
4.8	First Supplemental Indenture by and among Perry Ellis International, Inc., the Subsidiary Guarantors party thereto and U.S. Bank National Association dated March 8, 2011	Filed as an Exhibit to the Registrant s Current Report on Form 8-K dated March 14, 2011 and incorporated herein by reference.
4.9	Form of Perry Ellis International, Inc. 7.875% Senior Subordinated Note due April 1, 2019 (set forth in Exhibit A to Exhibit 4.8 above)	Filed as an Exhibit to the Registrant s Current Report on Form 8-K dated March 14, 2011 and incorporated herein by reference.
10.1	Form of Indemnification Agreement between the Registrant and each of the Registrant s Directors and Officers (1)	Filed as an Exhibit to the Registrant s Annual Report on Form 10-K for the fiscal year ended January 31, 2005 and incorporated herein by reference.
10.4	Profit Sharing Plan (1)	Filed as an Exhibit to the Registrant s Registration Statement on Form S-1 (File No. 33-96304) and incorporated herein by reference.
10.5	Incentive Compensation Plan (1)	Filed as an Exhibit to the Registrant s Proxy Statement for its 2000 Annual Meeting and incorporated herein by reference.
10.7	2002 Stock Option Plan (1)	Filed as an Annex to the Registrant s Proxy Statement for its 2002 Annual Meeting and incorporated herein by reference.
10.12	Form of Stock Option Agreement pursuant to the 2002 Stock Option Plan (1)	Filed as an Exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2004 and incorporated herein by reference.
10.25	Form of Stock Option Agreement pursuant to the 2005 Long-Term Incentive Compensation Plan (1)	Filed as an Exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2005 and incorporated herein by reference.
10.26	Form of Restricted Stock Agreement pursuant to the 2005 Long-Term Incentive Compensation Plan (1)	Filed as an Exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2005 and incorporated herein by reference.
10.34	Promissory Note dated June 7, 2006 in favor Commercebank, N.A.	Filed as an Exhibit to the Registrant s Current Report on Form 8-K dated June 13, 2006 and incorporated herein by reference.

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Exhibit No.	Exhibit Description	Where Filed
10.35	Mortgage and Security Agreement dated June 7, 2006 in favor Commercebank, N.A.	Filed as an Exhibit to the Registrant s Current Report on Form 8-K dated June 13, 2006 and incorporated herein by reference.
10.46	Amended Form of Restricted Stock Agreement pursuant to the 2005 Long-Term Incentive Compensation Plan (1)	Filed as an Exhibit to the Registrant s Annual Report on Form 10-K for the fiscal year ended January 31, 2008 and incorporated herein by reference.
10.53	Form of Stock-Settled Stock Appreciation Right Agreement pursuant to the 2005 Long-Term Incentive Compensation Plan (1)	Filed as an Exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended May 1, 2010, and incorporated herein by reference.
10.56	Form of Performanced-Based Restricted Stock Agreement pursuant to the Second Amended and Restated 2005 Long-Term Incentive Compensation Plan (1)	Filed as an Exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2011, and incorporated herein by reference.
10.57	Form of Restricted Stock Agreement pursuant to the Second Amended and Restated 2005 Long-Term Incentive Compensation Plan (1)	Filed as an Exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2011, and incorporated herein by reference.
10.58	Form of Stock-Settled Stock Appreciation Right Agreement pursuant to the Second Amended and Restated 2005 Long-Term Incentive Compensation Plan (1)	Filed as an Exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2011, and incorporated herein by reference.
10.59	Form of Non-Qualified Stock Option Agreement pursuant to the Second Amended and Restated 2005 Long-Term Incentive Compensation Plan (1)	Filed as an Exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2011, and incorporated herein by reference.
10.60	Amended and Restated Loan and Security Agreement dated December 2, 2011 among Perry Ellis International, Inc., the subsidiaries named as Borrowers or Guarantors therein, the Lenders named therein, Wells Fargo Bank, National Association, as agent for the Lenders, and Bank of America, N.A., as syndication agent	Filed as an Exhibit to the Registrant s Current Report on Form 8-K dated December 2, 2011, and incorporated herein by reference.
10.61	Second Amended and Restated 2005 Long-Term Incentive Compensation Plan (1)	Filed as an Annex to the Registrant s Proxy Statement for its 2011 Annual Meeting and incorporated herein by reference.
10.62	2011 Management Incentive Compensation Plan (1)	Filed as an Annex to the Registrant s Proxy Statement for its 2011 Annual Meeting and incorporated herein by reference.
10.63	Form of Performance-Based Units Agreement pursuant to the Second Amended and Restated 2005 Long-Term Incentive Compensation Plan (1)	Filed as an Exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended May 4, 2013, and incorporated herein by reference.

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Exhibit No.	Exhibit Description	Where Filed
10.64	Employment Agreement dated September 9, 2013 between Stanley Silverstein and the Registrant (1)	Filed as an Exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended November 11, 2013, and incorporated herein by reference.
10.65	Amendment No. 1 dated January 9, 2014 to the Amended and Restated Loan and Security Agreement dated as of December 2, 2011 among Perry Ellis International, Inc., the subsidiaries named as Borrowers or Guarantors therein, the Lenders named therein, Wells Fargo Bank, National Association, as agent for the Lenders, and Bank of America, N.A., as syndication agent	Filed as an Exhibit to the Registrant s Current Report on Form 8-K dated January 9, 2014 and incorporated herein by reference.
10.66	Employment Agreement by and between Perry Ellis International, Inc. and George Feldenkreis (1)	Filed as an Exhibit to the Registrant s Current Report on Form 8-K dated May 10, 2013 and incorporated herein by reference.
10.67	Employment Agreement by and between Perry Ellis International, Inc. and Oscar Feldenkreis (1)	Filed as an Exhibit to the Registrant s Current Report on Form 8-K dated May 10, 2013 and incorporated herein by reference.
10.1	Form of Indemnification Agreement between the Registrant and each of the Registrant s Directors and Officers (1)	Filed as an Exhibit to the Registrant s Current Report on Form 8-K dated December 8, 2014 and incorporated herein by reference.
16.1	Letter from Deloitte & Touche LLP dated September 18, 2013	Filed as an Exhibit to the Registrant s Current Report on Form 8-K dated September 18, 2013 and incorporated herein by reference.
21.1	Subsidiaries of the Registrant	Filed herewith.
23.1	Consent of PricewaterhouseCoopers LLP, independent registered certified public accounting firm regarding financial statements and internal controls over financial reporting of the Registrant	Filed herewith.
23.2	Consent of Deloitte & Touche LLP, registered public accounting firm regarding financial statements and internal controls over financial reporting of the Registrant	Filed herewith.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended	Filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended	Filed herewith.

Exhibit No.	Exhibit Description	Where Filed
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith.
101.INS	XBRL Instance Document	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	

(1) Management Contract or Compensation Plan.

(b) Item 601 Exhibits
The exhibits required by Item 601 of Regulation S-K are set forth in (a) (3) above.

(c) Financial Statement Schedules
The financial statement schedules required by Regulation S-K are set forth in (a) (2) above.

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SIGNATURES

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

PERRY ELLIS INTERNATIONAL, INC.

Dated: April 14, 2015

By: /s/ George Feldenkreis
George Feldenkreis

Chairman of the Board and

Chief Executive Officer

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

Name and Signature	Title	Date
/s/ George Feldenkreis **George Feldenkreis**	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	April 14, 2015
/s/ Oscar Feldenkreis **Oscar Feldenkreis**	Vice Chairman of the Board, President, Chief Operating Officer and Director	April 14, 2015
/s/ Anita Britt **Anita Britt**	Chief Financial Officer (Principal Financial and Accounting Officer)	April 14, 2015
/s/ Joe Arriola **Joe Arriola**	Director	April 14, 2015
/s/ Jane DeFlorio **Jane DeFlorio**	Director	April 14, 2015
/s/ Joseph P. Lacher **Joseph P. Lacher**	Director	April 14, 2015
/s/ J. David Scheiner **J. David Scheiner**	Director	April 14, 2015
/s/ Alexandra Wilson **Alexandra Wilson**	Director	April 14, 2015

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INDEX TO FINANCIAL STATEMENTS

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

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Report of Independent Registered Certified Public Accounting Firm

To the Board of Directors and Stockholders of

Perry Ellis International, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of comprehensive (loss) income, of changes in stockholders equity and of cash flows for the year then ended present fairly, in all material respects, the financial position of Perry Ellis International, Inc. and its subsidiaries at January 31, 2015 and February 1, 2014, and the results of their operations and their cash flows for each of the two years in the period ended January 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) for the year ended January 31, 2015 and February 1, 2014 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2015, based on criteria established in *Internal Control Integrated Framework* 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control over Financial Reporting appearing under item 9A. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP

Miami, Florida

April 14, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Perry Ellis International, Inc.

Miami, Florida

We have audited the accompanying consolidated statements of operations, comprehensive (loss) income, changes in stockholders equity, and cash flows of Perry Ellis International, Inc. and subsidiaries (the Company) for the year ended February 2, 2013. Our audit also included the financial statement schedule for the year ended February 2, 2013 listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of Perry Ellis International, Inc. and subsidiaries for the year ended February 2, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule for the year ended February 2, 2013, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 28 to the consolidated financial statements, the accompanying financial statements have been retrospectively adjusted for a change in the reporting entity structure.

/s/ Deloitte & Touche LLP

Certified Public Accountants

Miami, Florida

April 16, 2013

(April 15, 2014 as to Note 28)

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share data)

	January 31, 2015	February 1, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 43,547	$ 26,989
Accounts receivable, net	137,432	146,392
Inventories	183,734	206,602
Investments, at fair value	19,996	15,398
Deferred income taxes	725	14,060
Prepaid income taxes	6,384	7,579
Prepaid expenses and other current assets	7,124	7,369
Total current assets	398,942	424,389
Property and equipment, net	64,633	59,912
Other intangible assets, net	210,201	211,485
Goodwill	6,022	6,022
Other assets	5,191	4,927
TOTAL	$ 684,989	$ 706,735
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	$ 117,789	$ 112,442
Accrued expenses and other liabilities	22,355	24,642
Accrued interest payable	4,045	4,095
Unearned revenues	4,856	5,013
Deferred pension obligation	8,930	
Deferred income taxes	797	
Total current liabilities	158,772	146,192
Senior subordinated notes payable, net	150,000	150,000
Senior credit facility		8,162
Real estate mortgages	22,109	22,844
Deferred pension obligation		9,862
Unearned revenues and other long-term liabilities	15,009	14,732
Deferred income taxes	37,082	7,410
Total long-term liabilities	224,200	213,010
Total liabilities	382,972	359,202
Commitment and contingencies		
Equity:		
Preferred stock $.01 par value; 5,000,000 shares authorized; no shares issued or outstanding		

Common stock $.01 par value; 100,000,000 shares authorized; 16,128,775 shares issued and outstanding as of January 31, 2015 and 15,901,956 shares issued and outstanding as of February 1, 2014	161	159
Additional paid-in-capital	161,336	155,522
Retained earnings	169,102	206,277
Accumulated other comprehensive loss	(12,852)	(7,468)
Total	317,747	354,490
Treasury stock at cost; 770,753 shares as of January 31, 2015 and 400,516 shares as of February 1, 2014	(15,730)	(6,957)
Total equity	302,017	347,533
TOTAL	$ 684,989	$ 706,735

See footnotes to consolidated financial statements

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED

(amounts in thousands, except per share data)

	January 31, 2015	February 1, 2014	February 2, 2013
Revenues:			
Net sales	$ 858,237	$ 882,573	$ 942,451
Royalty income	31,735	29,651	27,102
Total revenues	889,972	912,224	969,553
Cost of sales	586,968	609,436	652,352
Gross profit	303,004	302,788	317,201
Operating expenses:			
Selling, general and administrative expenses	268,783	272,716	263,854
Depreciation and amortization	12,198	12,626	13,896
Impairment on assets		42,977	3,516
Total operating expenses	280,981	328,319	281,266
Gain on sale of long-lived assets	885	6,162	410
Operating income (loss)	22,908	(19,369)	36,345
Interest expense	14,291	15,025	14,836
Net income (loss) before income taxes	8,617	(34,394)	21,509
Income tax provision (benefit)	45,792	(11,615)	6,708
Net (loss) income	$ (37,175)	$ (22,779)	$ 14,801
Net (loss) income per share:			
Basic	$ (2.50)	$ (1.52)	$ 1.01
Diluted	$ (2.50)	$ (1.52)	$ 0.97
Weighted average number of shares outstanding			
Basic	14,856	14,988	14,715
Diluted	14,856	14,988	15,315

See footnotes to consolidated financial statements

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

FOR THE YEARS ENDED

(amounts in thousands)

	January 31, 2015	February 1, 2014	February 2, 2013
Net (loss) income	$ (37,175)	$ (22,779)	$ 14,801
Other comprehensive (loss) income:			
Foreign currency translation adjustments, net	(3,211)	(679)	171
Unrealized (loss) gain on pension liability, net of tax (1)	(2,219)	1,310	(53)
Unrealized gain (loss) on investments	46	(39)	
Total other comprehensive (loss) income	(5,384)	592	118
Comprehensive (loss) income	$ (42,559)	$ (22,187)	$ 14,919

(1) Unrealized (loss) gain on pension liability for the twelve months ended January 31, 2015, February 1, 2014 and February 2, 2013 is net of tax provision (benefit) in the amount of $0, $831 and ($34), See footnote 21 to the consolidated financial statements for further information.

See footnotes to consolidated financial statements

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE YEARS ENDED JANUARY 31, 2015, FEBRUARY 1, 2014 AND FEBRUARY 2, 2013

(amounts in thousands, except share data)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK	ACCUMULATED OTHER COMPRE-HENSIVE (LOSS) INCOME	RETAINED EARNINGS	TOTAL
BALANCE, JANUARY 28, 2012	16,787,161	$ 167	$ 160,997	$ (15,958)	$ (8,178)	$ 229,467	$ 366,495
Exercise of stock options	355,056	4	1,800				1,804
Exercise of warrants	106,508	1	(1)				
Tax benefit of restricted shares and non-qualified stock options			1,554				1,554
Restricted shares and options issued as compensation	(632,045)	(6)	4,268				4,262
Net income						14,801	14,801
Purchase of treasury stock				(2,582)			(2,582)
Dividends						(15,212)	(15,212)
Retirement of treasury stock	(1,290,022)	(13)	(18,527)	18,540			
Other comprehensive income					118		118
BALANCE, FEBRUARY 2, 2013	15,326,658	153	150,091		(8,060)	229,056	371,240
Exercise of stock options	33,230		154				154
Tax benefit of restricted shares and non-qualified stock options			(1)				(1)
Restricted shares and options issued as compensation	542,068	6	5,278				5,284
Net loss						(22,779)	(22,779)
Purchase of treasury stock				(6,957)			(6,957)
Other comprehensive income					592		592
BALANCE, FEBRUARY 1, 2014	15,901,956	159	155,522	(6,957)	(7,468)	206,277	347,533
Exercise of stock options	36,043		404				404
Tax benefit of restricted shares and non-qualified stock options			(272)				(272)
Restricted shares and options issued as compensation	212,585	2	6,033				6,035
Restricted shares withheld for income taxes	(21,809)		(351)				(351)
Net loss						(37,175)	(37,175)
Purchase of treasury stock				(8,773)			(8,773)
Other comprehensive loss					(5,384)		(5,384)
BALANCE, JANUARY 31, 2015	16,128,775	$ 161	$ 161,336	$ (15,730)	$ (12,852)	$ 169,102	$ 302,017

See footnotes to consolidated financial statements

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED

(amounts in thousands)

	January 31, 2015	February 1, 2014	February 2, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (37,175)	$ (22,779)	$ 14,801
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	12,933	13,211	13,943
Provision for bad debts	812	(98)	331
Impairment on assets		42,977	3,516
Amortization of debt issue costs	645	705	712
Amortization of premiums and discounts	413	113	53
Amortization of unrealized (gain) loss on pension liability	399	534	524
Deferred income taxes	43,730	(14,875)	2,651
Share-based compensation	6,035	5,284	4,262
Gain on sale of long-lived assets, net	(885)	(6,162)	(389)
Changes in operating assets and liabilities, net of acquisitions			
Accounts receivable, net	6,459	28,049	(29,130)
Inventories	20,116	(23,925)	15,343
Prepaid income taxes	1,090	(270)	1,090
Prepaid expenses and other current assets	167	1,099	(1,368)
Other assets	(408)	(244)	477
Accounts payable and accrued expenses	4,202	(20,780)	54,129
Accrued interest payable	(50)	34	(125)
Unearned revenues and other liabilities	210	564	(588)
Deferred pension obligation	(3,550)	(3,217)	(3,251)
Net cash provided by operating activities	55,143	220	76,981
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(16,733)	(22,243)	(9,840)
Purchase of investments	(31,501)	(15,437)	
Proceeds from investments maturities	26,592		
Deposit on sale of intangible asset			2,625
Proceeds on sale of intangible asset		4,875	
Proceeds on termination of life insurance	245	3,559	
Proceeds from note receivable	250		
Proceeds on sale of long-lived assets, net		1,892	760
Payment on purchase of intangible assets			(7,000)
Proceeds in connection with purchase price adjustment			4,547
Net cash used in investing activities	(21,147)	(27,354)	(8,908)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings from senior credit facility	234,137	415,885	288,312
Payments on senior credit facility	(242,299)	(407,723)	(309,991)
Dividends paid to stockholders			(14,992)

Purchase of treasury stock	(8,773)	(6,957)	(2,582)
Payments on real estate mortgages	(792)	(1,385)	(727)
Payments on capital leases	(301)	(318)	(363)
Deferred financing fees		(327)	(100)
Proceeds from exercise of stock options	404	154	1,804
Tax benefit from exercise of equity instruments	(161)	83	1,554
Net cash used in financing activities	(17,785)	(588)	(37,085)
Effect of exchange rate changes on cash and cash equivalents	347	(246)	(147)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,558	(27,968)	30,841
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	26,989	54,957	24,116
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 43,547	$ 26,989	$ 54,957

Continued

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED

(amounts in thousands)

	January 31, 2015	February 1, 2014	February 2, 2013
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest	$ 13,283	$ 14,173	$ 14,553
Income taxes	$ 662	$ 1,608	$ 6,310
NON-CASH FINANCING AND INVESTING ACTIVITIES:			
Capital lease financing	$	$	$ 888
Accrued purchases of property and equipment	$ 185	$ 3	$ 12
Unrealized (loss) gain on pension liability included in comprehensive (loss) income	$ (2,219)	$ 1,310	$ (53)
Investment in joint venture	$	$	$ 396

See footnotes to consolidated financial statements

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General

Perry Ellis International, Inc. and Subsidiaries (the Company) is one of the leading apparel companies in the United States and manages a portfolio of major brands, some of which were established over 100 years ago. The Company designs, sources, markets and licenses products nationally and internationally at multiple price points and across all major levels of retail distribution. The Company s portfolio of highly recognized brands includes: Axist®, Ben Hogan®, Cubavera®, Farah®, Grand Slam®, Jantzen®, John Henry®, Laundry by Shelli Segal®, Original Penguin® by Munsingwear® (Original Penguin), Perry Ellis®, Rafaella® and Savane®. We also (i) license the Callaway Golf® brand, Jack Nicklaus® brand and PGA Tour® brand for golf apparel, (ii) license the Jag® brand for men s and women s swimwear and cover-ups and (iii) license the Nike® brand for swimwear and swimwear accessories.

The periods presented in these financial statements are the fiscal years ended January 31, 2015 (fiscal 2015), February 1, 2014 (fiscal 2014) and February 2, 2013 (fiscal 2013). Fiscal 2015 and 2014 each contained 52 weeks while fiscal 2013 contained 53 weeks.

2. Summary of Significant Accounting Policies

The following is a summary of the Company s significant accounting policies:

PRINCIPLES OF CONSOLIDATION The consolidated financial statements include the accounts of Perry Ellis International, Inc. and its wholly-owned and controlled subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company consolidates any entity in which the Company would be deemed a primary beneficiary.

USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts in the consolidated financial statements and the accompanying footnotes. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS Cash and cash equivalents include cash, deposits and liquid short-term investments that have a maturity of three months or less when purchased.

INVESTMENTS The Company s investments include marketable securities and certificates of deposit for the fiscal years ended January 31, 2015 and February 1, 2014. All investments are classified as available-for-sale. Investments are stated at fair value. The estimated fair value of the marketable securities is based on quoted prices in an active market. Gains and losses on investment transactions are determined using the specific identification method and are recognized in income based on trade dates. Unrealized gains and losses on securities available-for-sale are included in accumulated other comprehensive income until realized. Management evaluates securities held with unrealized losses for other-than-temporary impairment at least on a quarterly basis. Consideration is given to (a) the length of time and the extent to which the fair value has been less than cost; (b) the financial condition and near-term prospects of the issuer; and (c) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

INVENTORIES Inventories are stated at the lower of cost (weighted moving average cost) or market. Cost principally consists of the purchase price (adjusted for lower of cost or market), customs, duties, freight, and commissions to buying agents.

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PROPERTY AND EQUIPMENT Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements and capital leases is computed using the straight-line method over the shorter of the lease term or estimated useful lives of the assets or improvements. The useful lives are as follows:

Asset Class	Average Useful Lives in Years
Furniture, fixtures and equipment	3-10
Vehicles	5-7
Leasehold improvements	4-15
Buildings and building improvements	10-39

INTANGIBLE ASSETS AND GOODWILL As of January 31, 2015, intangible assets were comprised of trademarks, goodwill and customer lists. The trademarks and goodwill were identified as intangible assets with indefinite useful lives, and accordingly, are not being amortized. The Company assesses the carrying value of intangible assets and goodwill at least annually. Customer lists were identified as intangible assets with finite useful lives and are amortized using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized.

FAIR VALUE MEASUREMENTS A description of the Company s policies regarding fair value measurement is summarized below.

The Company has chosen not to elect the fair value measurement option for any instruments not required to be measured at fair value on a recurring basis.

Fair Value Hierarchy The fair value hierarchy requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of observable or unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company s market assumptions. This hierarchy requires the use of observable market data when available. These two types of inputs have created the following fair-value hierarchy:

Level 1 Quoted prices for *identical* instruments in active markets.

Level 2 Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Determination of Fair Value The Company generally uses quoted market prices (unadjusted) in active markets for identical assets or liabilities for which the Company has the ability to determine fair value, and classifies such items in Level 1. Fair values determined by Level 2 inputs utilize inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted market prices in active markets for similar assets or liabilities, and inputs other than quoted market prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, etc. Assets or liabilities valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

DERIVATIVES Derivative financial instruments such as interest rate swap contracts and foreign exchange contracts are recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative financial instruments are either recognized in income or stockholders equity (as a component of comprehensive income), depending on whether the derivative is not designated as a hedge or is designated as a hedge of changes in fair value or cash flows. When designated as a hedge of changes in fair value, the effective portion of the hedge is recognized as an offset in income with a corresponding adjustment to the hedged item. When designated as a hedge of changes in cash flows, the effective portion of the hedge is recognized as an offset in comprehensive income with a corresponding adjustment to the hedged item and recognized in income in the same period as the hedged item is settled.

LEASES Leases are evaluated and classified as either operating or capital leases for financial reporting purposes. Capital leases, which transfer substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income as a component of interest expense. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Operating lease payments, other than contingent rentals, are recognized as an expense in the income statement on a straight-line basis over the lease term, whereby an equal amount of rent expense is attributed to each period during the term of the lease, regardless of when actual payments are made. This generally results in rent expense in excess of cash payments during the early years of a lease and rent expense less than cash payments in the later years. The difference between rent expense recognized and actual rental payments is recorded as deferred rent and included in liabilities. Percentage rent expense is generally based on sales levels and is accrued when determined that it is probable that such sales levels will be achieved.

DEFERRED DEBT ISSUE COSTS Costs incurred in connection with financing transactions have been capitalized and are being amortized on a straight-line basis, which approximates the interest method, over the term of the related debt instrument. Unamortized debt issue costs are included in other assets in the consolidated balance sheet.

LONG-LIVED ASSETS Property and equipment, along with other long-lived assets, are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying amounts may not be recoverable. In evaluating long-lived assets for recoverability, the Company uses its best estimate of future cash flows expected to result from the use of the asset and its eventual disposition. To the extent that estimated future undiscounted net cash flows attributable to the asset are less than the carrying amount, an impairment loss is recognized equal to the difference between the carrying value of such asset and its fair value. Fair value is estimated based on the future expected discounted cash flows for the assets. Judgments regarding the existence of impairment indicators are based on market and operational performance. Preparation of estimated expected future cash flows is inherently subjective and is based on management s best estimate of assumptions concerning future conditions.

The Company recorded a $0.9 million and $3.5 million impairment charge, in fiscal 2014 and 2013, respectively, to reduce the net carrying value of certain long-lived assets (primarily real property and leaseholds) to their estimated fair value, considered a level 3 fair value measure. There was no such impairment charge for fiscal 2015. Impairment charges are included in impairment on assets in the accompanying consolidated statements of operations.

RETIREMENT-RELATED BENEFITS The Company accounts for its defined benefit pension plan using actuarial models. These models use an attribution approach that generally spreads the individual events over the service lives of the employees in the plan. The principle underlying the required attribution approach is that employees render service over their service lives on a relatively consistent basis and therefore, the income statement effects of pensions or non-pension postretirement benefit plans are earned in, and should follow, the same pattern.

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The principal components of the net periodic pension calculations are the expected long-term rate of return on plan assets, discount rate and the rate of compensation increases. The Company uses long-term historical actual return information, the mix of investments that comprise plan assets, and future estimates of long-term investment returns by reference to external sources to develop its expected return on plan assets. The discount rate assumptions used for pension and non-pension postretirement benefit plan accounting reflects the rates available on high-quality fixed income debt instruments at the Company s fiscal year end.

ADVERTISING AND RELATED COSTS The Company s accounting policy relating to advertising and related costs is to expense these costs in the period incurred. Advertising and related costs were $15.2 million, $16.4 million and $14.9 million for the years ended January 31, 2015, February 1, 2014 and February 2, 2013, respectively, and are included in selling, general and administrative expenses.

COST OF SALES Cost of sales includes costs to acquire and source inventory, produce inventory for sale, and provisions for inventory shrinkage and obsolescence. These costs include costs of purchased products, inbound freight, custom duties, buying commissions, cargo insurance, customs inspection and licensed product royalty expenses.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES Selling expenses include costs incurred in the selling of merchandise. General and administrative expenses include costs incurred in the administration or general operations of the business. Selling, general and administrative expenses include employee and related costs, advertising, professional fees, distribution, warehouse costs, and other related selling costs.

TREASURY STOCK Treasury stock is recorded at acquisition cost. Gains and losses on disposition are recorded as increases or decreases to additional paid-in capital with losses in excess of previously recorded gains charged directly to retained earnings. The carrying amount in excess of par is allocated to additional paid-in capital and retained earnings on a pro rata basis when treasury shares are retired.

REVENUE RECOGNITION Sales are recognized at the time title transfers to the customer, generally upon shipment. Trade allowances and a provision for estimated returns and other allowances are recorded at the time sales are made, considering historical and anticipated trends. The Company records revenues net of corresponding sales taxes. Retail store revenue is recognized net of estimated returns and corresponding sales tax at the time of sale to consumers. The Company operates predominantly in North America, with 91% of its sales in that market. Four customers accounted for approximately 14%, 10%, 10% and 10%, respectively, of net sales for fiscal 2015. Two customers accounted for approximately 11% and 10%, respectively, of net sales for fiscal 2014. Two customers accounted for approximately 14% and 10%, respectively, of net sales for fiscal 2013. Sales to these customers are included in the Men s Sportswear and Swim, as well as, the Women s Sportswear segments. A significant decrease in business from or loss of any of the major customers could harm the financial condition of the Company by causing a significant decline in revenues attributable to such customers. The Company does not believe that concentrations of credit risk represent a material risk of loss with respect to its financial position as of January 31, 2015.

Royalty income is recognized when earned on the basis of the terms specified in the underlying contractual agreements. A liability for unearned royalty income is recognized when licensees pay contractual obligations before being earned or when up-front fees are collected. This liability is recognized as royalty income over the applicable term of the respective license agreement.

ADVERTISING REIMBURSEMENTS The majority of the Company s license agreements require licensees to reimburse the Company for advertising placed on behalf of the licensees based on a percentage of the licensees net sales. The Company records earned advertising reimbursements received from its licensees as a reduction of the related advertising costs in selling, general and administrative expenses. For the fiscal years 2015, 2014 and 2013, the Company has reduced selling, general and administrative expenses by $6.8 million, $5.9 million and $5.8 million of licensee reimbursements, respectively. Unearned advertising reimbursements result when a licensee pays required reimbursements prior to the Company incurring the advertising expense. A liability is recorded for these unearned advertising reimbursements.

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FOREIGN CURRENCY TRANSLATION For the Company s international operations, local currencies are generally considered their functional currencies. The Company translates assets and liabilities to their U.S. dollar equivalents at rates in effect at the balance sheet date and revenue and expenses are translated at average monthly exchange rates. Translation adjustments resulting from this process are recorded in stockholders equity as a component of accumulated other comprehensive (loss) income. Transactions in foreign currencies during the year are re-measured at rates of exchange at the date of the transaction. Gains and losses related to re-measurement of items arising through operating activities are included in the accompanying consolidated statements of operations.

INCOME TAXES Deferred income taxes result primarily from timing differences in the recognition of expenses for tax and financial reporting purposes, which requires the liability method of computing deferred income taxes. Under the liability method, deferred taxes are adjusted for tax rate changes as they occur.

The Company records net deferred tax assets to the extent it believes these assets will more likely than not be realized. In the event that a net deferred tax asset is not realizable, a valuation allowance would be recorded. In making such determination, it considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. In the event the Company were to determine that it would be able to realize its deferred income tax assets in the future in excess of its net recorded amount, an adjustment to the valuation allowance would be recorded, which would reduce the provision for income taxes in the period of such determination.

In regards to the accounting for uncertainty in income taxes recognized in the financial statements, a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on its technical merits.

NET (LOSS) INCOME PER SHARE Basic net (loss) income per share is computed by dividing net income by the weighted average shares of outstanding common stock. The calculation of diluted net income per share is similar to basic earnings per share except that the denominator includes potentially dilutive common stock. The potentially dilutive common stock included in the Company s computation of diluted net (loss) income per share includes the effects of stock options, warrants, stock appreciation rights (SARS) and unvested restricted shares as determined using the treasury stock method.

The following table sets forth the computation of basic and diluted (loss) income per share:

	2015	2014	2013
	(in thousands, except per share data)		
Numerator:			
Net (loss) income	$ (37,175)	$ (22,779)	$ 14,801
Denominator:			
Basic weighted average shares	14,856	14,988	14,715
Dilutive effect: equity awards			600
Diluted weighted average shares	14,856	14,988	15,315
Basic (loss) income per share	$ (2.50)	$ (1.52)	$ 1.01
Diluted (loss) income per share	$ (2.50)	$ (1.52)	$ 0.97
Antidilutive effect: (1)	1,748	1,945	1,048

(1) Represents weighted average of stock options to purchase shares of common stock, SARS and unvested restricted stock that were not included in computing diluted income per share because their effects were antidilutive for the respective periods.

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ACCOUNTING FOR STOCK-BASED COMPENSATION Accounting for stock-based compensation requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. The Company uses fair value as the measurement objective in accounting for share-based payment arrangements and applies a fair-value-based measurement method in accounting for share-based payment transactions with employees except for equity instruments held by employee share ownership plans.

For fiscal 2015, 2014 and 2013, approximately $6.0 million, $5.3 million and $4.3 million in compensation expense has been recognized in selling, general and administrative expenses in the consolidated statements of operations related to stock options, SARS and restricted stock, respectively. During fiscal 2014 and 2013, the Company reversed $0.3 million and $0.4 million, respectively, of previously recognized compensation expense into earnings, since it was no longer probable that the previously established performance targets would be met and those equity awards were no longer expected to vest. Compensation expense for these awards is based on the fair value at the original grant date. During fiscal 2015, 2014, and 2013, the Company received cash of $0.4 million, $0.2 million, and $1.8 million, respectively, from the exercise of stock options and realized a tax benefit of approximately ($0.2) million, $0.1 million, and $1.6 million, respectively, from such exercises.

The fair value of restricted stock awards is based on the quoted market price on the date of grant. The fair value of the options is estimated at the date of grant using the Black-Scholes Option Pricing Model. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including: expected volatility based on the expected price of the Company s common stock over the expected life of the option; the risk free rate of return based on the U.S. Treasury yield curve in effect at the time of grant for the expected term of the option; the expected life based on the period of time the options are expected to be outstanding using historical data to estimate option exercises and employee terminations; and dividend yield based on the Company s history and expectation of dividend payments. Using the Black-Scholes Option Pricing Model, the estimated weighted-average fair value per option granted in fiscal years 2015, 2014 and 2013 was $10.22, $10.06 and $10.32, respectively.

The following weighted-average assumptions for 2015, 2014 and 2013 were derived from the Black-Scholes model and used to determine the fair value of stock options:

	2015	2014	2013
Risk free interest	2.2 - 2.4%	2.4% - 2.7%	2.4%
Dividend yield	0.0%	0.0%	0.0%
Volatility factors	62.3% - 63.3%	63.7% - 64.8%	65.4% - 66.1%
Weighted-average life (years)	5.0	5.0	5.0

RECENT ACCOUNTING PRONOUNCEMENTS In March 2013, the Financial Accounting Standards Board (FASB) issued ASU No. 2013-05, *Foreign Currency Matters.* Accounting Standards Update (ASU) No. 2013-05 indicates that a cumulative translation adjustment (CTA) is attached to the parent s investment in a foreign entity and should be released in a manner consistent with the derecognition guidance on investments in entities. Thus, the entire amount of the CTA associated with the foreign entity would be released when there has been a sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in the foreign entity, loss of a controlling financial interest in an investment in a foreign entity (i.e., the foreign entity is deconsolidated), or step acquisition for a foreign entity (i.e., when an entity has changed from applying the equity method for an investment in a foreign entity to consolidating the foreign entity). ASU No. 2013-05 does not change the requirement to release a pro rata portion of the CTA of the foreign entity into earnings for a partial sale of an equity method investment in a foreign entity. ASU No. 2013-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of ASU No. 2013-05 did not have a material impact on the Company s results of operations or the Company s financial position.

In July 2013, the FASB issued ASU No. 2013-11, *Income Taxes (Topic 740): Presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists.* Under the amendments of this update an entity is required to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The provisions of this update were effective prospectively for the Company in fiscal years beginning after December 15, 2013, and for the interim periods within such fiscal years with early adoption and retrospective application permitted. The adoption of ASU No. 2013-11 did not have a material impact on the Company s results of operations or the Company s financial position.

In April 2014, the FASB issued ASU No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.* ASU No. 2014-08 amends the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity s operations and financial results. The amendments require expanded disclosures for discontinued operations that would provide users of financial statements with more information about the assets, liabilities, revenues, and expenses of discontinued operations and disclosure of the pretax profit or loss of individually significant components of an entity that do not qualify for discontinued operations reporting. ASU No. 2014-08 is to be applied prospectively to all disposals (or classifications as held for sale) of components of an entity and all businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within fiscal years, and interim periods within those years, beginning after December 15, 2014. The adoption of ASU No. 2014-08 is not expected to have a material impact on the Company s results of operations or the Company s financial position.

In May 2014, the FASB issued ASU No. 2014-09*, Revenue from Contracts with Customers.* ASU No. 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard for GAAP and International Financial Reporting Standards (IFRS) that removes inconsistencies and weaknesses in revenue requirements, provides a more robust framework for addressing revenue issues, improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, provides more useful information to users of financial statements through improved disclosure requirements and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. ASU No. 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Companies can choose to apply the ASU using either the full retrospective approach or a modified retrospective approach. The Company is currently evaluating both methods of adoption and the impact, if any, that the adoption of this ASU will have on the Company s results of operations or the Company s financial position.

In June 2014, the FASB issued ASU No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force).* ASU No. 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. ASU No. 2014-12 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. The amendments can be applied either prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards. The Company is currently evaluating both methods of adoption and the impact, if any, that the adoption of this ASU will have on the Company s results of operations or the Company s financial position.

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3. Acquisitions

Acquisition of Ben Hogan

On February 16, 2012, the Company acquired the world-wide intellectual property rights of the Ben Hogan family of brands from Callaway Golf Company for a purchase price of $7.0 million. The acquisition was financed through existing cash and borrowings under the Company s existing senior credit facility. Ben Hogan brands are ideally positioned to strengthen the Company s golf business within the Men s Sportswear and Swim segment.

The assets acquired were composed of tradenames, which have been identified as indefinite useful life assets and are not subject to amortization.

Pro forma information for the acquisition of Ben Hogan has not been provided as it is immaterial to the Company s consolidated operations.

Acquisition of Rafaella

On January 28, 2011, the Company completed the acquisition of substantially all of the assets of Rafaella Apparel Group, Inc. (Rafaella), Rafaella Apparel Far East Limited (Rafaella Far East) and Verrazano, Inc. (Verrazano) pursuant to the Asset Purchase Agreement dated as of January 7, 2011 (the Agreement) by and among Rafaella, Rafaella Far East and Verrazano (collectively, the Sellers) and the Company.

At January 28, 2011, the initial consideration paid by the Company totaled $80.0 million in cash and a warrant to purchase 106,565 shares of the Company s common stock valued at approximately $2.6 million. During the fourth quarter of fiscal 2012, the cash portion of the purchase price was adjusted as set forth in the Agreement based on a post-closing true-up of net working capital, which resulted in total adjusted cash paid by the Company totaling $75.4 million. The original cash paid was reduced by $4.5 million, and such amount was collected during the first quarter of fiscal 2013.

4. Accounts Receivable

Accounts receivable consisted of the following as of:

	January 31, 2015	February 1, 2014
	(in thousands)	
Trade accounts	$ 150,515	$ 160,332
Royalties	6,662	5,998
Other receivables	1,034	1,483
Total	158,211	167,813
Less: Allowances	(20,779)	(21,421)
Total	$ 137,432	$ 146,392

The Company reports accounts receivable at amounts it expects to be collected, less allowances for trade discounts, co-op advertising, allowances it provides to its retail customers to effectively flow goods through the retail channels, an allowance for potential non-collection due to the financial position of its customers and credit card accounts, and an allowance for estimated sales returns. Management reviews these allowances and considers the aging of account balances, historical experience, changes in customer creditworthiness, current economic and product trends, customer payment activity and other relevant factors. A small portion of our accounts receivable are insured for collections. Should any of these factors change, the estimates made by management may also change, which could affect the level of future provisions.

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5. Inventories

Inventories consisted of the following as of:

	January 31, 2015	February 1, 2014
	(in thousands)	
Finished goods	$ 183,468	$ 205,971
Raw materials and in process	266	631
Total	$ 183,734	$ 206,602

The Company s inventories are valued at the lower of cost (weighted moving average cost) or market. The Company evaluates all of its inventory stock keeping units (SKUs) to determine excess or slow moving SKUs based on orders on hand and projections of future demand and market conditions. For those units in inventory that are identified as excess or slow moving, the Company estimates their market value based on current sales trends. If the projected net sales value is less than cost, on an individual SKU basis, the Company writes down inventory to reflect the lower value. This methodology recognizes projected inventory losses at the time such losses are evident rather than at the time goods are actually sold.

6. Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following as of:

	January 31, 2015	February 1, 2014
	(in thousands)	
Prepaid expenses	6,861	7,134
Other current assets	263	235
Total	$ 7,124	$ 7,369

The Company previously closed its Winnsboro distribution facility (Winnsboro) and listed the property for sale. Accordingly, Winnsboro was classified as a held-for-sale asset in the amount of $2.0 million. During the third quarter of fiscal 2014, the Company sold Winnsboro for a total sales price of $2.0 million, less selling commissions and closing costs. As a result of this transaction, the Company recorded a loss of $0.1 million.

7. Investments

The Company s investments include marketable securities and certificates of deposit at January 31, 2015 and February 1, 2014. Marketable securities are classified as available-for-sale and consist of corporate bonds with maturity dates less than one year. Certificates of deposit are classified as available-for-sale with $7.1 million with maturity dates within one year or less and $0.6 million with maturity dates over one year and less than two years. Investments are stated at fair value. The estimated fair value of the marketable securities is based on quoted prices in an active market (Level 1 fair value measures).

Investments consisted of the following as of January 31, 2015:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value

	(in thousands)			
Marketable securities	$ 12,247	$ 9	$ 0	$ 12,256
Certificates of deposit	7,742	1	(3)	7,740
Total investments	$ 19,989	$ 10	$ (3)	$ 19,996

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Investments consisted of the following as of February 1, 2014:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(in thousands)		
Marketable securities	$ 10,636	$ 1	$ (39)	$ 10,598
Certificates of deposit	4,801	2	(3)	4,800
Total investments	$ 15,437	$ 3	$ (42)	$ 15,398

8. Property and Equipment

Property and equipment consisted of the following as of:

	January 31, 2015	February 1, 2014
	(in thousands)	
Furniture, fixtures and equipment	$ 79,225	$ 74,188
Buildings and building improvements	19,719	19,614
Vehicles	569	771
Leasehold improvements	47,807	40,335
Land	9,488	9,488
Total	156,808	144,396
Less: accumulated depreciation and amortization	(92,175)	(84,484)
Total	$ 64,633	$ 59,912

The above table of property and equipment includes assets held under capital leases as of:

	January 31, 2015	February 1, 2014
	(in thousands)	
Furniture, fixtures and equipment	$ 888	$ 938
Less: accumulated depreciation and amortization	(791)	(543)
Total	$ 97	$ 395

Depreciation and amortization expense relating to property and equipment amounted to $12.0 million**,** $12.3 million and $13.0 million for the fiscal years ended January 31, 2015, February 1, 2014 and February 2, 2013, respectively. These amounts include amortization expense for leased property under capital leases.

9. Other Intangible Assets

Trademarks

Trademarks, included in other intangible assets, net, are considered indefinite-lived assets and totaled $205.5 million at January 31, 2015 and $205.9 million at February 1, 2014.

On August 1, 2014, the Company entered into a sales agreement, in the amount of $1.3 million, for the sale of Australian, Fiji and New Zealand trademark rights with respect to Jantzen. Payments on the purchase price are due in five installments of $250,000 over a five year period. Interest on the purchase price that remains unpaid will accrue at a rate of 3.5% per annum calculated on an annual basis. The first payment was due within four days of the completion date and has been paid. The remaining four payments are to be paid annually commencing on August 1, 2015 with the final payment to be made on August 1, 2018. As a result of this transaction, the Company recorded a gain of $0.9 million in the licensing segment.

During the fourth quarter of fiscal 2013, the Company entered into a sales agreement, in the amount of $7.5 million, for certain Asian trademark rights with respect to John Henry. This transaction closed in the first quarter of fiscal 2014. The Company collected proceeds of $4.9 million and $2.6 million during the first quarter of fiscal 2014 and the fourth quarter of fiscal 2013, respectively. As a result of this transaction, the Company recorded a gain of $6.3 million in the licensing segment. The Company plans to continue executing on its domestic strategy for the John Henry brand as a modern lifestyle resource to select retailers and through its licensing relationships in Latin America.

These trademarks are not subject to amortization but are reviewed at least annually for potential impairment. The fair value of each trademark asset is compared to the carrying value of the trademark. The Company recognizes an impairment loss when the estimated fair value of the trademark asset is less than the carrying value. The Company s impairment test is performed annually during the fourth quarter.

The Company estimates the fair value of the trademarks based on an income approach using the relief-from-royalty method. This methodology assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to exploit the related benefits of trademark assets. The cash flow models the Company uses to estimate the fair values of its trademarks involve several assumptions. The fair values are considered to be Level 3 fair value measures due to the use of significant unobservable inputs. Changes in these assumptions could materially impact the Company s fair value estimates. Assumptions critical to the fair value estimates are: (i) discount rates used to derive the present value factors used in determining the fair value of the trademarks; (ii) royalty rates used in the trademark valuations; (iii) projected revenue growth rates; and (iv) projected long-term growth rates used in the derivation of terminal year values. These and other assumptions are impacted by economic conditions and expectations of management and could change in the future based on period-specific facts and circumstances. The Company bases its fair value estimates on assumptions it believes to be reasonable, but which are unpredictable and inherently uncertain.

As a result of the annual trademark impairment analysis performed during the fiscal years ended January 31, 2015 and February 2, 2013, the Company determined that the estimated fair value of the trademarks exceeded their carrying value. As a result of the annual trademark impairment analysis performed during the fiscal year February 1, 2014, the Company determined that the carrying value of certain trademarks exceeded their estimated fair value. Accordingly, the Company recorded non-cash, pre-tax charges of $34.3 million to reduce the value of these trademarks, which are assigned to the Licensing segment, to their estimated fair values. The impairments resulted from a decline in the future anticipated cash flows from these trademarks, which was due, in part, to the economic challenges and market conditions in the apparel industry at such time. Impairment charges are included in impairment on assets in the accompanying consolidated statements of operations.

Goodwill

Goodwill represents the excess of the purchase price over the value assigned to tangible and identifiable intangible assets of businesses acquired and accounted for under the acquisition method. The Company reviews goodwill at least annually for possible impairment during the fourth quarter of each year using a discounted cash flow analysis that requires that certain assumptions and estimates be made regarding industry economic factors and future profitability and cash flows. The goodwill impairment test is a two-step process that requires the Company to make decisions in determining appropriate assumptions to use in the calculation. The fair values are considered to be Level 3 fair value measures due to the use of significant unobservable inputs. Assumptions critical to the fair value estimates are: (i) discount rates used to derive the present value factors used in determining the fair value of each reporting unit; (ii) projected revenue and expense growth rates; and (iii) projected long-term growth rates used in the derivation of terminal year values. The first step consists of estimating the fair value of each reporting unit and comparing those estimated fair values with the actual carrying values, which include the allocated goodwill. If the estimated fair value is less than the actual carrying value, a second step is performed to compute the amount of the impairment, if any, by determining an implied fair value of goodwill. The determination of each reporting unit s implied fair value of goodwill requires the Company to allocate the estimated fair value of the reporting unit to its assets and liabilities. Any unallocated fair value represents the implied fair value of goodwill which is compared to its corresponding carrying amount.

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Based on the annual goodwill impairment analysis performed during the fiscal year ended January 31, 2015 and February 2, 2013, the Company determined that the estimated fair value of goodwill exceeded the carrying value, respectively. As a result of the annual goodwill impairment analysis performed during fiscal year ended February 1, 2014, the Company determined that the carrying value exceeded the estimated fair value of goodwill. Accordingly, the Company recorded non-cash, pre-tax charges of $7.8 million to reduce the value of goodwill, which is assigned to the Women s Sportswear segment, and are included in impairment on assets in the accompanying consolidated statements of operations. The carrying value of goodwill existing in the Company s Women s Sportswear segment was approximately $6.0 million and $6.0 million, as of January 31, 2015 and February 1, 2014.

Other

Other intangible assets represent customer lists as of:

	January 31, 2015	February 1, 2014
	(in thousands)	
Customer lists	$ 8,450	$ 8,450
Less: accumulated amortization	(3,782)	(2,863)
Total	$ 4,668	$ 5,587

For the years ended January 31, 2015 and February 1, 2014, amortization expense relating to customer lists amounted to approximately $0.9 million and $0.9 million, respectively. Other intangible assets are amortized over their estimated useful lives of 10 years. Assuming no impairment, the estimated amortization expense for future periods based on recorded amounts as of January 31, 2015, will be approximately $0.9 million a year from fiscal 2016 through fiscal 2017 and approximately $0.8 million a year from fiscal 2018 through fiscal 2019.

10. Investment in Joint Venture

On April 20, 2012, the Company formed a joint venture, Manhattan China Limited, with China Outfitters Holdings Limited (COHL). Under the joint venture agreement, Manhattan China Limited has 10,000,000 initial authorized shares of capital (joint venture shares). COHL holds 7,500,000 joint venture shares, a 75% ownership interest in the joint venture, and the Company holds 2,500,000 joint venture shares, a 25% ownership interest in Manhattan China Limited, which is accounted for under the equity method. The Company has a put option to sell its 2,500,000 joint venture shares to COHL in exchange for cash or COHL shares at any time before April 20, 2020. As of January 31, 2015 and February 1, 2014 the Company s investment in unconsolidated joint venture, which is classified as other long-term asset in the accompanying consolidated balance sheets, was approximately $0.4 million. There have been no significant operations to date.

11. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following as of:

	January 31, 2015	February 1, 2014
	(in thousands)	
Salaries and commissions	$ 3,702	$ 3,680
Royalties	2,992	4,035
Unearned advertising reimbursement	1,997	1,942
Insurance and rent	2,651	2,221
State sales and other taxes	2,364	2,812
Professional fees	1,299	728
Current portion real estate mortgages	791	792

Other	6,559	8,432
Total	$ 22,355	$ 24,642

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12. Senior Subordinated Notes Payable

In March 2011, the Company issued $150 million $7^{7}/_{8}$% senior subordinated notes, due April 1, 2019. The proceeds of this offering were used to retire the $150 million $8\ ^{7}/_{8}$% senior subordinated notes due September 15, 2013 and to repay a portion of the outstanding balance on the senior credit facility. The proceeds to the Company were $146.5 million yielding an effective interest rate of 8.0%.

Certain Covenants. The indenture governing the senior subordinated notes contains certain covenants which restrict the Company s ability and the ability of its subsidiaries to, among other things, incur additional indebtedness in certain circumstances, pay dividends or make other distributions on, redeem or repurchase capital stock, make investments or other restricted payments, create liens on assets to secure debt, engage in transactions with affiliates, and effect a consolidation or merger. The Company is not aware of any non-compliance with any of its covenants in this indenture. The Company could be materially harmed if it violated any covenants because the indenture s trustee could declare the outstanding notes, together with accrued interest, to be immediately due and payable, which the Company may not be able to satisfy. In addition, a violation could also constitute a cross-default under the senior credit facility, the letter of credit facilities and the real estate mortgages resulting in all of the Company s debt obligations becoming immediately due and payable, which it may not be able to satisfy.

On April 6, 2015, the Company elected to call for the partial redemption of $100 million of its $150 million 7.875% senior subordinated notes due 2019 and a notice of redemption was sent to all registered holders of the senior subordinated notes. The redemption price for the senior subordinated notes is equal to 103.938% of the principal amount of the senior subordinated notes, plus accrued and unpaid interest to, but not including, the redemption date, which will be on May 6, 2015.

13. Senior Credit Facility

On January 9, 2014, the Company amended and restated its existing senior credit facility (the Credit Facility), with Wells Fargo Bank, National Association, as agent for the lenders, and Bank of America, N.A., as syndication agent. The Credit Facility provides a revolving credit facility of up to an aggregate amount of $125 million, subject to increases from time to time in increments of $25 million up to a maximum of $200 million. The Credit Facility has been extended through December 1, 2018. At January 31, 2015, the Company had no outstanding borrowings under the Credit Facility. At February 1, 2014, the Company had outstanding borrowings of $8.2 million under the Credit Facility.

In connection with the partial redemption of the Notes, on April 1, 2015, the Company entered into a commitment letter with Wells Fargo Bank, National Association, as agent under the Credit Facility, pursuant to which the maximum principal balance that may be outstanding under the Credit Facility will be increased by $75 million to a maximum of $200 million. The closing under the commitment letter is subject to customary closing conditions and is expected to occur not later than April 30, 2015.

Certain Covenants. The Credit Facility contains certain financial and other covenants, which, among other things, require the Company to maintain a minimum fixed charge coverage ratio if availability falls below certain thresholds. The Company is not aware of any non-compliance with any of its covenants in this Credit Facility. These covenants may restrict the Company s ability and the ability of its subsidiaries to, among other things, incur additional indebtedness and liens in certain circumstances, redeem or repurchase capital stock, make certain investments or sell assets. The Company may pay cash dividends subject to certain restrictions set forth in the covenants including, but not limited to, meeting a minimum excess availability threshold and no occurrence of default. The Company could be materially harmed if it violates any covenants, as the lenders under the Credit Facility could declare all amounts outstanding, together with accrued interest, to be immediately due and payable. If the Company is unable to repay those amounts, the lenders could proceed against the assets of the Company and its subsidiaries that are borrowers or guarantors. In addition, a covenant violation that is not cured or waived by the lenders could also constitute a cross-default under certain of the Company s other outstanding indebtedness, such as the indenture relating to the Company s$7^{7}/_{8}$% senior subordinated notes due April 1, 2019, the Company s letter of credit facilities, or the Company s real estate mortgage loans. Such a cross-default could result in all of the Company s debt obligations becoming immediately due and payable, which the Company may not be able to satisfy.

Borrowing Base. Borrowings under the Credit Facility are limited to a borrowing base calculation, which generally restricts the outstanding balance to the sum of (a) 87.5% of eligible receivables plus (b) 87.5% of eligible foreign accounts up to $1.5 million plus (c) the lesser of (i) the inventory loan limit, which equals 80% of the maximum credit under the Credit Facility at the time, or (ii) a maximum of 70.0% of eligible finished goods inventory, or 90.0% of the net recovery percentage (as defined in the Credit Facility) of eligible inventory.

Interest. Interest on the outstanding principal balance drawn under the Credit Facility accrues, at the prime rate and at the rate quoted by the agent for Eurodollar loans. The margin adjusts quarterly, in a range of 0.50% to 1.00% for prime rate loans and 1.50% to 2.00% for Eurodollar loans, based on the Company s previous quarterly average of excess availability plus excess cash on the last day of the previous quarter.

Security. As security for the indebtedness under the Credit Facility, the Company and the subsidiaries that are borrowers or guarantors have granted to the lenders a first priority security interest (subject to liens permitted under the Credit Facility to be senior thereto) in substantially all of its existing and future assets, including, without limitation, accounts receivable, inventory, deposit accounts, general intangibles, equipment and capital stock or membership interests, as the case may be, of certain subsidiaries, and real estate but excluding the Company s non-U.S. subsidiaries and all of the Company s trademark portfolio.

14. Letter of Credit Facilities

As of January 31, 2015, the Company maintained two U.S. dollar letter of credit facilities totaling $45.0 million and one letter of credit facility totaling $0.3 million utilized by its United Kingdom subsidiary. Each documentary letter of credit is secured primarily by the consignment of merchandise in transit under that letter of credit and certain subordinated liens on the Company s assets.

During fiscal 2014, the Company decreased the letter of credit sublimit in its Senior Credit Facility to $30.0 million. As of January 31, 2015 and February 1, 2014, there was $33.7 million and $33.5 million, respectively, available under the existing letter of credit facilities.

Amounts under letter of credit facilities consisted of the following as of:

	January 31, 2015	February 1, 2014
	(in thousands)	
Total letter of credit facilities	$ 45,301	$ 45,329
Outstanding letters of credit	(11,595)	(11,858)
Total credit available	$ 33,706	$ 33,471

15. Real Estate Mortgages

In July 2010, the Company paid off its then existing real estate mortgage loan and refinanced its main administrative office, warehouse and distribution facility in Miami with a $13.0 million mortgage loan. The loan is due on August 1, 2020. The interest rate has been modified since the refinancing date. The interest rate was 4.25% per annum and monthly payments of principal and interest of $71,000 were due, based on a 25-year amortization with the outstanding principal due at maturity. In July 2013, the Company amended the mortgage loan agreement to modify the interest rate. The interest rate was reduced to 3.9% per annum and the terms were restated to reflect new monthly payments of principal and interest of $69,000, based on a 25-year amortization, with the outstanding principal due at maturity. At January 31, 2015, the balance of the real estate mortgage loan totaled $11.4 million, net of discount, of which $345,000 is due within one year.

In June 2006, the Company entered into a mortgage loan for $15 million secured by the Company s Tampa facility. The loan is due on January 23, 2019. The mortgage loan has been refinanced and the interest rate has been modified since such date. The interest rate was 4.00% per annum and quarterly payments of principal and interest of approximately $248,000 were due, based on a 20-year amortization, with the outstanding principal due at maturity. In January 2014, the Company again amended the mortgage loan to modify the interest rate. The interest rate was reduced to 3.25% per annum and the terms were restated to reflect new monthly payments of principal and interest of approximately $68,000, based on a 20-year amortization, with the outstanding principal due at maturity. At January 31, 2015, the balance of the real estate mortgage loan totaled $11.5 million, net of discount, of which approximately $446,000 is due within one year.

The real estate mortgage loans contain certain covenants. The Company is not aware of any non-compliance with any of the covenants. If the Company violates any covenants, the lender under the real estate mortgage loan could declare all amounts outstanding thereunder to be immediately due and payable, which the Company may not be able to satisfy. A covenant violation could constitute a cross-default under the Company s senior credit facility, the letter of credit facilities and the indenture relating to its senior subordinated notes resulting in all of its debt obligations becoming immediately due and payable, which the Company may not be able to satisfy.

The contractual maturities of the real estate mortgages are as follows:

Fiscal year ending:

	Amount (in thousands)
2016	$ 791
2017	848
2018	881
2019	10,609
2020	439
Thereafter	9,628
	23,196
Less discount	(296)
Total	$ 22,900

16. Retirement Plan

The Company has a 401(k) Plan (the Plan) which includes a discretionary Company match that has ranged from 0% to 50% of the first 6% contributed to the Plan by eligible employees. Eligible employees may participate in the Plan upon the attainment of age 21, and completion of three continuous months of service. Participants may elect to contribute up to 60% of their compensation, subject to maximum statutory limits. The Company s discretionary contributions to the Plan were approximately $1.0 million, $0.9 million and $0.8 million for the fiscal years ended January 31, 2015, February 1, 2014 and February 2, 2013, respectively.

17. Benefit Plans

The Company sponsors two qualified pension plans as a result of the Perry Ellis Menswear acquisition that occurred in June 2003. The plans were frozen and merged as of December 31, 2003.

During fiscal 2015, the Board of Directors resolved to terminate the pension plan. Distribution of plan assets pursuant to the termination will not be made until the plan termination satisfies the regulatory requirements prescribed by the Internal Revenue Service and the Pension Benefit Guaranty Corporation, which is expected to occur in late 2015.

The following tables provide a reconciliation of the changes in the plans benefit obligations and fair value of assets over the plan years beginning February 2, 2014 and ended January 31, 2015, and a statement of the funded status as of January 31, 2015.

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For the fiscal year ended:	January 31, 2015	February 1, 2014
	(in thousands)	
Change in benefit obligation		
Benefit obligation at beginning of plan year	$ 42,426	$ 44,893
Service cost	250	250
Interest cost	1,635	1,625
Actuarial gain (loss)	4,524	(1,401)
Lump sums plus annuities paid	(3,006)	(2,941)
Benefit obligation at end of plan year	$ 45,829	$ 42,426
Change in plan assets		
Fair value of plan assets at beginning of plan year	$ 32,564	$ 30,207
Actual return on plan assets	4,380	2,425
Company contributions	2,961	2,873
Lump sums plus annuities paid	(3,006)	(2,941)
Fair value of plan assets at end of plan year	$ 36,899	$ 32,564
Unfunded status at end of plan year	$ 8,930	$ 9,862

The net unfunded amount is classified as a liability in the caption deferred pension obligation on the consolidated balance sheet. At January 31, 2015, the deferred loss included in accumulated other comprehensive loss was $11.8 million before tax and $8.1 million on an after-tax basis. At February 1, 2014, the deferred loss included in accumulated other comprehensive loss was $9.6 million before tax and $5.9 million on an after-tax basis. At February 2, 2013, the deferred loss included in accumulated other comprehensive loss was $11.8 million before tax and $7.2 million on an after-tax basis.

The following table provides the components of net benefit cost for the plans for the fiscal years ended:

	January 31, 2015	February 1, 2014	February 2, 2013
		(in thousands)	
Service cost	$ 250	$ 250	$ 250
Interest cost	1,635	1,625	1,733
Expected return on plan assets	(2,398)	(2,219)	(2,033)
Amortization of unrecognized net loss	399	533	524
Net periodic benefit cost	$ (114)	$ 189	$ 474

The prior service costs are amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the greater of the benefit obligation and the market-related value of assets are amortized over the average remaining service period of active participants.

The assumptions used in the measurement of the Company s benefit obligation are shown in the following table for the plan years ended:

	January 31, 2015	February 1, 2014
Discount rate	3.05%	4.00%
Rate of compensation increase	N/A	N/A

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The assumptions used in the measurement of the net periodic benefit cost are as follows:

	January 31, 2015	February 1, 2014
Discount rate	3.05%	3.75%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	N/A	N/A

The pension plan weighted-average asset allocations by asset category are as follows:

	January 31, 2015	February 1, 2014
Asset category:		
Equity securities	0.00%	57.60%
Debt securities	94.10%	29.00%
Cash	5.90%	13.40%
Total	100.00%	100.00%

The Company s Investment Committee establishes investment guidelines and strategies, and regularly monitors the performance of the investments. The Company s investment strategy with respect to pension assets is to invest the assets in accordance with applicable laws and regulations. The primary objectives for the Company s pension assets are to (1) provide for a reasonable amount of growth of capital, without undue exposure to risk; and protect the assets from erosion of purchasing power, and (2) provide investment results that meet or exceed the plans actuarially assumed rate of return.

The fair value of plan assets by asset category is as follows:

	Fair Value Measurements At January 31, 2015			
	Level 1	Level 2 (in thousands)	Level 3	Total
Asset category:				
Equity securities	$	$	$	$
Debt securities	34,722			34,722
Cash	2,177			2,177
Total	$ 36,899	$	$	$ 36,899

	At February 1, 2014			
	Level 1	Level 2 (in thousands)	Level 3	Total
Asset category:				
Equity securities	$ 18,757	$	$	$ 18,757
Debt securities	9,444			9,444
Cash	4,363			4,363
Total	$ 32,564	$	$	$ 32,564

The expected future benefit payments are as follows for fiscal years ending:

Expected Future Benefits Payments	**(in thousands)**
2016	$ 45,829
Thereafter	

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The Company s contributions for fiscal 2016 are expected to be approximately $9.0 million. The Company will review the funding status during fiscal 2016 and the incremental funding provisions may change in future periods.

18. Unearned Revenues and Other Long-Term Liabilities

Unearned revenues and other long-term liabilities consisted of the following as of:

	January 31, 2015	February 1, 2014
	(in thousands)	
Deferred rent long-term	$ 12,324	$ 9,567
Deferred gain long-term	878	1,835
Unearned revenue	688	1,438
Deferred advertising	688	1,438
Other	431	454
Total	$ 15,009	$ 14,732

In connection with an agreement entered into on January 25, 2007, with Falic Fashion Group, LLC, (Falic) the Company recorded an accounting gain from the sale of certain assets in the amount of approximately $9.6 million. The gain is being deferred over the term of the license agreement with Falic that was entered into simultaneously with the sale of the assets, as an adjustment to the effective royalty rate. As such, approximately $1.0 million and $1.0 million are recorded in unearned revenues and approximately $0.9 million and $1.8 million are recorded in unearned revenues and other long-term liabilities in the accompanying consolidated balance sheet as of January 31, 2015 and February 1, 2014, respectively.

19. Income Taxes

For financial reporting purposes, income (loss) before income tax provision (benefit) includes the following components:

	January 31, 2015	February 1, 2014	February 2, 2013
		(in thousands)	
Domestic	$ 1,404	$ (46,948)	$ 11,084
Foreign	7,213	12,554	10,425
Total	$ 8,617	$ (34,394)	$ 21,509

The income tax provision (benefit) consisted of the following components for each of the years ended:

	January 31, 2015	February 1, 2014	February 2, 2013
		(in thousands)	
Current income taxes:			
Federal	$ 398	$ 350	$ 2,244
State	505	40	(270)
Foreign	1,159	2,870	2,083

Total current income taxes	2,062	3,260	4,057
Deferred income taxes:			
Federal	41,225	(12,728)	2,344
State	2,974	(2,018)	307
Foreign	(469)	(129)	
Total deferred income taxes	43,730	(14,875)	2,651
Total	$ 45,792	$ (11,615)	$ 6,708

The Company s effective income tax rate was as follows for each of the years ended:

	January 31, 2015	February 1, 2014	February 2, 2013
Statutory federal income tax rate	35.0%	(35.0%)	35.0%
(Increase) decrease resulting from State income taxes, net of federal income tax benefit	(1.7%)	(6.4%)	1.5%
Foreign tax rate differential	(28.8%)	(6.7%)	(12.0%)
Change in reserves	3.3%	0.6%	(2.1%)
Change in valuation allowance	506.9%	3.6%	3.6%
Non-deductible items	14.7%	8.3%	2.4%
Other	2.0%	1.8%	2.8%
Total	531.4%	(33.8%)	31.2%

Deferred income taxes are provided for the temporary differences between financial reporting basis and the tax basis of the Company s assets and liabilities. The tax effects of temporary differences were as follows, as of the years ended:

	January 31, 2015	February 1, 2014
	(in thousands)	
Deferred tax assets:		
Inventory	$ 6,631	$ 6,473
Accounts receivable	1,479	1,542
Accrued expenses	6,488	4,768
Advance payments	872	1,330
Net operating losses	18,667	17,309
Deferred pension obligation	3,723	4,065
Stock compensation	4,411	3,964
Other	9,388	8,855
	51,659	48,306
Deferred tax liabilities:		
Intangible assets	(37,361)	(34,330)
Prepaid expenses	(1,436)	(1,326)
Other	(3)	(2)
	(38,800)	(35,658)
Valuation allowance	(50,013)	(5,998)
Net deferred tax asset (liability)	$ (37,154)	$ 6,650

During fiscal 2009, the Company initially recorded a $1.0 million deferred tax asset with realized and unrealized losses associated with marketable securities. Management believes it is more likely than not that the related deferred tax asset associated with these losses will not be realized due to tax limitations imposed on the utilization of capital losses. During fiscal 2014, the deferred tax asset associated with these losses was reduced by $0.1 million relating to the expiration of capital loss carryforwards and the reassessment of the deferred tax rate. As such, the Company reduced the valuation allowance established against the asset not expected to be realized from the amount of $1.0 million for fiscal year 2013 to $0.9 million for fiscal years 2014 and 2015.

During fiscal years 2015 and 2014, the Company realized tax-effected losses of $0.5 million and $0.4 million, respectively, associated with the operations of its U.K. subsidiary. For U.K. tax purposes, the operating loss has an indefinite carryforward period. Based upon operating results from the three most recent fiscal years, including fiscal 2015, management of the Company has determined that its U.K. subsidiary represents a cumulative loss company. Therefore, management has determined that a valuation allowance for deferred income tax assets is necessary. The balance of the valuation allowance associated with the U.K. operating loss carryforward for fiscal 2015 and 2014 was $2.4 million and $2.2 million, respectively. During fiscal 2015, the net increase in valuation allowance was $0.2 million, which included an increase in the valuation allowance of $0.5 million related to the current year U.K. loss and a decrease in the valuation allowance of $0.3 million related to an adjustment to true-up the operating loss to the most recently filed U.K. tax return. There is no tax expense related to the increase of $0.2 million as the asset and valuation allowance changes offset each other.

During fiscal 2015, the Company realized cumulative tax-effected losses of $0.2 million associated with the operations of its Hong Kong subsidiary. Based upon operating results from the three more recent fiscal years, including fiscal 2015, management of the Company has determined that its Hong Kong subsidiary represents a cumulative loss company. Therefore, management has determined that a valuation allowance for deferred income tax assets is necessary. As such, during fiscal 2015, the Company established a $0.2 million valuation allowance against the Hong Kong operating loss carryforward.

In connection with the 2003 Perry Ellis Menswear acquisition, the Company originally acquired a net deferred tax asset of approximately $53.5 million, net of a $20.3 million valuation allowance. Additionally, the acquisition of Perry Ellis Menswear caused an ownership change for federal income tax purposes. As a result, the use of any net operating losses existing at the date of the ownership change to offset future taxable income of the Company is limited by Section 382 of the Internal Revenue Code of 1986, as amended (Section 382). As of the acquisition date, Perry Ellis Menswear had available federal net operating losses of which approximately $56.0 million expired unutilized as a result of the annual usage limitations under Section 382.

The Company has available at January 31, 2015, a net federal operating tax loss carry-forward of approximately $34.8 million and an additional $0.3 million of net operating tax loss carry-forward from stock options which will benefit additional paid-in capital when the loss is utilized.

The following table reflects the expiration of the remaining federal net operating losses:

Fiscal Year	(in thousands)
2016	$
2017 - 2022	22,288
2023 - 2026	8,827
Thereafter	3,697
	$ 34,812

In addition to the Company s U.S. federal net operating loss, the Company has reflected in its income tax provision deferred tax assets associated with net operating losses generated in various U.S. state jurisdictions. However, with respect to jurisdictions where the Company either has limited operations or statutory limitations on the use of acquired net operating losses, the ability to utilize such losses is restricted. Therefore, management has determined that a valuation allowance for deferred income tax assets is necessary, as the assets are not expected to be fully realized. The balance of the valuation allowance associated with U.S. state net operating losses in states where use is restricted for fiscal 2015 and 2014 was $2.7 million and $2.3 million, respectively. During fiscal 2015 and 2014, the valuation allowance increased by $0.4 million and $0.6 million, respectively.

At the end of fiscal 2015, the Company had a $1.4 million deferred tax asset relating to charitable contribution carryovers. These charitable contributions originated in fiscal years 2011 through 2015. Management believes it is more likely than not that the deferred tax asset associated with the charitable contributions that originated in 2011 through 2015 will not be realized during the carryforward period, which begins to expire in fiscal year 2016. The balance of the valuation allowance associated with charitable contributions whose use will be restricted due to carryforward limitations for fiscal 2015 and 2014 was $1.4 million and $0.6 million, respectively. During fiscal 2015 and 2014, the valuation allowance increased by $0.8 million and $0.6 million, respectively. During fiscal 2015 the deferred tax asset associated with the charitable contributions that originated in fiscal 2010 of $0.2 million expired without utilization. As such, the Company released the valuation allowance in the amount of $0.2 million which was maintained against these charitable contributions. Additionally, the Company established a valuation allowance in the amount of $1.0 million against the charitable contributions that originated in fiscal years 2012 through 2015.

During 2015, the Company recorded a valuation allowance of $42.4 million against the remaining deferred tax assets; including, but not limited to, the federal net operating loss carryforward and the U.S. state net operating loss carryforwards, whose utilization is not restricted by factors beyond the Company s control. The establishment of valuation allowances and development of projected annual effective tax rates requires significant judgment and is impacted by various estimates. Both positive and negative evidence, as well as the objectivity and verifiability of that evidence, is considered in determining the appropriateness of recording a valuation allowance on deferred tax assets. An accumulation of recent pretax losses is considered strong negative evidence in that evaluation. During the fourth quarter of fiscal 2015, unexpected labor disputes at the West Coast ports significantly disrupted the Company s supply chain and its ability to deliver products to customers. This, along with the downturn in the Company s performance during the past fiscal year, led to the cumulative pretax results for the past 36 months to reach or to nearly reach loss positions. The Company would be able to remove the valuation allowances in future periods when positive evidence outweighs the negative evidence from the relevant look-back period. However, the actual timing and amount of potential removal of the valuation allowances currently cannot be reliably estimated. The short-term consequence of being unable to record deferred tax benefits may cause the Company s effective tax rate to change significantly from period to period.

Deferred taxes have not been recognized on approximately $76.8 million of unremitted earnings of certain foreign subsidiaries of the Company based on the indefinite reversal criteria. No provision is made for income tax that would be payable upon the distribution of earnings, and it is not practicable to determine the amount of the related unrecognized deferred income tax liability because of the complexity of the hypothetical calculation.

The federal and state income tax provisions do not reflect the tax savings resulting from deductions associated with the Company s stock option plans. These savings were ($0.2) million, $0.1 million, and $1.5 million for fiscal 2015, 2014 and 2013, respectively.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. The Company s U.S. federal income tax returns for fiscal 2011 through 2015 are open tax years. The statute of limitations related to the Company s 2011 and 2012 U.S. federal tax years was extended by agreement with the Internal Revenue Service until June 30, 2016. The Company s state and foreign tax filings are subject to varying statutes of limitations. The Company s unrecognized state tax benefits are related to state tax returns open from 2005 through 2015, depending on each state s particular statute of limitation. During the fiscal year ended January 31, 2015, the U.S. federal income tax return for fiscal year 2012 was selected for examination by the Internal Revenue Service. Furthermore, various other state and local income tax returns are also under examination by taxing authorities.

As of February 1, 2014, the Company had a $0.8 million liability recorded for unrecognized tax benefits, which included interest and penalties of $0.3 million. As of January 31, 2015, the Company had a $1.0 million liability recorded for unrecognized tax benefits, which included interest and penalties of $0.2 million. All of the unrecognized tax benefits, if recognized, would affect the Company s effective tax rate.

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A reconciliation of the beginning balance of the Company s unrecognized tax benefits and the ending amount of the unrecognized tax benefits is as follows as of:

	January 31, 2015	February 1, 2014 (in thousands)	February 2, 2013
Balance at beginning of period	$ 841	$ 648	$ 1,445
Additions based on tax positions related to the current year	80	113	159
Deductions based on tax positions related to the current year	(7)		(60)
Additions for tax positions of prior years	327	192	23
Reductions for tax positions of prior years	(46)	(61)	(504)
Reductions due to lapses of statutes of limitations		(51)	(71)
Settlements	(177)		(344)
Balance at end of period	$ 1,018	$ 841	$ 648

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as a component of income tax expense. During the fiscal years 2015, 2014 and 2013, the Company recognized approximately $0.1 million, $0.2 million and ($0.3) million in interest and penalties, respectively. The Company had approximately $0.2 million and $0.3 million for the payment of interest and penalties accrued at January 31, 2015 and February 1, 2014, respectively.

In the next twelve months it is reasonably possible the Company could resolve the examinations related to the 2011 and 2012 tax years.

20. Fair Value Measurements

Accounts receivable, accounts payable, accrued interest payable and accrued expenses. The carrying amounts reported in the consolidated balance sheets approximate fair value due to the short-term nature of these instruments.

Investments. (classified within Level 1 of the valuation hierarchy) The carrying amounts of the available-for-sale investments are measured at fair value on a recurring basis in the consolidated balance sheets.

Real estate mortgages. (classified within Level 2 of the valuation hierarchy) The carrying amounts of the real estate mortgages were approximately $23.0 million and $24.0 million at January 31, 2015 and February 1, 2014, respectively. The carrying values of the real estate mortgages at January 31, 2015 and February 1, 2014, approximate their fair values since they were recently entered into and thus the interest rates approximate market.

Senior credit facility. The carrying amount of the senior credit facility approximates fair value due to the frequent resets of its floating interest rate.

Senior subordinated notes payable. (classified within Level 1 of the valuation hierarchy) The carrying amounts of the $^{7}_{8}$% senior subordinated notes payable were approximately $150.0 million at January 31, 2015 and February 1, 2014. The fair value of the $7^{7}/_{8}$% senior subordinated notes payable was approximately $157.0 million and $160.0 million as of January 31, 2015 and February 1, 2014, respectively, based on quoted market prices.

These estimated fair value amounts have been determined using available market information and appropriate valuation methods.

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21. Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss by component, net of tax, are as follows:

	Unrealized Gain on Pension Liability	Foreign Currency Translation Adjustments, Net	Unrealized Loss on Investments	Total
		(in thousands)		
Balance, February 1, 2014	$ (5,866)	$ (1,563)	$ (39)	$ (7,468)
Other comprehensive (loss) income before reclassifications	(2,618)	(3,211)	46	(5,783)
Amounts reclassified from accumulated other comprehensive loss	399			399
Balance, January 31, 2015	$ (8,085)	$ (4,774)	$ 7	$ (12,852)

	Unrealized Gain on Pension Liability	Foreign Currency Translation Adjustments, Net	Unrealized Loss on Investments	Total
		(in thousands)		
Balance, February 2, 2013	$ (7,176)	$ (884)	$	$ (8,060)
Other comprehensive income (loss) before reclassifications	984	(679)	(39)	266
Amounts reclassified from accumulated other comprehensive loss	326			326
Balance, February 1, 2014	$ (5,866)	$ (1,563)	$ (39)	$ (7,468)

A summary of the impact on the consolidated statements of operations line items is as follows:

	January 31, 2015	February 1, 2014	February 2, 2013	
		(in thousands)		
Amortization of defined benefit pension items				
Actuarial losses	$ 399	$ 533	$ 524	Selling, general and administrative expenses
Tax benefit		(207)	(203)	Income tax benefit
Total, net of tax	$ 399	$ 326	$ 321	

22. Related Party Transactions

The Company leases approximately 16,000 square feet for administrative offices and approximately 50,000 square feet for warehouse distribution and retail. These facilities, which are owned by the Company s Chairman of the Board of Directors and Chief Executive Officer, were originally leased by the Company under a 10-year lease for the office space and a 10-year lease for the warehouse and retail space. These facilities are in close proximity to the corporate office of the Company. During fiscal 2015, the Company amended the leases to extend the term for 60 months, beginning July 1, 2014 and expiring June 30, 2019. Beginning July 1, 2014, the basic monthly rent will be $41,750 and will increase 3% on the first of each of the remaining 12-month periods during the extended term. Rent expense, including insurance and taxes, for these leases amounted to approximately $610,000, or $9.25 per square foot, $602,000, or $9.13 per square foot and $587,000, or $8.90 per square foot, per square foot, for the years ended January 31, 2015, February 1, 2014 and February 2, 2013, respectively. The Company s Governance Committee reviewed the terms of the lease extensions to ensure that they were reasonable and at market. This review included information from third party sources.

During the years ended January 31, 2015, February 1, 2014 and February 2, 2013, the Company was a party to an aircraft charter agreement with a third party, who chartered the aircraft from an entity controlled by the Chairman and the President and Chief Operating Officer (the President). There is no minimum usage requirement, and the charter agreement can be terminated with 60 days notice. The Company paid, under this agreement, to the third party $1.6 million, $1.5 million and $1.5 million for the years ended January 31, 2015, February 1, 2014 and February 2, 2013, respectively. On an annual basis, the Company s Governance or Audit Committee reviews the terms of the current arrangement to ensure that it is at market. This review includes information from third party sources.

The Company is a party to licensing agreements with Isaco International, Inc. (Isaco), pursuant to which Isaco has been granted the exclusive license to use various Perry Ellis trademarks in the United States and Puerto Rico to market a line of men s underwear, hosiery and loungewear. The principal shareholder of Isaco is the father-in-law of the Company s President. Royalty income earned from the Isaco license agreements amounted to approximately $2.3 million, $2.2 million and $2.0 million for the years ended January 31, 2015, February 1, 2014 and February 2, 2013, respectively. The Company s Governance or Audit Committee reviews renewals or extensions of the licensing agreements, to ensure that they are consistent with the terms and conditions of other license agreements of the Company.

The Company is party to an agreement with Sprezzatura Insurance Group LLC. Joseph Hanono, the grandson of the Company s Chief Executive Officer, is a member of Sprezzatura Insurance Group. The Company paid under this agreement, to this third party $1.0 million, $1.0 million and $0.9 million in premiums for property and casualty insurance for the years ended January 31, 2015, February 1, 2014 and February 2, 2013, respectively. On an annual basis, the Company s Governance or Audit Committee reviews the terms of the current arrangement to ensure that it is at market value.

The Company appointed Alexandra Wilson, co-founder and Head of Strategic Alliances of Gilt Groupe, Inc., to the Board of Directors effective February 20, 2014. Gilt is the innovative online shopping destination founded in 2007, offering highly-coveted luxury lifestyle products and experiences to over eight million members. The Company s net sales to Gilt were $0.6 million, $0.4 million and $0.6 million for the years ended January 31, 2015, February 1, 2014 and February 2, 2013, respectively.

23. Equity

During the third quarter of fiscal 2015, the Board of Directors extended the stock repurchase program to authorize the Company to purchase, from time to time and as market and business conditions warranted, up to $60 million of the Company s common stock for cash in the open market or in privately negotiated transactions through October 31, 2015. Although the Board of Directors allocated a maximum of $60 million to carry out the program, the Company is not obligated to purchase any specific number of outstanding shares and will reevaluate the program on an ongoing basis. Total purchases under the plan to date amount to approximately $51.7 million. Purchases of treasury shares are subject to certain covenants under the senior credit facility and the indenture governing the senior subordinated note. See footnotes 12 and 13 to the consolidated financial statements for further information.

During fiscal 2015, 2014 and 2013, the Company repurchased shares of its common stock at a cost of $8.8 million, $7.0 million and $2.6 million, respectively. As of January 31, 2015, there were 770,753 shares of treasury stock outstanding at a cost of approximately $15.7 million. As of February 1, 2014, there were 400,516 shares of treasury stock outstanding at a cost of approximately $7.0 million.

During January 2013, the Company retired 1,290,022 shares of treasury stock, recorded at a cost of approximately $18.5 million, on the Company s consolidated balance sheets. Accordingly, during fiscal 2013, the Company reduced common stock and additional paid-in-capital by $13,000 and $18.5 million, respectively.

During December 2012, the Board of Directors authorized the payment of one-time cash dividends of $1.00 per common share, or $15.2 million, to be paid to its shareholders of record at the close of business on

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December 21, 2012. During the fourth quarter of fiscal 2013, the Company paid cash dividends in the amount of $15.0 million and recorded payables for non-vested restricted shares in the amounts of $107,000 and $113,000, which are included in accrued expenses and other liabilities and unearned revenues and other long-term liabilities, respectively, in the consolidated balance sheets. Payment of cash dividends is subject to certain covenants under the Company s senior credit facility and the indenture governing the Company s senior subordinated notes payable. See footnotes 12 and 13 to the consolidated financial statements for further information regarding the Company s covenants. Any future decision regarding payment of cash dividends will depend on the Company s earnings and financial position and such other factors as the Company s Board of Directors deem relevant. As of January 31, 2015, the remaining unpaid dividend for the non-vested restricted shares was $75,000, which was included in accrued expenses and other liabilities in the consolidated balance sheet.

24. Stock Options, SARS And Restricted Shares

Stock Options In 2002, the Company adopted the 2002 Stock Option Plan (the 2002 Plan). The 2002 Plan was amended in 2003 to increase the number of shares reserved for issuance thereunder, among other changes. As amended, the 2002 Plan allowed the Company to grant Options to purchase up to an aggregate of 1,500,000 shares of the Company s common stock. In 2005, the Company adopted the 2005 Long-Term Incentive Compensation Plan (the 2005 Plan , and collectively with the 2002 Plan, the Stock Option Plans). The 2005 Plan allowed the Company to grant Options and other awards to purchase or receive up to an aggregate of 2,250,000 shares of the Company s common stock, reduced by any awards outstanding under the 2002 Plan. On March 13, 2008, the Board of Directors unanimously adopted an amendment and restatement of the 2005 Plan that increased the number of shares available for grants by an additional 2,250,000 shares to an aggregate of 4,750,000 shares of common stock. The amendment was approved by the shareholders at the Company s 2008 annual meeting. On March 17, 2011, the Board of Directors unanimously adopted, subject to shareholder approval at the annual meeting, the second amendment and restatement of the 2005 Plan which increased the number of shares available for grants by an additional 500,000 shares to an aggregate of 5,250,000 shares of common stock. All Stock Option Plans are designed to serve as an incentive for attracting and retaining qualified and competent employees, officers, directors, consultants, and independent contractors of the Company.

The 2005 Plan provides for the granting of Incentive Stock Options and Nonstatutory Stock Options. An Incentive Stock Option is an option to purchase common stock, which meets the requirements as set forth under Section 422 of the Internal Revenue Code of 1986, as amended (Section 422). A Nonstatutory Stock Option is an option to purchase common stock, which meets the requirements of the 2005 Plan, but does not meet the definition of an incentive stock option under Section 422.

The 2005 Plan is administered by the Compensation Committee of the Board of Directors (the Committee), which is comprised of two or more non-employee directors. The Committee determines the participants, the allotment of shares, and the term of the options. The Committee also determines the exercise price of the options; provided, however that the per share exercise price of options granted under the 2005 Plan may not be less than the fair market value of the common stock on the date of grant, and in the case of an incentive stock option granted to a 10% shareholder, the per share exercise price will not be less than 110% of such fair market value.

The following table lists information regarding shares under the 2002 Plan and 2005 Plan as of January 31, 2015:

	Shares Underlying Outstanding Grants	Unvested Restricted Shares	Shares Available for Grant
2002 Stock Option Plan	8,502		
2005 Stock Option Plan	1,022,128	717,311	400,064
	1,030,630	717,311	400,064

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During fiscal 2015, the Company granted SARS to purchase shares of common stock to certain key employees. The Company awarded an aggregate of 3,501 SARS with an exercise price of $20.12, which generally vest over a three-year period and have a seven-year term. The total fair value of the SARS, based on the Black-Scholes Option Pricing Model, amounted to approximately $38,000, which is being recorded as compensation expense on a straight-line basis over the vesting period of each SAR.

Also, during fiscal 2015, the Company granted an aggregate of 5,883, 5,157 and 3,816 SARs, to be settled in shares of common stock, to three directors, respectively. The SARs have an exercise price of $15.49, $17.71 and $24.26, respectively, generally vest over a three-year period and have a seven-year term. The total fair value of the SARs, based on the Black-Scholes Option Pricing Model, amounted to approximately $50,000, $50,000 and $50,000 respectively, which is being recorded as compensation expense on a straight-line basis over the vesting period of each SAR.

During fiscal 2014, the Company granted SARS to purchase shares of common stock to certain key employees. The Company awarded an aggregate of 14,000 SARS with exercise prices ranging from $16.79 to $18.57, which generally vest over a three-year period and have a seven-year term. The total fair value of the SARS, based on the Black-Scholes Option Pricing Model, amounted to approximately $0.1 million, which is being recorded as compensation expense on a straight-line basis over the vesting period of each SAR.

During fiscal 2013, the Company granted SARS to purchase shares of common stock to certain key employees. The Company awarded an aggregate of 330,199 SARS with exercise prices ranging from $18.19 to $22.46, which generally vest over a three-year period and have a seven-year term. The total fair value of the SARS, based on the Black-Scholes Option Pricing Model, amounted to approximately $3.4 million, which is being recorded as compensation expense on a straight-line basis over the vesting period of each SAR.

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A summary of the stock option and SARS activity for grants issued under the 2002 Plan and 2005 Plan is as follows:

		Option and SARS Price Per Share					
	Number of Shares	Low	High	Weighted	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in thousands)
Outstanding January 28, 2012	1,392,085				$ 13.91	5.98	$ 7,650
Vested or expected to vest	1,392,085				$ 13.91	5.98	$ 7,650
Options and SARS Exercisable	634,202				$ 11.59	5.35	$ 3,723
Granted	330,199	$ 18.19	$ 22.46	$ 18.22			
Exercised	(355,056)	$ 4.63	$ 17.27	$ 5.08			
Cancelled	(83,103)	$ 13.29	$ 30.81	$ 23.24			
Outstanding February 2, 2013	1,284,125				$ 16.86	4.46	$ 6,281
Vested or expected to vest	1,284,125				$ 16.86	4.46	$ 6,281
Options and SARS Exercisable	779,986				$ 13.99	4.58	$ 5,817
Granted	14,000	$ 16.79	$ 18.57	$ 18.10			
Exercised	(33,230)	$ 4.63	$ 4.89	$ 4.68			
Cancelled	(48,323)	$ 13.29	$ 28.38	$ 19.63			
Outstanding February 1, 2014	1,216,572				$ 17.12	3.56	$ 3,657
Vested or expected to vest	1,216,572				$ 17.12	3.56	$ 3,657
Options and SARS Exercisable	959,971				$ 16.24	3.51	$ 3,653
Granted	18,357	$ 15.49	$ 24.26	$ 18.82			
Exercised	(52,574)	$ 4.89	$ 20.59	$ 14.42			
Cancelled	(151,725)	$ 16.59	$ 28.38	$ 17.25			
Outstanding January 31, 2015	1,030,630				$ 17.27	3.49	$ 7,905
Vested or expected to vest	1,030,630				$ 17.27	3.49	$ 7,905
Options and SARS Exercisable	912,273				$ 17.13	2.98	$ 7,238

The aggregate intrinsic value for stock options and SARS in the preceding table represents the total pre-tax intrinsic value based on the Company s closing stock price of $23.91, $15.67 and $19.36 at January 31, 2015, February 1, 2014 and February 2, 2013, respectively. This amount represents the total pre-tax intrinsic value that would have been received by the holders of the stock-based awards had the awards been exercised and sold as of that date. The total intrinsic value of stock options and SARS exercised in fiscal 2015, 2014 and 2013 was approximately $0.3 million, $0.5 million and $5.6 million, respectively. The total fair value of stock options and SARS vested in fiscal 2015, 2014 and 2013 was approximately $1.9 million, $2.9 million and $3.3 million, respectively.

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Additional information regarding options and SARS outstanding and exercisable as of January 31, 2015 is as follows:

	Options and SARS Outstanding			Options and SARS Exercisable	
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Contractual Life (in years)**	**Weighted Average Exercise Price**	**Number Exercisable**	**Weighted Average Exercise Price**
$ 4.00 - $ 5.00	317,268	4.15	$ 4.64	317,268	$ 4.64
$ 13.00 - $ 19.00	293,659	3.87	$ 17.97	184,535	$ 17.97
$ 19.01 - $ 31.00	419,703	2.73	$ 26.32	410,470	$ 26.42
	1,030,630			912,273	

Restricted Stock Under the 2005 Plan, restricted stock awards are granted subject to restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, or as otherwise provided in the 2005 Plan, covering a period of time specified by the Committee. The terms of any restricted stock awards granted under the 2005 Plan are set forth in a written Award Agreement, which contains provisions determined by the Committee and not inconsistent with the 2005 Plan. The restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise, as the Committee may determine at the date of grant or thereafter. Except to the extent restricted under the terms of the 2005 Plan and any Award Agreement relating to a restricted stock award, a participant granted restricted stock shall have all of the rights of a shareholder, including the right to vote the restricted stock and the right to receive dividends thereon (subject to any mandatory reinvestment or other requirement imposed by the Committee). During the Restriction Period (as defined in the 2005 Plan), the restricted stock may not be sold, transferred, pledged, hypothecated, margined or otherwise encumbered by the participant.

During fiscal 2015, the Company granted an aggregate of 255,390 shares of restricted stock to certain key employees, with an estimated value of $3.8 million, which vest over a three to five year period.

During fiscal 2015, the Company awarded to six directors an aggregate of 18,186 shares of restricted stock, which vest over a three-year period at an estimated value of $0.3 million.

During fiscal 2015, of the 223,595 restricted shares that vested, a total of 52,389 shares had 21,809 shares withheld to cover the employees statutory income tax requirements, respectively. The estimated value of the withheld shares was $0.4 million.

During fiscal 2014, the Company granted performance based restricted stock to certain key employees pursuant to the Company s Second Amended and Restated 2005 Long-Term Incentive Compensation Plan, as amended and subject to certain conditions in the grant agreement. Such stock generally vests 100% in April 2016, provided that each employee is still an employee of the Company on such date, and the Company has met certain performance criteria. A total of 109,644 shares of performance-based restricted stock were issued at an estimated value of $1.9 million. Additionally, the Company granted an aggregate of 480,598 shares of restricted stock to certain key employees, with an estimated value of $8.9 million, which vest over a three to five year period.

During fiscal 2014, the Company awarded to five directors an aggregate of 13,740 shares of restricted stock, which vest over a three-year period at an estimated value of $0.3 million.

During fiscal 2013, the Company granted performance based restricted stock to certain key employees pursuant to the Company s Second Amended and Restated 2005 Long-Term Incentive Compensation Plan, and subject to certain conditions in the grant agreement. Such stock generally vests 100% in May 2015, provided that each employee is still an employee of the Company on such date, and the Company has met certain performance criteria. A total of 83,817 shares of performance based restricted stock were issued at an estimated value of $1.5 million. Additionally, the Company granted an aggregate of 153,193 shares of restricted stock to certain key employees, with an estimated value of $2.7 million, which vest over a period of three years.

Also, during fiscal 2013, the Company awarded to five directors an aggregate of 16,305 shares of restricted stock, which vest over a three-year period at an estimated value of $0.3 million.

The target criteria established for the performance-based restricted shares granted in fiscal 2011 was exceeded, and as such, the Company granted an additional 16,535 restricted shares valued at $0.3 million in accordance with the agreement. The value of these shares was expensed during fiscal 2013.

During fiscal 2014, the Company reversed approximately $0.3 million of previously recognized compensation expense into earnings since it was no longer probable that the previously established performance targets would be met with respect to certain performance based restricted shares granted during fiscal 2014 and those equity awards were no longer expected to vest. Additionally, in connection with these long-term incentive plans, the cash portion, which was also subject to performance-based targets, was reversed in the amount of approximately $0.5 million of previously recognized compensation.

During fiscal 2013, the Company reversed approximately $0.4 million of previously recognized compensation expense into earnings, since it was no longer probable that the previously established performance targets would be met on certain performance based restricted shares granted during fiscal 2012 and fiscal 2013 and those equity awards were no longer expected to vest. Additionally, in connection with these long-term incentive plans, the cash portion, which was also subject to performance-based targets, was reversed in the amount of approximately $0.5 million of previously recognized compensation.

The values of the restricted stock expected to vest are being recorded as compensation expense on a straight-line basis over the vesting period of the restricted shares. The fair value of restricted stock grants is estimated on the date of grant and is generally equal to the closing stock price of the Company s common stock on the date of grant.

The following table summarizes the restricted stock-based award activity:

	Restricted Shares	Weighted Average Grant Price	Weighted Average Remaining Vesting Period
Unvested as of January 28, 2012	998,105	$ 19.19	4.61
Granted	269,850		
Vested	(37,754)		
Forfeited	(901,894)		
Unvested as of February 2, 2013	328,307	$ 18.26	3.54
Granted	603,982		
Vested	(142,052)		
Forfeited	(61,915)		
Unvested as of February 1, 2014	728,322	$ 18.80	2.34
Granted	273,576		
Vested	(223,595)		
Forfeited	(60,992)		
Unvested as of January 31, 2015	717,311	$ 17.18	1.84

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As of January 31, 2015, the total unrecognized compensation cost related to unvested stock options and SARS outstanding under the Stock Option Plans is approximately $0.4 million. That cost is expected to be recognized over a weighted-average period of 2 years. As of January 31, 2015, the total unrecognized compensation cost related to unvested restricted stock was approximately $7.2 million, which is expected to be recognized over a weighted-average period of 3 years.

25. Segment Information

The Company has four reportable segments: Men s Sportswear and Swim, Women s Sportswear, Direct-to-Consumer and Licensing. The Men s Sportswear and Swim and Women s Sportswear segments derive revenues from the design, import and distribution of apparel to department stores and other retail outlets, principally throughout the United States**.** The Direct-to-Consumer segment derives its revenues from the sale of the Company s branded and licensed products through the Company s retail stores and e-commerce platform. The Licensing segment derives its revenues from royalties associated from the use of the Company s brand names, principally Perry Ellis, Jantzen, John Henry, Original Penguin, Gotcha, Farah, Savane, Pro Player, Laundry, Manhattan and Munsingwear. See footnote 2 to the consolidated financial statements for disclosure of major customers.

The Company allocates certain corporate selling, general and administrative expenses based primarily on the revenues generated by the segments.

	January 31, 2015	**February 1, 2014 (in thousands)**	**February 2, 2013**
Revenues:			
Men s Sportswear and Swim	$ 635,182	$ 664,824	$ 708,202
Women s Sportswear	130,852	135,994	149,084
Direct-to-Consumer	92,203	81,755	85,165
Licensing	31,735	29,651	27,102
Total revenues	$ 889,972	$ 912,224	$ 969,553
Depreciation and amortization			
Men s Sportswear and Swim	$ 6,627	$ 7,043	$ 8,573
Women s Sportswear	1,903	1,899	1,902
Direct-to-Consumer	3,519	3,549	3,054
Licensing	149	135	367
Total depreciation and amortization	$ 12,198	$ 12,626	$ 13,896
Operating income (loss):			
Men s Sportswear and Swim	$ 3,847	$ 8,975	$ 24,366
Women s Sportswear	859	(10,883)	(4,028)
Direct-to-Consumer	(6,675)	(12,306)	(6,640)
Licensing	24,877	(5,155)	22,647
Total operating income (loss)	$ 22,908	$ (19,369)	$ 36,345
Total interest expense	14,291	15,025	14,836
Total net income (loss) before income taxes	$ 8,617	$ (34,394)	$ 21,509
Identifiable assets			
Men s Sportswear and Swim	$ 330,152	$ 342,410	
Women s Sportswear	52,990	53,354	
Direct-to-Consumer	27,009	25,875	

Licensing	247,620	255,599
Corporate	27,218	29,497
Total identifiable assets	$ 684,989	$ 706,735

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Revenues from external customers and long-lived assets excluding deferred taxes related to continuing operations in the United States and foreign countries are as follows:

	January 31, 2015	February 1, 2014 (in thousands)	February 2, 2013
Revenues			
United States	$ 786,046	$ 821,986	$ 887,420
International	103,926	90,238	82,133
Total revenues	$ 889,972	$ 912,224	$ 969,553

Long-lived assets at years ended,	January 31, 2015	February 1, 2014
	(in thousands)	
United States	$ 242,802	$ 238,551
International	38,054	38,868
Total long-lived assets	$ 280,856	$ 277,419

26. Commitments and Contingencies

The Company has licensing agreements, as licensee, for the use of certain branded and designer labels. The license agreements expire on varying dates through December 2019. Total royalty payments under these license agreements amounted to approximately $13.8 million, $12.8 million and $10.6 million for the years ended January 31, 2015, February 1, 2014 and February 2, 2013, respectively, and were classified as cost of sales. Under certain licensing agreements, the Company has to pay certain guaranteed minimum payments. Future minimum payments under these contracts amount to $23.0 million.

The Company leases approximately 66,000 square feet comprised of approximately 16,000 square feet for administrative offices, approximately 45,000 square feet for warehouse distribution and approximately 5,000 square feet for retail, from its Chairman. During fiscal 2015, the Company amended the leases to extend the term for 60 months, beginning July 1, 2014 and expiring June 30, 2019. Beginning July 1, 2014, the basic monthly rent will be $41,750 and will increase 3% on the first of each of the remaining 12-month periods during the extended term.

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The Company leases several locations for offices, showrooms and retail stores primarily throughout the United States. Lease terms generally range from approximately 3 to 15 years, including anticipated renewal options. The leases generally provide for minimum annual rental payments and are subject to escalations based upon increases in the consumer price index, contractual base rent increases, real estate taxes and other costs. In addition, certain leases contain contingent rental provisions based upon the sales of the underlying retail stores. Certain leases also provide for rent deferral during the initial term of such lease, landlord contributions, and/or scheduled minimum rent increases during the terms of the leases. These leases are classified as either capital leases or operating leases as appropriate. For financial reporting purposes, rent expense associated with operating leases is recorded on a straight-line basis over the life of the lease. These leases expire through 2028. Minimum aggregate annual commitments for the Company s non-cancelable, unrelated operating lease commitments are as follows:

Year Ending	**Amount (in thousands)**
2016	$ 21,907
2017	20,930
2018	19,438
2019	17,644
2020	16,121
Thereafter	89,756
Total	$ 185,796

Rent expense for these operating leases, including the related party rent payments discussed in footnote 22 to the consolidated financial statements, amounted to $26.2 million, $26.5 million, and $19.7 million for the years ended January 31, 2015, February 1, 2014, and February 2, 2013 respectively.

Capital lease obligations primarily relate to equipment as indicated in footnote 8 to the consolidated financial statements. The current portion of the capital lease obligation in the amount of $77,000 is included in accrued expenses and other liabilities. Minimum aggregate annual commitments for the Company s capital lease obligations are as follows:

Year Ending	**Amount (in thousands)**
2016	$ 77
Total	$ 77

On May 7, 2013, the Company entered into employment agreements with George Feldenkreis, the Company s Chairman of the Board of Directors and Chief Executive Officer, and Oscar Feldenkreis, the Company s Vice Chairman of the Board of Directors, President and Chief Operating Officer. The term of each employment agreement ends on January 30, 2016. Pursuant to the employment agreements, base salaries will not be less than $1.0 million per year during the term of employment. Additionally, the executives are entitled to participate in the Company s incentive compensation plans.

On September 9, 2013, the Company entered into an employment agreement with Stanley Silverstein, the President of International Development and Global Licensing. The term of the agreement ends on September 9, 2018. Pursuant to the employment agreement, Mr. Silverstein will receive an annual salary of $500,000, subject to annual reviews for increases at the sole discretion of the Company s Chief Executive Officer. Additionally, Mr. Silverstein is eligible to participate in the Company s incentive compensation plans.

The Company is a defendant in Humberto Ordaz v. Perry Ellis International, Inc., Case No. BC490485 (Cal. Sup. Ct. 2012), involving claims for unpaid wages, missed breaks and related claims, which was originally filed

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on August 17, 2012 by a former employee in the Company s California administrative offices. The plaintiff sought an unspecified amount of damages. The lawsuit has been pleaded but not certified as a class action. Mediation was held during the third quarter of fiscal 2015. Currently, the parties have reached a tentative settlement which is set for a preliminary approval hearing on April 13, 2015. The tentative settlement amount has been provided for in the Company s results of operations.

27. Summarized Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
		(Dollars in thousands, except per share data)			
FISCAL YEAR ENDED JANUARY 31, 2015					
Net Sales	$ 249,916	$ 196,010	$ 203,267	$ 209,044	$ 858,237
Royalty Income	7,398	7,522	8,173	8,642	31,735
Total Revenues	257,314	203,532	211,440	217,686	889,972
Gross Profit	87,665	70,464	70,307	74,568	303,004
Net income (loss)	7,775	(1,616)	(437)	(42,897)	(37,175)
Net income (loss) per share:					
Basic	$ 0.53	($ 0.11)	($ 0.03)	($ 2.90)	($ 2.50)
Diluted	$ 0.52	($ 0.11)	($ 0.03)	($ 2.90)	($ 2.50)
FISCAL YEAR ENDED FEBRUARY 1, 2014					
Net Sales	$ 255,484	$ 204,492	$ 214,700	$ 207,897	$ 882,573
Royalty Income	6,835	7,213	7,421	8,182	29,651
Total Revenues	262,319	211,705	222,121	216,079	912,224
Gross Profit	88,681	68,546	71,364	74,197	302,788
Net income (loss)	11,320	(2,830)	(3,022)	(28,247)	(22,779)
Net income (loss) per share:					
Basic	$ 0.75	($ 0.19)	($ 0.20)	($ 1.91)	($ 1.52)
Diluted	$ 0.74	($ 0.19)	($ 0.20)	($ 1.91)	($ 1.52)
FISCAL YEAR ENDED FEBRUARY 2, 2013					
Net Sales	$ 259,016	$ 203,090	$ 229,330	$ 251,015	$ 942,451
Royalty Income	6,507	6,347	6,918	7,330	27,102
Total Revenues	265,523	209,437	236,248	258,345	969,553
Gross Profit	87,740	69,325	75,795	84,341	317,201
Net income (loss)	9,676	(2,442)	3,180	4,387	14,801
Net income (loss) per share:					
Basic	$ 0.66	($ 0.17)	$ 0.22	$ 0.30	$ 1.01
Diluted	$ 0.64	($ 0.17)	$ 0.21	$ 0.28	$ 0.97

See footnote 19 to the consolidated financial statements for further information regarding the income tax valuation allowance that occurred during the fourth quarter ended January 31, 2015. See footnotes 2 and 9 to the consolidated financial statements for further information regarding the impairments on long-lived assets and trademarks that occurred during the fourth quarter ended February 1, 2014 and February 2, 2013.

28. Condensed Consolidating Financial Statements

The Company and several of its subsidiaries (the Guarantors) have fully and unconditionally guaranteed the senior subordinated notes payable on a joint and several basis. These guarantees are subject to release in limited circumstances (only upon the occurrence of certain customary conditions). The following are condensed consolidating financial statements, which present, in separate columns: Perry Ellis International, Inc., (Parent Only), the Guarantors on a combined, or where appropriate, consolidated basis, and the Non-Guarantors on a

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combined, or where appropriate, consolidated basis. Additional columns present eliminating adjustments and consolidated totals as of January 31, 2015 and February 1, 2014 and for each of the years ended January 31, 2015, February 1, 2014 and February 2, 2013. The combined Guarantors are 100% owned subsidiaries of Perry Ellis International, Inc., and have fully and unconditionally guaranteed the senior subordinated notes payable on a joint and several basis.

Effective June 2013, the Company changed its reporting entity structure through the merger of companies under common control. C&C California, LLC (C&C California) and Laundry, LLC (Laundry) were merged with Supreme International, LLC, a guarantor subsidiary. Prior to their merger and subsequent dissolution, C&C California and Laundry were previously non-guarantor subsidiaries. This change in reporting entity was retrospectively applied to the condensed consolidating financial statements and, consequently, amounts related to C&C California and Laundry are presented in the guarantor subsidiary column for all periods presented.

Additionally, subsequent to the original issuance of the February 2, 2013 financial statements, the Company determined that the condensed consolidating guarantor financial statements required an adjustment relating to the cash flow classification of certain intercompany transactions between the parent and its affiliates. As a result, the condensed consolidating financial statements have been adjusted in the prior year to correct prior year amounts in the Condensed Consolidated Statements of Cash Flows to reflect certain intercompany activities between the parent and its subsidiaries as cash flows from investing activities that had previously been reflected within cash flows from financing activities.

The effect on the condensed consolidating statement of comprehensive income, as a result of the change in reporting entity, is a decrease of approximately ($0.1) million in net income and comprehensive income to the guarantor subsidiaries for the year ended February 2, 2013, with a corresponding change to the non-guarantor for the respective periods from the previously reported amounts.

The effect on the condensed consolidating statement of cash flows, as a result of the change in reporting entity, is a decrease of approximately $0.1 million in net cash provided by operating activities, an increase of approximately $0.3 million in net cash used in investing activities and a decrease of approximately $0.4 million in net cash used in financing activities to the guarantor subsidiaries for the year ended February 2, 2013 with a corresponding change to the non-guarantor for the respective period from the previously reported amounts.

The effect on the condensed consolidating statement of cash flows, as a result of the adjustment in intercompany activities is a decrease of approximately ($16.1) million in net cash from financing activities in the parent only column for the year ended February 2, 2013 with a corresponding change to the net cash from investing activity in the parent only column from the previously reported amounts.

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEET (UNAUDITED)

AS OF JANUARY 31, 2015

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$	$ 30,055	$ 13,492	$	$ 43,547
Accounts receivable, net		114,325	23,107		137,432
Intercompany receivable, net	174,264			(174,264)	
Inventories		156,107	27,627		183,734
Investment, at fair value			19,996		19,996
Deferred income taxes			725		725
Prepaid income taxes	5,275		314	795	6,384
Prepaid expenses and other current assets		6,159	965		7,124
Total current assets	179,539	306,646	86,226	(173,469)	398,942
Property and equipment, net		60,216	4,417		64,633
Other intangible assets, net		176,563	33,638		210,201
Goodwill		6,022			6,022
Investment in subsidiaries	274,714			(274,714)	
Other assets	1,809	1,926	1,456		5,191
TOTAL	$ 456,062	$ 551,373	$ 125,737	$ (448,183)	$ 684,989
LIABILITIES AND EQUITY					
Current Liabilities:					
Accounts payable	$	$ 105,046	$ 12,743	$	$ 117,789
Accrued expenses and other liabilities		17,945	4,410		22,355
Accrued interest payable	4,045				4,045
Incomes taxes payable		901		(901)	
Unearned revenues		3,023	1,833		4,856
Deferred pension obligation		8,878	52		8,930
Deferred income taxes		797			797
Intercompany payable, net		156,438	23,211	(179,649)	
Total current liabilities	4,045	293,028	42,249	(180,550)	158,772
Senior subordinated notes payable, net	150,000				150,000
Real estate mortgages		22,109			22,109
Unearned revenues and other long-term liabilities		13,620	1,389		15,009
Deferred income taxes		35,383	3	1,696	37,082
Total long-term liabilities	150,000	71,112	1,392	1,696	224,200
Total liabilities	154,045	364,140	43,641	(178,854)	382,972
Total equity	302,017	187,233	82,096	(269,329)	302,017

TOTAL	$	456,062	$	551,373	$	125,737	$	(448,183)	$	684,989

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF FEBRUARY 1, 2014

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$	$	$ 29,988	$ (2,999)	$ 26,989
Accounts receivable, net		123,539	22,853		146,392
Intercompany receivable, net	174,075			(174,075)	
Inventories		183,216	23,386		206,602
Investments, at fair value			15,398		15,398
Deferred income taxes		13,806	254		14,060
Prepaid income taxes	5,141		1,193	1,245	7,579
Prepaid expenses and other current assets		6,578	791		7,369
Total current assets	179,216	327,139	93,863	(175,829)	424,389
Property and equipment, net		55,046	4,866		59,912
Other intangible assets, net		177,482	34,003		211,485
Goodwill		6,022			6,022
Investment in subsidiaries	319,926			(319,926)	
Other assets	2,486	1,822	619		4,927
TOTAL	$ 501,628	$ 567,511	$ 133,351	$ (495,755)	$ 706,735
LIABILITIES AND EQUITY					
Current Liabilities:					
Accounts payable	$	$ 104,480	$ 10,961	$ (2,999)	$ 112,442
Accrued expenses and other liabilities		19,294	5,799	(451)	24,642
Accrued interest payable	4,095				4,095
Unearned revenues		3,192	1,821		5,013
Intercompany payable, net		151,253	24,997	(176,250)	
Total current liabilities	4,095	278,219	43,578	(179,700)	146,192
Senior subordinated notes payable, net	150,000				150,000
Senior credit facility		8,162			8,162
Real estate mortgages		22,844			22,844
Deferred pension obligation		9,792	70		9,862
Unearned revenues and other long-term liabilities		12,064	2,668		14,732
Deferred income taxes		5,712	2	1,696	7,410
Total long-term liabilities	150,000	58,574	2,740	1,696	213,010
Total liabilities	154,095	336,793	46,318	(178,004)	359,202
Total equity	347,533	230,718	87,033	(317,751)	347,533
TOTAL	$ 501,628	$ 567,511	$ 133,351	$ (495,755)	$ 706,735

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)

FOR THE YEAR ENDED JANUARY 31, 2015

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues:					
Net sales	$	$ 766,934	$ 91,303	$	$ 858,237
Royalty income		19,113	12,622		31,735
Total revenues		786,047	103,925		889,972
Cost of sales		529,315	57,653		586,968
Gross profit		256,732	46,272		303,004
Operating expenses:					
Selling, general and administrative expenses		229,808	38,975		268,783
Depreciation and amortization		11,210	988		12,198
Total operating expenses		241,018	39,963		280,981
Gain on sale of long-lived assets			885		885
Operating income		15,714	7,194		22,908
Interest expense		14,310	(19)		14,291
Net income before income taxes		1,404	7,213		8,617
Income tax provision		44,889	903		45,792
Equity in (loss) earnings of subsidiaries, net	(37,175)			37,175	
Net (loss) income	(37,175)	(43,485)	6,310	37,175	(37,175)
Other comprehensive (loss) income	(5,384)	(2,219)	(3,165)	5,384	(5,384)
Comprehensive (loss) income	$ (42,559)	$ (45,704)	$ 3,145	$ 42,559	$ (42,559)

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEAR ENDED FEBRUARY 1, 2014

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues:					
Net sales	$	$ 804,374	$ 78,199	$	$ 882,573
Royalty income		17,612	12,039		29,651
Total revenues		821,986	90,238		912,224
Cost of sales		561,895	47,541		609,436
Gross profit		260,091	42,697		302,788
Operating expenses:					
Selling, general and administrative expenses		240,871	31,845		272,716
Depreciation and amortization		11,860	766		12,626
Impairment on assets		38,549	4,428		42,977
Total operating expenses		291,280	37,039		328,319
(Loss) gain on sale of long-lived assets		(799)	6,961		6,162
Operating (loss) income		(31,988)	12,619		(19,369)
Interest expense		14,961	64		15,025
Net (loss) income before income taxes		(46,949)	12,555		(34,394)
Income tax (benefit) provision		(14,356)	2,741		(11,615)
Equity in (loss) earnings of subsidiaries, net	(22,779)			22,779	
Net (loss) income	(22,779)	(32,593)	9,814	22,779	(22,779)
Other comprehensive income (loss)	592	1,310	(718)	(592)	592
Comprehensive (loss) income	$ (22,187)	$ (31,283)	$ 9,096	$ 22,187	$ (22,187)

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED FEBRUARY 2, 2013

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues:					
Net sales	$	$ 872,372	$ 70,079	$	$ 942,451
Royalty income		15,048	12,054		27,102
Total revenues		887,420	82,133		969,553
Cost of sales		610,558	41,794		652,352
Gross profit		276,862	40,339		317,201
Operating expenses:					
Selling, general and administrative expenses		235,578	28,276		263,854
Depreciation and amortization		13,125	771		13,896
Impairment on assets		2,744	772		3,516
Total operating expenses		251,447	29,819		281,266
Gain on sale of long-lived assets		410			410
Operating income		25,825	10,520		36,345
Interest expense		14,742	94		14,836
Net income before income taxes		11,083	10,426		21,509
Income tax provision		4,625	2,083		6,708
Equity in earnings of subsidiaries, net	14,801			(14,801)	
Net income	14,801	6,458	8,343	(14,801)	14,801
Other comprehensive income (loss)	118	(53)	171	(118)	118
Comprehensive income	$ 14,919	$ 6,405	$ 8,514	$ (14,919)	$ 14,919

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE YEAR ENDED JANUARY 31, 2015

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	$ 8,285	$ 52,522	$ (626)	$ (5,038)	$ 55,143
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment		(15,748)	(985)		(16,733)
Purchase of investments			(31,501)		(31,501)
Proceeds from investments maturities			26,592		26,592
Proceeds on termination of life insurance	245				245
Proceeds from note receivable			250		250
Intercompany transactions	(347)			347	
Net cash (used in) provided by investing activities	(102)	(15,748)	(5,644)	347	(21,147)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Borrowings from senior credit facility		234,137			234,137
Payments on senior credit facility		(242,299)			(242,299)
Payments on real estate mortgages		(792)			(792)
Purchase of treasury stock	(8,773)				(8,773)
Payments on capital leases		(301)			(301)
Proceeds from exercise of stock options	404				404
Tax benefit from exercise of equity instruments	(161)				(161)
Dividends paid to stockholders			(8,037)	8,037	
Intercompany transactions		2,536	(2,536)		
Net cash (used in) provided by financing activities	(8,530)	(6,719)	(10,573)	8,037	(17,785)
Effect of exchange rate changes on cash and cash equivalents	347		347	(347)	347
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		30,055	(16,496)	2,999	16,558
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD			29,988	(2,999)	26,989
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	$ 30,055	$ 13,492	$	$ 43,547

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED FEBRUARY 1, 2014

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:	$ (8,510)	$ 16,328	$ (4,599)	$ (2,999)	$ 220
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment		(20,874)	(1,369)		(22,243)
Purchase of investments			(15,437)		(15,437)
Proceeds on sale of intangible assets			4,875		4,875
Proceeds on termination of insurance	3,559				3,559
Proceeds on sale of long-lived assets, net		1,892			1,892
Intercompany transactions	11,917			(11,917)	
Net cash (used in) provided by investing activities	15,476	(18,982)	(11,931)	(11,917)	(27,354)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Borrowings from senior credit facility		415,885			415,885
Payments on senior credit facility		(407,723)			(407,723)
Purchase of treasury stock	(6,957)				(6,957)
Payments on real estate mortgages		(1,385)			(1,385)
Payments on capital leases		(318)			(318)
Tax benefit from exercise of stock options	83				83
Deferred financing fees		(327)			(327)
Proceeds from exercise of stock options	154				154
Intercompany transactions		(18,303)	6,632	11,671	
Net cash provided by (used in) financing activities	(6,720)	(12,171)	6,632	11,671	(588)
Effect of exchange rate changes on cash and cash equivalents	(246)		(246)	246	(246)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(14,825)	(10,144)	(2,999)	(27,968)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		14,825	40,132		54,957
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	$	$ 29,988	$ (2,999)	$ 26,989

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED FEBRUARY 2, 2013

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:	$ (1,748)	$ 61,983	$ 16,746	$	$ 76,981
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment		(8,277)	(1,563)		(9,840)
Payment on purchase of intangible assets		(7,000)			(7,000)
Proceeds in connection with purchase price adjustment		4,547			4,547
Deposit on sale of intangible asset			2,625		2,625
Proceeds on sale of long-lived assets, net		410	350		760
Intercompany transactions	16,111			(16,111)	
Net cash (used in) provided by investing activities	16,111	(10,320)	1,412	(16,111)	(8,908)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Borrowings from senior credit facility		288,312			288,312
Payments on senior credit facility		(309,991)			(309,991)
Payments on real estate mortgages		(727)			(727)
Deferred financing fees		(100)			(100)
Payments on capital leases		(363)			(363)
Dividends paid to stockholders	(14,992)				(14,992)
Tax benefit from exercise of stock options	1,554				1,554
Proceeds from exercise of stock options	1,804				1,804
Purchase of treasury stock	(2,582)				(2,582)
Intercompany transactions		(14,262)	(1,702)	15,964	
Net cash provided by (used in) financing activities	(14,216)	(37,131)	(1,702)	15,964	(37,085)
Effect of exchange rate changes on cash and cash equivalents	(147)		(147)	147	(147)
NET INCREASE IN CASH AND CASH EQUIVALENTS		14,532	16,309		30,841
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		293	23,823		24,116
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	$ 14,825	$ 40,132	$	$ 54,957

29. Subsequent Events

On March 19, 2015, the Company entered into an agreement to sell the intellectual property of its C&C California brand to ACH C&C LLC, a newly created venture by members of ACI Licensing. The sales price is $2.5 million.

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Schedule II

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED

(amounts in thousands)

	Balance at beginning of period	Charged to expense	Adjustments to valuation accounts	Deductions	Balance at end of period
Year Ended January 31, 2015:					
Allowance for doubtful accounts	$ 1,074	812		(705)	$ 1,181
Allowance for deferred tax asset	$ 5,998	43,474	541		$ 50,013
Allowance for operational chargebacks, returns, and customer markdowns	$ 20,348	74,399		(75,149)	$ 19,598
Year Ended February 1, 2014:					
Allowance for doubtful accounts	$ 1,287	(98)		(115)	$ 1,074
Allowance for deferred tax asset	$ 5,317	1,684	(1,003)		$ 5,998
Allowance for operational chargebacks, returns, and customer markdowns	$ 24,556	83,164		(87,372)	$ 20,348
Year Ended February 2, 2013:					
Allowance for doubtful accounts	$ 1,213	331		(257)	$ 1,287
Allowance for deferred tax asset	$ 4,591	775	(49)		$ 5,317
Allowance for operational chargebacks, returns, and customer markdowns	$ 26,539	90,980		(92,963)	$ 24,556

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Exhibit Index

Exhibit No	Description of Exhibit
21.1	Subsidiaries of Registrant
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of Deloitte & Touche LLP
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase