PERRY ELLIS INTERNATIONAL INC
Form 10-K
April 13, 2010

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 30, 2010

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

(305) 592-2830

(Registrant s telephone number, including area code)

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

Common Stock, par value $.01 per share

(Title of each class)

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 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 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 ¨ No

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 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 $72,656,000 (as of August 1, 2009).

The number of shares outstanding of the registrant s Common Stock is 13,690,872 (as of April 9, 2010).

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference:

Portions of the Company s Proxy Statement for the 2010 Annual Meeting Part III

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 the Laundry by Shelli Segal and C&C California acquisition refer to our acquisition of these brands in February 2008. In March 2009 we adopted a retail calendar fiscal year commencing for fiscal 2010. The retail calendar fiscal year divides a quarter into a series of 4-5-4 equal weeks. Each week begins on a Sunday and ends on the corresponding Saturday. References in this report to annual financial data for Perry Ellis refer to fiscal years ended January 30, 2010 and January 31, 2009 and 2008. 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 report 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.

FORWARD-LOOKING STATEMENTS

We caution readers that this report and the portions of the proxy statement incorporated by reference into this report include 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, could, may, might, potential, predict, should, estimate, expect, project, believe, intend, plan, envision, continue, intend, target, contemplate, or will and sir comparable terminology. 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. 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 and in the portions of the proxy statement incorporated by reference, including under the headings Item 1 Business, Item 1A Risk Factors, and Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations in this report. These factors include:

- 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,
- our future capital needs and our ability to obtain financing,
- our ability to integrate acquired businesses, trademarks, tradenames and licenses,

1

- 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,
- 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, 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.

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 approximately 15,000 selling doors. Our portfolio of highly recognized brands includes the Perry Ellis® family of brands, which we estimate together generate over $1.1 billion in annual retail sales, Axis®, Tricots St. Raphael®, Jantzen®, John Henry®, Cubavera®, the Havanera Co.®, Centro®, Solero®, Natural Issue®, Munsingwear®, Grand Slam®, Original Penguin® by Munsingwear® (Original Penguin), Mondo di Marco®, Redsand®, Pro Player®, Manhattan®, Axist®, Savane®, Farah®, Gotcha®, Girl Star®, MCD®, Laundry by Shelli Segal® and C&C California®. We also (i) license the Nike® brand for swimwear and swimwear accessories, (ii) license the JAG® brand for men s and women s swimwear and cover-ups, (iii) license the Callaway Golf® brand and Top-Flite® for golf apparel, (iv) license the PGA TOUR® brand, including Champions Tour®, for golf apparel, and (v) license Pierre Cardin® for men s sportswear.

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, ecommerce, as well as clubs and independent retailers in the United States, Canada, the United Kingdom and Europe. Our largest customers include Kohl s Corporation (Kohl s), Macy s, Inc. (Macy s), Dillard s Inc. (Dillard s), Sam s Wholesale Club (Sam s), and J.C. Penney Company (J.C. Penney). A 2010, we also operated 41 Perry Ellis retail outlet stores located primarily in upscale retail outlet malls across the United States and Puerto Rico, as well as 8 Original Penguin retail stores located in upscale demographic markets in the United States. We have also opened one Cubavera retail store located in Miami, Florida. 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 2 worldwide, 34 domestic, and 97 international license agreements covering over 100 countries.

Our wholesale business, which is comprised of men s and women s sportswear, swimwear and swimwear accessories, accounted for 97% of our total revenues in fiscal 2010 and, our licensing business accounted for approximately 3% of our total revenues in fiscal 2010. We have traditionally focused on the men s sportswear market, which represented approximately 86% of our total revenues in fiscal 2010, while our women s dresses and casual sportswear and men s and women s swimwear markets represented approximately 14% of our total revenues in fiscal 2010. Finally, our U.S. based business represents approximately 92% of total revenues, while our foreign operations represented 8% for fiscal 2010.

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.

We employ a three-dimensional strategy in the design, sourcing, marketing and licensing of our products that focuses on diversity of brands, products and distribution channels. Through this strategy, we provide our products to a broad range of customers, which reduces our reliance on any single distribution channel, customer, or demographic group and minimizes competition among our brands.

Diversity of Brands. We maintain a portfolio of 32 highly recognized brands that we either own or license. We are focused on brands that appeal to fashion conscious consumers across all 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, John Henry and the Havanera Co. brands to middle-income consumers. We also market brands that target women both through our recent acquisitions of Laundry by Shelli Segal and C&C California brands, and through our family of swimwear products, which include Jantzen, Nike, JAG and Perry Ellis.

Diversity of Product Categories. We design and market apparel in a broad range of men s product categories and select women s product categories, which increases the stability of our business. Our menswear offerings include casual sportswear and bottoms, dress shirts and pants, jeans wear, golf apparel, sweaters, sports apparel, swimwear and swim accessories, active wear, outerwear and leather accessories. Our women s wear offerings include dresses, sportswear, swimwear, and swim accessories. We believe that our product diversity decreases our dependence on any one product or fashion trend and has contributed substantially to our growth.

Diversity of Distribution Channels. We market our products through all major levels of retail distribution, which allows us to reach a broad range of consumers in the United States, Canada, the United Kingdom and Europe. We distribute through department stores, national and regional chain stores, mass merchants, specialty stores, sporting goods stores, the corporate wear market, as well as other independent retailers in the United States, Canada and the United Kingdom. Our products are distributed through approximately 15,000 doors at some of the nation s leading retailers, including Kohl s, Macy s, Dillard s, Sam s, and J.C. Penney.

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

Distribution Channels	Sportswear	Bottoms/ Jeans Wear	Golf	Action Sportsbrands/ Swim
Luxury Stores	Original Penguin	Original Penguin	Callaway Golf	
	Tricots St. Raphael			
	Axis			
	Laundry by Shelli Segal			
	C&C California			
Department Stores	Perry Ellis	Perry Ellis	Callaway Golf	Perry Ellis
	Perry Ellis Portfolio	Perry Ellis Portfolio	PGA TOUR	Nike Swim
	Savane	Savane	Champions Tour	Jantzen
	Cubavera	Store Brands		Redsand
	Laundry by Shelli Segal	Pierre Cardin		MCD
				JAG
Chain Stores	Natural Issue	Natural Issue	PGA TOUR	Nike Swim
	The Havanera Co.	Axist	Pro Player	Gotcha
	Axist	Store Brands	Grand Slam	Girl Star
	John Henry			JAG
	Pierre Cardin			
	Centro			
Mass Merchants	Solero	Store Brands	Top-Flite	
	Store Brands		Store Brands	
Corporate/Resort	Cubavera		Callaway Golf	

			PGA TOUR	
Specialty Stores	C&C California			Jantzen
	Laundry by Shelli Segal			Nike Swim
	Original Penguin			Gotcha
				MCD
				Redsand
				JAG
International(1)	Original Penguin	Original Penguin	Grand Slam	Jantzen
	Manhattan	Farah		Nike
	Mondo di Marco			
	Farah			
	Laundry by Shelli Segal			
Direct Retail	Original Penguin	Original Penguin		Original Penguin
	Perry Ellis	Perry Ellis		
	Cubavera			

(1) This channel includes Company operated retail stores and concession locations.

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

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

Diversified product offering and distribution model. We market a diverse array of products under our numerous brands at multiple price points and across multiple levels of retail distribution. Our menswear offerings include casual sportswear and bottoms, dress shirts and pants, jeans wear, golf apparel, sweaters, sports apparel, swimwear and swim accessories, active wear, outerwear and leather accessories. Our women s wear offerings include dresses, sportswear, swimwear, and swim accessories. Our products are distributed in approximately 15,000 doors at luxury stores, department stores, national and regional chain stores, mass merchants, specialty stores, sporting goods stores, the corporate wear market and independent retailers in the United States and Canada. We have successfully expanded product and brand distribution in the United Kingdom and Europe, and believe opportunities exist for further international expansion of our brand base. As of March 1, 2010, we also operated 41 Perry Ellis retail outlets and 8 Original Penguin retail stores and believe opportunity exists to further expand our retail store base. We have also opened one Cubavera retail store located in Miami, Florida. Our diversified product offerings and distribution model reduce our reliance on any one product, demographic group, merchandise preference or distribution channel and minimizes competition among our brands.

Portfolio of nationally and internationally recognized brands. We currently own or license a portfolio of 32 brands, which enjoy high recognition within their respective consumer segments. We believe that these brands have built a loyal following of fashion-conscious consumers and retailers who desire high quality, well-designed products. We license the Callaway Golf, Top-Flite, Nike, JAG, Champions Tour, PGA TOUR, and Pierre Cardin brands, which we believe are highly recognizable brands within their various product categories. We also license several of our brands to third parties for products in distribution channels and countries in which we do not distribute those brands. We believe that brand recognition is critical in the apparel industry, where strong brand names help define consumer preferences and drive selling space at retailers.

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, including Dillard s (over 25 years), Macy s (over 25 years), J.C. Penney (over 25 years), Sam s (19 years), and Kohl s (16 years).

Solid licensing capabilities and relationships. We license many of the brands we own, and, as a result, have gained 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. Our brands are solidly positioned in retail outlets at all major levels of retail distribution and have increased our exposure nationally and internationally. We believe that our broad portfolio of brands also appeals to licensees because it gives licensees the opportunity to sell their products into different distribution channels. 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 2010, based on the total units, we sourced our products from Asia (77%), the Americas (13%) and the Middle East (10%). We maintain a staff of experienced sourcing professionals in five offices in China (including Hong Kong), as well as in the United States, South Korea, Taiwan, 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 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 employ advanced fabric and design technologies to ensure a proper fit and outstanding performance when we create our women s and men s swimwear. We regularly upgrade our computer technology to enhance our design capabilities, facilitate communication with our global suppliers and customers on a real-time basis, react faster to new product developments by competitors and meet changes in customer needs.

We use an Oracle Retail system (formally known as Retek and Profit Logic), which enhances our sales planners ability to manage our retail customers inventory at the SKU level. This system helps maximize the 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 use both PerrySolutions in-house software and Oracle Retail during the assortment planning process to allocate the correct quantities for the initial rollout of product at retail.

Proven ability to integrate acquisitions. We have been successful in selectively acquiring, managing, developing and positioning 32 highly recognized brands within our business, including Munsingwear (1996), Perry Ellis (1999), John Henry (1999), Manhattan (1999), Jantzen (2002), the brands owned by Perry Ellis Menswear, LLC and Redsand (2003), Farah and Savane (2005), the action sports Gotcha, Girl Star and MCD brands (2005/2006) and the women s contemporary brands, Laundry by Shelli Segal and C&C California (2008).

As part of an extensive integration process for each brand, we have:

- improved the responsiveness to market trends by applying our design and sourcing expertise,
- communicated positioning of our new brands through various wide-ranging marketing programs,
- solidified our management team to design, market and license brands,
- repositioned the brands into different distribution channels to address the needs in those channels,
- renegotiated existing licensing agreements and sought new licensing opportunities in new segments and markets, and
- extended our sourcing and distribution capabilities to the products to include international wholesale and retail distribution.

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. In addition, George Feldenkreis, our chairman and chief executive officer, and Oscar Feldenkreis, our vice chairman, president and chief operating officer, have employment agreements through January 31, 2013.

Our Business Strategy

Our strategy is to continue to pursue our three-dimensional approach by developing and enhancing our portfolio of brands, increasing the scope of our product offerings and expanding distribution for our brands, while continuing our focus on growth and profitability through the execution of the following strategies:

Continue to strengthen the competitive position and recognition of our brands. We intend to continue enhancing the recognition of our brands by aggressively marketing them to both consumers and retailers. We manage each brand individually, developing a distinct brand and marketing strategy for every product category and distribution channel. We participate in cooperative advertising in print and broadcast media, as well as market directly to consumers through billboards, event sponsorships, and celebrity sponsorships, special event advertisements, online through our e-commerce platform and viral marketing initiatives, and advertisements in selected periodicals. In addition, we continue to have a strong presence at trade shows, such as M.A.G.I.C. in Las Vegas, Market Week in New York, PGA in Orlando, Bread and Butter in Spain and golf, surf and swim shows and events throughout the world. Licensing our brands to third parties also enhances brand recognition by providing increased customer exposure domestically and internationally, as well as opportunities for future product extensions.

Continue to diversify our product line. We intend to continue to expand the range of our product lines, thereby capitalizing on the name recognition, popularity, and target customer segmentation of our major brands. For example, our Jantzen acquisition took us into the swim and swim accessories markets, and through the Nike swim and JAG brands into the sports distribution and swim department stores channels. We have used the expertise developed through Jantzen, to develop successful swim and accessories coupled with the power of the Perry Ellis and Original Penguin brands, to successfully expand our swim business. In February 2008, we acquired Laundry by Shelli Segal and C&C California which gives us a stronger product line in dresses and women s sportswear. In addition, we will continue to seek opportunities that will expand our collection of products.

Increase penetration in each channel. We will continue to selectively pursue new ways to increase our penetration of existing channels of distribution for our products, focusing on maintaining the integrity of our products and reinforcing our image at existing and new retail stores, as well as introducing our products to geographic areas and consumer sectors that are presently less familiar with our products. We will also seek to expand our business with our existing customers by offering them products that are compelling and different from those in the marketplace and by capitalizing on our relationships with them by offering them more of our products.

7

***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 have successfully focused on Hispanics, the largest minority group in the United States, by developing the Cubavera, the Havanera Co., Centro and Solero brands. These brands specifically target the Hispanic market and consumers that embrace the Hispanic lifestyle brands. We also develop and sell to retailers Hispanic-inspired sportswear under private label brands. We look to continue expansion of this product category.

We re-introduced the Original Penguin brand in fiscal 2003, to target both Generation X and Generation Y, who are suburban upper-middle class. The product line is primarily sold at upscale department and upper tier specialty stores, as well as in 8 of our own upscale retail locations, and includes apparel, shoes and accessory items. We believe this brand has growth opportunities as we expand our product categories into premium denim and women s sportswear and dresses, as well as expanding our distribution to include an increasing number of direct retail store locations.

With the acquisition of the Laundry by Shelli Segal and C&C California brands, we significantly strengthened our position in women s contemporary in the United States. We see opportunity for the production of swimwear lines for these brands. We also see additional potential by licensing out accessories, footwear and fragrances.

With the acquisition of the Gotcha, Girl Star and MCD brands, coupled with the growth of our Redsand brand, we will continue to pursue ways to increase our penetration of the action sportsbrand category.

We are a top producer of golf lifestyle products with multiple brands including Callaway Golf, PGA TOUR, Grand Slam, and Champions Tour, across multiple distribution channels and look for further expansion in this area. We added Callaway Golf and Top-Flite to our portfolio of golf, during fiscal 2010, which allows us to leverage our design and sourcing capabilities as we distribute for Callaway.

We expect to increase the presence of our brands in Europe utilizing our United Kingdom subsidiary. Our Farah brand bottoms currently hold a large market share in the United Kingdom and we successfully introduced the Original Penguin brand on a pan European basis in fiscal 2007. We look to generate further expansion of Original Penguin and of our other brands internationally.

We are focused on several initiatives to increase our direct to consumer sales, including further expansion of our full-priced retail, our outlet stores and our continued launch of E-commerce web sites.

Expand our licensing opportunities. Since our acquisition of Munsingwear in 1996, we have significantly expanded the licensing of our brands to third parties for various product categories. We intend to continue to license our brands to existing and new licensees as profitable opportunities arise. We will also use our brand portfolio to expand our licensing activities in home, women s wear, sportswear, and fragrances. We continue to explore licensing opportunities where we see opportunities for growth, such as Europe, Asia and Latin America. We will continue to provide our licensing partners with strong brands, design expertise and innovative marketing strategies. In addition to the revenues and brand awareness that licensing provides us, we also believe that licensing our brands benefits us by reducing the volatility of our operating income.

Pursue strategic acquisitions and opportunities. We intend to continue our strategy of making selective disciplined acquisitions to expand our portfolio of brands and add new product categories as the industry continues to follow the consolidation trend of our retailer partners. We will continue to internally develop new brands and logical extensions of existing brands as opportunities in the marketplace arise. We intend to pursue acquisition opportunities in a disciplined and opportunistic manner as they become available and focus on products or categories that have high consumer awareness and are difficult to duplicate from a technical or logistical standpoint. Since our initial public offering in 1993, we have acquired, or obtained licenses for several brands, including Munsingwear, Perry Ellis, John Henry, Manhattan, Jantzen, JAG, Nike, Mondo di Marco, Axis, Tricots St. Raphael, Redsand, Pro Player, PGA TOUR, Savane, Farah, Champions Tour, Gotcha, Girl Star, MCD, Laundry by Shelli Segal, C&C California, and most recently Callaway Golf, Top-Flite and Pierre Cardin. We believe that our history of selectively acquiring under-marketed or under-performing brands and incorporating them into our efficient infrastructure generates a superior return on investment for us.

Recent Developments

In February 2008, we completed the acquisition of Laundry by Shelli Segal and C&C California brands from Liz Claiborne Inc. (Liz Claiborne) for $34.0 million, including all rights, titles, interests, tangible and intangible assets, and $10.1 million of inventory. We funded this acquisition through our senior credit facility.

In March 2009, we entered into a licensing agreement with Callaway Golf Company to design, manufacture and distribute Callaway golf and sportswear apparel in the United States. Subsequently, we amended the licensing agreement to include Top-Flite.

In August 2009, we entered into a licensing agreement with Pierre Cardin to design, manufacture, and distribute Pierre Cardin sportswear apparel in the United States, Puerto Rico, and the U.S. Virgin Islands.

Brands

In fiscal 2010, approximately 83% of our net sales were from branded label sales as in fiscal 2009. We currently own 25 and license 7 nationally and internationally recognized brands and the products are sourced for and sold throughout all major levels of retail distribution. Our owned brands include the Perry Ellis family of brands, Axis, Tricots St. Raphael, Jantzen, John Henry, Cubavera, the Havanera Co., Centro, Solero, Natural Issue, Munsingwear, Grand Slam, Original Penguin, Mondo di Marco, Redsand, Pro Player, Manhattan, Axist, Savane, Farah, Gotcha, Girl Star, MCD, Laundry by Shelli Segal and C&C California. We have developed over 42 sub-brands from these brands, including Perry Ellis America and Southpoint. We also distribute the Nike, JAG, Champions Tour, PGA TOUR, Callaway Golf, Top-Flite and Pierre Cardin brands under license arrangements.

We license, our premier brand, Perry Ellis, and many of our other brands for products in distribution channels in which we do not sell directly to retailers. In addition, we license our brands internationally. Our depth of brand selection enables us to target consumers across a wide range of ages, incomes and lifestyles, reduces our reliance on any single distribution channel, customer or demographic group, and minimizes competition among brands.

Perry Ellis. The Perry Ellis, Perry Ellis Portfolio and Perry Ellis America brands together generate over $1.1 billion in worldwide annual retail sales. Perry Ellis proposes a lifestyle inspired by 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. The Perry Ellis branded products are sold in upscale and major department stores, both domestic and international, as well as online at www.perryellis.com and at branded stores. We also license the Perry Ellis brand to third parties for a wide variety of apparel and non-apparel products. We have recently signed licensing arrangements for children s wear in the US and Canada, footwear in Europe and jewelry and home in Korea.

Axist. The Axist brand offers trend right fashion and style for today s discerning male consumer and is exclusively sold at Kohl s.

Axis. The look and feel of Axis is inspired by the casual yet spirited energy of the West Coast lifestyle. The collection s modern-yet-casual wovens, knits, sweaters, blazers and bottoms are characterized by exceptionally soft fabrics and garment details which utilize interesting aging and washing techniques. Carried in luxury and regional department stores around the country, the label was established in the 1980s and has continuously defined casual trend right sportswear for the upper-tier market.

C&C California. Based in Los Angeles, C&C California was founded in 2003, creating vintage-inspired tees from ultra-soft cotton in a wide range of exuberant colors. C&C California designs and markets a sportswear collection for women, including woven tops, bottoms and premium cashmere sweaters. With a cult celebrity fan base the label is known for its soft-handed, quality fabrics. C&C California creates sophisticated, chic, California inspired apparel with an emphasis on refined sexiness, comfort and subtle detailing in vibrant colors, targeting the fashion conscious customer, regardless of age. C&C California is distributed through specialty retailers, luxury department stores and its own website *www.candccalifornia.com*.

Laundry by Shelli Segal. Laundry by Shelli Segal, founded in 1988, has been a leader in the contemporary dress market for over 20 years. The label is a reflection of the LA Girl feminine and contemporary with a fun and flirty attitude, always demanding the next fashion statement. Laundry by Shelli Segal offers must-have clothes for a 24/7 lifestyle, from work to play, bringing luxury and creating fashion forward designs for the consumer in the know. Sought after by fashionistas and Hollywood A-listers alike, the label attracts multiple celebrities. The brand is available in premium department stores and luxury specialty retailers, as well as internationally in the UK, Greece, Mexico, Singapore and the Philippines. Laundry by Design (LDB), the little sister of Laundry by Shelli Segal, is the collection inspired by the next generation girl who loves to shop and stand out in the crowd. LBD is value priced and answers the need for the more youthful, carefree girl that wants the of-the-moment trends at prices she can afford.

Original Penguin. We re-introduced the Original Penguin brand with its signature penguin icon logo in fiscal 2003, which is a lifestyle product for the Generation X and Y men in the urban and suburban upper-middle class. The Original Penguin lifestyle re-defines the terms geek-chic and eccentric preppy with a strong focus on Americana and vintage inspired looks. The line offers a complete array of products updating the looks that its targeted consumers fathers loved to wear. 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 8 stand-alone stores in the USA and several international flagships in Great Britain, South Africa, Argentina, Chile and the Philippines. It is also sold online at *www.originalpenguin.com*.

Jantzen. The Jantzen brand signifies leadership in style, innovation and fashion, as we celebrated our centennial anniversary. For over 100 years, Jantzen has fused chic global aesthetics with iconic and authentic style. The brand s signature red diving girl logo is one of the most recognized icons today. Timeless glamour combined with our modern day approach to marketing will continue to elevate the brand. The collection is sold in upscale, specialty and major department stores.

Cubavera, the Havanera Co, Centro, and Solero. Our Hispanic heritage brands appeal to a multicultural consumer. The collections are designed with cross generational and crossover appeal while embracing the Hispanic lifestyle. Cubavera is currently sold in major department stores as well as specialty stores around the country, while the Havanera Co., Centro, and Solero brands are sold exclusively at J.C. Penney, Kohl s, and Kmart, respectively. Cubavera is also sold in one stand-alone retail store and on line at www.cubavera.com.

Grand Slam. Grand Slam is America s golf heritage brand. In 1951, Grand Slam introduced the world famous golf shirt with patented underarm gusset, which allowed for a full and even swing. Today, this heritage is brought to life through a performance golf line that reflects a classic golf lifestyle. The Grand Slam brand is sold exclusively at Kohl s.

Savane. The Savane brand is an established brand with a dynamic history of being a leader in delivering product newness and performance innovations in men s bottoms. The Savane collection offers an array of styles, silhouettes and fabrications for every wearing occasion, and can be found in major department stores and specialty retailers.

Farah. Farah was born in the 1920s in El Paso, Texas, and became a cult classic in the United Kingdom in the 1970s. The brand has recently been resurrected to capture the interest of young, fashion-conscious men through innovative marketing and sportswear which draws inspiration from Farah design archives. Meanwhile, a line of Farah brand bottoms appealing to comfort- and value-minded men currently holds a large market share position in the U.K. Its products are widely distributed in premium and better department stores, specialty stores, discount club markets and through mail order.

John Henry. John Henry offers a dress casual collection perfect for 9 to 9 dressing with an updated attitude while offering quality and value. The brand is available at national and regional chain stores.

Natural Issue. Since its inception, Natural Issue has supplied price conscious men with the higher-end looks they covet. The product line, including dress casual shirts, sweaters and pants, is primarily sold at national and regional chain stores.

Gotcha. Launched in 1978 from a Laguna Beach, California garage, Gotcha transformed the surf market through its incredible product, advertising, events and athletes. Gotcha celebrated its 30th anniversary as an action sports leader in 2008. Marketed as an accessible California youth lifestyle brand and widely distributed to mid-tier and action sports accounts. Gotcha enjoys a globally recognized icon and is sold in over twenty countries across five continents.

Redsand. Rooted in the coastal lifestyle of Southern California, the independent spirit of this brand is influenced by a passion for surf, travel, music, and art. Featuring an organic sensibility, creative details and a timeless look, Redsand is designed to inspire self-expression. The brand is sold to regional and better department stores.

Pro Player. Pro Player is an active sports brand with unisex and cross-generational appeal. The brand is committed to innovative design and quality fabrics, and appeals to health conscious individuals who enjoy a variety of indoor and outdoor sporting activities. The brand is sold at national and regional chain and sporting goods stores.

Girl Star. Girl Star is a juniors swimwear brand relaunched during fiscal 2008 with placement in better department stores and specialty accounts.

MCD. MCD delivers authentic California street wear design to progressive youth consumers, focusing on action sports specialty market.

Manhattan. The Manhattan brand s dress casual apparel features an accessible price point and is sold primarily to mass merchants and upscale specialty stores internationally.

Tricots St. Raphael. Throughout 30 years Tricots St. Raphael has built a reputation of luxury and sophistication. Impeccably designed sweaters and knits provide discerning men with distinctive patterns and a rich harmony of colors to outfit their refined lifestyle. Sportswear and sweaters are sold primarily at upscale department stores.

Mondo di Marco. The Mondo di Marco collection represents the essence of its Italian heritage with a modern sportswear approach and appeals to status-driven men. The brand is sold at upscale department stores and upper tier specialty stores.

PGA TOUR and Champions Tour. We are the exclusive U.S. men s apparel licensee for the PGA TOUR and Champions Tour brands for department and chain store channels of distribution. This license was originally acquired in 2004 and has recently been extended through 2012. The PGA TOUR features the game s biggest names and most competitive players in the world. The official 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 good stores. Our agreement with the PGA TOUR also includes the rights to sell apparel under the Champions Tour label. The Champions Tour showcases the most accomplished and revered players in golf. Formerly called the Senior PGA TOUR, the Champions Tour has been labeled the most successful senior sports venture in history. Champions Tour apparel is sold with two exclusive partners at department stores with Macy s and in the off-course golf channel with Edwin Watts. Products under both the PGA TOUR and the Champions Tour label include golf shirts, outerwear, sweaters, pants and shorts.

Nike. We are the swimwear licensee in the USA, Canada and Mexico for Nike, the world s leading sports and fitness company, to design, market and distribute men s, women s and children s competitive and active swimwear, as well as swim related apparel and accessories. Nike swim products are sold throughout team dealers, sporting goods, better specialty and department stores. The current agreement runs through May 2011, which is currently being renegotiated.

Jag. We acquired the license for Jag in 2006. This brand has been a major player in the swimwear arena for the past two decades. Jag swimwear is intended for an active woman seeking functionality and style from her swimwear. It is sold in major department stores, national chains and specialty stores. The current agreement runs through June 2014.

Callaway Golf. We became the official apparel licensee of Callaway Golf Company in March 2009. We have licensed the use of the Callaway Golf trademark to design, source and sell Callaway Golf brand apparel in the United States. The Callaway Golf apparel men s collection and sport range includes classic and fashion lines featuring knit and woven shirts, pullovers, jackets, sweaters, vests, pants, shorts, headwear and accessories. The collection range designs focus on sophisticated styling using luxury fabrics while the sport range designs aim to appeal to the active consumer. The agreement runs through December 2014 with an option for an extension until 2019.

Pierre Cardin. We became the licensee for Pierre Cardin in fiscal 2010 for the following categories in the United States, Puerto Rico and the U.S. Virgin Islands: outerwear, warm up suits, knits, sweaters, casual bottoms and denim. One of the world s iconic fashion brands, Pierre Cardin is celebrating its 60th anniversary in 2010, and it is still one of the most recognized brand names in the industry. Known for its avant-garde styling and futuristic design, the brand is a fusion of French savoir-faire and New York metropolitan style. Color, patterns and design details give it a modern edge that is targeted to a cross-generational man. Carried in mid-tier department stores, the label offers easy-care fashion at accessible prices. The agreement runs through June 2015.

Private Label. In addition to our sales of branded products, we sell products to retailers for sale under the labels of their own store lines. We sell private label products to Kohl s, Dillard s, J.C. Penney, Sears, BJ s Wholesale Club, Stein Mart, Inc. and Wal-Mart. Private label sales generally yield lower gross margins than sales of comparable branded products. Private label sales accounted for approximately 17% of our net sales during each of fiscal 2010 and 2009. The majority of our fiscal 2010 and 2009 private label sales related to our bottoms product category, which utilizes our production and replenishment expertise.

Products and Product Design

We offer a broad line of high quality men s casual sportswear, dress shirts and pants, jeans wear, golf apparel, sweaters, sports apparel, outerwear, swimwear and swim accessories, active wear and leather accessories. Our women s wear offerings include dresses, casual sportswear, swimwear and swim 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.

In accordance with standard industry practices for licensed products, we have the right to approve the concepts and designs of all products produced and distributed by our licensees.

Our products include:

Tops. We offer a broad line of sport shirts, dress 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 shirts, 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 42%, 45% and 47% of our net sales during fiscal 2010, 2009, and 2008, respectively. The decrease from fiscal 2009 to fiscal 2010 is due to the transition from our PING golf business to our new Callaway golf business and the exiting of certain unprofitable doors in our Perry Ellis business. The decrease from fiscal 2008 to fiscal 2009 is due to our exiting of the Perry Ellis wholesale dress shirt business and licensing out that portion of the business.

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 39%, 38% and 40% of our net sales during fiscal 2010, 2009, and 2008, respectively. The percentage of sales from bottoms remained flat from fiscal 2009 to fiscal 2010. The sale of bottoms in fiscal 2009 declined compared to fiscal 2008, mainly due to the exit of several mass merchant private label bottoms programs.

Swimwear. Our swimwear line includes women s, men s and junior s swimwear and accessories. Sales of swimwear and accessories accounted for approximately 11%, 11% and 10% of net sales during fiscal 2010, 2009 and 2008, respectively. The percentage of sales from swimwear remained flat from fiscal 2009 to fiscal 2010. The increase over fiscal 2008 reflects the strong performance of Nike, JAG, and the addition of cover-ups to the Jantzen line.

Women s Dress and Contemporary. Laundry by Shelli Segal and C&C California have increased our distribution of women s contemporary products, both in the dress and sportswear product category. During 2010 and 2009, sales in this product category represented approximately 3% of net sales.

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 5%, 3% and 3% of net sales during each of fiscal 2010, 2009 and 2008, respectively.

Licensing Operations

We license the brands we own to third parties for various product categories in distribution channels and countries where we do 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 many licensees. Our licensing operation is also a significant contributor to our operating income.

As of January 30, 2010, we were the licensor in 133 license agreements, 2 worldwide, 34 domestic and 97 international, for various products including footwear, men s suits, sportswear, dress shirts and bottoms, underwear, loungewear, outerwear, active wear, neckwear, fragrances, eyewear, accessories and home. Wholesale sales of licensed products by our licensees were approximately $500 million, $511 million and $510 million in fiscal 2010, 2009, and 2008, respectively. We received royalties from these sales of approximately $24.9 million, $25.4 million and $25.4 million in fiscal 2010, 2009, and 2008, respectively. We believe that our long-term licensing opportunities will continue to grow domestically and internationally. See our Consolidated Financial Statements and the related notes in this report for further information.

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 attempting to obtain 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. In addition, we believe that the Jantzen brand s history of nearly a century will allow us to take advantage of many domestic and international licensing opportunities.

In the contemporary market, we have been successful with licensing our Original Penguin brand, both domestically and internationally, in categories such as footwear, eyewear, hats, watches and neckwear. We also believe the addition of Laundry by Shelli Segal and C&C California provides 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 its 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.

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, independent commissioned sales representatives who work exclusively for us, and other non-exclusive independent commissioned sales representatives who generally market other product lines as well as ours. We also attend major industry trade shows and market weeks in the apparel industry and trade shows in our swimwear, golf, and corporate businesses.

We operate 41 retail outlet stores through which we sell Perry Ellis products directly to the public. These retail stores are generally located in upscale retail outlet malls. We operate 8 retail stores through which we sell Original Penguin products and 1 multi-brand outlet store near one of our corporate warehouse facilities. We also operate one Cubavera retail store located in Miami, Florida. We also have e-commerce web sites for our Perry Ellis, Cubavera, Original Penguin brands, and C&C California.

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 the Internet 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, our software system that enables our sales planners to manage our retail customers inventory at the SKU level. This system helps maximize the 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.

We invested in the Oracle Retail (formally known as Retek and Profit Logic) suite of products with the goal of reducing markdowns, increasing inventory turns and increasing revenues while automating the process. The different modules will 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 will allow 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, while tracking employee accountability.

We sell merchandise to a broad spectrum of retailers, including national and regional chain, upscale department, mass merchant and specialty stores. Our largest customers include Kohl s, Macy s, Dillard s, Sam s, and J.C. Penney. We have developed and maintained long-standing relationships with these customers, including Dillard s (over 25 years), Macy s (over 25 years), J.C. Penney (over 25 years), Sam s (19 years) and Kohl s (16 years). We also sell merchandise to corporate wear distributors.

Net sales to our five largest customers accounted for approximately 53%, 46% and 46% of net sales in fiscal 2010, 2009, and 2008, respectively. For fiscal 2010, two customers accounted for over 10% of net sales; Kohl s and Macy s accounted for approximately 20% and 11% of net sales, respectively. For fiscal 2009, two customers accounted for over 10% of net sales; Kohl s and Macy s accounted for approximately 17% and 12% of net sales, respectively. For fiscal 2008, two customers accounted for over 10% of net sales; Kohl s and Macy s accounted for approximately 15%, and 10% of net sales, respectively.

Advertising and Promotions

We advertise to customers through print advertisements in a variety of consumer and trade magazines and newspapers and through outdoor advertising such as billboards strategically placed to be viewed by 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) 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, the Havanera Co., Jantzen, 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 the company ecommerce platform, brand ambassadors, and Facebook, 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 quarter.

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 April 1, 2010, the backlog for orders of our products, all of which are expected to be shipped during fiscal 2011, was approximately $419 million, as compared to approximately $412 million as of April 1, 2009. 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 2010, 77% was sourced from suppliers in Asia, 13% was sourced from suppliers in the Americas and 10% was sourced from suppliers in the Middle East, 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, South Korea, Taiwan, 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 personnel based in our Miami, Florida office 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 in Latin America and the Caribbean and in each of our overseas offices.

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 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 member countries, threats to some apparel categories in China and Vietnam present themselves on occasion through proposed protectionist legislation in the US 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

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 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, 2010, we had approximately 2,170 employees worldwide compared to approximately 2,184 employees as of April 1, 2009. None of our employees is subject to a collective bargaining agreement. We consider our employee relations to be satisfactory.

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 53%, 46% and 46% of net sales in fiscal 2010, 2009, and 2008, respectively. For fiscal 2010, two customers accounted for over 10% of net sales; Kohl s and Macy s accounted for approximately 20% and 11% of net sales, respectively. For fiscal 2009, two customers accounted for over 10% of net sales; Kohl s and Macy s accounted for approximately 17%, and 12% of net sales, respectively. For fiscal 2008, two customers accounted for over 10% of net sales; Kohl s, and Macy s, accounted for 15% and, 10%, 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 attributable to such customers.

Although we have long-standing relationships with many of our customers, we do not have long-term contracts with any of them 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 a reduction in consumer spending overall, 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.

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

The worldwide apparel industry is heavily influenced by general economic conditions.

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, the recent housing slump in the U.S., increases 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 acquisition of Laundry by Shelli Segal and C&C California, 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 and environmental compliance. Additionally, we or our customers operating guidelines may require additional obligations in those areas. However, we do not 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.

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 our licensing alliances and the loss or inability to renew certain licenses could reduce our royalty income and consequently reduce our net income.

Although a relatively small portion of our revenue is derived from royalty income received from our licensing partners, the interruption of the business of several of our licensing partners or the loss of several licenses at any one time could adversely affect our royalty income and net income. Royalty income from licensing accounted for $24.9 million or 3% of total revenues for fiscal 2010.

We currently license the Nike, JAG, Champions Tour, PGA TOUR, Callaway Golf, Top-Flite and Pierre Cardin 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 sales.

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. 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.

We are subject to local laws and regulations in the U.S. If any of the laws are amended, 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 are 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. As a result of our suppliers, in some instances, being 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, any significant fluctuations in the value of the dollar against foreign currencies, 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.

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. 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.

With respect to previous acquisitions, we faced many 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 expect that we will face similar challenges if we make significant acquisitions in the future.

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.

We have a significant amount of debt. As of January 2010, we had $155 million of debt outstanding (excluding amounts outstanding under our letter of credit facilities).

Our indebtedness could have important consequences, including:

- making it more difficult for us to satisfy our obligations with respect to our senior subordinated notes, including our ability to repurchase such notes upon the occurrence of a change of control, increasing our vulnerability to adverse general economic and industry conditions and adverse changes in governmental regulations,

limiting our ability to obtain additional financing to fund 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, acquisitions or other general corporate purposes,

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

increasing our vulnerability to general adverse economic and industry conditions because, during periods in which we experience lower earnings and cash flow, we will be required to devote a proportionally greater amount of our cash flow to paying principal and interest on our debt; and

placing us at a competitive disadvantage compared to our less leveraged competitors.

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 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. We cannot assure that we will be able to renegotiate or refinance any of our debt on commercially reasonable terms or at all. In addition, our interest expense may increase if general economic conditions result in an increasing interest rate environment because some of our debt is based on variable as opposed to fixed rates. We cannot assure that our business will generate cash flow, or that we will be able to obtain funding sufficient to satisfy our debt service requirements.

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,

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 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 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 U.S. 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.

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 which expires in 2013. 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.

Item 1B. Unresolved Staff Comments
None.

Item 2. Properties
We own our principal executive and administrative office, warehouse and distribution facility, which is located in a 240,000 square foot facility in Miami, Florida. This facility is encumbered by a $10.7 million mortgage, due July 1, 2010. For purposes of potential future expansion, we own approximately three acres of land adjacent to this facility.

We lease two facilities located in Miami from our chairman and chief executive officer. These facilities total approximately 66,000 square feet, which house distribution and administrative functions. These facilities have ten year leases expiring in 2014.

We own a 345,000 square foot distribution center in Seneca, South Carolina, a 380,000 square foot distribution facility in Winnsboro, South Carolina, and a 305,000 square foot distribution facility in Tampa, Florida. The facility in Tampa, Florida is encumbered by a $14.1 million mortgage due June 07, 2016. During fiscal 2009, we closed our Winnsboro distribution facility and such property is currently listed for sale.

We own three administrative office units totaling 12,000 square feet in a building in Beijing, China.

We lease several locations in New York City, totaling approximately 163,000 square feet, with leases expiring from December 2012 to December 2017. These locations are used for office, design, and showroom space.

We lease 19,427 square feet for office space used by our swimwear business in Portland, Oregon, pursuant to a lease, which expires in August 2012.

We lease 5,250 square feet for office space used by our action sports brand business in Irvine, California, pursuant to a lease, which expires in August 2011.

We lease 39,400 square feet of office space used by our swimwear business, C&C California and Laundry by Shelli Segal brands in Commerce, California, pursuant to a lease which expires in December 2012.

We lease several locations in Texas, Wisconsin, and California totaling approximately 9,400 square feet of office space, with leases expiring from April 2012 to May 2017.

We also lease 50 retail stores, comprising approximately 135,000 square feet of selling space.

We lease a facility in Witham, Essex which totals approximately 90,000 square feet and houses our U.K. distribution and administrative functions. This facility has 25 year lease expiring in 2016.

Item 3. Legal Proceedings

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 litigation that it believes might have a material adverse effect on its business operations.

Item 4. Reserved

PART II

Item 5. Market for Registrant s Common Equity and Related Shareholder Matters

(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 2010		
First Quarter	$ 7.37	$ 3.46
Second Quarter	9.72	5.60
Third Quarter	19.15	8.06
Fourth Quarter	16.92	13.34
Fiscal Year 2009		
First Quarter	$ 23.89	$ 15.76
Second Quarter	28.36	20.06
Third Quarter	26.48	7.88
Fourth Quarter	9.58	3.58

(b) Holders

As of April 9, 2009, there were approximately 156 shareholders of record of our common stock. We believe the number of beneficial owners of our common stock is in excess of 2,300.

(c) Dividends

We have not paid any cash dividends since our inception and do not contemplate doing so in the near future. Payment of cash dividends is prohibited under our senior credit facility and the indenture governing our senior subordinated notes**.** See footnotes 14 through 16 to the consolidated financial statements of Perry Ellis 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

Equity Compensation Plan Information for Fiscal 2010

The following table summarizes as of January 30, 2010 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, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants 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)	1,910,466	$ 7.90	1,517,790
Equity compensation plans not approved by security holders			
Total	1,910,466	$ 7.90	1,517,790

(1) Represents awards made pursuant to our 2002 Equity Compensation Plan, our 1993 Stock Option Plan and our 2005 Long Term Plan, as amended and restated.

(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, 2005 and ending January 30, 2010. The graph assumes that $100 was invested on February 1, 2005 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.

	Base 2005	2006	2007	2008	2009	2010
Perry Ellis International, Inc.	$ 100.00	$ 96.26	$ 213.91	$ 124.76	$ 27.30	$ 113.96
NASDAQ Composite	100.00	111.69	122.94	117.70	72.63	105.78
S&P Apparel, Accessories & Luxury Goods	100.00	110.17	140.72	101.51	53.24	100.61

(f) Sales of Unregistered Securities

Not Applicable.

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

Not Applicable.

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 Notes thereto included in Item 8 of this report and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations. Shares and per share data have been restated to give effect to the 3 for 2 stock split in December 2006.

Fiscal Years Ended	January 30, 2010	January 31, 2009	January 31, 2008	January 31, 2007	January 31, 2006
Income Statement Data:					
Net sales	$ 729,217	$ 825,868	$ 838,465	$ 807,616	$ 827,504
Net royalty income	24,985	25,429	25,401	22,226	21,910
Total revenues	754,202	851,297	863,866	829,842	849,414
Cost of sales	505,104	573,046	572,232	554,046	586,900
Gross profit	249,098	278,251	291,634	275,796	262,514
Selling, general and administrative expenses	200,356	236,840	215,873	204,883	195,236
Depreciation and amortization	13,625	14,784	13,278	11,608	9,557
Impairment on long-lived assets	254	22,299			
Operating income	34,863	4,328	62,483	59,305	57,721
Costs on early extinguishment of debt	357			2,963	
Impairment on marketable securities		2,797			
Interest expense	17,371	17,491	17,594	21,114	21,930
Net income (loss) before income taxes	17,135	(15,960)	44,889	35,228	35,791
Income tax provision (benefit)	3,615	(3,682)	15,785	12,311	12,639
Net income (loss)	13,520	(12,278)	29,104	22,917	23,152
Less: Net income attributed to noncontrolling interest	353	612	931	508	470
Net income (loss) attributed to Perry Ellis International, Inc.	$ 13,167	$ (12,890)	$ 28,173	$ 22,409	$ 22,682
Net income (loss) attributed to Perry Ellis International, Inc. per share:					
Basic	$ 1.04	$ (0.89)	$ 1.92	$ 1.55	$ 1.59
Diluted	1.01	(0.89)	1.80	1.45	1.51
Weighted average number of shares outstanding					
Basic	12,699	14,416	14,675	14,504	14,301
Diluted	13,005	14,416	15,657	15,455	15,050
Other Financial Data:					
EBITDA (a)	$ 48,488	$ 16,315	$ 75,761	$ 70,913	$ 67,278
Cash flows from operations	88,795	(4,982)	91,292	31,596	80,546
Cash flows from investing	(2,034)	(44,390)	(19,307)	(16,755)	(106,641)
Cash flows from financing	(76,999)	45,648	(64,911)	(20,360)	30,520
Capital expenditures	(3,749)	(10,786)	(18,955)	(15,968)	(14,460)
Balance Sheet Data (at year end):					

Working capital	$ 188,056	$ 241,130	$ 217,870	$ 229,682	$ 228,550
Total assets	561,316	599,586	586,265	593,206	570,014
Total debt (b)	155,108	229,065	175,927	237,737	259,245
Total stockholders equity	270,116	252,101	276,820	248,996	221,234

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 30, 2010	January 31, 2009	January 31, 2008 In thousands	January 31, 2007	January 31, 2006
Net income (loss) attributed to Perry Ellis International, Inc.	$ 13,167	$ (12,890)	$ 28,173	$ 22,409	$ 22,682
Depreciation & amortization	13,625	14,784	13,278	11,608	9,557
Interest expense	17,371	17,491	17,594	21,114	21,930
Income tax provision (benefit)	3,615	(3,682)	15,785	12,311	12,639
Net income attributed to noncontrolling interest	353	612	931	508	470
Costs of early extinguishment of debt	357			2,963	
EBITDA	$ 48,488	$ 16,315	$ 75,761	$ 70,913	$ 67,278

b) Total debt includes balances outstanding under Perry Ellis senior credit facility, senior subordinated notes, 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, making us one of the largest supplier s 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.

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 approximately 15,000 selling doors. Our portfolio of highly recognized brands includes the Perry Ellis family of brands, which we estimate together generate over $1.1 billion in annual retail sales, Axis, Tricots St. Raphael, Jantzen, John Henry, Cubavera, the Havanera Co., Centro, Solero, Natural Issue, Munsingwear, Grand Slam, Original Penguin by Munsingwear (Original Penguin), Mondo di Marco, Redsand, Pro Player, Manhattan, Axist, Savane, Farah, Gotcha, Girl Star, MCD, Laundry by Shelli Segal and C&C California. We also (i) license the Nike brand for swimwear and swimwear accessories, (ii) license the JAG brand for men s and women s swimwear and cover-ups, (iii) license the Callaway Golf and Top-Flite brand for golf apparel, (iv) license the PGA TOUR brand, including Champions Tour, for golf apparel, and (v) license Pierre Cardin for men s sportswear.

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, ecommerce, as well as clubs and independent retailers in the United States, Canada, the United Kingdom and Europe. Our largest customers include Kohl s, Macy s, Dillard s, Sam s, and J.C. Penney. As of March 1, 2010, we also operated 41 Perry Ellis retail outlet stores located primarily in upscale retail outlet malls across the United States as well as 8 Original Penguin retail stores located in upscale demographic markets in the United States. We have also opened one Cubavera retail store located in Miami, Florida. 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 2 worldwide, 34 domestic, and 97 international license agreements.

Our wholesale business, which is comprised of men s and women s sportswear, swimwear and swimwear accessories, accounted for 97% of our total revenues in fiscal 2010 and, our licensing business accounted for approximately 3% of our total revenues in fiscal 2010. We have traditionally focused on the men s sportswear market, which represented approximately 86% of our total revenues in fiscal 2010, while our women s dresses and casual sportswear and men s and women s swimwear markets represented approximately 14% of our total revenues in fiscal 2010 . Finally, our U.S. based business represents approximately 92% of total revenues, while our foreign operations represented 8% for fiscal 2010.

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.

We employ a three-dimensional strategy in the design, sourcing, marketing and licensing of our products that focuses on diversity of brands, products and distribution channels. Through this strategy, we provide our products to a broad range of customers, which reduces our reliance on any single distribution channel, customer, or demographic group and minimizes competition among our brands.

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. Our swimwear business, however, is highly seasonal in nature, with the significant majority of its sales occurring in our first and fourth quarters. Our higher-priced products generally tend to be less sensitive to either economic or weather conditions. 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. We expect that 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 Notes 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 we use judgment are in the areas of revenue recognition, the estimated collectability of accounts receivable, the recoverability of obsolete or overstocked inventory, the impairment of long-lived assets that are our trademarks, the recoverability of deferred tax assets, the measurement of retirement related benefits and stock-based compensation.

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 and a provision for estimated returns and other allowances, considering historical and anticipated trends. Revenues are recorded net of corresponding sales taxes. 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 receivables 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 bad debt experience, changes in customer creditworthiness, current economic 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 have, at the present time, only one class of indefinite lived assets, trademarks. We review our intangible assets with indefinite useful lives for possible impairments at least annually and perform impairment testing as of February 1st 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.

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. 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.

The ultimate realization of the deferred tax asset is dependent upon the generation of future taxable income during the periods prior to the expiration of the related net operating losses. 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 is 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.

Stock-Based Compensation. Our stock-based award programs are intended to attract, retain and provide incentives for talented employees, officers and directors, and to align stockholder and employee interests. As of January 30, 2010, we had three stock-based compensation plans.

Share-based awards granted to employees are fair valued on the date of grant and the related expense is recognized over the requisite service period, which is generally the vesting period of the award. Compensation cost must be recognized over the requisite service period if it is probable that the performance condition will be satisfied. We use our best judgment to determine whether it is probable the performance conditions will be satisfied at each reporting period and record compensation costs accordingly; however, the recognition or non-recognition of such compensation cost remains subject to uncertainty. If the performance conditions are not met for performance vesting restricted stock, no compensation costs will be recognized for those shares and any compensation cost recognized previously for those shares will be reversed.

The fair value of these 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 historical price of the our 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 exercise and employee termination; and dividend yield based on our history and expectation of dividend payments. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially impacted.

Our Results of Operations for Fiscal 2010

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 30, 2010	January 31, 2009	January 31, 2008
Net sales	96.7%	97.0%	97.1%
Royalty income	3.3%	3.0%	2.9%
Total revenues	100.0%	100.0%	100.0%
Cost of sales	67.0%	67.3%	66.2%
Gross profit	33.0%	32.7%	33.8%
Selling, general and administrative expenses	26.6%	27.8%	25.0%
Depreciation and amortization	1.8%	1.7%	1.5%
Impairment on long-lived assets	0.0%	2.6%	0.0%
Operating income	4.6%	0.5%	7.3%
Costs on early extinguishment of debt	0.0%	0.0%	0.0%
Impairment on marketable securities	0.0%	0.3%	0.0%
Interest expense	2.3%	2.1%	2.0%
Net income (loss) before income taxes	2.3%	-1.9%	5.3%
Income tax provision (benefit)	0.5%	-0.4%	1.8%
Net income (loss)	1.8%	-1.4%	3.5%
Net income attributed to noncontrolling interest	0.0%	0.1%	0.0%
Net income (loss) attributed to Perry Ellis International, Inc.	1.7%	-1.5%	3.5%

The following is a discussion of our results of operations for the fiscal year ended January 30, 2010 (fiscal 2010) as compared with the fiscal year ended January 31, 2009 (fiscal 2009) and fiscal 2009 compared with the fiscal year ended January 31, 2008 (fiscal 2008).

Our fiscal 2010 results as compared to our fiscal 2009 results

*Net sales***.** Net sales in fiscal 2010 were $729.2 million, a decrease of $96.7 million, or 11.7%, from $825.9 million in fiscal 2009. This decrease was primarily driven by our planned reduction of $26.0 million in our private label and replenishment business; several of our previous customers including Mervyns and Goody s, which accounted for sales of approximately $13.0 million in fiscal 2009, subsequently filing for bankruptcy and liquidating as a result; the transition of the Perry Ellis dress shirts business to a licensed product; the exit of our PING and Dockers Outwear license agreements; and the exit of numerous specialty store programs. Additionally, net sales declined due to the decline in the overall economy and the resulting decline in retail customer demand. These decreases were partially offset by organic growth in several of our platforms golf lifestyle, John Henry, Laundry by Shelli Segal and certain Hispanic brands.

Royalty income. Royalty income in fiscal 2010 was $25.0 million, a decrease of $0.4 million, or 1.6% from $25.4 in fiscal 2009. The decrease was due primarily to the loss of some smaller license agreements partially offset by the benefit of new licenses added in the categories of swimwear and dress shirts. Royalty income is derived from agreements entered into by us with our licensees, which average three to five years in length. The vast majority of our license agreements require licensees to pay us a royalty based on net sales and require licensees to pay a guaranteed minimum royalty. Approximately 91.4% of our royalty income was attributable to guaranteed minimum royalties with the balance attributable to royalty income in excess of the guaranteed minimums for fiscal 2010.

Gross profit. Gross profit was $249.1 million in fiscal 2010, a decrease of $29.2 million, or 10.5%, from $278.3 million in fiscal 2009. The decline was primarily due to the decline in net sales. As a percentage of total revenue, gross profit margins were 33.0% in fiscal 2010 compared to 32.7% in fiscal 2009, an increase of 30 basis points**.** Our overall fiscal 2010 gross margin growth was driven by a mix of higher margin branded product, the exiting of several lower margin private label programs, and the reduction of sales and operational allowance as compared to fiscal 2009.

Wholesale gross profit margins (which exclude the impact of royalty income) were 30.7% in fiscal 2010, compared to 30.6% in fiscal 2009. This slight increase is primarily attributable to the factors mentioned above.

Selling, general and administrative expenses. Selling, general and administrative expenses in fiscal 2010 were $200.4 million, a decrease of $36.4 million, or 15.4%, from $236.8 million in fiscal 2009**.** As a percentage of total revenues, selling, general and administrative expenses decreased to 26.6% in fiscal 2010 as compared to 27.8% in fiscal 2009. The decrease, primarily in our wholesale business, in selling, general and administrative expenses, is attributed to a decrease in distribution costs, a reduction in advertising expenses, a decrease of third party commissions as a result of our exiting of certain specialty store programs and through our efforts to control sample costs. Also, because of our strategic review process, we undertook strategic initiatives and exited underperforming business and as such reduced the overhead associated with those businesses.

Depreciation and amortization. Depreciation and amortization in fiscal 2010 was $13.6 million, a decrease of $1.2 million, or 8.1%, from $14.8 million in fiscal 2009**.** Depreciation and amortization decreased as compared to the prior year, due primarily to the write-off of long lived assets in the amount of $1.6 million during the fourth quarter of fiscal 2009 and the decreased capital spending during fiscal 2010. As of January 30, 2010, we owned approximately $132.3 million of property, plant and equipment, at cost, as compared to approximately $130.6 million as of January 31, 2009, at cost.

Impairment on long-lived assets. During the fourth quarter of fiscal 2010, we experienced lower-than-expected performance at certain locations, which was due in part to the economic downturn. As a result, we recorded a $0.3 million impairment charge to reduce the net carrying value of certain long-lived assets (primarily leaseholds) at these locations to their estimated fair value. As a result of our annual impairment analysis, during fiscal 2009, we recorded trademark impairment charges of $20.7 million, due to decreases in our projected revenues for certain brands. The impairments result from a decline in the future anticipated cash flows from these trademarks, which is due, in part, to the current deterioration of economic and market conditions in the apparel industry. Also during fiscal 2009, we recorded a $1.6 million impairment charge to reduce the net carrying value of certain long-lived assets (primarily leaseholds) to their estimated fair value.

Costs on early extinguishment of debt. During the fourth quarter of fiscal 2010, we retired $20.8 million of our senior subordinated notes payable. In connection with this retirement, we paid an additional $98,000 in fees and premiums. Additionally we wrote-off approximately $259,000 in unamortized discount and bond fees, associated with the retired portion of the senior subordinated notes. The senior subordinated notes were scheduled to mature in September 15, 2013. We did not retire any of our senior subordinated notes during fiscal 2009.

Interest expense. Interest expense in fiscal 2010 was $17.4 million, a decrease of $0.1 million, or 0.6%, from $17.5 million in fiscal 2009. We ended fiscal 2010 with no borrowings on our senior credit facility as compared to $54.4 as of the end of fiscal 2009. The slight decrease in interest expense is primarily attributable to a lower average balance on our senior credit facility as compared to the prior year, partially offset by the change in fair value of our interest rate swap and interest rate cap in the amount of $1.0 million.

Income taxes. The income tax provision for fiscal 2010 was $3.6 million, a $7.3 million increase as compared to a $3.7 million benefit for fiscal 2009. For fiscal 2010, our effective tax rate was 21.2% as compared to (23.1%) in fiscal 2009. The decrease in the tax rate is attributed to decreases to our unrecognized tax benefits, an increase in the valuation allowance established against specific deferred tax assets and the change in ratio of income between domestic and foreign operations, of which the foreign operations are taxed at lower statutory tax rates.

Net income (loss) attributed to Perry Ellis International, Inc. Net income in fiscal 2010 was $13.2 million, an increase of $26.1 million, or 202.3%, from net loss of ($12.9) million in fiscal 2009 as a result of the above-mentioned factors**.**

Our fiscal 2009 results as compared to our fiscal 2008 results

*Net sales***.** Net sales in fiscal 2009 were $825.9 million, a decrease of $12.6 million, or 1.5%, from $838.5 million in fiscal 2008. This decrease was primarily driven by the planned reduction of $30 million of our private label bottoms business, an increase in sales allowances of approximately $8.8 million, a revenue decline of $4.5 million related to the loss of multiple customers due to their filing for Chapter 11 bankruptcy protection or liquidation in the second half of the year, and the reduction of certain brands in our specialty store channels; partially offset by organic growth of several of our platforms swim, golf lifestyle, denim, and Hispanic lines. Additionally, net sales for fiscal 2009 included approximately $26.1 million due to the fiscal 2009 acquisition of the C&C California and Laundry by Shelli Segal brands.

Royalty income. Royalty income in fiscal 2009 was $25.4 million, remaining essentially flat as compared to fiscal 2008. Royalty income decreased due primarily to the termination of the Gotcha license in Europe. However, we offset this decrease by the benefit of new licenses added in the categories of outerwear, fragrances, and dress shirts. Royalty income is derived from agreements entered into by us with our licensees, which average three to five years in length. The vast majority of our license agreements require licensees to pay us a royalty based on net sales and require licensees to pay a guaranteed minimum royalty. Approximately 83.2% of our royalty income was attributable to guaranteed minimum royalties with the balance attributable to royalty income in excess of the guaranteed minimums for fiscal 2009.

Gross profit. Gross profit was $278.3 million in fiscal 2009, a decrease of $13.3 million, or 4.6%, from $291.6 million in fiscal 2008. As a percentage of total revenue, gross profit margins were 32.7% in fiscal 2009 compared to 33.8% in fiscal 2008, a decrease of 110 basis points**.** Our overall fiscal 2009 gross margin was significantly impacted by the highly promotional holiday season, which required an increase in sales allowances as compared to fiscal 2008. Additionally, we liquidated approximately 290,000 units of products below cost related to the exiting of our specialty store business and inventory previously targeted for certain retailers who filed for Chapter 11 bankruptcy protection.

Wholesale gross profit margins (which exclude the impact of royalty income) were 30.6% in fiscal 2009, compared to 31.8% in fiscal 2008. This decrease is primarily attributable to the factors mentioned above.

Selling, general and administrative expenses. Selling, general and administrative expenses in fiscal 2009 were $236.8 million, an increase of $20.9 million, or 9.7%, from $215.9 million in fiscal 2008**.** As a percentage of total revenues, selling, general and administrative expenses increased to 27.8% in fiscal 2009 as compared to 25.0% in fiscal 2008. The increase in selling, general and administrative expenses, on a dollar and percentage basis, is attributed to additional costs related to our continued investment into the boys, action sports, E-commerce and retail businesses, as well as certain costs associated with the addition of the women s contemporary business of approximately $18.2 million. Additionally, we made substantial management changes in the first half of the year in the UK, as well as repositioned our European business, which caused us to incur additional expenses.

We began a strategic review process during our third quarter of fiscal 2009. Most of the identified expenses in connection with this strategic review were incurred during our fourth quarter. In connection with this process, we incurred approximately $1.7 million in certain real estate exit costs and severance charges during fiscal 2009.

As part of our strategic review process, we identified selling, general and administrative expense reductions of approximately $20 million for fiscal 2010. The identified initiatives included: the consolidation of the Tampa bottom s production department; reductions in headcount and advertising and promotion budget in the men s specialty store businesses; reduction in the shared services cost structure; restructuring of the Perry Ellis Outlet operations; the annualization of distribution cost savings due to the closing of the Winnsboro distribution center; and a hiring freeze and reduction of travel and other discretionary expenses.

Depreciation and amortization. Depreciation and amortization in fiscal 2009 was $14.8 million, an increase of $1.5 million, or 11.3%, from $13.3 million in fiscal 2008**.** The increase is primarily due to the increase in property and equipment, primarily from our Oracle retail system, and our continued expansion in retail stores. As of January 31, 2009, we owned approximately $130.6 million of property, plant and equipment at cost as compared to approximately $128.1 million as of January 31, 2008 at cost.

Impairment on long-lived assets. We performed our annual impairment test for indefinite-lived trademarks. Certain key assumptions we use are critical in determining the fair value estimates, such as: (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 our expectations may change in the future based on period-specific facts and circumstances. As a result of our annual impairment analysis, we recorded trademark impairment charges of $20.7 million, due to decreases in our projected revenues for certain brands. The impairments result from a decline in the future anticipated cash flows from these trademarks, which is due, in part, to the current deterioration of economic and market conditions in the apparel industry.

Additionally, during the fourth quarter of fiscal 2009, we experienced lower-than-expected performance at certain locations, which was due in part to the current economic downturn. As a result, we recorded a $1.6 million impairment charge to reduce the net carrying value of certain long-lived assets (primarily leaseholds) at these locations to their estimated fair value.

Impairment on marketable securities. During the year ended January 31, 2009, we determined that marketable securities that were classified as available for sale were deemed to be other than temporarily impaired, due to the percentage and duration of the loss. Accordingly, an impairment in the amount of approximately $2.8 million was recognized for the twelve months ended January 31, 2009.

Interest expense. Interest expense in fiscal 2009 was $17.5 million, a decrease of $0.1 million, or 0.6%, from $17.6 million in fiscal 2008. We ended fiscal 2009 with a balance of $54.4 million on our senior credit facility compared to no borrowings for fiscal 2008. Although our senior credit facility increased, it includes approximately $34 million for the acquisition of the women s contemporary business and $11.6 million for purchases of treasury shares. Despite these increases, we were able to control our average borrowings under our senior credit facility and thus achieved a slight decrease in interest expense.

Income taxes. The income tax (benefit) provision for fiscal 2009 was $(3.7) million, a $19.5 million decrease as compared to $15.8 million for fiscal 2008. For fiscal 2009, our effective tax rate was 23.1% as compared to 35.2% in fiscal 2008. The decrease in the tax rate is attributed to additions to the Company s unrecognized tax benefits, adjustments of our state net operating losses, increase in the valuation allowance established against specific deferred tax assets, the increase in the relative proportion of non-deductible taxable differences to net book income before noncontrolling interest and taxes and the offsetting effect of domestic losses combined with income from our international operations, which experience a lower tax rate.

Net (loss) income attributed to Perry Ellis International, Inc. Net loss in fiscal 2009 was $(12.9) million, a decrease of $41.1 million, or 146%, from net income of $28.2 million in fiscal 2008 as a result of the above-mentioned factors.

Our Liquidity and Capital Resources

We rely principally on cash flow from operations and borrowings under our senior credit facility, and to a lesser extent, on our letter of credit facilities to finance our operations, acquisitions and capital expenditures. We believe that as a result of our strategic review process and our increased discipline in our working capital and cash flow management, our working capital requirements will increase slightly for next year. As of January 30, 2010, our total working capital was $188.1 million as compared to $241.1 million as of January 31, 2009. During the first quarter of fiscal 2010, an underutilized $30 million letter of credit facility was terminated. Traditionally, our letter of credit facilities were used for trade financing. We have shifted our finance strategy from relying on letter of credit facilities to direct trade terms with our vendors, and as such, we did not need the excess capacity provided by this letter of credit facility. 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.

Net cash provided by operating activities was $88.8 million in fiscal 2010 as compared to cash used by operating activities of $5.0 million in fiscal 2009 and cash provided by operating activities of $91.3 million in fiscal 2008.

The increase of $93.8 million in the level of cash from operating activities in fiscal 2010 as compared to fiscal 2009 is primarily attributable to the increase in net income of $26.1 million, a decrease in accounts receivable of $4.6 million due to an increase in collection efforts despite the increase in sales toward the end of the fourth quarter, a decrease in inventory of $28.1 million due to tighter controls in inventory planning and an anticipated reduction in certain replenishment programs, an increase in accounts payable and accrued expenses of $17.1 million, a reduction in other assets and prepaid taxes of $6.2 million; offset by an increase of $3.7 million in unearned revenues.

The decrease of $96.3 million in the level of cash from operating activities in fiscal 2009 as compared to fiscal 2008 is primarily attributable to the decrease in net income of $41.1 million, an increase in accounts receivable of $9.2 million due to an increase in sales toward the end of the fourth quarter, an increase in other assets and prepaid taxes of $9.7 million, a reduction in accounts payable and accrued expenses of $9.5 million, the decrease of $2.1 million in unearned revenues; offset by a decrease in inventory of $2.6 million due to tighter controls in inventory planning and an anticipated reduction in certain replenishment programs and a reduction in other assets of $1.3 million.

Net cash used in investing activities was $2.0 million in fiscal 2010, primarily reflecting the purchases of property and equipment of $2.7 million, partially, offset by the proceeds received in the amount of $0.7 million from the sale of an intangible asset for a total sales price of $1.8 million of which the balance is expected to be collected in the second quarter of fiscal 2011. Net cash used in investing activities was $44.4 million in fiscal 2009, which primarily reflects the purchase of property and equipment in the amount of $10.2 million, the acquisition of the C&C California and Laundry by Shelli Segal brands and inventory for $34.0 million and proceeds of $0.1 million from the sale of marketable securities. Net cash used in investing activities was $19.3 million in fiscal 2008, which primarily reflects the purchases of property and equipment of $19.0 million which includes the Oracle retail system, marketable securities of $0.7 million and proceeds of $0.3 million for the sale of marketable securities. We anticipate capital expenditures during fiscal 2011 of $8.0 million to $9.0 million in technology and systems, retail stores, and other expenditures.

Net cash used in financing activities in fiscal 2010 was $77.0 million, which primarily reflects the net payments on our senior credit facility of $54.4 million, the repurchase of senior subordinated notes in the amount of $20.8 million, including redemption premiums and commissions of $0.1 million, the payments of $0.5 million on our mortgages, and the purchase of treasury stock of $1.8 million, partially offset by the proceeds received from the exercise of stock options of $0.6 million and $0.2 million in tax benefit from the exercise of those options. Net cash provided by financing activities in fiscal 2009 was $45.6 million, which primarily reflects the net borrowings on our senior credit facility of $54.4 million and the proceeds received from the exercise of stock options of $3.8 million and $1.6 million in tax benefit from the exercise of those options, offset by the payments of $1.4 million on our mortgages, purchase of treasury stock of $11.6 million and a payment of a loan to a noncontrolling partner of $0.6 million. Net cash used in financing activities in fiscal 2008 was $64.9 million, which primarily reflects net payments of $61.3 million to our senior credit facility and $4.0 million for the stock repurchase program. The use of cash was offset by proceeds of $0.7 million from the exercise of employee stock options and $0.5 million in tax benefit from the exercise of those options.

During fiscal 2010, our Board of Directors authorized us to purchase, from time to time and as market and business conditions warrant, our senior subordinated notes for cash in the open market or in privately negotiated transactions. The amount of senior subordinated notes that may be repurchased or otherwise retired, if any, would be based on parameters approved by the Board of Directors and will depend on market conditions, trading levels of our senior subordinated notes, our cash position and other considerations.

In September 2009, the Board of Directors extended the stock repurchase program, which authorizes us to continue to repurchase up to $20 million of our common stock for cash over the next twelve months. Although the Board of Directors allocated a maximum of $20 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 this plan, since inception, have amounted to $17.4 million through January 30, 2010.

Acquisitions

On February 4, 2008, we completed the acquisition of the C&C California and Laundry by Shelli Segal brands and related assets from Liz Claiborne, Inc. The acquisition was financed through existing cash and borrowings under our existing senior credit facility. The transaction was valued at $34 million. Both brands are ideally positioned to increase our diversification in contemporary women s apparel. Both brands sell in luxury retail stores, department stores and specialty boutiques. The results of operations of the acquired brands have been included in the Company s operations beginning as of the date of the acquisition.

Senior Credit Facility

In October 2008, we amended our senior credit facility. In connection with the amendment, we paid approximately $338,000 in financing fees. These fees will be amortized over the term of our senior credit facility. The following is a description of the terms of our senior credit facility with Wachovia Bank, National Association, et al, as amended, and does not purport to be complete and is subject to, and qualified in its entirety by reference to, all the provisions of the senior credit facility: (i) the line is up to $125 million with the opportunity to increase this amount in $25 million increments up to $200 million; (ii) the inventory borrowing limit is $75 million; (iii) the sublimit for letters of credit is up to $40 million; (iv) the amount of letter of credit facilities allowed outside of the facility is $110 million and (v) the outstanding balance is due at the maturity date of February 1, 2012. At January 30, 2010 we did not have any borrowings under the senior credit facility.

Certain Covenants. The senior credit facility contains certain covenants, which, among other things, requires us to maintain a minimum EBITDA if availability falls below a certain minimum. It may restrict our ability and the ability of our subsidiaries to, among other things, incur additional indebtedness in certain circumstances, redeem or repurchase capital stock, make certain investments, or sell assets. We are prohibited from paying cash dividends under these covenants. We are not aware of any non-compliance with any of our covenants under the senior credit facility. We could be materially harmed if we violate any covenants as the lenders under the senior credit facility could declare all amounts outstanding thereunder, 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. In addition, a violation could also constitute a cross-default under the indenture and mortgage, resulting in all of our debt obligations becoming immediately due and payable, which we may not be able to satisfy.

Borrowing Base. Borrowings under our senior credit facility are limited under its terms to a borrowing base calculation, which generally restricts the outstanding balances to the lesser of either (1) the sum of (a) 85.0% of eligible receivables plus (b) 85.0% of its eligible factored accounts receivables up to $10.0 million plus (c) the lesser of (i) the inventory loan limit of $75 million, or (ii) the lesser of (A) 65.0% of eligible finished goods inventory, or (B) 85.0% of the net recovery percentage (as defined in the senior credit facility) of eligible inventory, or (2) the loan limit; and in each case minus (x) 35.0% of the amount of outstanding letters of credit for eligible inventory, (y) the full amount of all other outstanding letters of credit issued pursuant to the senior credit facility which are not fully secured by cash collateral, and (z) licensing reserves for which we are the licensee of certain branded products.

Interest. Interest on the principal balance under our senior credit facility accrues, at our option, at either (a) the greater of Wachovia s prime lending rate or the Federal Funds rate; plus $^{1}/2$% plus a margin spread of 100 to 175 basis points based upon the sum of our quarterly average excess availability plus excess cash for the immediately preceding fiscal quarter, at the time of borrowing or (b) the rate quoted by Wachovia as the average monthly Eurodollar Rate for 1-month Eurodollar deposits plus a margin spread of 200 to 275 basis points based upon the sum of our quarterly average excess availability plus excess cash for the immediately preceding fiscal quarter, at the time of borrowing.

Security. As security for the indebtedness under the senior credit facility, we granted the lenders a first priority security interest in substantially all of our existing and future assets other than our trademark portfolio and real estate owned, 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.

Effective March 31, 2010, we entered into an amendment to our senior credit facility. This amendment modified the senior credit facility to permit the sale of all present and future accounts receivable due from Kohl s to Bank of America, N. A.

Letter of Credit Facilities

As of January 30, 2010, we maintained two U.S. dollar letter of credit facilities totaling $50.0 million, one letter of credit facility totaling $3.5 million utilized by our Canadian joint venture, and one letter of credit facility totaling $1.0 million utilized by our United Kingdom subsidiary. Each 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 the first quarter of fiscal 2010, one credit line totaling an estimated $30.0 million was cancelled. As of January 30, 2010, there was $49.0 million available under existing letter of credit facilities.

Senior Subordinated Notes Payable

In fiscal 2004, we issued $150 million $8^{7}/_{8}$% senior subordinated notes, due September 15, 2013. The proceeds of this offering were used to redeem previously issued $100 million $12^{1}/4$% senior subordinated notes and to pay down the outstanding balance of the senior credit facility at that time. The proceeds to us were $146.8 million yielding an effective interest rate of 9.1%.

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, redeem or repurchase capital stock, make certain investments, or sell assets. We are not aware of any non-compliance with any of our covenants in this indenture. We are prohibited from paying cash dividends under these covenants. 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.

During the fourth quarter of fiscal 2010, we retired $20.8 million of our senior subordinated notes payable. In connection with this retirement, we paid an additional $98,000 in redemption premiums and commissions. Additionally, we wrote-off approximately $259,000 in unamortized discount and bond fees associated with the retired portion of our senior subordinated notes.

Real Estate Mortgages

In fiscal 2003, we acquired our main administrative office, warehouse and distribution facility in Miami and partially financed the acquisition of the facility with an $11.6 million mortgage loan. The real estate mortgage loan contains certain covenants. We are not aware of any non-compliance with any of our covenants under the real estate mortgage. We could be materially harmed if we violate any covenants because 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. In addition, a violation could constitute a cross-default under our senior credit facility, the letter of credit facilities and indenture relating to our senior subordinated notes resulting in all our of debt obligations becoming immediately due and payable, which we may not be able to satisfy. Interest is fixed at 7.123%. In August 2008, we executed a maturity extension of the real estate mortgage loan until July 1, 2010. At January 30, 2010, the balance of the real estate mortgage loan totaled $10.7 million, of which the entire balance is reflected as a current liability since it is due within one year, which we plan to refinance.

In October 2005, we acquired three administrative office units in a building in Beijing, China. The aggregate purchase price was $2.3 million, including closing costs. These purchases were partially financed with three variable interest mortgage loans totaling $1.2 million dollars in the aggregate. During March 2008 we paid off the three variable interest mortgage loans.

In June 2006, we entered into a mortgage loan for $15 million secured by our Tampa facility. The loan is due on June 7, 2016. Principal and interest of $297,000 are due quarterly based on a 20 year amortization with the outstanding principal due at maturity. Interest is set at 6.25% for the first five years, at which point it will be reset based on the terms and conditions of the promissory note. At January 30, 2010, the balance of the real estate mortgage loan totaled $14.1 million, of which $301,000 is due within one year.

Contractual Obligations and Commercial Contingent Commitments

The following tables illustrate the balance of our contractual obligations and commercial contingent commitments as of January 30, 2010:

	Payments Due by Period (in thousands)				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Senior subordinated notes payable	$ 129,250	$	$	$ 129,250	$
Real estate mortgages	24,868	11,021	1,134	1,327	11,386
Operating leases	74,235	13,984	26,290	16,203	17,758
Capital leases	947	397	550		
Royalty minimum guaranties	16,817	7,035	6,730	2,844	208
Total contractual cash obligations	$ 246,117	$ 32,437	$ 34,704	$ 149,624	$ 29,352

	Amount of Contingent Commitment Expiration Per Period				
Other Commercial Contingent Commitments	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Letters of credit	$ 935	$ 935	$	$	$
Standby letters of credit	4,561	4,561			
Total commercial commitments	$ 5,496	$ 5,496	$	$	$
Total contractual obligations and other commercial contingent commitments	$ 251,613	$ 37,933	$ 34,704	$ 149,624	$ 29,352

Management believes that the combination of borrowing availability under the amended senior credit facility, letter of credit facilities, and funds anticipated to be generated from operating activities, will be sufficient to meet our operating and capital needs in the foreseeable future.

At January 30, 2010, we had a liability for unrecognized tax benefits and an accrual for the payment of related interest and penalties totaling $1.1 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 30, 2010.

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. Our significant derivative financial contracts are discussed below.

Derivatives on $150 Million Senior Subordinated Notes Payable

In August 2009, we entered into an interest rate swap agreement (the Swap Agreement) for an aggregate notional amount of $75 million in order to reduce our debt servicing costs associated with our $150 million 8 $^{7}/8$% senior subordinated notes. The Swap Agreement is scheduled to terminate on September 15, 2013. Under the Swap Agreement, we are entitled to receive semi-annual interest payments on September 15 and March 15 at a fixed rate of 8 $^{7}/8$% and are obligated to make semi-annual interest payments on September 15 and March 15 at a floating rate based on the one-month LIBOR rate plus 632 basis points for the period through September 15, 2013. The Swap Agreement has an optional call provision that allows the counterparty to settle the Swap Agreement at any time with 30 days notice and subject to declining termination premium payments from the counterparty in the event the call is exercised. The Swap Agreement is a fair value hedge as it has been designated against the 8 $^{7}/8$% senior subordinated notes carrying a fixed rate of interest and converts the fixed interest payments to variable interest payments. The Swap Agreement resulted in a decrease to interest expense of $0.3 million for the year ended January 30, 2010. The fair value of the Swap Agreement recorded on our consolidated balance sheet was $1.2 million as of January 30, 2010.

In August 2009, we entered into an interest rate cap agreement (the $75 million Cap Agreement) for an aggregate notional amount of $75 million associated with our senior subordinated notes. The $75 million Cap Agreement is scheduled to become effective on December 15, 2010 and terminate on September 15, 2013. The $75 million Cap Agreement is being used to manage cash flow risk associated with our floating interest rate exposure pursuant to the Swap Agreement. The $75 million Cap Agreement limits the maximum interest rate on $75 million of our senior subordinated notes to 9.32%. The $75 million Cap Agreement does not qualify for hedge accounting treatment. The change in fair value resulted in an increase to interest expense of $1.2 million for the year ended January 30, 2010. The fair value of the $75 million Cap Agreement recorded on our consolidated balance sheet was $1.2 million as of January 30, 2010.

The table below provides information about the Company s derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, including interest rate swaps and debt obligations:

Expected Maturity Date

Fiscal Years Ended

(In Millions)

	Less than 1 yr	1 - 3 yrs		4 - 5 yrs		After 5 yrs		Fair Value
	2011	2012	2013	2014	2015	Thereafter	Total	2010
Long-term Liabilities:								
Senior Subordinated Notes Payable	$ 0.0	$ 0.0	$ 0.0	$ 129.3	$ 0.0	$ 0.0	$ 129.0	$ 129.9
Fixed Interest Rate	8.88%	8.88%	8.88%	8.88%	8.88%	N/A	8.88%	
Real Estate Mortgage	$ 10.7	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 10.7	$ 10.7
Fixed Interest Rate	7.12%	N/A	N/A	N/A	N/A	N/A	7.12%	
Real Estate Mortgage	$ 0.3	$ 0.5	$ 0.6	$ 0.6	$ 0.7	$ 11.4	$ 14.1	$ 14.1
Variable Rate (A)	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	
Senior Credit Facility	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Average Variable Interest Rate (B)	2.64%	2.64%	2.64%	N/A	N/A	N/A	2.64%	
Interest Rate Derivatives:								
$75 Million Swap Agreement	$ 0.0	$ 0.0	$ 0.0	$ 75.0	$ 0.0	$ 0.0	$ 75.0	$ 1.2(D)
Average Pay Rate (C)	6.55%	6.55%	6.55%	6.55%	N/A	N/A		
Average Receive Rate	8.88%	8.88%	8.88%	8.88%	N/A	N/A		

(A) Real estate mortgage has a fixed rate for the first five years, at which point it will be reset based on the terms and conditions of the promissory note.

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

(C) $75 million swap variable rate is based on a floating rate of one-month LIBOR rate plus 632 basis points through September 15, 2013. The interest rate cap limits the pay rate on the swap to 9.32%. Average variable rates for all periods are based on the rates in effect on January 30, 2010.

(D) The fair value as of January 30, 2010 does not include the fair value of the interest rate cap.

Item 8. Financial Statements And Supplementary Data

See pages F-1 through F-48 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

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 30, 2010.

The purpose of disclosure controls is to ensure that information required to be disclosed in our reports filed with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Disclosure controls 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, to allow timely decisions regarding required disclosure. The purpose of internal controls is to provide reasonable assurance that our transactions are properly authorized, our assets are safeguarded against unauthorized or improper use and our transactions are properly recorded and reported to permit the preparation of our financial statements in conformity with generally accepted accounting principles.

Our management does not expect that our disclosure controls or our internal controls 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.

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, subject to the limitations noted above, both our disclosure controls and procedures and our internal controls and procedures were effective as of January 30, 2010 in timely alerting them to material information required to be included in our periodic SEC filings and that information required to be disclosed by us in these periodic filings was recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and that our internal controls were effective as of January 30, 2010 to provide reasonable assurance that our financial statements were fairly presented in conformity with generally accepted accounting principles.

There have been no other 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.

MANAGEMENT S REPORT ON INTERNAL CONTROL

April 13, 2010

To the Stockholders of Perry Ellis International, Inc.

Management of Perry Ellis International 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, the company s principal executive and principal financial officers and effected by the company s 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 the assets of the company;

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

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 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 the company s internal control over financial reporting as of January 30, 2010. 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*.

Based on our assessment, management believes that, as of January 30, 2010, the company s internal control over financial reporting was effective.

The company s independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on our assessment of the company s internal control over financial reporting. Their report appears on the following page.

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

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 internal control over financial reporting of Perry Ellis International, Inc. and subsidiaries (the Company) as of January 30, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 30, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended January 30, 2010 of the Company and our report dated April 13, 2010 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Certified Public Accountants

Miami, Florida

April 13, 2010

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 2010 Annual Meeting under the captions Election of Directors and Management 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 2010 Annual Meeting under the caption 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 2010 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 2009 Annual Meeting under the caption Election of Directors.

Item 11. Executive Compensation

Information required by this item is included in our Proxy Statement related to our 2010 Annual Meeting under the captions Executive Compensation , Compensation Discussion and Analysis, Summary Compensation Table , Grants of Plan-Based Awards in Last Fiscal year , Outstanding Equity Awards Held at End of Fiscal 2010, Options Exercised and Stock Vested, Pension Benefits and Nonqualified Deferred Compensation, Compensation of Directors, Employment Agreements, Compensation Committee Interlocks and Insider Participation 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 2010 Annual Meeting under the captions Security Ownership of Certain Beneficial Owners and Management and Equity Compensation Plan Information for Fiscal 2010 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 2010 Annual Meeting under the captions Certain Relationships and Related Transactions and Meetings and Committees of the Board of Directors and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information required by this item is included in our Proxy Statement related to our 2010 Annual Meeting Statement under the caption Principal Accountant Fees and Services and is incorporated herein by reference.

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:

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Changes in Stockholders Equity	F-5
Consolidated Statements of Cash Flows	F-6
Footnotes to Consolidated Financial Statements	F-8

(2) Consolidated Financial Statement Schedule

All schedules required by applicable Securities and Exchange Commission regulations are either not required under the related instructions, are inapplicable or the required information has been included in the Consolidated Financial Statements and therefore such schedules have been omitted.

(3) Exhibits

Exhibit No	**Description of Exhibit**
3.1	Registrant s Amended and Restated Articles of Incorporation (1)
3.2	Articles of Amendment to Articles of Incorporation (2)
3.3	Registrant s Amended and Restated Bylaws (3)
4.1	Form of Common Stock Certificate (3)
4.5	Indenture dated September 22, 2003 between the Registrant and U.S. Bank Trust National Association (5)
4.6	Specimen Forms of 8 $^{7}/8$% Senior Subordinated Notes Due September 15, 2013 (5)
10.1	Form of Indemnification Agreement between the Registrant and each of the Registrant s Directors and Officers (4)(15)
10.2	1993 Stock Option Plan (3)(4)
10.4	Profit Sharing Plan (4)(6)

10.5	Incentive Compensation Plan (4)(7)
10.6	Loan and Security Agreement dated as of October 1, 2002 by and among the Registrant, Jantzen, Inc., and Congress Financial Corporation (the Senior Credit Facility) (8)
10.7	2002 Stock Option Plan (4)(9)
10.8	Amendment No. 1 dated June 19, 2003 to the Senior Credit Facility (10)
10.9	Amendment No. 2 dated September 22, 2003 to the Senior Credit Facility (5)
10.10	Amendment No. 3 dated December 1, 2003 to the Senior Credit Facility (11)
10.11	Amendment No. 4 dated February 25, 2004 to the Senior Credit Facility (11)
10.12	Form of Stock Option Agreement (4)(12)
10.13	Amendment No. 6 dated September 30, 2004 to the Senior Credit Facility (12)
10.17	Amendment No. 7 dated February 26, 2005 to the Senior Credit Facility (14)
10.22	2005 Long Term Incentive Compensation Plan, as amended (4)(17)
10.23	2005 Management Incentive Compensation Plan (4)(17)
10.25	Form of Stock Option Agreement pursuant to the 2005 Long-Term Incentive Compensation Plan (4)(19)
10.26	Form of Restricted Stock Agreement pursuant to the 2005 Long-Term Incentive Compensation Plan (4)(19)
10.27	Perry Ellis International, Inc. Fiscal 2006 Management Incentive Plan (19)
10.28	Amendment No. 5 dated July 1, 2004 to the Senior Credit Facility (20)
10.29	Amendment No. 8 dated September 30, 2005 to the Senior Credit Facility (20)
10.30	Amendment No. 9 dated February 24, 2006 to the Senior Credit Facility (20)
10.32	Business lease dated July 1, 2004 between George Feldenkreis and the Registrant for 50,000 square feet on warehouse space (20)
10.33	Business lease between George Feldenkreis and the Registrant for 16,000 square feet of office Space (20)
10.34	Promissory Note dated June 7, 2006 in favor Commercebank, N.A.(21)
10.35	Mortgage and Security Agreement dated June 7, 2006 in favor Commercebank, N.A.(21)
10.36	Amendment No. 10 dated August 28, 2006 to the Senior Credit Facility(22)
10.37	Amendment No. 11 dated November 29, 2006 to the Senior Credit Facility(23)
10.38	Amendment No. 12 dated December 6, 2006 to the Senior Credit Facility(23)
10.41	Employment Agreement dated May 1, 2006 between Stephen Harriman and the Registrant (4)(24)

10.42	Asset Purchase Agreement, dated January 07, 2008, by and among the Registrant and Liz Claiborne, Inc. (25)
10.43	Employment Agreement dated February 08, 2008 between George Feldenkreis and the Registrant (4)(25)
10.44	Employment Agreement dated February 08, 2008 between Oscar Feldenkreis and the Registrant (4)(25)
10.45	Employment Agreement dated October 30, 2007 between Paul Rosengard and the Registrant (4)(25)
10.46	Amended Form of Stock Restricted Agreement pursuant to the 2005 Long-Term Incentive Compensation Plan (4)(25)
10.47	Amendment No. 13 to Loan and Security Agreement dated as of October 30, 2008 (26)
10.48	Employment Agreement dated March 2, 2009 between Anita Britt and the Registrant (4)(27)
10.49	Employment Agreement dated June 26, 2009 between Stephen Harriman and the Registrant (4) (28)
10.50	Severance Agreement and General Release dated August 5, 2009 between Paul Rosengard and the Registrant (4) (29)
10.51	Amendment No. 14 dated October 27, 2009 to Senior Credit Facility Agreement (30)
10.52	Amendment No. 15 dated March 31, 2010 to Senior Credit Facility Agreement (31)
21.1	Subsidiaries of the Registrant (32)
23.1	Consent of Deloitte & Touche LLP, registered public accounting firm regarding financial statements and internal controls over financial reporting of the Registrant (32)
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 (32)
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)
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)
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 (32)

(1) Previously filed as an Exhibit to the Registrant s Proxy Statement for its 1998 Annual Meeting and incorporated herein by reference.
(2) Previously filed as an annex to the Registrant s Proxy Statement for its 2003 Annual Meeting and incorporated herein by reference.
(3) Previously filed as an Exhibit to the Registrant s Registration Statement on Form S-1 (File No. 33-60750) and incorporated herein by reference.
(4) Management Contract or Compensation Plan.

(5) Previously filed as filed as an Exhibit to the Registrant s Registration Statement on Form S-4 (File No.33-110616) and incorporated herein by reference.
(6) Previously filed as an Exhibit to the Registrant s Registration Statement on Form S-1 (File No. 33-96304) and incorporated herein by reference.
(7) Previously filed as an Exhibit to the Registrant s Proxy Statement for its 2000 Annual Meeting and incorporated herein by reference.
(8) Previously filed as an Exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2002, as amended and incorporated herein by reference.
(9) Previously filed as an Annex to the Registrant s Proxy Statement for its 2002 Annual Meeting and incorporated herein by reference.
(10) Previously filed as an Exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarter ended July 31, 2003 and incorporated herein by reference.
(11) Previously filed as an Exhibit to the Registrant s Annual Report on Form 10-K for the fiscal year ended January 31, 2004 and incorporated herein by reference.
(12) Previously 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.
(13) Previously filed as an Exhibit to the Registrant s Current Report on Form 8-K dated November 1, 2004 and incorporated herein by reference.
(14) Previously filed as an Exhibit to the Registrant s Current Report on Form 8-K dated February 26, 2005 and incorporated herein by reference.
(15) Previously 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.
(16) Previously filed as an Exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2005 and incorporated herein by reference.
(17) Previously filed as an Exhibit to the Registrant s Current Report on Form 8-K dated June 7, 2005 and incorporated herein by reference.
(18) Previously filed as an Exhibit to the Registrant s Current Report on Form 8-K dated August 17, 2005 and incorporated herein by reference.
(19) Previously 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.
(20) Previously filed as an Exhibit to the Registrant s Annual Report on Form 10-K for the fiscal year ended January 31, 2006 and incorporated herein by reference.
(21) Previously filed as an Exhibit to the Registrant s Current Report on Form 8-K dated June 13, 2006 and incorporated herein by reference.
(22) Previously filed as an Exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2006 and incorporated herein by reference.
(23) Previously filed as an Exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2006 and incorporated herein by reference.
(24) Previously filed as an Exhibit to the Registrant s Annual Report on Form 10-K for the fiscal year ended January 31, 2007 and incorporated herein by reference.

(25) Previously 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.
(26) Previously filed as an Exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2008 and incorporated herein by reference.
(27) Previously filed as an Exhibit to the Registrant s Annual Report on Form 10-K for the fiscal year ended January 31, 2009 and incorporated herein by reference.
(28) Previously filed as an Exhibit to the Registrant s Current Report on Form 8-K dated July 1, 2009 and incorporated herein by reference.
(29) Previously filed as an Exhibit to the Registrant s Current Report on Form 8-K dated August 06, 2009 and incorporated herein by reference.
(30) Previously filed as an Exhibit to the Registrant s Current Report on Form 8-K dated November 2, 2009 and incorporated herein by reference.
(31) Previously filed as an Exhibit to the Registrant s Current Report on Form 8-K dated April 6, 2010 and incorporated herein by reference.
(32) Filed herewith.

(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.

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 13, 2010

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 13, 2010
/s/ OSCAR FELDENKREIS **Oscar Feldenkreis**	Vice Chairman of the Board, President, Chief Operating Officer and Director	April 13, 2010
/s/ ANITA BRITT **Anita Britt**	Chief Financial Officer (Principal Financial and Accounting Officer)	April 13, 2010
/s/ JOE ARRIOLA **Joe Arriola**	Director	April 13, 2010
/s/ GARY DIX **Gary Dix**	Director	April 13, 2010
/s/ JOSEPH P. LACHER **Joseph P. Lacher**	Director	April 13, 2010
/s/ JOSEPH NATOLI **Joseph Natoli**	Director	April 13, 2010
/s/ EDUARDO M. SARDINA **Eduardo M. Sardina**	Director	April 13, 2010

INDEX TO FINANCIAL STATEMENTS

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Changes in Stockholders Equity	F-5
Consolidated Statements of Cash Flows	F-6
Footnotes to Consolidated Financial Statements	F-8

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 balance sheets of Perry Ellis International, Inc. and subsidiaries (the Company) as of January 30, 2010 and January 31, 2009, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three years in the period ended January 30, 2010. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Perry Ellis International, Inc. and subsidiaries at January 30, 2010 and January 31, 2009, and the results of their operations and their cash flows for each of the three years in the period ended January 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of January 30, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 13, 2010 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Certified Public Accountants
Miami, Florida
April 13, 2010

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share data)

	January 30, 2010	January 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 18,269	$ 8,813
Accounts receivable, net	139,934	142,870
Inventories	112,315	139,074
Deferred income taxes	8,783	10,535
Prepaid income taxes	4,744	9,710
Other current assets	11,295	11,263
Total current assets	295,340	322,265
Property and equipment, net	60,467	70,222
Intangible assets	200,315	201,229
Other assets	5,194	5,870
TOTAL	$ 561,316	$ 599,586
LIABILITIES & STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	$ 65,203	$ 45,826
Accrued expenses and other liabilities	13,640	15,031
Accrued interest payable	4,482	5,336
Current portion - real estate mortgages	11,021	494
Unearned revenues	6,002	5,654
Other current liabilities	6,936	8,794
Total current liabilities	107,284	81,135
Senior subordinated notes payable, net	129,870	149,409
Senior credit facility		54,415
Real estate mortgages	13,712	24,686
Deferred pension obligation	17,237	17,708
Unearned revenues and other long term liabilities	20,639	20,048
Deferred income taxes	2,458	84
Total long-term liabilities	183,916	266,350
Total liabilities	291,200	347,485
Stockholders 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; 16,094,573 shares issued and outstanding as of January 30, 2010 and 15,996,081 shares issued and outstanding as of January 31, 2009	161	160
Additional paid-in-capital	107,527	103,933
Retained earnings	179,838	166,671

Accumulated other comprehensive loss	(3,655)	(6,306)
Total	283,871	264,458
Treasury stock at cost; 2,462,196 shares as of January 30, 2010 and 2,044,196 shares as of January 31, 2009	(17,415)	(15,664)
Total Perry Ellis International, Inc. stockholders equity	266,456	248,794
Noncontrolling interest	3,660	3,307
Total stockholders equity	270,116	252,101
TOTAL	$ 561,316	$ 599,586

See footnotes to consolidated financial statements

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED

(amounts in thousands, except per share data)

	January 30, 2010	January 31, 2009	January 31, 2008
Revenues			
Net sales	$ 729,217	$ 825,868	$ 838,465
Royalty income	24,985	25,429	25,401
Total revenues	754,202	851,297	863,866
Cost of sales	505,104	573,046	572,232
Gross profit	249,098	278,251	291,634
Operating expenses			
Selling, general and administrative expenses	200,356	236,840	215,873
Depreciation and amortization	13,625	14,784	13,278
Impairment on long-lived assets	254	22,299	
Total operating expenses	214,235	273,923	229,151
Operating income	34,863	4,328	62,483
Costs on early extinguishment of debt	357		
Impairment on marketable securities		2,797	
Interest expense	17,371	17,491	17,594
Net income (loss) before income taxes	17,135	(15,960)	44,889
Income tax provision (benefit)	3,615	(3,682)	15,785
Net income (loss)	13,520	(12,278)	29,104
Less: Net income attributed to noncontrolling interest	353	612	931
Net income (loss) attributed to Perry Ellis International, Inc.	$ 13,167	$ (12,890)	$ 28,173
Net income (loss) attributed to Perry Ellis International, Inc. per share:			
Basic	$ 1.04	$ (0.89)	$ 1.92
Diluted	$ 1.01	$ (0.89)	$ 1.80
Weighted average number of shares outstanding			
Basic	12,699	14,416	14,675
Diluted	13,005	14,416	15,657

See footnotes to consolidated financial statements

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

(amounts in thousands, except share data)

	COMMON STOCK				ACCUMULATED OTHER				
	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK	COMPREHENSIVE INCOME (LOSS)	COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	NON CONTROLLING INTEREST	TOTAL
BALANCE, FEBRUARY 1, 2007	14,640,608	$ 146	$ 94,252	$	$ 848		$ 151,388	$ 2,362	$ 248,996
Exercise of stock options	75,168	1	724						725
Tax benefit for exercise of non-qualified stock options			506						506
Restricted shares and options issued as compensation	56,945		907						907
Net income						$ 28,173	28,173	931	29,104
Purchase of treasury stock				(4,088)					(4,088)
Other comprehensive income					670	670			670
Comprehensive income						28,843			
BALANCE, JANUARY 31, 2008	14,772,721	147	96,389	(4,088)	1,518		179,561	3,293	276,820
Exercise of stock options	382,773	4	3,821						3,825
Tax benefit for exercise of non-qualified stock options			1,582						1,582
Restricted shares and options issued as compensation	840,587	9	2,141						2,150
Payment of loan to noncontrolling interest								(598)	(598)

Net income (loss)						(12,890)	(12,890)	612	(12,278)
Purchase of treasury stock				(11,576)					(11,576)
Other comprehensive loss					(7,824)	(7,824)			(7,824)
Comprehensive loss						(20,714)			
BALANCE, JANUARY 31, 2009	15,996,081	160	103,933	(15,664)	(6,306)		166,671	3,307	252,101
Exercise of stock options	80,202	1	635						636
Tax benefit for exercise of non-qualified stock options			205						205
Restricted shares and options issued as compensation	18,290		2,754						2,754
Net income						13,167	13,167	353	13,520
Purchase of treasury stock				(1,751)					(1,751)
Other comprehensive income					2,651	2,651			2,651
Comprehensive income						$ 15,818			
BALANCE, JANUARY 30, 2010	16,094,573	$ 161	$ 107,527	$ (17,415)	$ (3,655)		$ 179,838	$ 3,660	$ 270,116

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 30, 2010	January 31, 2009	January 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 13,167	$ (12,890)	$ 28,173
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	13,393	14,441	12,840
Provision for bad debts	1,307	1,525	383
Tax benefit from exercise of stock options	(205)	(1,582)	(506)
Impairment on long-lived assets	254	22,299	
Amortization of debt issue cost	531	684	762
Amortization of discounts	186	186	191
Deferred income taxes	3,902	(7,513)	3,740
Stock options and restricted shares issued as compensation	2,754	2,150	907
Gain on sale of intangible assets	(886)		
Change in fair value of derivatives	985		
Costs on early extinguishment of debt	357		
Loss (gain) on marketable securities		2,797	(12)
Noncontrolling interest	353	612	931
Changes in operating assets and liabilities (net of effects of acquisition transactions):			
Accounts receivable, net	4,606	(9,160)	18,951
Inventories	28,147	2,637	3,259
Other current assets and prepaid income taxes	6,168	(9,679)	(471)
Other assets	35	1,304	957
Accounts payable and accrued expenses	17,130	(9,540)	3,053
Income taxes payable		(793)	1,689
Accrued interest payable	(854)	136	(622)
Other current and long term liabilities	1,022	(348)	1,687
Unearned revenues	(3,663)	(1,744)	15,887
Deferred pension obligation	106	(504)	(507)
Net cash provided by (used in) operating activities	88,795	(4,982)	91,292
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(2,734)	(10,189)	(18,955)
Purchase of marketable securities			(672)
Proceeds on sale of marketable securities		138	320
Proceeds on sale of intangible assets	700		
Reacquisition of license rights		(388)	
Payment for acquired businesses, net of cash acquired		(33,951)	
Net cash used in investing activities	(2,034)	(44,390)	(19,307)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings from senior credit facility	646,234	331,558	274,539
Payments on senior credit facility	(700,649)	(277,143)	(335,886)
Deferred financing fees		(363)	
Payments on real estate mortgage	(469)	(1,435)	(507)

Payments on senior subordinate notes	(20,848)		
Payments on capital leases	(357)	(202)	(200)
Payment of loan to noncontrolling interest		(598)	
Proceeds from exercise of stock options	636	3,825	725
Tax benefit from exercise of stock options	205	1,582	506
Purchase of treasury stock	(1,751)	(11,576)	(4,088)
Net cash (used in) provided by financing activities	(76,999)	45,648	(64,911)
Effect of exchange rate changes on cash and cash equivalents	(306)	(823)	1,772
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,456	(4,547)	8,846
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,813	13,360	4,514
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 18,269	$ 8,813	$ 13,360

Continued

	January 30, 2010	January 31, 2009	January 31, 2008
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest	$ 17,054	$ 17,169	$ 18,025
Income taxes	$ 1,070	$ 13,348	$ 8,958
NON-CASH FINANCING AND INVESTING ACTIVITIES:			
Capital lease financing	$ 1,001	$ 176	$
Accrued purchases of property and equipment	$ 14	$ 597	$ 850
Unrealized gain (loss) on marketable securities included in comprehensive income	$	$ 1,096	$ (1,102)
Unrealized gain (loss) on pension liability included in comprehensive income	$ 353	$ (3,223)	$

See footnotes to consolidated financial statements

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

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 the Perry Ellis® family of brands, Axis®, Tricots St. Raphael®, Jantzen®, John Henry®, Cubavera®, the Havanera Co.®, Centro®, Solero®, Natural Issue®, Munsingwear®, Grand Slam®, Original Penguin® by Munsingwear® (Original Penguin), Mondo di Marco®, Redsand®, Pro Player®, Manhattan®, Axist®, Savane®, Farah®, Gotcha®, Girl Star®, MCD®, Laundry by Shelli Segal® and C&C California®. The Company also (i) licenses the Nike® brand for swimwear and swimwear accessories, (ii) licenses the JAG® brand for men s and women s swimwear and cover-ups, (iii) licenses the Callaway Golf® and Top-Flite® brands for golf apparel, (iv) licenses the PGA TOUR® brand, including Champions Tour®, for golf apparel, and (v) licenses Pierre Cardin® for men s sportswear.

Effective for fiscal 2010, the Company has revised its fiscal reporting calendar to a retail calendar. As a result, the fiscal quarters end on a Saturday. This change was not material to the Company s quarterly or annual reporting. This change allows the Company to be consistent with the reporting period of its retail partners.

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 ownership interest in consolidated subsidiaries of non-controlling shareholders is reflected as noncontrolling interest. The Company s consolidation principles would also consolidate 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.

MARKETABLE SECURITIES - All marketable securities 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.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

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, insurance and commissions to buying agents.

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	7
Leasehold improvements	4-15
Buildings	39

INTANGIBLE ASSETS - Intangible assets represent costs incurred in connection with the acquisition of brand names and license rights. As of January 30, 2010 and January 31, 2009, intangible assets represented one class of indefinite lived assets, trademarks. Those assets were identified as intangible assets with an indefinite useful life, and accordingly, are not being amortized. The Company assesses the carrying value of intangible assets at least annually.

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

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.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

The following describes the valuation methodologies used by the Company to measure fair value, including an indication of the level in the fair value hierarchy in which each asset or liability is generally classified.

Marketable Securities - The Company uses quoted market prices in active markets to determine the fair value of marketable securities, which are classified in Level 1 of the fair value hierarchy.

Interest rate swap - This derivative is a pay-variable, receive-fixed interest rate swap based on the LIBOR rate curve and is designated as a fair value hedge. Fair value was based on a model-driven valuation using the LIBOR rate curve, which was observable at commonly quoted intervals for the full term of the swap. Therefore, our interest rate swap was classified within Level 2 of the fair value hierarchy.

Interest rate cap - This derivative does not qualify as a fair value hedge. Fair value was based on a model-driven valuation using the LIBOR rate curve and an implied market volatility, both of which are observable at commonly quoted intervals for the full term of the cap. Therefore, the Company s interest rate cap was classified within Level 2 of the fair value hierarchy.

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 - The Company requires that its leases be evaluated and classified as 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. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. 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.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

During fiscal 2010 and 2009, the Company experienced lower-than-expected performance at certain locations, which was due in part to the current economic downturn. As a result, the Company recorded a $0.3 million and $1.6 million impairment charge, in fiscal 2010 and 2009, respectively, to reduce the net carrying value of certain long-lived assets (primarily leaseholds) at these locations to their estimated fair value. These impairments are reflected with the Company s wholesale reporting segment. There was no material impairment recorded to long-lived assets in fiscal 2008.

RETIREMENT-RELATED BENEFITS - The Company accounts for its defined benefit pension plan and its non-pension post retirement benefit plans 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.

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 $10.6 million, $19.7 million and $20.5 million for the years ended January 30, 2010, January 31, 2009 and 2008, 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.

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. The Company operates predominantly in North America, with over 94% of its sales in this market. Two customers accounted for approximately 20% and 11%, respectively, of net sales for fiscal 2010. Two customers accounted for approximately 17% and 12%, respectively, of net sales for fiscal 2009. Two customers accounted for approximately 15% and 10%, respectively, of net sales for fiscal 2008. 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 30, 2010.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

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 2010, 2009 and 2008, the Company has reduced selling, general and administrative expenses by $5.8 million, $5.5 million and $5.5 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.

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 income (loss).

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 INCOME (LOSS) PER SHARE - Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average shares of outstanding common stock. The calculation of diluted net income (loss) 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 income (loss) per share includes the effects of stock options, warrants and unvested restricted shares as determined using the treasury stock method.

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

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

	2010	2009	2008
	(in thousands, except per share data)		
Numerator:			
Net income (loss)	$ 13,167	$ (12,890)	$ 28,173
Denominator:			
Basic weighted average shares	12,699	14,416	14,675
Dilutive effect: stock options	306		982
Diluted weighted average shares	13,005	14,416	15,657
Basic income (loss) per share	$ 1.04	$ (0.89)	$ 1.92
Diluted income (loss) per share	$ 1.01	$ (0.89)	$ 1.80
Antidilutive effect: stock options [1]	1,586	2,344	96

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

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 2010, 2009 and 2008, approximately $2.8 million, $2.2 million and $0.9 in compensation expense has been recognized in selling, general and administrative expenses in the consolidated statement of operations related to stock options and restricted stock, respectively. Compensation expense for these awards is based on the fair value at the original grant date. During fiscal 2010, 2009, and 2008, the Company received cash of $0.6 million, $3.8 million, and $0.7 million, respectively, from the exercise of stock options and realized a tax benefit of approximately $0.2 million, $1.6 million, and $0.5 million, respectively from such exercises.

The fair value of the options was 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 2010, 2009 and 2008 was $2.88, $11.26 and $16.23, respectively.

The following weighted-average assumptions for 2010, 2009 and 2008 were derived from the Black-Scholes model and used to determine the fair value of stock options:

	2010	2009	2008
Risk free interest	2.3% - 2.7%	4.5%	4.5%

Dividend Yield	0.0%	0.0%	0.0%
Volatility factors	65.3% - 66.7%	57.4%	56.3% - 56.9%
Weighted-average life (years)	6.0	6.0	6.0 - 10.0

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

COMPREHENSIVE INCOME (LOSS) - Comprehensive income (loss) was comprised of the following for the year ended:

	January 30, 2010	January 31, 2009 (in thousands)	January 31, 2008
Net income (loss)	$ 13,520	$ (12,278)	$ 29,104
Other Comprehensive (loss) income:			
Foreign currency translation adjustments, net	2,298	(5,697)	1,772
Unrealized loss on pension liability, net of tax	353	(3,223)	
Unrealized loss on marketable securities, net of tax		(775)	(1,102)
Reclassification adjustment, net of tax		1,871	
Total other comprehensive income (loss)	2,651	(7,824)	670
Comprehensive income (loss)	16,171	(20,102)	29,774
Less: comprehensive income attributable to the noncontrolling interest	353	612	931
Comprehensive income (loss) attributable to Perry Ellis International, Inc.	$ 15,818	$ (20,714)	$ 28,843

Accumulated other comprehensive loss was comprised of the following at:

	January 30, 2010	January 31, 2009 (in thousands)
Foreign currency translation	$ (785)	$ (3,083)
Unrealized loss on pension liability, net of tax	(2,870)	(3,223)
	$ (3,655)	$ (6,306)

RECENT ACCOUNTING PRONOUNCEMENTS - In April 2009, the Financial Accounting Standard Board (FASB) issued FASB Staff Position No. FAS 107-1 and Accounting Principles Board Opinion (APB) 28-1, *Interim Disclosures about Fair Value of Financial Instruments,* (now *FASB Accounting Standards Codification* (*ASC*) 825-10-65), which requires disclosures about the fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This Staff Position was effective for interim reporting periods ending after June 15, 2009. The adoption of this statement did not have an impact on the results of operations or the financial position of the Company.

In April 2009, the FASB issued FASB Staff Position No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments,* (now ASC 320-10-65), which amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This Staff Position was effective for interim and annual reporting periods ending after June 15, 2009. The adoption of this statement did not have an impact on the results of operations or the financial position of the Company.

In May 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 165, *Subsequent Events* (now ASC 855-10). This standard establishes principles and requirements for subsequent events, which are events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, this standard sets forth (a) the period after the balance sheet date during which management of a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (b) the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements, and (c) the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. This standard was effective for interim or annual financial periods ending after June 15, 2009 and is to be applied prospectively. This statement was adopted during the second quarter of fiscal 2010. The Company evaluated subsequent events through the time of the filing of these financial statements with the SEC, and noted there are no other events that are subject to recognition or disclosure.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets - an amendment of FASB Statement No. 140* (now part of ASC 860). The objective of this standard is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor s continuing involvement in transferred financial assets. Additionally, on and after the effective date, the concept of a qualifying special-purpose entity is no longer relevant for accounting purposes. This standard is effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The recognition and measurement provisions of this standard are to be applied to transfers that occur on or after the effective date. The adoption of this standard is not expected to have a material impact on the results of operations or the financial position of the Company.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R).* (now part of ASC 810). This standard amends FASB Interpretation 46(R) to require an enterprise to perform an analysis to determine whether an enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity by replacing the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and has the obligation to absorb losses of or the right to receive benefits from the entity. This standard also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. This standard is effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The adoption of this standard is not expected to have a material impact on the results of operations or the financial position of the Company.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles - a replacement of FASB Statement No. 162* (also issued as *Accounting Standards Update ASU* No. 2009-01). This standard establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles. This standard is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of ASU No. 2009-5 had no impact on the results of operations or the financial position of the Company.

In August 2009, the FASB issued ASU No. 2009-5, *Fair Value Measurements and Disclosures (Topic 820) - Measuring Liabilities at Fair Value.* ASU No. 2009-5 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using a valuation technique that uses the quoted price of the identical liability when traded as an asset, quoted prices for similar liabilities or similar liabilities when traded as assets, or another valuation technique that is consistent with the principles of ASC Topic 820. ASU No. 2009-5 is effective for the first reporting period (including interim periods) beginning after issuance. The adoption of ASU No. 2009-5 did not have a material impact on the results of operations or financial position of the Company.

In October 2009, the FASB issued ASU No. 2009-13, *Revenue Recognition (Topic 605) - Multiple Deliverable Revenue Arrangements.* ASU No. 2009-13 eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method and expands the disclosures related to multiple-deliverable revenue arrangements. ASU No. 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier adoption permitted. The adoption of ASU No. 2009-13 will not have a material impact on the results of operations or financial position of the Company.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

In January 2010, the FASB issued ASU No. 2010-02, *Consolidation (Topic 810) - Accounting and Reporting for Decreases in Ownership of a Subsidiary - a Scope Clarification*. ASU No. 2010-02 clarifies that the scope of the decrease in ownership provisions of Topic 810 applies to a subsidiary or group of assets that is a business, a subsidiary that is a business that is transferred to an equity method investee or a joint venture or an exchange of a group of assets that constitutes a business for a noncontrolling interest in an entity and does not apply to sales in substance of real estate. ASU No. 2010-02 is effective as of the beginning of the period in which an entity adopts SFAS No. 160 or, if SFAS No. 160 has been previously adopted, the first interim or annual period ending on or after December 15, 2009, applied retrospectively to the first period that the entity adopted SFAS No. 160. The adoption of ASU No. 2010-02 did not have a material impact on the results of operations or financial position of the Company.

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820) - Improving Disclosures about Fair Value Measurements.* ASU 2010-06 requires new disclosures regarding transfers in and out of the Level 1 and 2 and activity within Level 3 fair value measurements and clarifies existing disclosures of inputs and valuation techniques for Level 2 and 3 fair value measurements. ASU 2010-06 also includes conforming amendments to employers disclosures about postretirement benefit plan assets. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosure of activity within Level 3 fair value measurements, which is effective for fiscal years beginning after December 15, 2010, and for interim periods within those years. The Company has not completed its assessment of the impact, if any, that ASU No. 2010-06 will have on its financial statements.

3. C&C California and Laundry By Shelli Segal Brands Acquisition

On February 4, 2008, the Company completed the acquisition of the C&C California and Laundry by Shelli Segal brands and related assets from Liz Claiborne, Inc. The acquisition was financed through existing cash and borrowings under the Company s existing senior credit facility. The results of operations of the acquired brands have been included in the Company s operations beginning as of the date of the acquisition.

Both brands were ideally positioned to address the fastest growing segment within women s apparel: contemporary. Both brands sell in luxury retail stores and high-end specialty boutiques. Together they expand the Company s women s contemporary business platform.

The aggregate purchase price was approximately $34.0 million, which represents the sum of (i) $32.7 million paid in cash, and (ii) acquisition costs of $1.2 million.

The following table summarizes the fair values of the assets acquired and liabilities assumed. The following purchase accounting adjustments include fair value adjustments and the allocation of purchase price based on fair value:

	(in thousands)
Total purchase price	
Cash consideration paid	$ 32,747
Total purchase price	32,747
Total direct merger costs	1,204
Total adjusted purchase price	$ 33,951

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

The total allocation of the purchase price is as follows:

Inventory	$ 6,872
Equipment	177
Intangible assets	28,916
Assumed liabilities	(2,014)
Fair value of net assets acquired	$ 33,951

Intangible assets consist of non-amortizing trademark intangibles.

Proforma financial information is not presented because it is deemed immaterial to the Company s consolidated operations.

4. Share Repurchase

During November 2007, the Company s Board of Directors previously authorized the Company to purchase, from time to time and as market and business conditions warrant, up to $20 million of its common stock for cash in the open market or in privately negotiated transactions over a 12-month period. In September 2008 and 2009, the Board of Directors extended the stock repurchase program for the next twelve months. Although the Board of Directors allocated a maximum of $20 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.

The Company repurchased 418,000, 1,769,296 and 274,900 shares of its common stock during fiscal 2010, 2009 and 2008, respectively, at a cost of approximately of $1.8 million, $11.6 million and $4.1 million.

5. Accounts Receivable

Accounts receivable consisted of the following as of:

	January 30, 2010	**January 31, 2009**
	(in thousands)	
Trade accounts	$ 134,922	$ 139,387
Royalties and other receivables	6,873	4,512
Total	141,795	143,899
Less: Allowance for doubtful accounts	(1,861)	(1,029)
Total	$ 139,934	$ 142,870

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

The activity for the allowance for doubtful accounts is as follows:

	2010	2009 (in thousands)	2008
Allowance for doubtful accounts			
Beginning balance	$ 1,029	$ 1,452	$ 1,298
Provision	1,307	1,525	383
Write-offs net of recoveries	(475)	(1,948)	(229)
Ending balance	$ 1,861	$ 1,029	$ 1,452

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of trade customers to make required payments. The Company provides an allowance for specific customer accounts where collection is doubtful and also provides a general allowance for other accounts based on historical collection and write-off experience. Judgment is subjective because some retail customers may experience financial difficulties. If their financial condition were to worsen, additional allowances might be required.

6. Inventories

Inventories consisted of the following as of:

	January 30, 2010	January 31, 2009
	(in thousands)	
Finished goods	$ 110,420	$ 135,040
Raw materials and in process	1,895	4,034
Total	$ 112,315	$ 139,074

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 so 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.

7. Marketable Securities

During fiscal 2007, the Company purchased 369,700 common shares in the open market of a then current licensee for approximately $2.6 million. Total royalty income from this licensee was approximately $1.2 million for each of the years ended January 31, 2009 and 2008, respectively. In May 2007, the Company purchased an additional 50,100 common shares in the open market of this licensee for $308,000. These shares were sold in June 2007 for proceeds amounting to $320,000 resulting in a realized gain on the sale of $12,000. The realized gain was reclassified from accumulated other comprehensive income to other income.

In July 2007, the Company purchased 50,000 common shares in the open market of an unrelated entity for $364,000. These shares were sold in December 2008 due to an acquisition of the entity by a third party. The proceeds received were $95,000 and the gross realized loss recognized on the sale was $269,000, which had been previously recorded as an other than temporary impairment. The realized loss was reclassified from accumulated other comprehensive (loss) income to impairment on marketable securities.

During fiscal 2009, the Company determined that the remaining 369,700 common shares of marketable securities which were classified as available for sale were deemed to be other than temporarily impaired due to the percentage and duration of the loss and recorded an other than temporary impairment charge in the amount of $2.6 million, during the second and third quarters of fiscal 2009. As of January 31, 2009, the remaining investment in these marketable securities was written-off, as a result of the subsequent filing of bankruptcy by the entity.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

8. Property and Equipment

Property and equipment consisted of the following as of:

	January 30, 2010	January 31, 2009
	(in thousands)	
Furniture, fixture and equipment	$ 79,304	$ 75,384
Buildings	19,348	19,348
Vehicles	862	862
Leasehold improvements	23,668	25,841
Land	9,163	9,163
Total	132,345	130,598
Less: accumulated depreciation and amortization	(71,878)	(60,376)
Total	$ 60,467	$ 70,222

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

	January 30, 2010	January 31, 2009
	(in thousands)	
Furniture, fixture and equipment	$ 1,000	$ 810
Less: accumulated depreciation and amortization	(213)	(610)
Total	$ 787	$ 200

Depreciation and amortization expense relating to property and equipment amounted to $13.4 million, $14.4 million and $12.8 million for the fiscal years ended January 30, 2010, January 31, 2009 and 2008, respectively.

9. Intangible Assets

Intangible Assets consist of indefinite-lived trademarks and total $200.3 million and $201.2 million at January 30, 2010 and January 31 2009, respectively.

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 annual impairment test is performed as of the last day of the fiscal year.

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. Changes in these assumptions could materially impact its 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.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

As a result of the annual trademark impairment analysis performed during the fiscal year ended January 31, 2009, the Company determined that the carrying value of certain trademarks exceeded their estimated fair value. Accordingly, the Company recorded a non-cash pre-tax charge of $20.7 million to reduce the value of these trademarks to their estimated fair values. The impairments result from a decline in the future anticipated cash flows from these trademarks, which is due, in part, to the deterioration of the economic and market conditions in the apparel industry during fiscal 2009. Based on the annual trademark impairment analysis performed during the fiscal year ended January 30, 2010, the Company determined that the estimated fair value of the trademarks exceeded their carrying value.

The trademark impairment charges are reported as a component of impairment on long-lived assets in the statement of operations.

10. Other Current Liabilities

Other current liabilities consisted of the following as of:

	January 30, 2010	January 31, 2009
	(in thousands)	
Unearned advertising reimbursement	$ 2,525	$ 2,435
State sales and use tax	938	1,871
Other	3,473	4,488
Total	$ 6,936	$ 8,794

11. Accrued Expenses and Other Liabilities

Accrued expenses consisted of the following as of:

	January 30, 2010	January 31, 2009
	(in thousands)	
Salaries and commissions	$ 5,021	$ 4,992
Royalties	2,608	1,912
Buying commissions	286	500
Other	5,725	7,627
Total	$ 13,640	$ 15,031

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

12. Unearned Revenues and Other Long Term Liabilities

Other long term liabilities consisted of the following as of:

	January 30, 2010	January 31, 2009
	(in thousands)	
Deferred gain long term	$ 5,664	$ 6,621
Unearned revenue	5,428	7,212
Deferred advertising	4,900	6,154
Other	4,647	61
Total	$ 20,639	$ 20,048

13. Derivative Financial Instruments

The Company has an interest rate risk management policy with the objective of managing its interest costs. To meet this objective, the Company may employ hedging and derivatives strategies to limit the effects of changes in interest rates on its operating income and cash flows, and to lower its overall fixed rate interest cost on its senior subordinated notes.

The Company believes its interest rate risk management policy is generally effective. Nonetheless, the Company s profitability may be adversely affected during particular periods as a result of changing interest rates. In addition, hedging transactions using derivative instruments involve risks such as counter-party credit risk. The counter-parties to the Company s arrangements are major financial institutions.

When entered into, 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.

Derivatives on senior subordinated notes payable

In August 2009, the Company entered into an interest rate swap agreement (the Swap Agreement) for an aggregate notional amount of $75 million in order to reduce the debt servicing costs associated with its $150 million 8 $^{7}/8$% senior subordinated notes. The Swap Agreement is scheduled to terminate on September 15, 2013. Under the Swap Agreement, the Company is entitled to receive semi-annual interest payments on September 15 and March 15 at a fixed rate of 8 $^{7}/8$% and is obligated to make semi-annual interest payments on September 15 and March 15 at a floating rate based on the one-month LIBOR rate plus 632 basis points for the period through September 15, 2013. The Swap Agreement has an optional call provision that allows the counterparty to settle the Swap Agreement at any time with 30 days notice and subject to declining termination premium payments from the counterparty in the event the call is exercised. The Swap Agreement is a fair value hedge as it has been designated against the 8 $^{7}/8$% senior subordinated notes carrying a fixed rate of interest and converts the fixed interest payments to variable interest payments.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

The location and amount of gains (losses) on derivative instruments and related hedged items reported in the consolidated statements of operations were as follows:

Fair Value Hedging Relationship	Location of Gain (Loss) Recognized in Income	January 30, 2010 (in thousands)
Derivative : Swap Agreement	Interest expense	$ 1,311
Hedged item: Fixed rate debt	Interest expense	(987)
Total (1)		$ 324

(1) Includes $195,000 for the year ended January 30, 2010, related to the ineffectiveness of the hedging relationship.
In August 2009, the Company entered into an interest rate cap agreement (the $75 million Cap Agreement) for an aggregate notional amount of $75 million associated with the senior subordinated notes. The $75 million Cap Agreement is scheduled to become effective on December 15, 2010 and terminate on September 15, 2013. The $75 million Cap Agreement is being used to manage cash flow risk associated with the Company s floating interest rate exposure pursuant to the Swap Agreement. The $75 million Cap Agreement limits the maximum interest rate on $75 million of the senior subordinated notes to 9.32%. The $75 million Cap Agreement does not qualify for hedge accounting treatment.

The location and amount of gains (losses) on derivative instruments not designated as hedging instruments reported in the consolidated statements of operations were as follows:

Derivatives Not Designed As Hedging Instruments	Location of Gain (Loss) Recognized in Income	January 30, 2010 (in thousands)
Derivative : 75 Million Cap Agreement	Interest expense	$ (1,243)
Total		$ (1,243)

See footnote 21 to the consolidated financial statements for disclosure of the fair value and line item caption of derivative instruments recorded on the consolidated balance sheets.

14. Letter of Credit Facilities

As of January 30, 2010, the Company maintained two U.S. dollar letter of credit facilities totaling $50.0 million, one letter of credit facility totaling $3.5 million utilized by the Canadian joint venture, and one letter of credit facility totaling $1.0 million utilized by the United Kingdom subsidiary. Each 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 assets. During the first quarter of fiscal 2010, one credit line totaling an estimated $30.0 million was cancelled. As of January 30, 2010, there was $49.0 million available under existing letter of credit facilities.

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

	January 30, 2010	January 31, 2009
	(in thousands)	
Total letter of credit facilities	$ 54,481	$ 86,355
Outstanding letters of credit	(5,496)	(15,721)
Total credit available	$ 48,985	$ 70,634

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

15. Senior Credit Facility

In October 2008, the Company amended its senior credit facility. In connection with the amendment, the Company paid approximately $338,000 in financing fees. These fees will be amortized over the term of its senior credit facility. The following is a description of the terms of its senior credit facility with Wachovia Bank, National Association, et al, as amended, and does not purport to be complete and is subject to, and qualified in its entirety by reference to, all the provisions of the senior credit facility: (i) the line is up to $125 million with the opportunity to increase this amount in $25 million increments up to $200 million; (ii) the inventory borrowing limit is $75 million; (iii) the sublimit for letters of credit is up to $40 million; (iv) the amount of letter of credit facilities allowed outside of the facility is $110 million and (v) the outstanding balance is due at the maturity date of February 1, 2012. At January 30, 2010 we did not have any borrowings under the senior credit facility.

Certain Covenants. The senior credit facility contains certain covenants, which, among other things, requires the Company to maintain a minimum EBITDA if availability falls below a certain minimum. It may restrict its ability and the ability of its subsidiaries to, among other things, incur additional indebtedness in certain circumstances, redeem or repurchase capital stock, make certain investments, or sell assets. The Company is prohibited from paying cash dividends under these covenants. The Company is not aware of any non-compliance with any of its covenants under the senior credit facility. The Company could be materially harmed if it violates any covenants as the lenders under the senior credit facility could declare all amounts outstanding thereunder, together with accrued interest, to be immediately due and payable. If the Company is unable to repay those amounts, the lenders could proceed against its assets. In addition, a violation could also constitute a cross-default under the Company s indenture and mortgage, resulting in all of its debt obligations becoming immediately due and payable, which it may not be able to satisfy.

Borrowing Base. Borrowings under its senior credit facility are limited under its terms to a borrowing base calculation, which generally restricts the outstanding balances to the lesser of either (1) the sum of (a) 85.0% of eligible receivables plus (b) 85.0% of its eligible factored accounts receivables up to $10.0 million plus (c) the lesser of (i) the inventory loan limit of $75 million, or (ii) the lesser of (A) 65.0% of eligible finished goods inventory, or (B) 85.0% of the net recovery percentage (as defined in the senior credit facility) of eligible inventory, or (2) the loan limit; and in each case minus (x) 35.0% of the amount of outstanding letters of credit for eligible inventory, (y) the full amount of all other outstanding letters of credit issued pursuant to the senior credit facility which are not fully secured by cash collateral, and (z) licensing reserves for which the Company is the licensee of certain branded products.

Interest. Interest on the principal balance under the senior credit facility accrues, at the Company s option, at either (a) the greater of Wachovia s prime lending rate or the Federal Funds rate; plus $^1/2$% plus a margin spread of 100 to 175 basis points based upon the sum of the Company s quarterly average excess availability plus excess cash for the immediately preceding fiscal quarter, at the time of borrowing or (b) the rate quoted by Wachovia as the average monthly Eurodollar Rate for 1-month Eurodollar deposits plus a margin spread of 200 to 275 basis points based upon the sum of the Company s quarterly average excess availability plus excess cash for the immediately preceding fiscal quarter, at the time of borrowing.

Security. As security for the indebtedness under the senior credit facility, the Company granted the lenders a first priority security interest in substantially all of its existing and future assets other than its trademark portfolio and real estate owned, 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.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

Effective March 31, 2010, the Company entered into an amendment to its senior credit facility. This amendment modified the senior credit facility to permit the sale of all present and future accounts receivable due from a certain customer to Bank of America, N. A.

16. Senior Subordinated Notes Payable

In fiscal 2004, the Company issued $150 million 8 7/8% senior subordinated notes, due September 15, 2013. The proceeds of this offering were used to redeem previously issued $100 million 12 1/4% senior subordinated notes and to pay down the outstanding balance of the senior credit facility at that time. The proceeds to the Company were $146.8 million yielding an effective interest rate of 9.1%.

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, redeem or repurchase capital stock, make certain investments, or sell assets. The Company is not aware of any non-compliance with any of its covenants in this indenture. The Company is prohibited from paying cash dividends under these covenants. The Company could be materially harmed if it violates any covenants because the indenture s trustee could declare the outstanding notes, together with accrued interest, to be immediately due and payable, which it 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 its debt obligations becoming immediately due and payable, which it may not be able to satisfy.

During fiscal 2010, the Company s Board of Directors authorized the Company to purchase, from time to time and as market and business conditions warrant, its senior subordinated notes for cash in the open market or in privately negotiated transactions. The amount of senior subordinated notes that may be repurchased or otherwise retired, if any, were to be decided upon based on parameters approved by of the Company s Board of Directors and were to depend on market conditions, trading levels of the Company s senior subordinated notes, the Company s cash position and other considerations.

During the fourth quarter of fiscal 2010, the Company retired $20.8 million of its senior subordinated notes payable. In connection with this retirement, the Company paid an additional $98,000 in redemption premiums and commissions. Additionally the Company wrote-off approximately $259,000 in unamortized discount and bond fees associated with the retired portion of the senior subordinated notes.

17. Real Estate Mortgages

The Company s main administrative office, warehouse and distribution facility is a 240,000 square foot facility in Miami, Florida. The facility was partially financed with an $11.6 million real estate mortgage loan. The real estate mortgage contains certain covenants and as of January 30, 2010, the Company is not aware of any non-compliance with any of these covenants. The interest rate is fixed at 7.123%. In August 2008, the Company executed a maturity extension of the real estate mortgage loan until July 1, 2010. At January 30, 2010, the balance of the real estate mortgage loan totaled $10.7 million, of which the entire balance is reflected as a current liability since it is due within one year.

In October 2005, the Company acquired three administrative office units in a building in Beijing, China. The aggregate purchase price was $2.3 million, including closing costs. These purchases were partially financed with three variable interest mortgage loans totaling $1.2 million dollars in the aggregate. During March 2008, the three variable interest mortgage loans were paid off.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

In June 2006, the Company entered into a mortgage loan for $15 million secured by its Tampa facility. The loan is due on June 7, 2016. Principal and interest of $297,000 are due quarterly based on a 20 year amortization with the outstanding principal due at maturity. Interest is set at 6.25% for the first five years, at which point it will be reset based on the terms and conditions of the promissory note. At January 30, 2010, the balance of the real estate mortgage loan totaled $14.1 million, of which $301,000 is due within one year.

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

Fiscal year ending:

	Amount (in thousands)
2011	$ 11,021
2012	530
2013	604
2014	643
2015	684
Thereafter	11,386
	24,868
Less discount	(135)
Total	$ 24,733

18. Income Taxes

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

	January 30, 2010	January 31, 2009 (in thousands)	January 31, 2008
Domestic	$ 7,416	$ (18,185)	$ 28,679
Foreign	9,719	2,225	16,210
Total	$ 17,135	$ (15,960)	$ 44,889

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

	January 30, 2010	January 31, 2009 (in thousands)	January 31, 2008
Current income taxes:			
Federal	$ (1,554)	$ 1,726	$ 9,209

State	(179)	434	733
Foreign	1,446	1,671	2,103
Total current income taxes	(287)	3,831	12,045
Deferred income taxes:			
Federal	3,106	(6,227)	3,092
State	796	(1,286)	648
Total deferred income taxes	3,902	(7,513)	3,740
Total	$ 3,615	$ (3,682)	$ 15,785

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

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

	January 30, 2010	**January 31, 2009**	**January 31, 2008**
Statutory federal income tax rate	35.0%	35.0%	35.0%
Increase resulting from State income taxes, net of federal income tax benefit	1.2%	4.5%	2.7%
Foreign tax rate differential	-17.6%	0.1%	-7.8%
Change in reserves	-8.9%	-1.4%	2.5%
Change in valuation allowance	10.9%	-9.0%	1.2%
Non-deductible items	2.4%	-5.6%	1.4%
Other	-1.9%	-0.5%	0.2%
Total	21.1%	23.1%	35.2%

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 as of the years ended are as follows:

	January 30, 2010	**January 31, 2009**
	(in thousands)	
Deferred tax assets:		
Inventory	$ 3,931	$ 5,289
Accounts receivable	2,075	2,405
Accrued expenses	2,360	2,349
Advance payments	3,971	4,831
Net operating losses	21,470	18,863
Deferred pension obligation	6,691	7,076
Stock compensation	1,987	1,012
Other	3,131	2,608
	45,616	44,433
Deferred tax liabilities		
Fixed assets	(645)	(918)
Intangible assets	(32,005)	(27,839)
Prepaid expenses	(1,275)	(1,817)
	(33,925)	(30,574)
Valuation allowance	(5,366)	(3,408)
Net deferred tax asset	$ 6,325	$ 10,451

As of January 31, 2009, the Company had a gross deferred tax asset relating to foreign tax credit carryforwards in the amount of $0.5 million. Management believes it is more likely than not that the related deferred tax asset associated with foreign tax credit carryforwards will not be realized during the carryforward period. As such, the Company previously established a valuation allowance against the portion of the foreign tax credit carryforward not expected to be realized. As of January 31, 2009, the amount of the valuation allowance was $0.5 million. During fiscal 2010, the Company realized a $0.1 million income tax benefit associated with the deduction of foreign taxes previously held as a foreign tax credit carryforward. This amount represents the deduction of gross foreign taxes of $0.2 million, net of an existing valuation allowance of $0.2 million. As of January 30, 2010, the Company has a gross deferred tax asset relating to foreign tax credit carryforwards in the amount of $0.3 million. These credits originated in fiscal year 2004. Management believes it is more likely than not that the deferred tax asset associated with these foreign tax credits will not be realized during the carryforward period. As such, the Company maintains a valuation allowance in the amount of $0.3 million against the foreign tax credit amounts it does not expect to realize.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

During fiscal 2009, the Company realized a $1.0 million income tax benefit associated 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. As such, the Company has established a valuation allowance against the portion of the losses not expected to be realized. The balance of the valuation allowance associated with realized and unrealized losses from marketable securities for fiscal 2010 and 2009 was $1.0 and $0.7 million, respectively. During fiscal 2010 and 2009 the valuation allowance increased by $0.3 and $0.7 million, respectively.

During fiscal years 2010 and 2009, the Company realized tax-effected losses of $1.1 and $0.9 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 2010, 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 U.K. operating loss carryforward for fiscal 2010 and 2009 was $2.0 and $0.9 million, respectively. During fiscal 2010 and 2009 the valuation allowance increased by $1.1 and $0.9 million, respectively.

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 million expired unutilized as a result of the annual usage limitations under Section 382.

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

Fiscal Year	**(in thousands)**
2011 - 2013	$ 13,974
2014 - 2018	11,705
2019 - 2022	12,066
2023 - 2028	8,827
	$ 46,572

In addition to the Company s U.S. federal net operating loss, the Company has reflected in its income tax provision (benefit) 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 a portion of the assets are not expected to be fully realized. The balance of the valuation allowance associated with U.S. state net operating losses for fiscal 2010 and 2009 was $2.0 and $1.4 million respectively. During fiscal 2010 and 2009 the valuation allowance increased by $0.6 million and decreased by $0.1 million, respectively.

Deferred taxes have not been recognized on unremitted earnings of certain of the Company s foreign subsidiaries 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.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

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, $1.6 million and $0.5 million for fiscal 2010, 2009 and 2008, 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 2007 through 2010 are open tax years. The Company s state tax filings are subject to varying statutes of limitations. The Company s unrecognized state tax benefits are related to state tax returns open from 2004 through 2010, depending on each state s particular statute of limitation. During the fiscal year ended January 31, 2009, the Company received notification from the Internal Revenue Service (the IRS) that the Joint Committee on Taxation had completed its review of the Company s file and took no exception to the conclusions reached by the IRS. Additionally, the Company is currently in discussions with the State of New Jersey to voluntarily disclose and settle income tax liabilities pertaining to the 2004 through 2007 tax years. Furthermore, various state and local income tax returns are also under examination by taxing authorities.

As of February 1, 2009, the Company had a $3.5 million liability recorded for unrecognized tax benefits, which included interest and penalties of $0.8 million. All of the unrecognized tax benefits, if recognized, would affect the Company s effective tax rate. As of January 30, 2010, the Company had a $1.1 million liability recorded for unrecognized tax benefits, which included interest and penalties of $0.3 million. All of the unrecognized tax benefits, if recognized, would affect the Company s effective tax rate.

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

	January 30, 2010	January 31, 2009 (in thousands)	January 31, 2008
Balance at beginning of period	$ 3,460	$ 3,900	$ 2,770
Additions based on tax positions related to the current year	44	140	44
Additions for tax positions of prior years	322	438	1,086
Reductions for tax positions of prior years	(248)	(165)	
Reductions due to lapses of statute of limitations	(1,650)		
Settlements	(810)	(853)	
Balance at end of period	$ 1,118	$ 3,460	$ 3,900

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as a component of income tax expense. During the fiscal years 2010, 2009 and 2008 the Company recognized approximately $(0.5) million, $0.2 million and $0.3 million in interest and penalties respectively. The Company had approximately $0.3 million and $0.8 million for the payment of interest and penalties accrued at January 30, 2010 and January 31, 2009, respectively.

It is reasonably possible that within the next twelve months the Company may settle its voluntary disclosure process with the State of New Jersey. The Company does not currently anticipate that such resolutions will significantly increase or decrease tax expense within the next twelve months. Furthermore, the statute of limitations related to the Company s 2007 U.S. federal tax year will expire within the next twelve months. The lapse in the statute of limitations would be expected to decrease tax expense within the next twelve months. The expiration of the statute of limitations related to the Company s 2007 U.S. federal tax year could result in a tax benefit of up to approximately $0.1 million.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

19. Retirement Plan

The Company has a 401(k) Plan (the Plan) which includes a discretionary company match equal to 50% of the first 6% contributed to the plan which eligible employees may participate. 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 $12,000, $1.1 million and $1.3 million for the fiscal years ended January 30, 2010 and January 31, 2009 and 2008, respectively.

20. Benefit Plans

The Company sponsors two qualified pension plans as a result of the Perry Ellis Menswear acquisition that occurred in June 2003. During 2009, the Company modified the valuation date of plan obligations and assets from the end of December to the end of January. The impact of this change was an immaterial increase in expense.

The following tables provide a reconciliation of the changes in the plans benefit obligations and fair value of assets over the plan years beginning January 1, 2008 and ending January 30, 2010, and a statement of the funded status as of January 30, 2010. The plans were frozen and merged as of December 31, 2003.

For the fiscal year ending:	**January 30, 2010**	**January 31, 2009**
	(in thousands)	
Change in benefit obligation		
Benefit obligation at beginning of plan year	$ 37,858	$ 40,310
Service cost	250	271
Interest cost	2,357	2,519
Actuarial loss (gain)	2,973	(2,068)
Lump sums plus annuities paid	(3,109)	(3,174)
Benefit obligation at end of plan year	$ 40,329	$ 37,858
Change in plan assets		
Fair value of plan assets at beginning of plan year	$ 20,150	$ 34,729
Actual return on plan assets	6,051	(11,405)
Lump sums plus annuities paid	(3,109)	(3,174)
Fair value of plan assets at end of plan year	$ 23,092	$ 20,150
Funded status at end of plan year	$ 17,237	$ 17,708

The net unfunded amount is classified as a long term liability in the caption deferred pension obligation on the consolidated balance sheet. At January 30, 2010, the deferred loss included in accumulated other comprehensive loss was $4.7 million before tax and $2.9 million on an after-tax basis. At January 31, 2009, the deferred loss included in accumulated other comprehensive loss was $5.3 million before tax and $3.2 million on an after-tax basis. There was no amount included within accumulated other comprehensive (loss) income arising from a change in the additional minimum pension liability as of January 31, 2008.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

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

	January 30, 2010	January 31, 2009 (in thousands)	January 31, 2008
Service cost	$ 250	$ 271	$ 250
Interest cost	2,357	2,519	2,326
Expected return on plan assets	(1,557)	(3,055)	(2,820)
Amortization of unrecognized net loss (gain)	66	(238)	(220)
Net periodic benefit cost	$ 1,116	$ (503)	$ (464)

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 30, 2010	January 31, 2009
Discount rate	5.50%	6.50%
Rate of compensation increase	N/A	N/A

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

	January 30, 2010	January 31, 2009
Discount rate	6.50%	6.00%
Expected return on plan assets	8.50%	8.50%
Rate of compensation increase	N/A	N/A

The pension plan weighted-average asset allocations at January 30, 2010 and January 31, 2009 by asset category, are as follows:

	January 30, 2010	January 31, 2009
Asset category:		
Equity securities	62.80%	58.50%
Debt securities	33.40%	29.60%
Other	3.80%	11.90%
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 long-term primary objectives for the Company s pension assets are to (1) provide for a reasonable amount of long-term 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 long-term rate of return.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

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

	Fair Value Measurements At January 30, 2010			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Asset category:				
Equity securities	$ 14,491	$	$	$ 14,491
Debt securities	7,712			7,712
Other	889			889
Total	$ 23,092	$	$	$ 23,092

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

Expected Future Benefits Payments	(in thousands)
2011	$ 3,176
2012	3,156
2013	3,138
2014	3,145
2015	3,087
Thereafter	14,842

The Company s contributions for fiscal 2011 are expected to be approximately $2.4 million. The Company will review the funding status during fiscal 2011 and the incremental funding provisions may change in future periods.

21. Fair Value Measurements

The carrying amounts of accounts receivable, accounts payable, accrued expenses, and accrued interest payable approximates fair value due to their short-term nature. The carrying amount of the senior credit facility approximates fair value due to the frequent resets of its floating interest rate. As of January 30, 2010 and January 31, 2009, the fair value of the senior subordinated notes payable was approximately $129.9 million and $90.0 million, respectively, based on quoted market prices. These estimated fair value amounts have been determined using available market information.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

The following tables present the Company s assets and liabilities that are measured at fair value on a recurring basis and the levels of inputs used to measure fair value:

	Balance Sheet Location	Fair Value Measurements At January 30, 2010 Using Level 1	Level 2	Level 3	Total
			(in thousands)		
Assets:					
Interest rate swap	Other current assets	$	$ 1,092	$	$ 1,092
Interest rate swap	Other assets		90		90
Total assets at fair value		$	$ 1,182	$	$ 1,182
Liabilities:					
Interest rate cap	Other current liabilities	$	$ 449	$	$ 449
Interest rate cap	Unearned revenues and other long term liabilities		731		731
Total liabilities at fair value		$	$ 1,180	$	$ 1,180

See footnote 13 to the consolidated financial statements for disclosures of the accounting designation of the two derivatives in the above table.

There were no such assets and liabilities that were measured at fair value on a recurring basis as of January 31, 2009.

22. Related Party Transactions

The Company leases under certain lease arrangements approximately 66,000 square feet comprised of approximately 16,000 square feet for administrative offices and approximately 50,000 square feet for warehouse distribution. These facilities are in close proximity to the corporate office of the Company, and are owned by the Chairman of the Board of Directors and Chief Executive Officer (Chairman). Rent expense, including insurance and taxes, for these leases amounted to approximately $653,000, or $9.90 per square foot, $670,000, or $10.15 per square foot, $648,000, or $9.81 per square foot for the years ended January 30, 2010, January 31, 2009 and 2008, respectively. At inception of the leases, the Company s Audit Committee reviewed the terms of the two ten year leases to ensure that they were reasonable and at, or below, market. This review included information from third party sources.

During the years ended January 30, 2010, January 31, 2009 and 2008, the Company was a party to aircraft charter agreements with third parties, 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 these agreements, to these third parties $1.0 million, $1.0 million and $1.1 million for the years ended January 30, 2010, January 31, 2009 and 2008, 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, or below, 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 $2.0 million, $1.9 million and $2.0 million for the years ended January 30, 2010, January 31, 2009 and 2008, respectively. The Company s Governance or Audit Committee reviews renewals or extension of the licensing agreements, to ensure that they are consistent with the terms and conditions of other license agreements of the Company.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

The Company was party to a licensing agreement with Tropi-Tracks LLC (Tropi-Tracks), pursuant to which Tropi-Tracks was granted an exclusive license to use the Jantzen brand name in the United States, Canada, and Mexico to market a line of men s, women s and junior s casual and leisure footwear. Salomon Hanono, one of the former members of the Board of Directors of the Company, whose term expired during fiscal 2009, is a member of Tropi-Tracks. The license was terminated in June 2009, with a six month non-exclusive sell-off period. Royalty income earned from the Tropi-Tracks license agreement amounted to $21,000, $97,000 and $92,000 for the years ended January 30, 2010, January 31, 2009 and 2008, respectively. The Company s Governance or Audit Committee reviewed renewals or extensions of the licensing agreement, to ensure that they were 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 son of the Company s Secretary-Treasurer, is a member of Sprezzatura Insurance Group. The Company paid under this agreement, to this third party $448,000 and $366,000 in insurance premiums for property and casualty for the years ended January 30, 2010 and January 31, 2009, respectively. There were no payments made for the years ended January 31, 2008. On an annual basis, the Company s Governance or Audit Committee reviews the terms of the current arrangement.

23. Stock Options, Warrants And Restricted Shares

Stock Options - In 1993, the Company adopted the 1993 Stock Option Plan (the 1993 Plan), which was amended in 1998 and 1999 to increase the number of shares reserved for issuance thereunder. As amended, the 1993 Plan authorized the Company to grant stock options (Option or Options) to purchase up to an aggregate of 1,500,000 shares of the Company s common stock. In 2002, prior to the termination of the 1993 Plan in 2003, 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 1993 Plan and the 2002 Plan, the Stock Option Plans). The 2005 Plan allows 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, subject to shareholder approval at the Annual Meeting, an amendment and restatement of the 2005 Plan that increases 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 2008 Annual Meeting. All Stock Option Plans are designed to serve as an incentive for attracting and retaining qualified and competent employees, 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.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

The following table lists information regarding shares under the 1993 Plan, 2002 Plan and 2005 Plan as of January 30, 2010:

	Shares Underlying Outstanding Options	Unvested Restricted Shares	Shares Available for Grant
1993 Stock Option Plan	474,000		
2002 Stock Option Plan	230,903		
2005 Stock Option Plan	1,205,563	860,038	1,517,790
	1,910,466	860,038	1,517,790

During fiscal 2010, the Company granted stock options to purchase shares of common stock to certain key employees. The Company awarded an aggregate of 1,187,026 stock options to purchase shares of common stock with exercise prices ranging from $4.53 to $15.38 which generally vest over a three year period and have a ten year term. The total fair value of the stock options, based on the Black-Scholes Option Pricing Model, amounted to approximately $3.4 million, which will be recorded as compensation expense on a straight-line basis over the vesting period of each stock option.

A summary of the stock option activity for options issued under the 1993 Plan, 2002 Plan and 2005 Plan is as follows for the years ended:

	Number of Shares	Option Price Per Share Low	High	Weighted	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Outstanding February 1, 2007	1,957,548				$ 9.88	4.41	$ 39,557
Vested or expected to vest	1,952,548				$ 9.86	4.39	$ 38,566
Options Exercisable	1,780,722				$ 9.12	3.94	$ 37,345
Granted	24,125	$ 16.00	$ 33.25	$ 28.16			
Exercised	(75,168)	$ 5.83	$ 15.91	$ 9.63			
Cancelled	(38,439)	$ 12.74	$ 20.14	$ 15.67			
Outstanding January 31, 2008	1,868,066				$ 10.01	3.39	$ 14,656
Vested or expected to vest	1,868,066				$ 10.01	3.39	$ 14,656
Options Exercisable	1,746,319				$ 9.28	3.04	$ 14,505
Granted	13,197	$ 17.27	$ 22.76	$ 19.39			
Exercised	(381,648)	$ 5.88	$ 17.97	$ 9.99			
Cancelled	(24,650)	$ 12.77	$ 33.25	$ 16.03			
Outstanding January 31, 2009	1,474,965				$ 10.00	3.17	$ 10
Vested or expected to vest	1,474,965				$ 10.00	3.17	$ 10

Options Exercisable	1,397,076				$	9.34	2.90	$	10
Granted	1,187,026	$ 4.53	$ 15.38	$ 4.75					
Exercised	(80,202)	$ 3.46	$ 13.39	$ 7.92					
Cancelled	(671,323)	$ 4.63	$ 27.16	$ 6.96					
Outstanding January 30, 2010	1,910,466				$	7.90	6.85	$	16,128
Vested or expected to vest	1,910,466				$	7.90	6.85	$	16,128
Options Exercisable	749,160				$	11.77	3.41	$	3,484

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

The aggregate intrinsic value for stock options in the preceding table represents the total pre-tax intrinsic value based on the Company s closing stock price of $16.03, $3.84, and $17.55 at January 30, 2010, January 31, 2009 and 2008, 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 exercised in fiscal 2010, 2009 and 2008 was approximately $0.6 million, $4.4 million and $1.6 million, respectively. The total fair value of stock options vested in fiscal 2010, 2009 and 2008 was approximately $0.3 million, $0.5 million and $0.5 million, respectively.

Additional information regarding options outstanding and exercisable as of January 30, 2010, is as follows:

	Options Outstanding			Options 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 - $ 6.00	1,111,225	9.13	$ 4.65	1,749	$ 5.41
$ 6.01 - $ 12.00	504,176	2.82	$ 9.49	504,176	$ 9.49
$ 12.01 - $ 16.00	100,065	5.36	$ 14.21	82,760	$ 14.02
$ 16.01 - $ 21.00	149,000	4.47	$ 16.75	140,500	$ 16.64
$ 21.01 - $ 31.00	46,000	6.85	$ 26.55	19,975	$ 26.29
	1,910,466			749,160	

Restricted Stock - Under the 2005 Plan, restricted stock awards shall be 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 shall be set forth in a written Award Agreement which shall contain 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 2010, the Company awarded one employee 10,000 shares of restricted stock, which vest over a four year period at an estimated value of $42,000. This value will be recorded as compensation expense on a straight-line basis over the vesting period of the restricted stock. Also, during fiscal 2010 the Company awarded five directors an aggregate of 32,765 shares of restricted stock, which vest over a three year period at an estimated value of $250,000.

During fiscal 2009, the Company granted performance based restricted shares pursuant to the Company s 2005 Long Term Incentive Compensation Plan, and subject to certain conditions in the grant agreement, as detailed below.

The Company amended the employment agreement with its Chairman of the Board of Directors and Chief Executive Officer to grant up to 375,000 shares of performance based restricted stock, which are subject to certain conditions in the grant agreement. Such stock generally vests 100% on his 80th birthday, provided that he is still an employee of the Company on such date, and the Company has met certain performance criteria. In February 2008, 300,000 shares of restricted stock were issued at an estimated value of $5.4 million. In September 2008, 75,000 shares of restricted stock were issued at an estimated value of $1.4 million.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

The Company amended the employment agreement with its President and Chief Operating Officer to grant up to 375,000 shares of performance based restricted stock, which are subject to certain conditions in the grant agreement. Such stock generally vests 100% on his 60th birthday, provided that he is still an employee of the Company on such date, and the Company has met certain performance criteria. In February 2008, 300,000 shares of restricted stock were issued at an estimated value of $5.4 million. In September 2008, 75,000 shares of restricted stock were issued at an estimated value of $1.4 million.

The Company granted performance based restricted stock to certain key employees pursuant to the Company s 2005 Long Term Incentive Compensation Plan, and subject to certain conditions in the grant agreement. Such stock generally vests 100% on February 1, 2013, provided that each employee is still an employee of the Company on such date, and the Company has met certain performance criteria. In October 2008, 75,250 shares of restricted stock were issued to 23 employees at an estimated value of $1.1 million.

During fiscal 2009, the Company awarded seven directors an aggregate 18,900 shares of restricted stock, which generally vest over a three year period. The total fair value of the restricted shares amounted to approximately $350,000. Also, in fiscal 2009 the Company awarded one employee an aggregate of 5,000 shares of restricted stock, which generally vest over a five year period. The total fair value of the restricted shares amounted to approximately $109,000.

During fiscal 2008, the Company awarded seven employees an aggregate of 17,220 shares of restricted stock, which generally vest over a five year period. The total fair value of the restricted shares amounted to approximately $472,000.

The values of the restricted stock will be 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.

As of January 30, 2010, the total unrecognized compensation cost related to unvested stock options outstanding under the Stock Option Plans is approximately $2.7 million. That cost is expected to be recognized over a weighted-average period of 2 years. As of January 30, 2010, the total unrecognized compensation cost related to unvested time-based restricted stock was approximately $11.9 million which is expected to be recognized over a weighted-average period of 7.0 years.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

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

	Restricted Shares	Weighted Average Grant Price	Weighted Average Remaining Vesting Period
Unvested as of February 1, 2007	37,575	$ 18.51	2.65
Granted	17,220		
Vested	(8,762)		
Forfeited	(2,850)		
Unvested as of January 31, 2008	43,183	$ 22.31	3.13
Granted	849,150		
Vested	(15,182)		
Forfeited	(8,600)		
Unvested as of January 31, 2009	868,551	$ 17.99	8.06
Granted	42,765		
Vested	(26,803)		
Forfeited	(24,475)		
Unvested as of January 30, 2010	860,038	$ 16.62	7.05

24. Segment Information

The Company s principal segments are grouped between the generation of revenues from products and royalties. The Licensing segment derives its revenues from royalties associated from the use of its brand names, principally Perry Ellis, Jantzen, John Henry, Original Penguin, Gotcha, Farah, Savane, Pro Player Manhattan and Munsingwear. The Product segment derives its revenues from the design, import and distribution of apparel to department stores and other retail outlets, principally throughout the United States**.** 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.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

	January 30, 2010	January 31, 2009 (in thousands)	January 31, 2008
Revenues:			
Product	$ 729,217	$ 825,868	$ 838,465
Licensing	24,985	25,429	25,401
Total Revenues	$ 754,202	$ 851,297	$ 863,866
Operating Income			
Product	$ 13,468	$ 6,228	$ 42,615
Licensing	21,395	(1,900)	19,868
Total Operating Income	$ 34,863	$ 4,328	$ 62,483
Interest Expense			
Product	$ 7,724	$ 8,623	$ 8,745
Licensing	9,647	8,868	8,849
Total Interest Expense	$ 17,371	$ 17,491	$ 17,594
Depreciation and Amortization			
Product	$ 13,159	$ 14,304	$ 12,748
Licensing	466	480	530
Total Depreciation and Amortization	$ 13,625	$ 14,784	$ 13,278
Identifiable Assets			
Product	$ 311,516	$ 344,756	
Licensing	209,042	211,517	
Corporate	40,758	43,313	
Total Identifiable Assets	$ 561,316	$ 599,586	

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 30 2010	January 31 2009 (in thousands)	January 31 2008
Revenues			
United States	$ 693,398	$ 785,643	$ 795,067
International	60,804	65,654	68,799
Total revenues	$ 754,202	$ 851,297	$ 863,866

	January 30, 2010	January 31, 2009
	(in thousands)	
Long-lived assets at years ended,		
United States	$ 215,774	$ 227,435
International	45,008	44,016
Total long-lived assets	$ 260,782	$ 271,451

25. 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 June 2015. Total royalty payments under these license agreements amounted to approximately $9.2 million, $9.1 million and $9.0 million for the years ended January 30, 2010, January 31, 2009 and 2008, 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 $16.8 million.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

The Company leases two warehouse facilities, one of which includes office space, in Miami, Florida totaling approximately 66,000 square feet from its Chairman, to handle specialty operations. The leases expire in July 2014. The aggregate annual base payment for these leases is approximately $539,000.

The Company leases several locations for offices, showrooms and retail stores throughout the United States. Lease terms generally range from approximately 3 to 10 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. 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 2019. Minimum aggregate annual commitments for the Company s non-cancelable unrelated operating lease commitments are as follows:

Year Ending	**Amount (in thousands)**
2011	$ 13,984
2012	13,363
2013	12,927
2014	8,612
2015	7,591
Thereafter	17,758
Total	$ 74,235

Rent expense for these operating leases, including the related party rent payments discussed in footnote 22 to the consolidated financial statements amounted to $14.5 million, $13.8 million, and $10.8 million for the years ended January 30, 2010, January 31, 2009 and 2008, 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 $397,000 is included in accrued expenses and other liabilities, while the long term portion of $550,000 is included in unearned revenues and other long term liabilities. Minimum aggregate annual commitments for the Company s capital lease obligations are as follows:

Year Ending	**Amount (in thousands)**
2011	$ 397
2012	397
2013	153
Total	$ 947

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

The Company renewed its employment agreement with the Chairman of the Board of Directors and Chief Executive Officer during fiscal 2006. The base salary, which was subject to annual increases, was $0.9 million per year through the remainder of the agreement. During February 2008, the employment agreement was amended, to extend the expiration date to January 2013, increase the base salary to at least $1.0 million and grant up to 375,000 performance based restricted shares, which are subject to certain conditions in the employment agreement.

The Company renewed its employment agreement with the President and Chief Operating Officer during fiscal 2006. The base salary, which was subject to annual increases, was $0.8 million for the first year and $0.9 million per year through the remainder of the agreement. During February 2008, the employment agreement was amended, to extend the expiration date to January 2013, increase the base salary to at least $1.0 million and grant up to 375,000 performance based restricted shares, which are subject to certain conditions in the employment agreement.

The Company entered into an employment agreement with the Chief Financial Officer during March 2009. The agreement expires in March 2011. The base salary, which is subject to annual increases at the Chief Executive Officer s discretion, is $375,000. The agreement also calls for the granting of 10,000 restricted shares and 10,000 non-qualified stock options.

During fiscal 2006, the Company completed the acquisition of primarily all of the worldwide intellectual property of the California lifestyle company Gotcha International, including the Gotcha, Girl Star and MCD logo trademarks and the intellectual property license agreements for a purchase price of approximately $12.3 million. In addition, there is a contingent earn out amount of approximately $1 million if the Company achieves certain revenue targets for these acquired brands during fiscal 2011, which if, and when, paid would be considered additional purchase price.

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 litigation that it believes might have a material adverse effect on its business operations.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

26. 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 30, 2010					
Net Sales	$ 214,038	$ 152,980	$ 172,154	$ 190,045	$ 729,217
Royalty Income	6,006	6,189	6,397	6,393	24,985
Total Revenues	220,044	159,169	178,551	196,438	754,202
Gross Profit	69,234	49,208	60,987	69,669	249,098
Net income (loss) attributed to Perry Ellis International, Inc.	5,849	(5,308)	4,138	8,488	13,167
Net income (loss) attributed to Perry Ellis International, Inc. per share:					
Basic	$ 0.46	($ 0.42)	$ 0.33	$ 0.67	$ 1.04
Diluted	$ 0.46	($ 0.42)	$ 0.31	$ 0.64	$ 1.01
FISCAL YEAR ENDED JANUARY 31, 2009					
Net Sales	$ 237,762	$ 187,404	$ 216,232	$ 184,470	$ 825,868
Royalty Income	5,787	6,295	6,583	6,764	25,429
Total Revenues	243,549	193,699	222,815	191,234	851,297
Gross Profit	84,567	62,237	75,900	55,547	278,251
Net income (loss) attributed to Perry Ellis International, Inc.	9,107	(5,379)	4,999	(21,617)	(12,890)
Net income (loss) attributed to Perry Ellis International, Inc. per share:					
Basic	$ 0.63	($ 0.36)	$ 0.34	($ 1.58)	($ 0.89)
Diluted	$ 0.60	($ 0.36)	$ 0.33	($ 1.58)	($ 0.89)
FISCAL YEAR ENDED JANUARY 31, 2008					
Net Sales	$ 222,619	$ 188,890	$ 220,881	$ 206,075	$ 838,465
Royalty Income	6,151	6,405	6,582	6,263	25,401
Total Revenues	228,770	195,295	227,463	212,338	863,866
Gross Profit	77,790	61,721	76,922	75,201	291,634
Net income attributed to Perry Ellis International, Inc.	9,512	267	8,534	9,860	28,173
Net income attributed to Perry Ellis International, Inc. per share:					
Basic	$ 0.65	$ 0.02	$ 0.58	$ 0.67	$ 1.92
Diluted	$ 0.60	$ 0.02	$ 0.55	$ 0.65	$ 1.80

See footnotes 2 and 9 to the consolidated financial statements for further information regarding the impairment on long-lived assets, which occurred during the fourth quarter ended January 31, 2009.

27. Strategic Review of Business

Because of the continuing negative economic conditions, the Company undertook a comprehensive strategic review of its assets, practices and competitive position and concluded during the fourth quarter of fiscal 2009 how best to realign the business to succeed in the current and anticipated future economic climate.

The strategic review included: the consolidation of the Tampa bottom s production department; reduction in headcount, reductions in advertising and promotion budget for the men s specialty store businesses; restructuring of the Perry Ellis Outlet operations; and a hiring freeze and reduction of travel and other discretionary expenses. This review resulted in severance costs and certain real estate exit costs.

Most of the identified expenses in connection with this strategic review were incurred during the fourth quarter. For the year ended January 31, 2009, the Company incurred approximately $1.7 million in certain real estate exit costs and severance charges which were recorded as a component of selling, general and administrative expenses and which primarily relate to the wholesale segment. As of January 31, 2009, severance charges in the amount of $600,000 remained unpaid and are included in accrued expenses and other liabilities. Those amounts were paid during fiscal 2010.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED JANUARY 30, 2010, JANUARY 31, 2009 AND 2008

28. Consolidating Condensed Financial Statements

The Company and several of its subsidiaries (the Guarantors) have fully and unconditionally guaranteed the senior subordinated notes on a joint and several basis. The following are consolidating condensed 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 consolidated basis. Additional columns present eliminating adjustments and consolidated totals as of January 30, 2010 and January 31, 2009 and for each of the years ended January 30, 2010, January 31, 2009 and January 31, 2008. The combined Guarantors are wholly owned subsidiaries of Perry Ellis International, Inc., and have fully and unconditionally guaranteed the senior subordinated notes payable on a joint and several basis. The Company has not presented separate financial statements and other disclosures concerning the combined Guarantors because management has determined that such information is not material to investors.

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATING CONDENSED BALANCE SHEETS

AS OF JANUARY 30, 2010

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$	$ 8,313	$ 12,459	$ (2,503)	$ 18,269
Accounts receivable, net	377	104,411	35,146		139,934
Intercompany receivable - Guarantors	63,759			(63,759)	
Inventories		100,167	12,148		112,315
Other current assets	15,389	18,319	6,671	(15,557)	24,822
Total current assets	79,525	231,210	66,424	(81,819)	295,340
Property and equipment, net	10,558	46,272	3,637		60,467
Intangible assets, net		156,715	43,600		200,315
Investment in subsidiaries	278,275			(278,275)	
Other	3,729	1,394	71		5,194
TOTAL	$ 372,087	$ 435,591	$ 113,732	$ (360,094)	$ 561,316
LIABILITIES & STOCKHOLDERS EQUITY					
Current Liabilities:					
Accounts payable, accrued expenses and other current liabilities	$ 15,786	$ 97,326	$ 12,477	$ (18,305)	$ 107,284
Intercompany payable - Parent		10,369	57,102	(67,471)	
Total current liabilities	15,786	107,695	69,579	(85,776)	107,284
Notes payable and senior credit facility	88,620	41,250			129,870
Other long term liabilities	1,225	42,619	7,967	2,235	54,046
Total long-term liabilities	89,845	83,869	7,967	2,235	183,916
Total liabilities	105,631	191,564	77,546	(83,541)	291,200
Total Perry Ellis International, Inc. stockholders equity	266,456	244,027	32,526	(276,553)	266,456
Noncontrolling interest			3,660		3,660
Stockholders equity	266,456	244,027	36,186	(276,553)	270,116
TOTAL	$ 372,087	$ 435,591	$ 113,732	$ (360,094)	$ 561,316

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATING CONDENSED BALANCE SHEETS

AS OF JANUARY 31, 2009

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$	$ 1,805	$ 9,604	$ (2,596)	$ 8,813
Accounts receivable, net	482	130,055	12,333		142,870
Intercompany receivable - Guarantors	60,735			(60,735)	
Inventories		123,162	15,912		139,074
Other current assets	22,137	25,537	3,741	(19,907)	31,508
Total current assets	83,354	280,559	41,590	(83,238)	322,265
Property and equipment, net	13,256	52,946	4,020		70,222
Intangible assets, net		158,714	42,515		201,229
Investment in subsidiaries	263,462			(263,462)	
Other	4,647	3,429	216	(2,422)	5,870
TOTAL	$ 364,719	$ 495,648	$ 88,341	$ (349,122)	$ 599,586
LIABILITIES & STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable, accrued expenses and other current liabilities	$ 16,455	$ 76,135	$ 13,551	$ (25,006)	$ 81,135
Intercompany payable - Parent		34,442	29,190	(63,632)	
Total current liabilities	16,455	110,577	42,741	(88,638)	81,135
Notes payable and senior credit facility	99,409	104,415			203,824
Other long term liabilities	61	52,492	9,892	81	62,526
Total long-term liabilities	99,470	156,907	9,892	81	266,350
Total liabilities	115,925	267,484	52,633	(88,557)	347,485
Total Perry Ellis International, Inc. stockholders equity	248,794	228,164	32,401	(260,565)	248,794
Noncontrolling interest			3,307		3,307
Stockholders equity	248,794	228,164	35,708	(260,565)	252,101
TOTAL	$ 364,719	$ 495,648	$ 88,341	$ (349,122)	$ 599,586

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATING CONDENSED STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED JANUARY 30, 2010

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	$	$ 673,171	$ 81,031	$	$ 754,202
Gross profit		214,044	35,054		249,098
Impairment on long-lived assets		254			254
Operating income (loss)		36,945	(2,082)		34,863
Interest, noncontrolling interest and income taxes	1,646	21,082	(1,389)		21,339
Equity in earnings of subsidiaries, net	14,813			(14,813)	
Net income (loss)	13,167	15,506	(693)	(14,813)	13,167

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATING CONDENSED STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED JANUARY 31, 2009

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	$	$ 760,136	$ 91,161	$	$ 851,297
Gross profit		234,536	43,715		278,251
Impairment on long-lived assets		14,750	7,549		22,299
Operating income (loss)	37	11,050	(6,759)		4,328
Impairment on marketable securities	2,797				2,797
Interest, noncontrolling interest and income taxes	343	14,563	(485)		14,421
Equity in loss of subsidiaries, net	(9,787)			9,787	
Net loss	(12,890)	(3,513)	(6,274)	9,787	(12,890)

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATING CONDENSED STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED JANUARY 31, 2008

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	$	$ 795,067	$ 68,799	$	$ 863,866
Gross profit		253,808	37,826		291,634
Operating income		46,356	16,127		62,483
Interest, noncontrolling interest and income taxes	(115)	32,205	2,220		34,310
Equity in earnings of subsidiaries, net	28,058			(28,058)	
Net income	28,173	14,151	13,907	(28,058)	28,173

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JANUARY 30, 2010

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 13,254	$ 94,149	$ (20,691)	$ 2,083	$ 88,795
CASH FLOWS FROM INVESTING					
Purchase of property and equipment	(1,022)	(1,531)	(181)		(2,734)
Proceeds on sale of intangible assets, MCD			700		700
Net cash (used in) provided by investing activities	(1,022)	(1,531)	519		(2,034)
CASH FLOWS FROM FINANCING					
Payments on senior credit facility		(700,649)			(700,649)
Borrowings from senior credit facility		646,234			646,234
Payments on senior secured note	(11,776)	(9,072)			(20,848)
Payments on real estate mortgage		(469)			(469)
Payments on capital leases	(357)				(357)
Proceeds from exercise of stock options	636				636
Tax benefit from exercise of stock options	205				205
Purchase of treasury stock	(1,751)				(1,751)
Intercompany transactions	1,117	(22,158)	24,813	(3,772)	
Net cash (used in) provided by financing activities	(11,926)	(86,114)	24,813	(3,772)	(76,999)
Effect of exchange rate changes on cash and cash equivalents	(306)	4	(1,786)	1,782	(306)
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,508	2,855	93	9,456
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,805	9,604	(2,596)	8,813
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	$ 8,313	$ 12,459	$ (2,503)	$ 18,269

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JANUARY 31, 2009

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (12,580)	$ 9,176	$ (2,454)	$ 876	$ (4,982)
CASH FLOWS FROM INVESTING					
Purchase of property and equipment		(8,687)	(1,502)		(10,189)
Proceeds on sale of marketable securities	138				138
Payment for acquired businesses, net of cash acquired		(33,951)			(33,951)
Reacquisition of license rights		(388)			(388)
Net cash provided by (used in) investing activities	138	(43,026)	(1,502)		(44,390)
CASH FLOWS FROM FINANCING					
Deferred financing fees		(363)			(363)
Payments on senior credit facility		(277,143)			(277,143)
Borrowings from senior credit facility		331,558			331,558
Payments on real estate mortgage		(434)	(1,001)		(1,435)
Payments on capital leases	(202)				(202)
Proceeds from exercise of stock options	3,825				3,825
Tax benefit from exercise of stock options	1,582				1,582
Purchase of treasury stock	(11,576)				(11,576)
Payment of loan to noncontrolling partner			(598)		(598)
Intercompany transactions	19,636	(25,876)	5,780	460	
Net cash provided by financing activities	13,265	27,742	4,181	460	45,648
Effect of exchange rate changes on cash and cash equivalents	(823)	(192)	652	(460)	(823)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(6,300)	877	876	(4,547)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		8,105	8,727	(3,472)	13,360
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	$ 1,805	$ 9,604	$ (2,596)	$ 8,813

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JANUARY 31, 2008

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (2,153)	$ 76,385	$ 17,473	$ (413)	$ 91,292
CASH FLOWS FROM INVESTING					
Purchase of property and equipment		(18,382)	(695)	122	(18,955)
Purchase of marketable securities	(672)				(672)
Proceeds on sale of marketable securities	320				320
Net cash used in investing activities	(352)	(18,382)	(695)	122	(19,307)
CASH FLOWS FROM FINANCING					
Payments on senior credit facility	(335,886)				(335,886)
Borrowings from senior credit facility	274,539				274,539
Payments on real estate mortgage		(416)	(91)		(507)
Payments on capital leases	(200)				(200)
Proceeds from exercise of stock options	725				725
Tax benefit from exercise of stock options	506				506
Purchase of treasury stock	(4,088)				(4,088)
Intercompany transactions	65,137	(52,322)	(15,738)	2,923	
Net cash provided by (used in) financing activities	733	(52,738)	(15,829)	2,923	(64,911)
Effect of exchange rate changes on cash and cash equivalents	1,772	192	1,772	(1,964)	1,772
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,457	2,721	668	8,846
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		2,648	6,006	(4,140)	4,514
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	$ 8,105	$ 8,727	$ (3,472)	$ 13,360

Exhibit Index

Exhibit No	Description of Exhibit
21.1	Subsidiaries of Registrant
23.1	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