
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 3, 2008

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 1-16097

THE MEN'S WEARHOUSE, INC.

(Exact Name of Registrant as Specified in its Charter)

Texas
(State or Other Jurisdiction of
Incorporation or Organization)

74-1790172
(I.R.S. Employer
Identification Number)

6380 Rogerdale
Houston, Texas
(Address of Principal Executive Offices)

77072-1624
(Zip Code)

(281) 776-7200

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes . 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

The number of shares of common stock of the Registrant, par value \$.01 per share, outstanding at June 9, 2008 was 51,629,245 excluding 18,104,310 shares classified as Treasury Stock.

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Forward-Looking and Cautionary Statements

Certain statements made in this Quarterly Report on Form 10-Q and in other public filings and press releases by the Company contain “forward-looking” information (as defined in the Private Securities Litigation Reform Act of 1995) that involves risk and uncertainty. These forward-looking statements may include, but are not limited to, references to future capital expenditures, acquisitions, sales, earnings, margins, costs, number and costs of store openings, demand for clothing, market trends in the retail clothing business, currency fluctuations, inflation and various economic and business trends. Forward-looking statements may be made by management orally or in writing, including, but not limited to, Management’s Discussion and Analysis of Financial Condition and Results of Operations included in this Quarterly Report on Form 10-Q and other sections of our filings with the Securities and Exchange Commission under the Securities Exchange Act of 1934 and the Securities Act of 1933.

Forward-looking statements are not guarantees of future performance and a variety of factors could cause actual results to differ materially from the anticipated or expected results expressed in or suggested by these forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, actions by governmental entities, domestic and international economic activity and inflation, our successful execution of internal operating plans and new store and new market expansion plans, including successful integration of acquisitions, performance issues with key suppliers, disruption in buying trends due to homeland security concerns, severe weather, foreign currency fluctuations, government export and import policies, aggressive advertising or marketing activities of competitors and legal proceedings. Future results will also be dependent upon our ability to continue to identify and complete successful expansions and penetrations into existing and new markets and our ability to integrate such expansions with our existing operations. Refer to “Risk Factors” in our Annual Report on Form 10-K for the year ended February 2, 2008 for a more complete discussion of these and other factors that might affect our performance and financial results. These forward-looking statements are intended to relay the Company’s expectations about the future, and speak only as of the date they are made. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

PART I. FINANCIAL INFORMATION

ITEM 1 — CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

The condensed consolidated financial statements herein include the accounts of The Men’s Wearhouse, Inc. and its subsidiaries and have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. As applicable under such regulations, certain information and footnote disclosures have been condensed or omitted. We believe that the presentation and disclosures herein are adequate to make the information not misleading, and the condensed consolidated financial statements reflect all elimination entries and normal adjustments which are necessary for a fair statement of the results for the three months ended May 5, 2007 and May 3, 2008.

Operating results for interim periods are not necessarily indicative of the results for full years. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended February 2, 2008 and the related notes thereto included in the Company’s Annual Report on Form 10-K for the year then ended filed with the SEC.

Unless the context otherwise requires, “Company”, “we”, “us” and “our” refer to The Men’s Wearhouse, Inc. and its subsidiaries.

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THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	May 5, 2007 <u>(Unaudited)</u>	May 3, 2008 <u>(Unaudited)</u>	February 2, 2008 <u></u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 87,031	\$ 76,660	\$ 39,446
Short-term investments	38,500	9,668	59,921
Accounts receivable, net	30,171	26,858	18,144
Inventories	474,413	488,137	492,423
Other current assets	<u>63,767</u>	<u>58,007</u>	<u>61,061</u>
Total current assets	693,882	659,330	670,995
PROPERTY AND EQUIPMENT, net	364,256	406,944	410,167
TUXEDO RENTAL PRODUCT, net	83,824	92,405	84,089
GOODWILL	58,517	62,481	65,309
OTHER ASSETS, net	<u>19,726</u>	<u>26,182</u>	<u>25,907</u>
TOTAL	<u>\$1,220,205</u>	<u>\$1,247,342</u>	<u>\$1,256,467</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	\$ 121,162	\$ 121,193	\$ 146,713
Accrued expenses and other current liabilities	152,885	131,436	124,952
Income taxes payable	<u>21,135</u>	<u>—</u>	<u>5,590</u>
Total current liabilities	295,182	252,629	277,255
LONG-TERM DEBT	78,105	106,870	92,399
DEFERRED TAXES AND OTHER LIABILITIES	<u>64,680</u>	<u>67,498</u>	<u>70,876</u>
Total liabilities	<u>437,967</u>	<u>426,997</u>	<u>440,530</u>
COMMITMENTS AND CONTINGENCIES (Note 4 and Note 12)			
SHAREHOLDERS' EQUITY:			
Preferred stock	—	—	—
Common stock	694	697	696
Capital in excess of par	293,874	305,601	305,209
Retained earnings	784,053	886,386	880,084
Accumulated other comprehensive income	<u>30,481</u>	<u>40,198</u>	<u>43,629</u>
Total	1,109,102	1,232,882	1,229,618
Treasury stock, at cost	<u>(326,864)</u>	<u>(412,537)</u>	<u>(413,681)</u>
Total shareholders' equity	<u>782,238</u>	<u>820,345</u>	<u>815,937</u>
TOTAL	<u>\$1,220,205</u>	<u>\$1,247,342</u>	<u>\$1,256,467</u>

See Notes to Condensed Consolidated Financial Statements.

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THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share data)
(Unaudited)

	<u>For the Quarter Ended</u>	
	<u>May 5, 2007</u>	<u>May 3, 2008</u>
Net sales:		
Clothing product	\$403,500	\$ 388,491
Tuxedo rental services	59,860	70,194
Alteration and other services	<u>32,758</u>	<u>32,411</u>
Total net sales	496,118	491,096
Cost of sales:		
Clothing product, including buying and distribution costs	177,843	168,491
Tuxedo rental services	9,669	12,565
Alteration and other services	24,156	24,731
Occupancy costs	<u>58,177</u>	<u>73,554</u>
Total cost of sales	269,845	279,341
Gross margin	226,273	211,755
Selling, general and administrative expenses	<u>161,010</u>	<u>196,650</u>
Operating income	65,263	15,105
Interest income	(1,632)	(821)
Interest expense	<u>1,086</u>	<u>1,599</u>
Earnings before income taxes	65,809	14,327
Provision for income taxes	<u>24,876</u>	<u>4,384</u>
Net earnings	<u>\$ 40,933</u>	<u>\$ 9,943</u>
Net earnings per share:		
Basic	<u>\$ 0.76</u>	<u>\$ 0.19</u>
Diluted	<u>\$ 0.75</u>	<u>\$ 0.19</u>
Weighted average common shares outstanding:		
Basic	<u>53,963</u>	<u>51,470</u>
Diluted	<u>54,709</u>	<u>51,864</u>

See Notes to Condensed Consolidated Financial Statements.

THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	<u>For the Quarter Ended</u>	
	<u>May 5, 2007</u>	<u>May 3, 2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 40,933	\$ 9,943
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	17,006	23,698
Tuxedo rental product amortization	6,926	8,066
(Gain) loss on disposition of assets	(32)	243
Deferred rent expense	2,523	229
Share-based compensation	1,974	2,247
Deferred tax benefit	(2,152)	(593)
Increase in accounts receivable	(8,563)	(8,761)
(Increase) decrease in inventories	(14,647)	2,586
Increase in tuxedo rental product	(5,968)	(16,828)
(Increase) decrease in other assets	(661)	3,767
Increase (decrease) in accounts payable, accrued expenses and other current liabilities	1,425	(7,200)
Increase (decrease) in income taxes payable	1,928	(10,663)
Increase (decrease) in other liabilities	(423)	522
Net cash provided by operating activities	<u>40,269</u>	<u>7,256</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(11,661)	(29,860)
Net assets acquired, net of cash	(69,747)	—
Purchases of available-for-sale investments	(137,955)	—
Proceeds from sales of available-for-sale investments	99,455	50,254
Investment in trademarks, tradenames and other assets	<u>1,191</u>	<u>—</u>
Net cash provided by (used in) investing activities	<u>(118,717)</u>	<u>20,394</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	3,670	609
Proceeds from revolving credit facility	—	100,600
Payments on revolving credit facility	—	(83,975)
Deferred financing costs	(6)	—
Cash dividends paid	(2,729)	(3,632)
Tax payments related to vested deferred stock units	(2,187)	(1,388)
Excess tax benefits from share-based plans	2,571	52
Purchase of treasury stock	<u>(19,290)</u>	<u>(156)</u>
Net cash provided by (used in) financing activities	<u>(17,971)</u>	<u>12,110</u>
Effect of exchange rate changes	<u>3,756</u>	<u>(2,546)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(92,663)	37,214
Balance at beginning of period	<u>179,694</u>	<u>39,446</u>
Balance at end of period	<u>\$ 87,031</u>	<u>\$ 76,660</u>

See Notes to Condensed Consolidated Financial Statements.

THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Significant Accounting Policies

Basis of Presentation — The condensed consolidated financial statements herein include the accounts of The Men's Wearhouse, Inc. and its subsidiaries (the "Company") and have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). As applicable under such regulations, certain information and footnote disclosures have been condensed or omitted. We believe that the presentation and disclosures herein are adequate to make the information not misleading, and the condensed consolidated financial statements reflect all elimination entries and normal adjustments which are necessary for a fair presentation of the financial position, results of operations and cash flows at the dates and for the periods presented. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended February 2, 2008.

The preparation of the condensed consolidated financial statements in conformity with accounting principals generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual amounts could differ from those estimates.

Recently Issued Accounting Pronouncements — In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). This statement defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. The statement applies whenever other statements require or permit assets or liabilities to be measured at fair value. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS 157 did not have a material impact on our financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 provides companies with an option to measure certain financial instruments and other items at fair value with changes in fair value reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS 159 did not have a material impact on our financial position, results of operations or cash flows.

In June 2007, the Emerging Issues Task Force ("EITF") ratified its conclusion on EITF Issue No. 06-11 "Accounting for the Income Tax Benefits of Dividends on Share-Based Payment Awards" ("EITF 06-11"). EITF 06-11 provides that tax benefits associated with dividends on share-based payment awards be recorded as a component of additional paid-in capital. EITF 06-11 is effective, on a prospective basis, for fiscal years beginning after December 15, 2007. The adoption of EITF 06-11 did not have a material impact on our financial position, results of operation or cash flows.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"). SFAS 141R establishes principles and requirements for how a company recognizes assets acquired, liabilities assumed, contractual contingencies and contingent consideration measured at fair value at the acquisition date. The statement also establishes disclosure requirements which will enable users to evaluate the nature and financial effect of the business combination. SFAS 141R is effective for fiscal years beginning after December 15, 2008. We do not expect the adoption of SFAS 141R to have any impact on our financial position, results of operation or cash flows.

THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

2. Acquisition

On April 9, 2007, we completed the acquisition of After Hours Formalwear, Inc. ("After Hours"), a men's formalwear chain in the United States with 509 stores operating under After Hours Formalwear and Mr. Tux store fronts. As a result of the acquisition of After Hours, the condensed consolidated statement of earnings and condensed consolidated statement of cash flows for the quarter ended May 5, 2007 include the results of operations and cash flows, respectively, of After Hours beginning April 10, 2007. In addition, the condensed consolidated balance sheet for the quarter ended May 5, 2007 includes preliminary estimates of the fair values of the assets acquired and liabilities assumed as of the acquisition date for After Hours.

The Company also entered into a marketing agreement with David's Bridal, Inc., the nation's largest bridal retailer, in connection with the acquisition. The marketing agreement continued a preferred relationship between David's Bridal, Inc. and After Hours and extended the preferred relationship to include the tuxedo rental operations of the Men's Wearhouse stores.

Under the terms of the stock purchase agreement, we acquired all of the outstanding stock of After Hours from Federated Department Stores, Inc. in exchange for an aggregate purchase price of \$100.0 million, adjusted for certain items, primarily customer cash deposits retained by Federated on rentals to be completed after closing. The total net cash consideration paid after these adjustments and other acquisition costs was approximately \$69.8 million. Since the acquisition, we have re-branded the stores to MW Tux.

The following table summarizes the recorded fair values of the non-cash assets and liabilities assumed at the date of acquisition (in thousands):

	<u>As of April 9, 2007</u>
Current non-cash assets	\$ 33,707
Property and equipment	62,949
Tuxedo rental product	28,863
Goodwill	5,027
Intangible assets	9,260
Other assets	<u>4,704</u>
Total assets acquired	<u>144,510</u>
Current liabilities	65,698
Other liabilities	<u>8,971</u>
Total liabilities assumed	<u>74,669</u>
Net assets acquired	<u>\$ 69,841</u>

All goodwill resulting from the acquisition is expected to be deductible for tax purposes. Acquired intangible assets consist primarily of favorable leases which are amortized over the remaining lease terms, ranging from one to 10 years.

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THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

The following pro forma information presents the Company's results of operations for the first quarter of 2007 as if the After Hours acquisition had occurred on January 29, 2006, after giving effect to certain purchase accounting adjustments (in thousands, except per share amounts).

	<u>Pro Forma Quarter Ended May 5, 2007</u>
Net sales:	
Clothing product	\$ 407,018
Tuxedo rental services	86,194
Alteration and other services	<u>32,886</u>
Total net sales	526,098
Cost of sales:	
Clothing product including buying and distribution costs	180,457
Tuxedo rental services	14,345
Alteration and other services	24,156
Occupancy costs	<u>64,571</u>
Total cost of sales	283,529
Gross margin	242,569
Selling, general and administrative expenses	<u>190,789</u>
Operating income	51,780
Interest income	(1,154)
Interest expense	<u>1,297</u>
Earnings before income taxes	51,637
Provision for income taxes	<u>19,570</u>
Net earnings	<u>\$ 32,067</u>
Net earnings per share:	
Basic	<u>\$ 0.59</u>
Diluted	<u>\$ 0.59</u>
Weighted average common shares outstanding:	
Basic	<u>53,963</u>
Diluted	<u>54,709</u>

THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

This pro forma information is not necessarily indicative of actual results had the acquisition occurred on January 29, 2006, nor is it necessarily indicative of future results, and does not reflect potential synergies, integration costs, or other such costs or savings. In addition, the tuxedo rental business is heavily concentrated in the months of April, May, and June. Second quarter, followed by the third quarter, is the highest revenue quarter for the tuxedo rental business and first and fourth quarters are considered off season.

3. Earnings per Share

Basic EPS is computed using the weighted average number of common shares outstanding during the period and net earnings. Diluted EPS gives effect to the potential dilution which would have occurred if additional shares were issued for stock options exercised under the treasury stock method, as well as the potential dilution that could occur if other contracts to issue common stock were converted or exercised.

The following table reconciles basic and diluted weighted average common shares outstanding and the related net earnings per share (in thousands, except per share amounts):

	For the Quarter Ended	
	<u>May 5, 2007</u>	<u>May 3, 2008</u>
Net earnings	<u>\$ 40,933</u>	<u>\$ 9,943</u>
Basic weighted average common shares outstanding	53,963	51,470
Effect of dilutive securities:		
Stock options and equity-based compensation	<u>746</u>	<u>394</u>
Diluted weighted average common shares outstanding	<u>54,709</u>	<u>51,864</u>
Net earnings per share:		
Basic	<u>\$ 0.76</u>	<u>\$ 0.19</u>
Diluted	<u>\$ 0.75</u>	<u>\$ 0.19</u>

THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

4. Long-Term Debt

Our Amended and Restated Credit Agreement (the "Credit Agreement") with a group of banks, which was last amended on February 2, 2007, provides for a total senior secured revolving credit facility of \$200.0 million, which can be expanded to \$250.0 million upon additional lender commitments, that matures on February 11, 2012. The Credit Agreement also provided our Canadian subsidiaries with a senior secured term loan used to fund the repatriation of US\$74.7 million of Canadian earnings in January 2006 under the American Jobs Creation Act of 2004. The Canadian term loan matures on February 10, 2011. The Credit Agreement is secured by the stock of certain of the Company's subsidiaries. The Credit Agreement has several borrowing and interest rate options including the following indices: (i) an alternate base rate (equal to the greater of the prime rate or the federal funds rate plus 0.5%) or (ii) LIBO rate or (iii) CDO rate. Advances under the Credit Agreement bear interest at a rate per annum using the applicable indices plus a varying interest rate margin up to 1.125%. The Credit Agreement also provides for fees applicable to unused commitments ranging from 0.100% to 0.175%. The revolving credit facility and the Canadian term loan had an effective interest rate of 4.0% at May 3, 2008. As of May 3, 2008, there was \$22.0 million outstanding under the revolving credit facility and US\$84.9 million outstanding under the Canadian term loan. As of May 28, 2008, there were no borrowings outstanding under the revolving credit facility.

The Credit Agreement contains certain restrictive and financial covenants, including the requirement to maintain certain financial ratios. The restrictive provisions in the Credit Agreement reflect an overall covenant structure that is generally representative of a commercial loan made to an investment-grade company. Our debt, however, is not rated, and we have not sought, and are not seeking, a rating of our debt. We were in compliance with the covenants in the Credit Agreement as of May 3, 2008.

We utilize letters of credit primarily to secure inventory purchases. At May 3, 2008, letters of credit totaling approximately \$14.4 million were issued and outstanding.

5. Dividends

A quarterly cash dividend of \$0.05 per share was paid during the quarter ended May 5, 2007 and a quarterly cash dividend of \$0.06 per share was paid during each of the quarters ended August 4, 2007, November 3, 2007 and February 2, 2008. A quarterly cash dividend of \$0.07 per share was paid during the quarter ended May 3, 2008. Cash dividends paid were approximately \$2.7 and \$3.6 million during the quarter ended May 5, 2007 and May 3, 2008, respectively.

In April 2008, our Board of Directors declared a quarterly cash dividend of \$0.07 per share payable on June 27, 2008 to shareholders of record at close of business on June 17, 2008. The dividend payout is estimated to be approximately \$3.6 million and is included in accrued expenses and other current liabilities as of May 3, 2008.

6. Income Taxes

During the quarter ended May 3, 2008, we concluded and settled certain income tax audits resulting in a cash payment of \$1.0 million, of which \$0.3 million was interest, and recognition of \$1.3 million of previously unrecognized tax benefits and \$0.4 million of benefit from associated accrued interest. The amount of recognized tax benefits that affected the effective tax rate was \$1.1 million.

THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

7. Comprehensive Income and Supplemental Cash Flows

	<u>For the Quarter Ended</u>	
	<u>May 5, 2007</u>	<u>May 3, 2008</u>
Our comprehensive income is as follows (in thousands):		
Net earnings	\$ 40,933	\$ 9,943
Currency translation adjustments, net of tax	<u>6,985</u>	<u>(3,431)</u>
Comprehensive income	<u>\$ 47,918</u>	<u>\$ 6,512</u>

	<u>For the Quarter Ended</u>	
	<u>May 5, 2007</u>	<u>May 3, 2008</u>
Supplemental disclosure of cash flow information is as follows (in thousands):		
Cash paid during the quarter for:		
Interest	\$ 1,075	\$ 1,568
Income taxes	13,711	14,860

Schedule of noncash investing and financing activities:

Cash dividends declared	3,256	3,630
Tax benefit (deficiency) related to stock-based plans	3,122	(774)
Treasury stock contributed to employee stock plan	2,500	1,000
Capital expenditures accrued in accounts payable and accrued expenses	5,230	5,939

8. Goodwill and Other Intangible Assets

Changes in the net carrying amount of goodwill for the year ended February 2, 2008 and for the quarter ended May 3, 2008 are as follows (in thousands):

Balance February 3, 2007	\$56,867
Translation adjustment	4,513
Goodwill of acquired business	6,365
Effect of excess tax deductible goodwill	<u>(2,436)</u>
Balance, February 2, 2008	\$65,309
Translation adjustment	(692)
Adjustment of goodwill of acquired business	(1,338)
Effect of excess tax deductible goodwill	<u>(798)</u>
Balance, May 3, 2008	<u>\$62,481</u>

THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Goodwill increased by \$6.4 million in fiscal 2007 as a result of the acquisition of After Hours on April 9, 2007. Goodwill decreased by \$1.3 million as we completed our assessment of the fair values of the acquired After Hours assets and liabilities during the first quarter of 2008. Refer to Note 2 for additional discussion of the After Hours acquisition.

The gross carrying amount and accumulated amortization of our other intangibles, which are included in other assets in the accompanying balance sheet, are as follows (in thousands):

	<u>May 5, 2007</u>	<u>May 3, 2008</u>	<u>February 2, 2008</u>
Trademarks, tradenames and other intangibles	\$16,605	\$17,076	\$ 17,053
Accumulated amortization	<u>(4,665)</u>	<u>(7,371)</u>	<u>(6,753)</u>
Net total	<u>\$11,940</u>	<u>\$ 9,705</u>	<u>\$ 10,300</u>

The pretax amortization expense associated with intangible assets totaled approximately \$296,000 and \$619,000 for the quarter ended May 5, 2007 and May 3, 2008, respectively, and approximately \$2.3 million for the year ended February 2, 2008. Pretax amortization associated with intangible assets at May 3, 2008 is estimated to be \$2.0 million for the remainder of fiscal year 2008, \$2.1 million for fiscal year 2009, \$1.5 million for fiscal year 2010, \$1.2 million for fiscal year 2011 and \$1.0 million for fiscal year 2012.

9. Treasury Stock

As of May 3, 2008 we had 18,104,310 shares held in treasury stock. The change in our treasury shares for the year ended February 2, 2008 and for the quarter ended May 3, 2008 is provided below:

	<u>Treasury Shares</u>
Balance, February 2, 2007	15,234,677
Treasury stock issued to profit sharing plan	(65,207)
Purchases of treasury stock	<u>2,985,190</u>
Balance, February 2, 2008	18,154,660
Treasury stock issued to profit sharing plan	(57,078)
Purchases of treasury stock	<u>6,728</u>
Balance, May 3, 2008	<u>18,104,310</u>

In January 2006, the Board of Directors authorized a \$100.0 million share repurchase program of our common stock. This authorization superceded any remaining previous authorizations. During the first quarter of 2007, a total of 444,100 shares at a cost of \$19.3 million were purchased in open market transactions under this program at an average price per share of \$43.44. In August 2007, the Company's Board of Directors approved a replenishment of the Company's share repurchase program to \$100 million by authorizing \$90.3 million to be added to the remaining \$9.7 million of the then current program. No shares were purchased under the authorization during the first quarter of 2008. At May 3, 2008, the remaining balance available under the August 2007 replenishment was \$44.3 million.

For the quarter ended May 3, 2008, 6,728 shares were repurchased in a private transaction to satisfy tax withholding obligations arising upon the vesting of certain restricted stock.

THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

10. Stock-Based Compensation Plans

We maintain several equity plans under which we may grant stock options, stock appreciation rights, restricted stock, deferred stock units and performance based awards to full-time key employees and non-employee directors. We account for stock-based awards using SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which requires the compensation cost resulting from all share-based payment transactions be recognized in the financial statements. The amount of compensation cost is measured based on the grant-date fair value of the instrument issued and is recognized over the vesting period. Stock-based compensation expense recognized for the quarter ended May 5, 2007 and May 3, 2008 was \$2.0 million and \$2.2 million, respectively. Excess tax benefits realized from the exercise of stock-based compensation were \$2.6 million and \$0.1 million for the quarter ended May 5, 2007 and May 3, 2008, respectively.

Stock Options

The following table summarizes stock option activity for the quarter ended May 3, 2008:

	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Weighted-Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value (000's)</u>
Outstanding at February 2, 2008	1,109,125	\$ 17.82	5.2 years	\$11,254
Granted	594,000	22.72		
Exercised	(4,561)	18.14		
Forfeited or expired	(52,588)	20.86		
Outstanding at May 3, 2008	<u>1,645,976</u>	\$ 19.49	6.7 years	\$12,925
Exercisable at May 3, 2008	534,209	\$ 15.39	4.1 years	\$ 6,045

For the quarter ended May 5, 2007, 1,500 stock options were granted at a weighted average fair value of \$19.43. For the quarter ended May 3, 2008, 594,000 stock options were granted at a weighted-average fair value of \$7.94. The following table summarizes the weighted average assumptions used to fair value stock options at the date of grant using the Black-Scholes option pricing model for the quarter ended May 5, 2007 and May 3, 2008:

	<u>Quarter Ended</u>	
	<u>May 5, 2007</u>	<u>May 3, 2008</u>
Risk-free interest rate	4.63%	2.31%
Expected lives	5.0 years	4.5 years
Dividend yield	0.46%	0.79%
Expected volatility	40.37%	41.47%

The total intrinsic value of options exercised during the quarter ended May 5, 2007 and May 3, 2008 was \$6.6 million and \$0.04 million, respectively. As of May 3, 2008, we have unrecognized compensation expense related to nonvested stock options of approximately \$6.7 million which is expected to be recognized over a weighted average period of 3.4 years.

THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Restricted Stock and Deferred Stock Units

The following table summarizes restricted stock and deferred stock unit activity for the quarter ended May 3, 2008:

	<u>Shares</u>	<u>Weighted-Average Grant-Date Fair Value</u>
Nonvested at February 2, 2008	467,036	\$ 33.30
Granted	211,592	22.72
Vested	(207,120)	33.99
Forfeited	(5,112)	32.57
Nonvested at May 3, 2008	<u>466,396</u>	\$ 28.20

For the quarter ended May 5, 2007, we granted 100,664 restricted stock and deferred stock units at a weighted-average grant date fair value of \$47.19. For the quarter ended May 3, 2008, we granted 211,592 restricted stock and deferred stock units at a weighted-average grant date fair value of \$22.72. As of May 3, 2008, we have unrecognized compensation expense related to nonvested restricted stock and deferred stock units of approximately \$11.0 million which is expected to be recognized over a weighted average period of 1.6 years. The total fair value of shares vested during the quarter ended May 5, 2007 and May 3, 2008 was \$6.4 million and \$4.8 million, respectively. During the quarter ended May 5, 2007 and May 3, 2008, 19,360 restricted stock shares vested. No shares of restricted stock were forfeited during the quarter ended May 5, 2007 and May 3, 2008. Total nonvested shares of 466,396 at May 3, 2008 included 67,080 nonvested restricted stock shares.

Employee Stock Purchase Plan

In 1998, we adopted an Employee Stock Discount Plan ("ESDP") which allows employees to authorize after-tax payroll deductions to be used for the purchase of up to 2,137,500 shares of our common stock at 85% of the lesser of the fair market value on the first day of the offering period or the fair market value on the last day of the offering period. We make no contributions to this plan but pay all brokerage, service and other costs incurred. Effective for offering periods beginning July 1, 2002, the plan was amended so that a participant may not purchase more than 125 shares during any calendar quarter.

During the quarter ended May 5, 2007, employees purchased 14,749 shares under the ESDP, the weighted-average fair value of which was \$32.61 per share. During the quarter ended May 3, 2008, employees purchased 28,615 shares under the ESDP, the weighted-average fair value of which was \$19.44 per share. We recognized approximately \$0.2 million and \$0.1 million of stock-based compensation expense related to the ESDP for the quarter ended May 5, 2007 and May 3, 2008, respectively. As of May 3, 2008, 1,435,236 shares were reserved for future issuance under the ESDP.

THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

11. Manufacturing Facility Closure

On March 3, 2008, we announced that Golden Brand Clothing (Canada) Ltd., an indirect wholly owned subsidiary of the Company, intended to close its Montreal, Quebec-based manufacturing facility. Despite previous reductions in production over the last three years, the strengthening Canadian dollar and the increasing pace of imports by competitors have resulted in the decision to close the manufacturing facility. We expect the closure to occur in or around July 2008.

We expect the total pre-tax charge to be incurred in connection with the closure of the Montreal manufacturing facility to be approximately \$8.1 million, which consists primarily of severance payments, the write-off of fixed assets, lease termination payments and costs to finalize the clean-up and closing of the facility. We also estimate that approximately \$7.0 million of the charge will result in future cash expenditures. For the quarter ended May 3, 2008, the pretax cost recognized was \$0.9 million. The pretax cost for the second quarter 2008 is estimated at \$5.2 million and the pretax cost for third quarter 2008 is estimated at \$2.0 million.

As disclosed in our Current Report on Form 8-K, dated May 27, 2008, the Canadian union representing certain employees at the manufacturing facility in Montreal has filed a grievance against Golden Brand pursuant to the collective bargaining agreement, alleging that Golden Brand would be in breach of certain provisions of the agreement in connection with closing the manufacturing facility. The union is asking the arbitrator to order Golden Brand to keep the manufacturing facility in operation provisionally pending a final judgment, and by final judgment, until the expiry of the collective bargaining agreement on November 30, 2009 and for compensation to the extent work is outsourced from the manufacturing facility.

We believe that Golden Brand is acting in conformity with the agreement and do not believe that this proceeding will have a material adverse effect on the Company.

12. Legal Matters

We are involved in various routine legal proceedings, including ongoing litigation, incidental to the conduct of our business. Management believes that none of these matters will have a material adverse effect on our financial position, results of operations or cash flows.

THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

14. Supplemental Sales Information (in thousands)

	For the Quarter Ended	
	May 5, 2007	May 3, 2008
Net sales:		
Men's tailored clothing product	\$ 209,106	\$ 201,589
Men's non-tailored clothing product	171,403	162,647
Ladies clothing product	19,824	17,395
Corporate uniform product	<u>3,167</u>	<u>6,860</u>
Total clothing product	<u>403,500</u>	<u>388,491</u>
Tuxedo rentals	59,860	70,194
Alteration services	27,248	26,538
Retail dry cleaning services	<u>5,510</u>	<u>5,873</u>
Total tuxedo rental, alteration and other services	<u>92,618</u>	<u>102,605</u>
Total net sales	<u>\$ 496,118</u>	<u>\$ 491,096</u>
Net sales by brand:		
MW (including After Hours from April 10, 2007)	\$ 332,258	\$ 327,930
K&G	109,970	100,615
Moore's	45,253	49,818
MW Cleaners	5,470	5,873
Twin Hill	<u>3,167</u>	<u>6,860</u>
	<u>\$ 496,118</u>	<u>\$ 491,096</u>

The acquired After Hours stores have been re-branded to MW Tux.

**ITEM 2 — MANAGEMENT’S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

General

For supplemental information, it is suggested that “Management’s Discussion and Analysis of Financial Condition and Results of Operations” be read in conjunction with the corresponding section included in our Annual Report on Form 10-K for the year ended February 2, 2008. References herein to years are to our 52-week or 53-week fiscal year which ends on the Saturday nearest January 31 in the following calendar year. For example, references to “2008” mean the 52-week fiscal year ending January 31, 2009.

The following table presents information with respect to retail apparel stores in operation during each of the respective fiscal periods:

	<u>For the Quarter Ended</u>		<u>For the Year Ended</u>
	<u>May 5, 2007</u>	<u>May 3, 2008</u>	<u>February 2, 2008</u>
Stores open at beginning of period:	752	1,273	752
Opened	9	12	42
Acquired	509	—	509
Closed	<u>(3)</u>	<u>—</u>	<u>(30)</u>
Stores open at end of period	<u>1,267</u>	<u>1,285</u>	<u>1,273</u>
Stores open at end of period:			
U.S. —			
Men’s Wearhouse	544	571	563
MW Tux	509	492	489
K&G	<u>98</u>	<u>106</u>	<u>105</u>
	1,151	1,169	1,157
Canada —			
Moores	<u>116</u>	<u>116</u>	<u>116</u>
	<u>1,267</u>	<u>1,285</u>	<u>1,273</u>

On April 9, 2007, we completed the acquisition of After Hours, a men’s formalwear chain in the United States with 509 stores operating under After Hours Formalwear and Mr. Tux store fronts. Under the terms of the stock purchase agreement, we acquired all of the outstanding stock of After Hours from Federated Department Stores, Inc. in exchange for an aggregate purchase price of \$100.0 million, adjusted for certain items, primarily customer cash deposits retained by Federated on rentals to be completed after closing. The total net cash consideration paid after these adjustments and other acquisition costs was approximately \$69.8 million. Since the acquisition, we have re-branded the stores to MW Tux.

As of May 3, 2008, we are operating 34 retail dry cleaning and laundry facilities in the Houston, Texas area. We may open or acquire additional facilities on a limited basis in 2008. In addition, we continue to pursue our corporate apparel and uniform program by entering into contracts to provide corporate uniforms to our customers’ workforces. As of May 3, 2008, we are servicing approximately 13 contract customers.

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Results of Operations

Quarter Ended May 5, 2007 and May 3, 2008

The Company's net sales decreased \$5.0 million, or 1.0%, to \$491.1 million for the quarter ended May 3, 2008. The decrease was due mainly to a \$15.0 million decrease in clothing product revenues, offset partially by a \$10.3 million increase in tuxedo rental service revenues, and is attributable to the following:

(in millions)	Amount Attributed to
\$ (33.7)	Decrease in comparable sales.
11.5	Increase from net sales of stores opened in 2007, relocated stores and expanded stores not yet included in comparable sales.
6.1	Increase in net sales of acquired After Hours stores.
3.6	Increase in alteration and other sales.
1.4	Increase in net sales from 12 new stores opened in 2008.
(0.1)	Change in net sales caused by stores closed.
6.2	Change in net sales caused by exchange rate changes.
\$ (5.0)	Total

Our comparable store sales (which are calculated by excluding the net sales of a store for any month of one period if the store was not open throughout the same month of the prior period) decreased 6.4% at Men's Wearhouse, 14.1% at K&G and 4.2% at Moores. These decreases were primarily due to decreased clothing product sales, as the continued economic slowdown has resulted in continued declines in traffic levels. The lower clothing product sales were partially offset at Men's Wearhouse and Moores by increased revenues from our tuxedo rental services. As a percentage of total revenues, tuxedo rental service revenues increased from 12.1% in the first quarter of 2007 to 14.3% in the first quarter of 2008 due mainly to the After Hours stores acquired on April 9, 2007 and to higher average rental rates at the Men's Wearhouse stores.

The Company's gross margin was as follows:

	For the Quarter Ended	
	May 5, 2007	May 3, 2008
Gross margin	\$ 226,273	\$ 211,755
Gross margin as a percentage of related sales:		
Clothing product, including buying and distribution costs	55.9%	56.6%
Tuxedo rental services	83.8%	82.1%
Alteration and other services	26.3%	23.7%
Occupancy costs	(11.7)%	(15.0)%
Total	45.6%	43.1%

Total gross margin decreased 6.4% from the same prior year quarter to \$211.8 million in the first quarter of 2008. As a percentage of sales, total gross margin decreased from 45.6% in the first quarter of 2007 to 43.1% in the first quarter of 2008. This decrease is due mainly to an increase from 11.7% in the first quarter of 2007 to 15.0% in the first quarter of 2008 for occupancy cost, which is relatively constant on a per store basis and includes store related rent, common area maintenance, utilities, repairs and maintenance, security, property taxes and depreciation. On an absolute dollar basis, occupancy cost increased by 26.4% from the first quarter of 2007 to the first quarter of 2008, due mainly to our acquisition of After Hours and increased rental rates for new and renewed leases. With respect to gross margin as a percentage of related sales, the clothing product gross margin increased from 55.9% in 2007 to 56.6% in 2008 due primarily to lower product costs, and the tuxedo rental services gross margin decreased from 83.8% in 2007 to 82.1% in 2008 due mainly to costs associated with integrating the acquired After Hours tuxedo rental product inventory with that of the Men's Wearhouse. The gross margin for alteration and other services also decreased from 26.3% in 2007 to 23.7% in 2008 mainly because of the deleveraging of related fixed costs.

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Selling, general and administrative expenses increased to \$196.7 million in the first quarter of 2008 from \$161.0 million in the first quarter of 2007, an increase of \$35.6 million or 22.1%. As a percentage of sales, these expenses increased from 32.5% in the first quarter of 2007 to 40.0% in the first quarter of 2008. The components of this 7.5% net increase in SG&A expenses as a percentage of net sales were as follows:

%	Attributed to
0.8	Increase in advertising expense as a percentage of sales from 3.4% in the first quarter of 2007 to 4.2% in the first quarter of 2008. On an absolute dollar basis, advertising expense increased \$4.0 million.
1.8	Increase in store salaries as a percentage of sales from 13.0% in the first quarter of 2007 to 14.8% in the first quarter of 2008. Store salaries on an absolute dollar basis increased \$8.1 million primarily due to a full quarter of MW Tux (formerly After Hours) store salaries in 2008 versus 26 days in the first quarter of 2007.
4.9	Increase in other SG&A expenses as a percentage of sales from 16.0% in the first quarter of 2007 to 20.9% in the first quarter of 2008. On an absolute dollar basis, other SG&A expenses increased \$23.5 million primarily due to other SG&A expenses associated with a full quarter of MW Tux (formerly After Hours) operations in 2008 versus 26 days in the first quarter of 2007. Such costs were also amplified as a percentage of sales during the first quarter, which is off season for tuxedo rentals.
7.5%	Total

Interest expense increased from \$1.1 million in the first quarter of 2007 to \$1.6 million in the first quarter of 2008 while interest income decreased from \$1.6 million in the first quarter of 2007 to \$0.8 million in the first quarter of 2008. Weighted average borrowings outstanding increased from \$78.1 million in the first quarter of 2007 to \$115.3 million in the first quarter of 2008, and the weighted average interest rate on outstanding indebtedness increased from 5.0% to 5.2%. The increases in the weighted average borrowings and the weighted average interest rate are due to borrowings under our revolving credit facility resulting mainly from reduced earnings in the 2008 first quarter.

Our effective income tax rate was 37.8% for the first quarter of 2007 and 30.6% for the first quarter of 2008. The effective tax rate in 2007 was higher than the statutory U.S. federal rate of 35% primarily due to the effect of state income taxes. The lower effective income tax rate for the first quarter of 2008 resulted from the conclusion of certain income tax audits, offset partially by the effect of state income taxes. The concluded and settled income tax audits resulted in a cash payment of \$1.0 million, of which \$0.3 million was interest, and recognition of \$1.3 million of previously unrecognized tax benefits and \$0.4 million of benefit from associated accrued interest. The amount of recognized tax benefits that affected the effective tax rate was \$1.1 million.

These factors resulted in net earnings of \$9.9 million or 2.0% of net sales for the first quarter of 2008, compared with net earnings of \$40.9 million or 8.3% of net sales for the first quarter of 2007.

Supplemental Information — Pro Forma Quarter Ended May 5, 2007 Compared to Quarter Ended May 3, 2008

The consolidated statements of earnings included herein reflect the Company's GAAP results of operations for the quarter ended May 3, 2008 and May 5, 2007. Since the acquisition of After Hours occurred on April 9, 2007, the inclusion of its off-season operations as if the acquisition had occurred prior to the beginning of the 2007 first quarter reduces that quarter's diluted earnings per share from \$0.75 on a GAAP basis to \$0.59 on a pro forma basis and allows for a comparison of 2008 and 2007 quarterly results on a comparable operations basis. Accordingly, the following highlights of the Company's operating results are based on a comparison of the pro forma results for the 2007 first quarter with the GAAP results for the 2008 first quarter. Refer to Note 2 for pro forma results of operations for the quarter ended May 5, 2007.

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Total net sales decreased \$35.0 million or 6.7% to \$491.1 million for the 2008 first quarter from \$526.1 million for the pro forma 2007 first quarter. Clothing product sales, representing 79.1% of 2008 total net sales, decreased 4.6% due primarily to decreases in comparable store sales driven by a reduction in store traffic levels. Tuxedo rental service sales, representing 14.3% of 2008 total net sales, decreased 18.6%. This decline was primarily due to reduced tuxedo rental sales at stores acquired from After Hours as well as the sale of the acquired wholesale tuxedo rental operations in July 2007. These declines were partially offset by increases in tuxedo rental service sales at the Men's Warehouse stores.

Gross margin before occupancy costs, as a percentage of total net sales, decreased 28 basis points from pro forma 58.38% in the 2007 first quarter to 58.10% in the 2008 first quarter. Increases in clothing product margins, as a percentage of related sales, of 97 basis points were offset by a reduction in the percentage of total net sales derived from tuxedo rentals from pro forma 16.4% in the 2007 first quarter to 14.3% in the 2008 first quarter as well as deleveraging of fixed costs related to alteration and other services. Occupancy costs increased, as a percentage of total net sales, by 271 basis points from pro forma 12.3% in the 2007 first quarter to 15.0% in the 2008 first quarter primarily due to the deleveraging effect of reduced comparable store sales, increased rental rates for new and renewed leases and increased depreciation expense from the rebranding of After Hours stores to MW Tux.

Selling, general, and administrative expenses, as a percentage of total net sales, increased 378 basis points from pro forma 36.26% in the 2007 first quarter to 40.04% in the 2008 first quarter. This increase was primarily due to the deleveraging effect of reduced net sales.

Operating income was \$15.1 in the 2008 first quarter compared to pro forma \$51.8 million for the same period in 2007 and net income was \$9.9 million compared to pro forma \$32.1 million.

Liquidity and Capital Resources

Our Amended and Restated Credit Agreement (the "Credit Agreement") with a group of banks, which was last amended on February 2, 2007, provides for a total senior secured revolving credit facility of \$200.0 million, which can be expanded to \$250.0 million upon additional lender commitments, that matures on February 11, 2012. The Credit Agreement also provided our Canadian subsidiaries with a senior secured term loan used to fund the repatriation of US\$74.7 million of Canadian earnings in January 2006 under the American Jobs Creation Act of 2004. The Canadian term loan matures on February 10, 2011. The Credit Agreement is secured by the stock of certain of the Company's subsidiaries. The Credit Agreement has several borrowing and interest rate options including the following indices: (i) an alternate base rate (equal to the greater of the prime rate or the federal funds rate plus 0.5%) or (ii) LIBO rate or (iii) CDO rate. Advances under the Credit Agreement bear interest at a rate per annum using the applicable indices plus a varying interest rate margin up to 1.125%. The Credit Agreement also provides for fees applicable to unused commitments ranging from 0.100% to 0.175%. The revolving credit facility and the Canadian term loan had an effective interest rate of 4.0% at May 3, 2008. As of May 3, 2008, there was \$22.0 million outstanding under the revolving credit facility and US\$84.9 million outstanding under the Canadian term loan. As of May 28, 2008, there were no borrowings outstanding under the revolving credit facility.

The Credit Agreement contains certain restrictive and financial covenants, including the requirement to maintain certain financial ratios. The restrictive provisions in the Credit Agreement reflect an overall covenant structure that is generally representative of a commercial loan made to an investment-grade company. Our debt, however, is not rated, and we have not sought, and are not seeking, a rating of our debt. We were in compliance with the covenants in the Credit Agreement as of May 3, 2008.

We utilize letters of credit primarily to secure inventory purchases. At May 3, 2008, letters of credit totaling approximately \$14.4 million were issued and outstanding.

A quarterly cash dividend of \$0.05 per share was paid during the quarter ended May 5, 2007 and a quarterly cash dividend of \$0.06 per share was paid during each of the quarters ended August 4, 2007, November 3, 2007 and February 2, 2008. A quarterly cash dividend of \$0.07 per share was paid during the quarter ended May 3, 2008. Cash dividends paid were approximately \$2.7 and \$3.6 million during the quarter ended May 5, 2007 and May 3, 2008, respectively.

In April 2008, our Board of Directors declared a quarterly cash dividend of \$0.07 per share payable on June 27, 2008 to shareholders of record at close of business on June 17, 2008. The dividend payout is estimated to be approximately \$3.6 million and is included in accrued expenses and other current liabilities as of May 3, 2008.

On April 9, 2007, we completed the acquisition of After Hours, a men's formalwear chain in the United States with 509 stores operating under After Hours Formalwear and Mr. Tux store fronts. Under the terms of the stock purchase agreement, we acquired all of the outstanding stock of After Hours from Federated Department Stores, Inc. in exchange for an aggregate purchase price of \$100.0 million, adjusted for certain items, primarily customer cash deposits retained by Federated on rentals to be completed after closing. The total net cash consideration paid after these adjustments and other acquisition costs was approximately \$69.8 million. Since the acquisition, we have re-branded the stores to MW Tux.

Our primary sources of working capital are cash flow from operations and borrowings under the Credit Agreement. We had working capital of \$406.7 million at May 3, 2008, which is up from \$393.7 million at February 2, 2008 and \$398.7 million at May 5, 2007. Historically, our working capital has been at its lowest level in January and February, and has increased through November as inventory buildup occurs in preparation for the fourth quarter selling season. The \$13.0 million increase in working capital at May 3, 2008 compared to February 2, 2008 resulted primarily from reduced payables associated with decreased clothing sales.

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Our operating activities provided net cash of \$7.3 million during the first quarter of 2008, due mainly to net earnings, adjusted for non-cash charges, offset by increases in tuxedo rental product and accounts receivable and decreases in accounts payable and income taxes payable. During the first quarter of 2007, our operating activities provided net cash of \$40.3 million, due mainly to net earnings, adjusted for non-cash charges, offset by increases in accounts receivable, inventories and tuxedo rental product. The increase in tuxedo rental product in the first quarter of 2007 and 2008 was due to purchases to support the continued growth in our tuxedo rental business and, in 2008, to rationalize the acquired After Hours tuxedo rental product offerings. The increase in accounts receivable in the first quarter of 2007 and 2008 was due mainly to the seasonal increase at quarter end for prom and other tuxedo rentals. The decrease in accounts payable in the first quarter of 2008 was primarily due to reduced purchases associated with decreased clothing sales, while the decrease in income taxes payable was due to the timing of required tax payments. Inventories increased in the first quarter of 2007 due mainly to seasonal inventory buildup and an increase in selling square footage.

During the first quarter of 2008, our investing activities provided net cash of \$20.4 million due mainly to proceeds from available-for-sale investments of \$50.3 million, offset by capital expenditures of \$29.9 million. Our capital expenditures relate to costs incurred for stores opened, remodeled or relocated during the period or under construction at the end of the period, office and distribution facility additions and infrastructure technology investments. Our investing activities used net cash of \$118.7 million for the first quarter of 2007 due mainly to our acquisition of After Hours on April 9, 2007 for \$69.7 million, capital expenditures of \$11.7 million and net purchases of short-term investments of \$38.5 million.

During the first quarter of 2008, our financing activities provided net cash of \$12.1 million due mainly to net proceeds of \$16.6 million from our revolving credit facility, offset partially by the payment of \$3.6 million in cash dividends. Our financing activities used net cash of \$18.0 million for the first quarter of 2007, due mainly to purchases of treasury stock and the payment of cash dividends, partially offset by proceeds from the issuance of common stock and excess tax benefits in connection with stock based compensation.

In January 2006, the Board of Directors authorized a \$100.0 million share repurchase program of our common stock. This authorization superceded any remaining previous authorizations. During the first quarter of 2007, a total of 444,100 shares at a cost of \$19.3 million were purchased in open market transactions under this program at an average price per share of \$43.44. In August 2007, the Company's Board of Directors approved a replenishment of the Company's share repurchase program to \$100 million by authorizing \$90.3 million to be added to the remaining \$9.7 million of the then current program. No shares were purchased under the authorization during the first quarter of 2008. At May 3, 2008, the remaining balance available under the August 2007 replenishment was \$44.3 million.

For the quarter ended May 3, 2008, 6,728 shares were repurchased in a private transaction to satisfy tax withholding obligations arising from the vesting of certain restricted stock.

We anticipate that our existing cash and cash flow from operations, supplemented by borrowings under our Credit Agreement, will be sufficient to fund the planned store openings, other capital expenditures and operating cash requirements for at least the next 12 months.

As substantially all of our cash is held by two financial institutions, we are exposed to risk of loss in the event of failure of any of these parties. However, due to the creditworthiness of these financial institutions, we anticipate full performance and access to our deposits and liquid investments.

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Moore's conducts its business in Canadian dollars. The exchange rate between Canadian dollars and U.S. dollars has fluctuated over the last ten years. If the value of the Canadian dollar against the U.S. dollar weakens, then the revenues and earnings of our Canadian operations will be reduced when they are translated to U.S. dollars. Also, the value of our Canadian net assets in U.S. dollars may decline.

We are also subject to market risk as a result of the outstanding balance of \$22.0 million under our revolving credit facility and US\$84.9 million under our Canadian term loan at May 3, 2008, which both bear a variable interest rate (see Note 4 of Notes to Condensed Consolidated Financial Statements). An increase in market interest rates would increase our interest expense and our cash requirements for interest payments. For example, an average increase of 0.5% in the variable interest rate would increase our interest expense and payments by approximately \$0.5 million. As of May 28, 2008, there were no borrowings outstanding under the revolving credit facility.

ITEM 4 — CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's chief executive officer and chief financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended) as of the end of the fiscal quarter ended May 3, 2008. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as of the end of the fiscal quarter ended May 3, 2008 to ensure that information that is required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended May 3, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 1 — LEGAL PROCEEDINGS**

We are involved in various routine legal proceedings, including ongoing litigation, incidental to the conduct of our business. Management believes that none of these matters will have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) The following table presents information with respect to purchases of common stock of the Company made during the quarter ended May 3, 2008 as defined by Rule 10b-18(a)(3) under the Exchange Act:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (In thousands)
	(1)			(2)
February 3, 2008 through March 1, 2008	6,728	\$ 23.13	—	\$ 44,319
March 2, 2008 through April 5, 2008	—	—	—	\$ 44,319
April 6, 2008 through May 3, 2008	—	—	—	\$ 44,319
Total	6,728	\$ 23.13	—	\$ 44,319

(1) Represents restricted shares repurchased to satisfy tax withholding obligations arising upon the vesting of certain restricted shares.

(2) In August 2007, the Company's Board of Directors approved a replenishment of the Company's share repurchase program to \$100.0 million. At May 3, 2008, the remaining balance available under the August 2007 replenishment was \$44.3 million.

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ITEM 6 — EXHIBITS

(a) Exhibits.

Exhibit Number	Exhibit Index
10.1	— 1996 Long-Term Incentive Plan (As Amended and Restated Effective April 1, 2008)(filed herewith).
31.1	— Certification of Periodic Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer (filed herewith).
31.2	— Certification of Periodic Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer (filed herewith).
32.1	— Certification of Periodic Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer (filed herewith).
32.2	— Certification of Periodic Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer (filed herewith).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant, The Men's Wearhouse, Inc., has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: June 12, 2008

THE MEN'S WEARHOUSE, INC.

By /s/ NEILL P. DAVIS

Neill P. Davis
Executive Vice President, Chief Financial Officer,
Treasurer and Principal Financial Officer

EXHIBIT INDEX

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**THE MEN'S WEARHOUSE, INC.
1996 LONG-TERM INCENTIVE PLAN**

**(As Amended and Restated
Effective April 1, 2008)**

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THE MEN'S WEARHOUSE, INC.
1996 LONG-TERM INCENTIVE PLAN
(As Amended and Restated Effective April 1, 2008)

WITNESSETH:

WHEREAS, effective March 29, 2004, The Men's Wearhouse, Inc. (the "*Company*") amended and restated The Men's Wearhouse, Inc. 1996 Long-Term Incentive Plan (the "*Plan*") for the benefit of key employees of the Company and affiliates of the Company;

WHEREAS, the Company desires to restate the limitations set forth in the Plan on the number of shares of stock available for awards granted or paid in shares of stock to reflect the three-for-two stock split effected by the Company through the payment of a 50 percent stock dividend to shareholders of record as of May 31, 2005; and

WHEREAS, the Company desires to amend and restate the Plan on behalf of itself and on behalf of the other adopting entities;

NOW THEREFORE, the Plan is hereby amended and restated in its entirety as follows, effective as of April 1, 2008, except insofar as an earlier effective date is expressly specified.

ARTICLE I

ESTABLISHMENT, PURPOSE AND DURATION

1.1 **Establishment.** The Company hereby amends and restates in its entirety as set forth in this document the Company's incentive compensation plan originally named "The Men's Wearhouse, Inc. 1996 Stock Option Plan," which was subsequently renamed "The Men's Wearhouse, Inc. 1996 Long-Term Incentive Plan." The Plan, as amended and restated, permits the grant of Options (both Incentive Stock Options and Nonqualified Stock Options), Stock Appreciation Rights, Restricted Stock, Deferred Stock Units, Performance Stock Awards, Performance Units, Cash-Based Awards, and Other Stock-Based Awards. The amendment and restatement of the Plan became effective on March 29, 2004, the date the amendment and restatement of the Plan was approved by the Board, which date was within one year of the date the amendment and restatement of the Plan was approved by the holders of at least a majority of the outstanding shares of voting stock of the Company at a meeting of the stockholders of the Company (the "*Effective Date*"), and shall remain in effect as provided in Section 1.3.

1.2 **Purpose of the Plan.** The purpose of the Plan is to reward certain corporate officers and other employees of the Company and its Affiliates (collectively, the "*TMW Group*") by enabling them to acquire shares of common stock of the Company and to receive other compensation based on the increase in value of the common stock of the Company or certain other performance measures. The Plan is intended to advance the best interests of the Company, its Affiliates and its stockholders by providing those persons who have substantial responsibility for the management and growth of the TMW Group with additional performance incentives and an opportunity to obtain or increase their proprietary interest in the Company, thereby encouraging them to continue in their employment with the TMW Group.

1.3 **Duration of Authority to Make Grants Under the Plan.** The Plan shall continue indefinitely until it is terminated pursuant to Section 13.1. No Awards may be granted under the Plan on or after the tenth anniversary of the Effective Date. The applicable provisions of the Plan will continue in effect with respect to an Award granted under the Plan for as long as such Award remains outstanding.

ARTICLE II
DEFINITIONS

The words and phrases defined in this Article shall have the meaning set out below throughout the Plan, unless the context in which any such word or phrase appears reasonably requires a broader, narrower or different meaning.

2.1 “**Affiliate**” means any corporation, partnership, limited liability company or association, trust or other entity or organization which, directly or indirectly, controls, is controlled by, or is under common control with, the Company. For purposes of the preceding sentence, “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as used with respect to any entity or organization, shall mean the possession, directly or indirectly, of the power (a) to vote more than 50 percent (50%) of the securities having ordinary voting power for the election of directors of the controlled entity or organization, or (ii) to direct or cause the direction of the management and policies of the controlled entity or organization, whether through the ownership of voting securities or by contract or otherwise.

2.2 “**Award**” means, individually or collectively, a grant under the Plan of Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock, Deferred Stock Units, Performance Stock Awards, Performance Units, Cash-Based Awards, and Other Stock-Based Awards, in each case subject to the terms and provisions of the Plan.

2.3 “**Award Agreement**” means an agreement that sets forth the terms and conditions applicable to an Award granted under the Plan.

2.4 “**Board**” means the board of directors of the Company.

2.5 “**Cash-Based Award**” means an Award granted to a Holder pursuant to Article X.

2.6 “**Code**” means the United States Internal Revenue Code of 1986, as amended from time to time.

2.7 “**Committee**” means a committee of at least two persons, who are members of the Compensation Committee of the Board and are appointed by the Compensation Committee of the Board, or, to the extent it chooses to operate as the Committee, the Compensation Committee of the Board. Each member of the Committee in respect of his or her participation in any decision with respect to an Award that is intended to satisfy the requirements of section 162(m) of the Code must satisfy the requirements of “outside director” status within the meaning of section 162(m) of the Code; provided, however, that the failure to satisfy such requirement shall not affect the validity of the action of any committee otherwise duly authorized and acting in the matter. As to Awards, grants or other transactions that are authorized by the Committee and that are intended to be exempt under Rule 16b-3, the requirements of Rule 16b-3(d)(1) with respect to committee action must also be satisfied.

2.8 “**Company**” means The Men’s Wearhouse, Inc., a Texas corporation, or any successor (by reincorporation, merger or otherwise).

2.9 “**Corporate Change**” shall have the meaning ascribed to that term in Section 4.6(c).

2.10 “**Covered Employee**” means a Holder who is a “covered employee,” as defined in section 162(m) of the Code and the regulations promulgated thereunder, or any successor statute.

2.11 “**Deferred Stock Unit**” means a unit credited to a Holder’s ledger account maintained by the Company pursuant to Article VIII.

2.12 “**Deferred Stock Unit Award**” means an Award granted pursuant to Article VIII.

2.13 “**Disability**” means, effective for awards issued under the Plan that are earned and vested on or after January 1, 2005, as determined by the Committee in its discretion exercised in good faith, (a) in the case of an Award that is exempt from the application of the requirements of Section 409A, a physical or mental condition of the Holder that would entitle him to payment of disability income payments under the Company’s long-term disability insurance policy or plan for employees as then in effect; or in the event that the Holder is not covered, for whatever reason, under the Company’s long-term disability insurance policy or plan for employees or in the event the Company does not maintain such a long-term disability insurance policy, “Disability” means a permanent and total disability as defined in section 22(e)(3) of the Code and (b) in the case of an Award that is not exempt from the application of the requirements of Section 409A, (i) the Holder is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) the Holder is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company. A determination of Disability may be made by a physician selected or approved by the Committee and, in this respect, the Holder shall submit to an examination by such physician upon request by the Committee.

2.14 “**Dividend Equivalent**” means a payment equivalent in amount to dividends paid to the Company’s stockholders.

2.15 “**Effective Date**” shall have the meaning ascribed to that term in Section 1.1.

2.16 “**Employee**” means (a) a person employed by the Company or any Affiliate as a common law employee or (b) a person who has agreed to become a common law employee of the Company or any Affiliate and is expected to become such within six (6) months from the date of a determination made for purposes of the Plan.

2.17 “**Exchange Act**” means the United States Securities Exchange Act of 1934, as amended from time to time.

2.18 “**Fair Market Value**” of the Stock as of any particular date means,

(a) if the Stock is traded on a stock exchange,

(i) and if the Stock is traded on that date, the closing sale price of the Stock on that date; or

(ii) and if the Stock is not traded on that date, the closing sale price of the Stock on the last trading date immediately preceding that date;

as reported on the principal securities exchange on which the Stock is traded; or

(b) if the Stock is traded in the over-the-counter market,

(i) and if the Stock is traded on that date, the average between the high bid and low asked price on that date; or

(ii) and if the Stock is not traded on that date, the average between the high bid and low asked price on the last trading date immediately preceding that date;

as reported in such over-the-counter market; provided, however, that (x) if the Stock is not so traded, or (y) if, in the discretion of the Committee, another means of determining the fair market value of a share of Stock at such date shall be necessary or advisable, the Committee may provide for another means for determining such fair market value that complies with the requirements of Section 409A.

2.19 “*Fiscal Year*” means the Company’s fiscal year.

2.20 “*Freestanding SAR*” means a SAR that is granted pursuant to Article VI independently of any Option.

2.21 “*Holder*” means a person who has been granted an Award or any person who is entitled to receive shares of Stock (and/or cash in the case of a Stock Appreciation Right) under an Award.

2.22 “*Incentive Stock Option*” or “*ISO*” means an option which is intended, as evidenced by its designation, as an incentive stock option within the meaning of section 422 of the Code, the award of which contains such provisions (including but not limited to the receipt of stockholder approval of the Plan, if the Award is made prior to such approval) and is made under such circumstances and to such persons as may be necessary to comply with that section.

2.23 “*Mature Shares*” means shares of Stock that the Holder has held for at least six months.

2.24 “*Minimum Statutory Tax Withholding Obligation*” means, with respect to an Award, the amount the Company or an Affiliate is required to withhold for federal, state and local taxes based upon the applicable minimum statutory withholding rates required by the relevant tax authorities.

2.25 “*Nonqualified Stock Option*” or “*NQSO*” means an Option that is designated as a nonqualified stock option. Any Option granted hereunder that is not designated as an incentive

stock option shall be deemed to be designated a nonqualified stock option under the Plan and not an incentive stock option under the Code.

2.26 “**Option**” means an Incentive Stock Option or a Nonqualified Stock Option granted pursuant to Article V.

2.27 “**Optionee**” means a person who is granted an Option under the Plan.

2.28 “**Option Price**” shall have the meaning ascribed to that term in Section 5.4.

2.29 “**Option Agreement**” means a written contract setting forth the terms and conditions of an Option.

2.30 “**Other Stock-Based Award**” means an equity-based or equity-related Award not otherwise described by the terms and provisions of the Plan that is granted pursuant to Article X.

2.31 “**Parent Corporation**” means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, at the time of the action or transaction, each of the corporations other than the Company owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

2.32 “**Performance-Based Award**” means a Performance Stock Award, a Performance Unit, or a Cash-Based Award granted to a Holder under which the fulfillment of performance goals determines the degree of payout or vesting.

2.33 “**Performance-Based Compensation**” means compensation under an Award that satisfies the requirements of section 162(m) of the Code for deductibility of remuneration paid to Covered Employees.

2.34 “**Performance Goals**” means one or more of the criteria described in Article IX on which the performance goals applicable to an Award are based.

2.35 “**Performance Period**” means the period of time during which the performance goals applicable to a Performance-Based Award must be met.

2.36 “**Performance Stock Award**” means an Award designated as a performance stock award granted to a Holder pursuant to Article IX.

2.37 “**Performance Unit Award**” means an Award designated as a performance unit award granted to a Holder pursuant to Article IX.

2.38 “**Period of Restriction**” means the period during which Restricted Stock is subject to a substantial risk of forfeiture (based on the passage of time, the achievement of Performance Goals, or upon the occurrence of other events as determined by the Committee, in its discretion), as provided in Article VII.

2.39 “**Plan**” means The Men’s Wearhouse, Inc. 1996 Long-Term Incentive Plan, as set forth in this document and as it may be amended from time to time.

2.40 “**Restricted Stock**” means shares of restricted Stock issued or granted under the Plan pursuant to Article VII.

2.41 “**Restricted Stock Award**” means an authorization by the Committee to issue or transfer Restricted Stock to a Holder.

2.42 “**Retirement**” means retirement in accordance with the terms of a retirement plan that is qualified under section 401(a) of the Code and maintained by the Company or an Affiliate in which the Holder is a participant.

2.43 “**Section 409A**” means section 409A of the Code and Department of Treasury rules and regulations issued thereunder.

2.44 “**Stock Appreciation Right**” or “**SAR**” means any stock appreciation right granted pursuant to Article VI of the Plan.

2.45 “**Stock**” means the common stock of the Company, \$.01 par value per share (or such other par value as may be designated by act of the Company’s stockholders).

2.46 “**Subsidiary Corporation**” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of the action or transaction, each of the corporations other than the last corporation in an unbroken chain owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

2.47 “**Substantial Risk of Forfeiture**” shall have the meaning ascribed to that term in Section 409A.

2.48 “**Tandem SAR**” means a SAR that is granted in connection with a related Option pursuant to Article VI, the exercise of which shall require forfeiture of the right to purchase a share of the Stock under the related Option (and when a share of the Stock is purchased under the Option, the Tandem SAR shall similarly be canceled).

2.49 “**Ten Percent Stockholder**” means an individual who, at the time the Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock or series of the Company or of any Parent Corporation or Subsidiary Corporation. An individual shall be considered as owning the stock owned, directly or indirectly, by or for his brothers and sisters (whether by the whole or half blood), spouse, ancestors and lineal descendants; and stock owned, directly or indirectly, by or for a corporation, partnership, estate or trust, shall be considered as being owned proportionately by or for its stockholders, partners or beneficiaries.

2.50 “**Termination of Employment**” means, in the case of an Award other than an Incentive Stock Option, the termination of the Award recipient’s employment relationship with the Company and all Affiliates. “**Termination of Employment**” means, in the case of an Incentive

Stock Option, the termination of the Optionee's employment relationship with all of the Company, any Parent Corporation, any Subsidiary Corporation and any parent or subsidiary corporation (within the meaning of section 422(a)(2) of the Code) of any such corporation that issues or assumes an Incentive Stock Option in a transaction to which section 424(a) of the Code applies.

2.51 "**TMW Group**" shall have the meaning ascribed to that term in Section 1.2.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

3.1 **Eligibility.** The persons who are eligible to receive Awards under the Plan are key Employees who have substantial responsibility for or involvement with the management and growth of one or more members of the TMW Group; provided that George Zimmer and James Zimmer shall not be eligible to participate in the Plan. However, only those persons who are, on the dates of grant, key employees of the Company or any Parent Corporation or Subsidiary Corporation are eligible for grants of Incentive Stock Options under the Plan.

3.2 **Participation.** Subject to the terms and provisions of the Plan, the Committee may, from time to time, select from all eligible Employees those persons to whom Awards shall be granted and shall determine the nature and amount of each Award.

ARTICLE IV

GENERAL PROVISIONS RELATING TO AWARDS

4.1 **Authority to Grant Awards.** The Committee may grant Awards to those key Employees as the Committee shall from time to time determine, under the terms and conditions of the Plan. Subject only to any applicable limitations set out in the Plan, the number of shares of Stock or other value to be covered by any Award to be granted under the Plan shall be as determined by the Committee in its sole discretion.

4.2 **Dedicated Shares; Maximum Awards.** The aggregate number of shares of Stock with respect to which Awards may be granted under the Plan is 2,775,000. The aggregate number of shares of Stock with respect to which Incentive Stock Options may be granted under the Plan is 2,775,000. The aggregate number of shares of Stock with respect to which Nonqualified Stock Options may be granted under the Plan is 2,775,000. The aggregate number of shares of Stock with respect to which Stock Appreciation Rights may be granted under the Plan is 2,775,000. The aggregate number of shares of Stock with respect to which Restricted Stock Awards may be granted under the Plan is 1,387,500. The aggregate number of shares of Stock with respect to which Performance Stock Awards may be granted under the Plan is 1,387,500. The maximum number of shares of Stock with respect to which Incentive Stock Options may be granted to an Employee during a Fiscal Year is 900,000. The maximum number of shares of Stock with respect to which Nonqualified Stock Options may be granted to an Employee or Director during a Fiscal Year is 900,000. The maximum number of shares of Stock with respect to which Stock Appreciation Rights may be granted to an Employee or Director during a Fiscal Year is 900,000. The maximum number of shares of Stock with respect to which Restricted Stock Awards may be granted to an Employee or Director during a Fiscal Year is 675,000. The maximum amount with respect to which Deferred Stock Unit Awards may be granted to an Employee or Director during a Fiscal Year may not exceed in value the Fair Market Value of 675,000 shares of Stock determined as of the date of grant. The maximum number of shares of Stock with respect to which Performance Stock Awards may be granted to an Employee or Director during a Fiscal Year is 675,000. The maximum number of shares of Stock with respect to which Performance Unit Awards may be granted to an Employee or Director during a Fiscal Year is 675,000. The maximum number of shares of Stock with respect to which Other Stock-Based Awards may be granted to an Employee during a Fiscal Year is 675,000. The maximum aggregate amount with respect to which Cash-Based Awards may be awarded or credited to an Employee or Director during a Fiscal Year may not exceed in value \$3,000,000 determined as of the date of grant. The maximum aggregate amount with respect to which Performance Unit Awards may be awarded or credited to an Employee or Director during a Fiscal Year may not exceed in value \$3,000,000 determined as of the date of grant. Each of the foregoing numerical limits stated in this Section 4.2 shall be subject to adjustment in accordance with the provisions of Section 4.6. The number of shares of Stock stated in this Section 4.2 shall also be increased by such number of shares of Stock as become subject to substitute Awards granted pursuant to Article XI; *provided, however*, that such increase shall be conditioned upon the approval of the stockholders of the Company to the extent stockholder approval is required by law or applicable stock exchange rules.

4.3 Shares That Count Against Limit.

(a) If any outstanding Award expires or terminates for any reason, is settled in cash in lieu of shares of Stock or any Award is surrendered, the shares of Stock allocable to the unexercised portion of that Award may again be subject to an Award granted under the Plan.

(b) If shares of Stock are withheld from payment of an Award to satisfy tax obligations with respect to the Award, such shares of Stock will not count against the aggregate number of shares of Stock with respect to which Awards may be granted under the Plan. If a Stock Appreciation Right is exercised, only the number of shares of Stock actually issued shall be charged against the maximum number of shares of Stock that may be delivered pursuant to Awards under the Plan.

4.4 Non-Transferability. Except as specified in the applicable Award Agreement or in a domestic relations court order, an Award shall not be transferable by the Holder (whether for consideration or otherwise) other than by will or under the laws of descent and distribution, and shall be exercisable, during the Holder's lifetime, only by him or her. Any attempted assignment of an Award in violation of this Section 4.4 shall be null and void. In the discretion of the Committee, any attempt to transfer an Award other than under the terms of the Plan and the applicable Award Agreement may terminate the Award. No ISO granted under the Plan may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all ISOs granted to an Employee under the Plan shall be exercisable during his or her lifetime only by the Employee, and after that time, by the Employee's heirs or estate.

4.5 Requirements of Law. The Company shall not be required to sell or issue any shares of Stock under any Award if issuing those shares of Stock would constitute or result in a violation by the Holder or the Company of any provision of any law, statute or regulation of any governmental authority. Specifically, in connection with any applicable statute or regulation relating to the registration of securities, upon exercise of any Option or pursuant to any other Award, the Company shall not be required to issue any shares of Stock unless the Committee has received evidence satisfactory to it to the effect that the Holder will not transfer the shares of Stock except in accordance with applicable law, including receipt of an opinion of counsel satisfactory to the Company to the effect that any proposed transfer complies with applicable law. The determination by the Committee on this matter shall be final, binding and conclusive. The Company may, but shall in no event be obligated to, register any shares of Stock covered by the Plan pursuant to applicable securities laws of any country or any political subdivision. In the event the shares of Stock issuable on exercise of an Option or pursuant to any other Award are not registered, the Company may imprint on the certificate evidencing the shares of Stock any legend that counsel for the Company considers necessary or advisable to comply with applicable law, or, should the shares of Stock be represented by book or electronic entry rather than a certificate, the Company may take such steps to restrict transfer of the shares of Stock as counsel for the Company considers necessary or advisable to comply with applicable law. The Company shall not be obligated to take any other affirmative action in order to cause or enable the exercise of an Option or any other Award, or the issuance of shares of Stock pursuant thereto, to comply with any law or regulation of any governmental authority.

4.6 Changes in the Company's Capital Structure.

(a) The existence of outstanding Awards shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of bonds, debentures, preferred or prior preference shares ahead of or affecting the Stock or Stock rights, the dissolution or liquidation of the Company, any sale or transfer of all or any part of its assets or business or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) If the Company shall effect a subdivision or consolidation of Stock or other capital readjustment, the payment of a Stock dividend, or other increase or reduction of the number of shares of Stock outstanding, without receiving compensation therefor in money, services or property, then (1) the number, class or series and per share price of Stock subject to outstanding Options or other Awards under the Plan shall be appropriately adjusted (subject to the restriction in Section 4.11 prohibiting repricing) in such a manner as to entitle a Holder to receive upon exercise of an Option or other Award, for the same aggregate cash consideration, the equivalent total number and class or series of Stock the Holder would have received had the Holder exercised his or her Option or other Award in full immediately prior to the event requiring the adjustment, and (2) the number and class or series of Stock then reserved to be issued under the Plan shall be adjusted by substituting for the total number and class or series of Stock then reserved, that number and class or series of Stock that would have been received by the owner of an equal number of outstanding shares of Stock of each class or series of Stock as the result of the event requiring the adjustment.

(c) If while unexercised Options or other Awards remain outstanding under the Plan (1) the Company shall not be the surviving entity in any merger, consolidation or other reorganization (or survives only as a subsidiary of an entity other than an entity that was wholly-owned by the Company immediately prior to such merger, consolidation or other reorganization), (2) the Company sells, leases or exchanges or agrees to sell, lease or exchange all or substantially all of its assets to any other person or entity (other than an entity wholly-owned by the Company), (3) the Company is to be dissolved or (4) the Company is a party to any other corporate transaction (as defined under section 424(a) of the Code and applicable Department of Treasury regulations) that is not described in clauses (1), (2) or (3) of this sentence (each such event is referred to herein as a "*Corporate Change*"), then, except as otherwise provided in an Award Agreement or another agreement between the Holder and the Company (provided that such exceptions shall not apply in the case of a reincorporation merger), or as a result of the Committee's effectuation of one or more of the alternatives described below, there shall be no acceleration of the time at which any Award then outstanding may be exercised, and no later than ten days after the approval by the stockholders of the Company of such Corporate Change, the Committee, acting in its sole and absolute discretion without the consent or approval of any Holder, shall act to effect one or more of the following alternatives, which may vary among individual Holders and which may vary among Awards held by any individual Holder (provided that, with respect to a reincorporation

merger in which Holders of the Company's ordinary shares will receive one ordinary share of the successor corporation for each ordinary share of the Company, none of such alternatives shall apply and, without Committee action, each Award shall automatically convert into a similar award of the successor corporation exercisable for the same number of ordinary shares of the successor as the Award was exercisable for ordinary shares of Stock of the Company):

(1) accelerate the time at which some or all of the Awards then outstanding may be exercised so that such Awards may be exercised in full for a limited period of time on or before a specified date (before or after such Corporate Change) fixed by the Committee, after which specified date all such Awards that remain unexercised and all rights of Holders thereunder shall terminate;

(2) require the mandatory surrender to the Company by all or selected Holders of some or all of the then outstanding Awards held by such Holders (irrespective of whether such Awards are then exercisable under the provisions of the Plan or the applicable Award Agreement evidencing such Award) as of a date, before or after such Corporate Change, specified by the Committee, in which event the Committee shall thereupon cancel such Award and the Company shall pay to each such Holder an amount of cash per share equal to the excess, if any, of the per share price offered to stockholders of the Company in connection with such Corporate Change over the exercise prices under such Award for such shares;

(3) with respect to all or selected Holders, have some or all of their then outstanding Awards (whether vested or unvested) assumed or have a new award of a similar nature substituted for some or all of their then outstanding Awards under the Plan (whether vested or unvested) by an entity which is a party to the transaction resulting in such Corporate Change and which is then employing such Holder or which is affiliated or associated with such Holder in the same or a substantially similar manner as the Company prior to the Corporate Change, or a parent or subsidiary of such entity, provided that (A) such assumption or substitution is on a basis where the excess of the aggregate fair market value of the Stock subject to the Award immediately after the assumption or substitution over the aggregate exercise price of such Stock is equal to the excess of the aggregate fair market value of all Stock subject to the Award immediately before such assumption or substitution over the aggregate exercise price of such Stock, and (B) the assumed rights under such existing Award or the substituted rights under such new Award, as the case may be, will have the same terms and conditions as the rights under the existing Award assumed or substituted for, as the case may be;

(4) provide that the number and class or series of Stock covered by an Award (whether vested or unvested) theretofore granted

shall be adjusted so that such Award when exercised shall thereafter cover the number and class or series of Stock or other securities or property (including, without limitation, cash) to which the Holder would have been entitled pursuant to the terms of the agreement or plan relating to such Corporate Change if, immediately prior to such Corporate Change, the Holder had been the holder of record of the number of shares of Stock then covered by such Award; or

(5) make such adjustments to Awards then outstanding as the Committee deems appropriate to reflect such Corporate Change (provided, however, that the Committee may determine in its sole and absolute discretion that no such adjustment is necessary).

In effecting one or more of the alternatives set out in paragraphs (3), (4) or (5) immediately above, and except as otherwise may be provided in an Award Agreement, the Committee, in its sole and absolute discretion and without the consent or approval of any Holder, may accelerate the time at which some or all Awards then outstanding may be exercised.

(d) In the event of changes in the outstanding Stock by reason of recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges or other relevant changes in capitalization occurring after the date of the grant of any Award and not otherwise provided for by this Section 4.6, any outstanding Award and any Award Agreement evidencing such Award shall be subject to adjustment by the Committee in its sole and absolute discretion as to the number and price of Stock or other consideration subject to such Award. In the event of any such change in the outstanding Stock, the aggregate number of shares of Stock available under the Plan may be appropriately adjusted by the Committee, whose determination shall be conclusive.

(e) After a merger of one or more corporations into the Company or after a consolidation of the Company and one or more corporations in which the Company shall be the surviving corporation, each Holder shall be entitled to have his Restricted Stock appropriately adjusted based on the manner in which the shares of Stock were adjusted under the terms of the agreement of merger or consolidation.

(f) The issuance by the Company of stock of any class or series, or securities convertible into, or exchangeable for, stock of any class or series, for cash or property, or for labor or services either upon direct sale or upon the exercise of rights or warrants to subscribe for them, or upon conversion or exchange of stock or obligations of the Company convertible into, or exchangeable for, stock or other securities, shall not affect, and no adjustment by reason of such issuance shall be made with respect to, the number, class or series, or price of shares of Stock then subject to outstanding Options or other Awards.

4.7 Election Under Section 83(b) of the Code. No Holder shall exercise the election permitted under section 83(b) of the Code with respect to any Award without the prior written approval of the Chief Financial Officer of the Company. Any Holder who makes an election

under section 83(b) of the Code with respect to any Award without the prior written approval of the Chief Financial Officer of the Company may, in the discretion of the Committee, forfeit any or all Awards granted to him or her under the Plan.

4.8 Forfeiture for Cause. Notwithstanding any other provision of the Plan or an Award Agreement, if the Committee finds by a majority vote that a Holder, before or after his Termination of Employment (a) committed a fraud, embezzlement, theft, felony or an act of dishonesty in the course of his employment by the Company or an Affiliate which conduct damaged the Company or an Affiliate, (b) disclosed trade secrets of the Company or an Affiliate, or (c) violated the terms of any non-competition, non-disclosure or similar agreement with respect to the Company or any Affiliate to which the Holder is a party, then as of the date the Committee makes its finding some or all Awards awarded to the Holder (including vested Awards that have been exercised, vested Awards that have not been exercised and Awards that have not yet vested), as determined by the Committee in its sole discretion, and all net proceeds realized with respect to any such Awards, will be forfeited to the Company on such terms as determined by the Committee. The findings and decision of the Committee with respect to such matter, including those regarding the acts of the Holder and the damage done to the Company, will be final for all purposes. No decision of the Committee, however, will affect the finality of the discharge of the individual by the Company or an Affiliate.

4.9 Forfeiture Events. The Committee may specify in an Award Agreement that the Holder's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, Termination of Employment for cause, termination of the Holder's provision of services to the Company or its Affiliates, violation of material policies of the TMW Group, breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the Holder, or other conduct by the Holder that is detrimental to the business or reputation of the TMW Group.

4.10 Award Agreements. Each Award shall be embodied in a written Award Agreement that shall be subject to the terms and conditions of the Plan. The Award Agreement shall be signed by an executive officer of the Company, other than the Holder, on behalf of the Company, and may be signed by the Holder to the extent required by the Committee. The Award Agreement may specify the effect of a change in control of the Company on the Award. The Award Agreement may contain any other provisions that the Committee in its discretion shall deem advisable which are not inconsistent with the terms and provisions of the Plan.

4.11 Amendments of Award Agreements. The terms of any outstanding Award under the Plan may be amended from time to time by the Committee in its discretion in any manner that it deems appropriate and that is consistent with the terms of the Plan. However, no such amendment shall adversely affect in a material manner any right of a Holder without his or her written consent. Except as specified in Section 4.6(c), the Committee may not directly or indirectly lower the exercise price of a previously granted Option or the grant price of a previously granted SAR.

4.12 **Rights as Stockholder.** A Holder shall not have any rights as a stockholder with respect to Stock covered by an Option, a SAR, a DSU or a Performance Unit Award payable in Stock until the date, if any, such Stock is issued by the Company; and, except as otherwise provided in Section 4.6, no adjustment for dividends, or otherwise, shall be made if the record date therefor is prior to the date of issuance of such Stock.

4.13 **Issuance of Shares of Stock.** Shares of Stock, when issued, may be represented by a certificate or by book or electronic entry.

4.14 **Restrictions on Stock Received.** The Committee may impose such conditions and/or restrictions on any shares of Stock issued pursuant to an Award as it may deem advisable or desirable. These restrictions may include, but shall not be limited to, a requirement that the Holder hold the shares of Stock for a specified period of time.

4.15 **Compliance With Section 409A.** Awards shall be designed, granted and administered in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A. If the Committee determines that an Award, Award Agreement, payment, distribution, deferral election, transaction, or any other action or arrangement contemplated by the provisions of the Plan would, if undertaken, cause a Holder to become subject to additional taxes under Section 409A, then unless the Committee specifically provides otherwise, such Award, Award Agreement, payment, distribution, deferral election, transaction or other action or arrangement shall not be given effect to the extent it causes such result and the related provisions of the Plan and/or Award Agreement will be deemed modified, or, if necessary, suspended in order to comply with the requirements of Section 409A to the extent determined appropriate by the Committee, in each case without the consent of or notice to the Holder. The exercisability of an Option or a SAR shall not be extended to the extent that such extension would subject the Holder to additional taxes under Section 409A. This Section 4.15 is effective for awards issued under the Plan that are earned and vested on or after January 1, 2005.

4.16 **Source of Shares Deliverable Under Awards.** Any shares of Stock delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued shares of Stock or of treasury shares of Stock.

ARTICLE V

OPTIONS

5.1 **Authority to Grant Options.** Subject to the terms and provisions of the Plan, the Committee, at any time, and from time to time, may grant Options under the Plan to eligible persons in such number and upon such terms as the Committee shall determine.

5.2 **Type of Options Available.** Options granted under the Plan may be Incentive Stock Options intended to satisfy the requirements of section 422 of the Code or Nonqualified Stock Options that are not intended to satisfy the requirements of section 422 of the Code.

5.3 **Option Agreement.** Each Option grant under the Plan shall be evidenced by an Option Agreement that shall specify (a) whether the Option is intended to be an ISO or a NQSO, (b) the Option Price, (c) the duration of the Option, (d) the number of shares of Stock to which the Option pertains, (e) the exercise restrictions applicable to the Option, and (f) such other provisions as the Committee shall determine that are not inconsistent with the terms and provisions of the Plan. Notwithstanding the designation of an Option as an ISO in the applicable Option Agreement, to the extent the limitations of section 422 of the Code are exceeded with respect to the Option, the portion of the Option in excess of the limitation shall be treated as a NQSO. Effective for Options granted under the Plan on or after January 1, 2005, an Option granted under the Plan may not be granted with any Dividend Equivalents rights.

5.4 **Option Price.** The price at which shares of Stock may be purchased under an Option (the "*Option Price*") shall not be less than 100 percent (100%) of the Fair Market Value of the shares of Stock on the date the Option is granted. However, in the case of a Ten Percent Stockholder, the Option Price for an Incentive Stock Option shall not be less than 110 percent (110%) of the Fair Market Value of the shares of Stock on the date the Incentive Stock Option is granted. Subject to the limitations set forth in the preceding sentences of this Section 5.4, the Committee shall determine the Option Price for each grant of an Option under the Plan.

5.5 **Duration of Options.** An Option shall not be exercisable after the earlier of (i) the general term of the Option specified in Section 5.5(a), or (ii) the period of time specified herein that follows the Optionee's death, Disability, Retirement or other Termination of Employment. Unless the Optionee's applicable Option Agreement specifies otherwise, an Option shall not continue to vest after the Optionee's Termination of Employment for any reason other than the death or Disability of the Optionee.

(a) *General Term of Option.* Unless the Option Agreement specifies a shorter general term, an Option shall expire on the tenth anniversary of the date the Option is granted. Notwithstanding the foregoing, unless the Option Agreement specifies a shorter term, in the case of an Incentive Stock Option granted to a Ten Percent Stockholder, the Option shall expire on the fifth anniversary of the date the Option is granted.

(b) *Early Termination of Option Due to Termination of Employment Other Than for Death, Disability or Retirement.* Except as may be otherwise expressly provided by the Committee in an Option Agreement, an Option shall terminate on the

earlier of (1) the date of the expiration of the general term of the Option or (2) the date that is one day less than one month after the date of the Optionee's Termination of Employment, whether with or without cause, for any reason other than the death, Disability or Retirement of the Optionee, during which period the Optionee shall be entitled to exercise the Option in respect of the number of shares of Stock that the Optionee would have been entitled to purchase had the Optionee exercised the Option on the date of such Termination of Employment. The Committee shall determine whether an authorized leave of absence, absence on military or government service, or any other absence from service shall constitute a termination of the employment relationship between the Optionee and the Company and all Affiliates. Notwithstanding the foregoing, in the case of an Incentive Stock Option, if an Optionee has an authorized leave of absence from employment with the Company, a Parent Corporation or a Subsidiary Corporation that exceeds 90 days and the Optionee's right to reemployment is not guaranteed by either statute or contract, the Optionee will be deemed to incur a Termination of Employment on the 91st day of such leave.

(c) *Early Termination of Option Due to Death.* Unless the Committee specifies otherwise in the applicable Option Agreement, in the event of the Optionee's Termination of Employment due to death before the date of expiration of the general term of the Option, the Optionee's Option shall terminate on the earlier of the date of expiration of the general term of the Option or the first anniversary of the date of the Optionee's death, during which period the Optionee's executors or administrators or such persons to whom such Options were transferred by will or by the laws of descent and distribution, shall be entitled to exercise the Option in respect of the number of shares of Stock that the Optionee would have been entitled to purchase had the Optionee exercised the Option on the date of his death.

(d) *Early Termination of Option Due to Disability.* Unless the Committee specifies otherwise in the applicable Option Agreement, in the event of the Termination of Employment due to Disability before the date of the expiration of the general term of the Option, the Optionee's Option shall terminate on the earlier of the expiration of the general term of the Option or the first anniversary of the date of the Termination of Employment due to Disability, during which period the Optionee shall be entitled to exercise the Option in respect of the number of shares of Stock that the Optionee would have been entitled to purchase had the Optionee exercised the Option on the date of such Termination of Employment.

(e) *Early Termination of Option Due to Retirement.* Unless the Committee specifies otherwise in the applicable Option Agreement, in the event of the Optionee's Termination of Employment due to Retirement before the date of the expiration of the general term of the Option, the Optionee's Option shall terminate on the earlier of the expiration of the general term of the Option or the first anniversary of the date of the Termination of Employment due to Retirement, during which period the Optionee shall be entitled to exercise the Option in respect of the number of shares of Stock that the Optionee would have been entitled to purchase had the Optionee exercised the Option on the date of such Termination of Employment.

After the death of the Optionee, the Optionee's executors, administrators or any person or persons to whom the Optionee's Option may be transferred by will or by the laws of descent and distribution, shall have the right, at any time prior to the termination of the Option to exercise the Option, in respect to the number of all of the remaining unexercised and unexpired shares of Stock subject to the Option.

5.6 Amount Exercisable. Each Option may be exercised at the time, in the manner and subject to the conditions the Committee specifies in the Option Agreement in its sole discretion. Unless the Committee specifies otherwise in an applicable Option Agreement, an Option Agreement shall set forth the following terms regarding the exercise of the Option covered by the Option Agreement:

(a) No Option granted under the Plan may be exercised until an Optionee has completed one year of continuous employment with the Company or any subsidiary of the Company following the date of grant;

(b) Beginning on the day after the first anniversary of the date of grant, an Option may be exercised up to 1/3 of the shares subject to the Option;

(c) After the expiration of each succeeding anniversary date of the date of grant, the Option may be exercised up to an additional 1/3 of the shares initially subject to the Option, so that after the expiration of the third anniversary of the date of grant, the Option shall be exercisable in full;

(d) To the extent not exercised, installments shall be cumulative and may be exercised in whole or in part until the Option expires on the tenth anniversary of the date of grant.

However, the Committee, in its discretion, may change the terms of exercise so that any Option may be exercised so long as it is valid and outstanding from time to time in part or as a whole in such manner and subject to such conditions as the Committee may set. In addition, the Committee, in its discretion, may accelerate the time in which any outstanding Option may be exercised. However, in no event shall any Option be exercisable on or after the tenth anniversary of the date of the grant of the Option.

5.7 Exercise of Options.

(a) *General Method of Exercise.* Subject to the terms and provisions of the Plan and an Optionee's Option Agreement, Options may be exercised in whole or in part from time to time by the delivery of written notice in the manner designated by the Committee stating (1) that the Optionee wishes to exercise such option on the date such notice is so delivered, (2) the number of shares of Stock with respect to which the Option is to be exercised and (3) the address to which the certificate representing such shares of Stock should be mailed. Except in the case of exercise by a third party broker as provided below, in order for the notice to be effective the notice must be accompanied by payment of the Option Price and any applicable tax withholding amounts which must be made at the time of exercise by any combination of the following: (a) cash, certified check, bank draft or postal or express money order for an amount equal to the Option

Price under the Option, (b) Mature Shares with a Fair Market Value on the date of exercise equal to the Option Price under the Option (if approved in advance by the Committee or an executive officer of the Company), (c) an election to make a cashless exercise through a registered broker-dealer (if approved in advance by the Committee or an executive officer of the Company) or (d) except as specified below, any other form of payment which is acceptable to the Committee. If Mature Shares are used for payment by the Optionee, the aggregate Fair Market Value of the shares of Stock tendered must be equal to or less than the aggregate Option Price of the shares of Stock being purchased upon exercise of the Option, and any difference must be paid by cash, certified check, bank draft or postal or express money order payable to the order of the Company.

If, at the time of receipt by the Company or its delegate of such written notice, (i) the Company has unrestricted surplus in an amount not less than the Option Price of such shares of Stock, (ii) all accrued cumulative preferential dividends and other current preferential dividends on all outstanding shares of preferred stock of the Company have been fully paid, (iii) the acquisition by the Company of its own shares of Stock for the purpose of enabling such Optionee to exercise such Option is otherwise permitted by applicable law, does not require any vote or consent of any stockholder of the Company and does not violate the terms of any agreement to which the Company is a party or by which it is bound, and (iv) there shall have been adopted, and there shall be in full force and effect, a resolution of the Board authorizing the acquisition by the Company of its own shares of stock for such purpose, then such Optionee may deliver to the Company, in payment of the Option Price of the shares of Stock with respect to which such Option is exercised, (x) certificates registered in the name of such Optionee that represent a number of shares of stock legally and beneficially owned by such Optionee (free of all liens, claims and encumbrances of every kind) and having a Fair Market Value on the date of receipt by the Company or its delegate of such written notice that is not greater than the Option Price of the shares of Stock with respect to which such Option is to be exercised, such certificates to be accompanied by stock powers duly endorsed in blank by the record holder of the shares of Stock represented by such certificates, with the signature of such record holder guaranteed by a national banking association, and (y) if the Option Price of the shares of Stock with respect to which such Option is to be exercised exceeds such Fair Market Value, a cashier's check drawn on a national banking association and payable to the order of the Company, in an amount, in United States dollars, equal to the amount of such excess. Notwithstanding the provisions of the immediately preceding sentence, the Committee, in its sole discretion, may refuse to accept shares of Stock in payment of the Option Price of the shares of Stock with respect to which such Option is to be exercised and, in that event, any certificates representing shares of Stock that were received by the Company or its delegate with such written notice shall be returned to such Optionee, together with notice by the Company or its delegate to such Optionee of the refusal of the Committee to accept such shares of Stock. If, at the expiration of seven business days after the delivery to such Optionee of such written notice from the Company or its delegate, such Optionee shall not have delivered to the Company or its delegate a cashier's check drawn on a national banking association and payable to the order of the Company in an amount, in United States dollars, equal to the Option Price of the shares of Stock with respect to which such Option is to be exercised, such written

notice from the Optionee to the Company or its delegate shall be ineffective to exercise such Option.

Whenever an Option is exercised by exchanging shares of Stock owned by the Optionee, the Optionee shall deliver to the Company or its delegate certificates registered in the name of the Optionee representing a number of shares of Stock legally and beneficially owned by the Optionee, free of all liens, claims, and encumbrances of every kind, accompanied by stock powers duly endorsed in blank by the record holder of the shares represented by the certificates, (with signature guaranteed by a commercial bank or trust company or by a brokerage firm having a membership on a registered national stock exchange). The delivery of certificates upon the exercise of Option is subject to the condition that the person exercising the Option provide the Company with the information the Company might reasonably request pertaining to exercise, sale or other disposition of an Option.

(b) *Issuance of Shares.* Subject to Section 4.4 and Section 5.7(c), as promptly as practicable after receipt of written notification and payment, in the form required by Section 5.7(a), of an amount of money necessary to satisfy any withholding tax liability that may result from the exercise of such Option, the Company shall deliver to the Optionee certificates for the number of shares with respect to which the Option has been exercised, issued in the Optionee's name. Delivery of the shares shall be deemed effected for all purposes when a stock transfer agent of the Company shall have deposited the certificates in the United States mail, addressed to the Optionee, at the address specified by the Optionee.

(c) *Exercise Through Third-Party Broker.* The Committee may permit an Optionee to elect to pay the Option Price and any applicable tax withholding resulting from such exercise by authorizing a third-party broker to sell all or a portion of the shares of Stock acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the Option Price and any applicable tax withholding resulting from such exercise.

(d) *Limitations on Exercise Alternatives.* The Committee shall not permit an Optionee to pay such Optionee's Option Price upon the exercise of an Option by having the Company reduce the number of shares of Stock that will be delivered pursuant to the exercise of the Option. In addition, the Committee shall not permit an Optionee to pay such Optionee's Option Price upon the exercise of an Option by using shares of Stock other than Mature Shares. An Option may not be exercised for a fraction of a share of Stock.

5.8 Transferability of Options.

(a) *Incentive Stock Options.* No ISO granted under the Plan may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all ISOs granted to an Optionee under the Plan shall be exercisable during his or her lifetime only by the Optionee, and after that time, by the Optionee's heirs or estate.

(b) *Nonqualified Stock Options.* Except as otherwise provided in an Optionee's Option Agreement, no NQSO granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in an Optionee's Option Agreement, all NQSOs granted to an Optionee under the Plan shall be exercisable during his or her lifetime only by such Optionee.

Any attempted assignment of an Option in violation of this Section 5.8 shall be null and void.

5.9 Notification of Disqualifying Disposition. If any Optionee shall make any disposition of shares of Stock issued pursuant to the exercise of an ISO under the circumstances described in section 421(b) of the Code (relating to certain disqualifying dispositions), such Optionee shall notify the Company of such disposition within ten (10) days thereof.

5.10 No Rights as Stockholder. An Optionee shall not have any rights as a stockholder with respect to Stock covered by an Option until the date a stock certificate for such Stock is issued by the Company; and, except as otherwise provided in Section 4.6, no adjustment for dividends, or otherwise, shall be made if the record date therefor is prior to the date of issuance of such certificate.

5.11 \$100,000 Limitation on Incentive Stock Options. To the extent that the aggregate Fair Market Value of Stock with respect to which Incentive Stock Options first become exercisable by a Holder in any calendar year exceeds \$100,000, taking into account both shares of Stock subject to Incentive Stock Options under the Plan and Stock subject to incentive stock options under all other plans of the Company, such Options shall be treated as Nonqualified Stock Options. For this purpose, the "Fair Market Value" of the Stock subject to Options shall be determined as of the date the Options were awarded. In reducing the number of Options treated as Incentive Stock Options to meet the \$100,000 limit, the most recently granted Options shall be reduced first. To the extent a reduction of simultaneously granted Options is necessary to meet the \$100,000 limit, the Committee may, in the manner and to the extent permitted by law, designate which shares of Stock are to be treated as shares acquired pursuant to the exercise of an Incentive Stock Option.

ARTICLE VI

STOCK APPRECIATION RIGHTS

6.1 **Authority to Grant Stock Appreciation Rights Awards.** Subject to the terms and provisions of the Plan, the Committee, at any time, and from time to time, may grant Stock Appreciation Rights under the Plan to eligible persons in such number and upon such terms as the Committee shall determine. Subject to the terms and conditions of the Plan, the Committee shall have complete discretion in determining the number of SARs granted to each Employee and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs.

6.2 **Type of Stock Appreciation Rights Available.** SARs granted under the Plan may be Freestanding SARs, Tandem SARs or any combination of these forms of SARs.

6.3 **General Terms.** Subject to the terms and conditions of the Plan, a SAR granted under the Plan shall confer on the recipient a right to receive, upon exercise thereof, a cash amount equal to the excess of (a) the Fair Market Value of one share of the Stock on the date of exercise over (b) the grant price of the SAR, which shall not be less than 100 percent of the Fair Market Value of one share of the Stock on the date of grant of the SAR and in no event less than par value of one share of the Stock. The grant price of a Freestanding SAR shall not be less than the Fair Market Value of a share of the Stock on the date of grant of the SAR. The grant price of a Tandem SAR shall equal the Option Price of the Option which is related to the Tandem SAR. Effective for SARs granted under the Plan on or after January 1, 2005, a SAR granted under the Plan may not be granted with any Dividend Equivalents rights.

6.4 **Stock Appreciation Right Agreement.** Each Award of SARs granted under the Plan shall be evidenced by an Award Agreement that shall specify (a) whether the SAR is intended to be a Freestanding SAR or a Tandem SAR, (b) the grant price of the SAR, (c) the term of the SAR, (d) the vesting and termination provisions and (e) such other provisions as the Committee shall determine that are not inconsistent with the terms and provisions of the Plan. The Committee may impose such additional conditions or restrictions on the exercise of any SAR as it may deem appropriate.

6.5 **Term of Stock Appreciation Rights.** The term of a SAR granted under the Plan shall be determined by the Committee, in its sole discretion; provided that no SAR shall be exercisable on or after the tenth anniversary date of its grant.

6.6 **Exercise of Freestanding SARs.** Subject to the terms and provisions of the Plan and the applicable Award Agreement, Freestanding SARs may be exercised in whole or in part from time to time by the delivery of written notice in the manner designated by the Committee stating (a) that the Holder wishes to exercise such SAR on the date such notice is so delivered, (b) the number of shares of Stock with respect to which the SAR is to be exercised and (c) the address to which the payment due under such SAR should be mailed. In accordance with applicable law, a Freestanding SAR may be exercised upon whatever additional terms and conditions the Committee, in its sole discretion, imposes.

6.7 Exercise of Tandem SARs.

(a) Subject to the terms and provisions of the Plan and the applicable Award Agreement, Tandem SARs may be exercised for all or part of the shares of Stock subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option and by the delivery of written notice in the manner designated by the Committee stating (a) that the Holder wishes to exercise such SAR on the date such notice is so delivered, (b) the number of shares of Stock with respect to which the SAR is to be exercised and (c) the address to which the payment due under such SAR should be mailed. A Tandem SAR may be exercised only with respect to the shares of Stock for which its related Option is then exercisable. In accordance with applicable law, a Tandem SAR may be exercised upon whatever additional terms and conditions the Committee, in its sole discretion, imposes.

(b) Notwithstanding any other provision of the Plan to the contrary, with respect to a Tandem SAR granted in connection with an ISO: (1) the Tandem SAR will expire no later than the expiration of the underlying ISO; (2) the value of the payout with respect to the Tandem SAR may be for no more than 100 percent (100%) of the excess of the Fair Market Value of the shares of Stock subject to the underlying ISO at the time the Tandem SAR is exercised over the Option Price of the underlying ISO; and (3) the Tandem SAR may be exercised only when the Fair Market Value of the shares of Stock subject to the ISO exceeds the Option Price of the ISO.

6.8 Payment of SAR Amount. Upon the exercise of a SAR, an Employee shall be entitled to receive payment from the Company in an amount determined by multiplying:

- (a) The excess of the Fair Market Value of a share of the Stock on the date of exercise over the grant price of the SAR by
- (b) The number of shares of Stock with respect to which the SAR is exercised.

At the discretion of the Committee, the payment upon SAR exercise may be in cash, in Stock of equivalent value, in some combination thereof or in any other manner approved by the Committee in its sole discretion. The Committee's determination regarding the form of SAR payout shall be set forth in the Award Agreement pertaining to the grant of the SAR.

6.9 Termination of Employment. Each Award Agreement shall set forth the extent to which the grantee of a SAR shall have the right to exercise the SAR following the grantee's Termination of Employment. Such provisions shall be determined in the sole discretion of the Committee, may be included in the Award Agreement entered into with the grantee, and need not be uniform among all SARs issued pursuant to the Plan and may reflect distinctions based on the reasons for termination.

6.10 Nontransferability of SARs. Except as otherwise provided in a Holder's Award Agreement, no SAR granted under the Plan may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Holder's Award Agreement, all SARs granted to a Holder under the Plan shall be exercisable during his or her lifetime only by the

Holder, and after that time, by the Holder's heirs or estate. Any attempted assignment of a SAR in violation of this Section 6.10 shall be null and void.

6.11 No Rights as Stockholder. A grantee of a SAR award, as such, shall have no rights as a stockholder.

6.12 Restrictions on Stock Received. The Committee may impose such conditions and/or restrictions on any shares of Stock received upon exercise of a SAR granted pursuant to the Plan as it may deem advisable or desirable. These restrictions may include, but shall not be limited to, a requirement that the Holder hold the shares of Stock received upon exercise of a SAR for a specified period of time.

ARTICLE VII

RESTRICTED STOCK AWARDS

7.1 **Restricted Stock Awards.** Subject to the terms and conditions of the Plan, the Committee, at any time, and from time to time, may make Awards of Restricted Stock to eligible persons in such numbers and upon such terms as the Committee shall determine. The amount of, the vesting and the transferability restrictions applicable to any Restricted Stock Award shall be determined by the Committee in its sole discretion. If the Committee imposes vesting or transferability restrictions on a Holder's rights with respect to Restricted Stock, the Committee may issue such instructions to the Company's share transfer agent in connection therewith as it deems appropriate. The Committee may also cause the certificate for shares of Stock issued pursuant to a Restricted Stock Award to be imprinted with any legend which counsel for the Company considers advisable with respect to the restrictions or, should the shares of Stock be represented by book or electronic entry rather than a certificate, the Company may take such steps to restrict transfer of the shares of Stock as counsel for the Company considers necessary or advisable to comply with applicable law.

7.2 **Restricted Stock Award Agreement.** Each Restricted Stock Award shall be evidenced by an Award Agreement that contains any vesting, transferability restrictions and other provisions not inconsistent with the Plan as the Committee may specify.

7.3 **Holder's Rights as Stockholder.** Subject to the terms and conditions of the Plan, each recipient of a Restricted Stock Award shall have all the rights of a stockholder with respect to the shares of Restricted Stock included in the Restricted Stock Award during the Period of Restriction established for the Restricted Stock Award. Dividends paid with respect to Restricted Stock in cash or property other than shares of Stock or rights to acquire shares of Stock shall be paid to the recipient of the Restricted Stock Award currently. Dividends paid in shares of Stock or rights to acquire shares of Stock shall be added to and become a part of the Restricted Stock. During the Period of Restriction, certificates representing the Restricted Stock shall be registered in the recipient's name and bear a restrictive legend to the effect that ownership of such Restricted Stock, and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms, and conditions provided in the Plan and the applicable Restricted Stock Award Agreement. Such certificates shall be deposited by the recipient with the Secretary of the Company or such other officer of the Company as may be designated by the Committee, together with all stock powers or other instruments of assignment, each endorsed in blank, which will permit transfer to the Company of all or any portion of the Restricted Stock which shall be forfeited in accordance with the Plan and the applicable Restricted Stock Award Agreement.

ARTICLE VIII
DEFERRED STOCK UNIT AWARDS

8.1 **Authority to Grant Deferred Stock Unit Awards.** Subject to the terms and provisions of the Plan, the Committee, at any time, and from time to time, may grant Deferred Stock Units under the Plan to eligible persons in such amounts and upon such terms as the Committee shall determine. The amount of, the vesting and the transferability restrictions applicable to any Deferred Stock Unit Award shall be determined by the Committee in its sole discretion. The Committee shall maintain a bookkeeping ledger account which reflects the number of Deferred Stock Units credited under the Plan for the benefit of a Holder.

8.2 **Deferred Stock Unit Awards.** A Deferred Stock Unit shall be similar in nature to Restricted Stock except that no shares of Stock are actually transferred to the Holder until a later date specified in the applicable Award Agreement. Each Deferred Stock Unit shall have a value equal to the Fair Market Value of a share of Stock.

8.3 **Deferred Stock Unit Award Agreement.** Each Deferred Stock Unit Award shall be evidenced by an Award Agreement that contains any Substantial Risk of Forfeiture, vesting, transferability restrictions, form and time of payment provisions and other provisions not inconsistent with the Plan as the Committee may specify.

8.4 **Dividend Equivalents.** Effective for Deferred Stock Awards granted under the Plan on or after January 1, 2005, an Award Agreement for a Deferred Stock Unit Award may specify that the Holder shall be entitled to the payment of Dividend Equivalents under the Award.

8.5 **Form of Payment Under Deferred Stock Unit Award.** Payment under a Deferred Stock Unit Award shall be made in either cash or shares of Stock as specified in the applicable Award Agreement.

8.6 **Time of Payment Under Deferred Stock Unit Award.** A Holder's payment under a Deferred Stock Unit Award shall be made at such time as is specified in the applicable Award Agreement. The Award Agreement shall specify that the payment will be made (a) by a date that is no later than the date that is two and one-half (2 1/2) months after the end of the Fiscal Year in which the Deferred Stock Unit Award payment is no longer subject to a Substantial Risk of Forfeiture or (b) at a time that is permissible under Section 409A. This Section 8.6 is effective for awards issued under the Plan that are earned and vested on or after January 1, 2005.

8.7 **Holder's Rights as Stockholder.** Each recipient of Deferred Stock Units shall have no rights of a stockholder with respect to the Holder's Deferred Stock Units. A Holder shall have no voting rights with respect to any Deferred Stock Unit Awards.

ARTICLE IX

PERFORMANCE STOCK AND PERFORMANCE UNIT AWARDS

9.1 Authority to Grant Performance Stock and Performance Unit Awards. Subject to the terms and provisions of the Plan, the Committee, at any time, and from time to time, may grant Performance Stock and Performance Unit Awards under the Plan to eligible persons in such amounts and upon such terms as the Committee shall determine. The amount of, the vesting and the transferability restrictions applicable to any Performance Stock or Performance Unit Award shall be based upon the attainment of such Performance Goals as the Committee may determine. A Performance Goal for a particular Performance Stock or Performance Unit Award must be established by the Committee prior to the earlier to occur of (a) 90 days after the commencement of the period of service to which the Performance Goal relates or (b) the lapse of 25 percent of the period of service, and in any event while the outcome is substantially uncertain. A Performance Goal must be objective such that a third party having knowledge of the relevant facts could determine whether the goal is met. Such a Performance Goal may be based on one or more business criteria that apply to the Employee, one or more business units of the Company, or the Company as a whole, with reference to one or more of the following: earnings per share, earnings per share growth, total shareholder return, economic value added, cash return on capitalization, increased revenue, revenue ratios (per employee or per customer), net income, stock price, market share, return on equity, return on assets, return on capital, return on capital compared to cost of capital, return on capital employed, return on invested capital, shareholder value, net cash flow, operating income, earnings before interest and taxes, cash flow, cash flow from operations, cost reductions, cost ratios (per employee or per customer), proceeds from dispositions, project completion time and budget goals, net cash flow before financing activities, customer growth and total market value. Goals may also be based on performance relative to a peer group of companies. Unless otherwise stated, such a Performance Goal need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). In interpreting Plan provisions applicable to Performance Goals and Performance Stock or Performance Unit Awards, it is intended that the Plan will conform with the standards of section 162(m) of the Code and Treasury Regulations § 1.162-27(e)(2)(i), and the Committee in establishing such goals and interpreting the Plan shall be guided by such provisions. Prior to the payment of any compensation based on the achievement of Performance Goals, the Committee must certify in writing that applicable Performance Goals and any of the material terms thereof were, in fact, satisfied. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Performance Stock or Performance Unit Awards made pursuant to the Plan shall be determined by the Committee. If the Committee imposes vesting or transferability restrictions on a recipient's rights with respect to Performance Stock or Performance Unit Awards, the Committee may issue such instructions to the Company's share transfer agent in connection therewith as it deems appropriate. The Committee may also cause the certificate for shares of Stock issued pursuant to a Performance Stock or Performance Unit Award to be imprinted with any legend which counsel for the Company considers advisable with respect to the restrictions or, should the shares of Stock be represented by book or electronic entry rather than a certificate, the Company may take such steps to restrict transfer of the shares of Stock as counsel for the Company considers necessary or advisable to comply with applicable law.

Each Performance Stock or Performance Unit Award shall be evidenced by an Award Agreement that contains any vesting, transferability restrictions and other provisions not inconsistent with the Plan as the Committee may specify.

9.2 Time of Payment Under Performance Unit Award. A Holder's payment under a Performance Unit Award shall be made at such time as is specified in the applicable Award Agreement. The Award Agreement shall specify that the payment will be made (a) by a date that is no later than the date that is two and one-half (2 1/2) months after the end of the calendar year in which the Performance Unit Award payment is no longer subject to a Substantial Risk of Forfeiture or (b) at a time that is permissible under Section 409A. This Section 9.2 is effective for awards issued under the Plan that are earned and vested on or after January 1, 2005.

9.3 Holder's Rights as Stockholder With Respect to a Performance Stock Award. Subject to the terms and conditions of the Plan, each Holder of a Performance Stock Award shall have all the rights of a stockholder with respect to the shares of Stock issued to the Holder pursuant to the Award during any period in which such issued shares of Stock are subject to forfeiture and restrictions on transfer, including without limitation, the right to vote such shares of Stock.

9.4 Increases Prohibited. Neither the Committee nor the Board may increase the amount of compensation payable under a Performance Stock Award or Performance Unit Award. If the time at which a Performance Stock Award or Performance Unit Award will vest or be paid is accelerated for any reason, the number of shares of Stock subject to, or the amount payable under, the Performance Stock Award or Performance Unit Award shall be reduced pursuant to Department of Treasury Regulation § 1.162-27(e)(2)(iii) to reasonably reflect the time value of money.

9.5 Stockholder Approval. No payments of Stock or cash will be made pursuant to this Article IX unless the stockholder approval requirements of Department of Treasury Regulation § 1.162-27(e)(4) are satisfied.

9.6 Dividend Equivalents. Effective for Performance Unit Awards granted under the Plan on or after January 1, 2005, an Award Agreement for a Performance Unit Award may specify that the Holder shall be entitled to the payment of Dividend Equivalents under the Award.

ARTICLE X

CASH-BASED AWARDS AND OTHER STOCK-BASED AWARDS

10.1 **Authority to Grant Cash-Based Awards.** Subject to the terms and provisions of the Plan, the Committee, at any time, and from time to time, may grant Cash-Based Awards under the Plan to Employees in such amounts and upon such terms, including the achievement of specific performance goals, as the Committee shall determine.

10.2 **Authority to Grant Other Stock-Based Awards.** Subject to the terms and provisions of the Plan, the Committee, at any time, and from time to time, may grant other types of equity-based or equity-related Awards not otherwise described by the terms and provisions of the Plan (including the grant or offer for sale of unrestricted shares of Stock) under the Plan to eligible persons in such amounts and subject to such terms and conditions, as the Committee shall determine. Such Awards may involve the transfer of actual shares of Stock to Holders, or payment in cash or otherwise of amounts based on the value of shares of Stock and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

10.3 **Value of Cash-Based and Other Stock-Based Awards.** Each Cash-Based Award shall specify a payment amount or payment range as determined by the Committee. Each Other Stock-Based Award shall be expressed in terms of shares of Stock or units based on shares of Stock, as determined by the Committee. The Committee may establish performance goals in its discretion for Cash-Based Awards and Other Stock-Based Awards. If the Committee exercises its discretion to establish performance goals, the number and/or value of Cash-Based Awards or Other Stock-Based Awards that will be paid out to the Holder will depend on the extent to which the performance goals are met.

10.4 **Payment of Cash-Based Awards and Other Stock-Based Awards.** Payment, if any, with respect to a Cash-Based Award or an Other Stock-Based Award shall be made in accordance with the terms of the Award, in cash or shares of Stock as the Committee determines.

10.5 **Termination of Employment.** The Committee shall determine the extent to which a grantee's rights with respect to Cash-Based Awards and Other Stock-Based Awards shall be affected by the grantee's Termination of Employment. Such provisions shall be determined in the sole discretion of the Committee and need not be uniform among all Awards of Cash-Based Awards and Other Stock-Based Awards issued pursuant to the Plan.

10.6 **Nontransferability.** Except as otherwise determined by the Committee, neither Cash-Based Awards nor Other Stock-Based Awards may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided by the Committee, a Holder's rights under the Plan, if exercisable, shall be exercisable during his or her lifetime only by such Holder.

ARTICLE XI

SUBSTITUTION AWARDS

Awards may be granted under the Plan from time to time in substitution for stock options and other awards held by employees of other corporations who are about to become Employees, or whose employer is about to become a parent or subsidiary corporation as contemplated in Section 3.1, conditioned in the case of an Incentive Stock Option upon the employee becoming an employee of the Company or a parent or subsidiary corporation of the Company, as the result of a merger or consolidation of the Company with another corporation, or the acquisition by the Company of substantially all the assets of another corporation, or the acquisition by the Company of at least 50 percent (50%) of the issued and outstanding stock of another corporation as the result of which it becomes a subsidiary of the Company. The terms and conditions of the substitute Awards so granted may vary from the terms and conditions set forth in the Plan to such extent as the Board at the time of grant may deem appropriate to conform, in whole or in part, to the provisions of the Award in substitution for which they are granted, but with respect to Options that are Incentive Stock Options, no such variation shall be such as to affect the status of any such substitute Option as an incentive stock option under section 422 of the Code.

ARTICLE XII
ADMINISTRATION

12.1 **Awards.** The Plan shall be administered by the Committee or, in the absence of the Committee, the Plan shall be administered by the Board. The members of the Committee shall serve at the discretion of the Board. The Committee shall have full and exclusive power and authority to administer the Plan and to take all actions that the Plan expressly contemplates or are necessary or appropriate in connection with the administration of the Plan with respect to Awards granted under the Plan.

12.2 **Authority of the Committee.** The Committee shall have full and exclusive power to interpret and apply the terms and provisions of the Plan and Awards made under the Plan, and to adopt such rules, regulations and guidelines for implementing the Plan as the Committee may deem necessary or proper, all of which powers shall be exercised in the best interests of the Company and in keeping with the objectives of the Plan. A majority of the members of the Committee shall constitute a quorum for the transaction of business, and the vote of a majority of those members present at any meeting shall decide any question brought before that meeting. Any decision or determination reduced to writing and signed by a majority of the members shall be as effective as if it had been made by a majority vote at a meeting properly called and held. All questions of interpretation and application of the Plan, or as to Awards granted under the Plan, shall be subject to the determination, which shall be final and binding, of a majority of the whole Committee. When appropriate, the Plan shall be administered in order to qualify certain of the Options granted hereunder as Incentive Stock Options. No member of the Committee shall be liable for any act or omission of any other member of the Committee or for any act or omission on his own part, including but not limited to the exercise of any power or discretion given to him under the Plan, except those resulting from his own gross negligence or willful misconduct. In carrying out its authority under the Plan, the Committee shall have full and final authority and discretion, including but not limited to the following rights, powers and authorities, to:

- (a) determine the persons to whom and the time or times at which Awards will be made;
- (b) determine the number and exercise price of shares of Stock covered in each Award, subject to the terms and provisions of the Plan;
- (c) determine the terms, provisions and conditions of each Award, which need not be identical and need not match the default terms set forth in the Plan;
- (d) accelerate the time at which any outstanding Award will vest;
- (e) prescribe, amend and rescind rules and regulations relating to administration of the Plan; and
- (f) make all other determinations and take all other actions deemed necessary, appropriate or advisable for the proper administration of the Plan.

The Committee may make an Award to an individual who the Company expects to become an Employee of the Company or any of its Affiliates within six (6) months after the date of grant of the Award, with the Award being subject to and conditioned on the individual actually becoming an Employee within that time period and subject to other terms and conditions as the Committee may establish. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award to a Holder in the manner and to the extent the Committee deems necessary or desirable to further the Plan's objectives. Further, the Committee shall make all other determinations that may be necessary or advisable for the administration of the Plan. As permitted by law and the terms and provisions of the Plan, the Committee may delegate its authority as identified in this Section 12.2.

The actions of the Committee in exercising all of the rights, powers, and authorities set out in this Article XII and all other Articles of the Plan, when performed in good faith and in its sole judgment, shall be final, conclusive and binding on all persons. The Committee may employ attorneys, consultants, accountants, agents, and other persons, any of whom may be an Employee, and the Committee, the Company, and its officers and Board shall be entitled to rely upon the advice, opinions, or valuations of any such persons.

12.3 Decisions Binding. All determinations and decisions made by the Committee and the Board pursuant to the provisions of the Plan and all related orders and resolutions of the Committee and the Board shall be final, conclusive and binding on all persons, including the Company, its stockholders, Employees, Holders and the estates and beneficiaries of Employees and Holders.

12.4 No Liability. Under no circumstances shall the Company, the Board or the Committee incur liability for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan or the Company's or the Committee's roles in connection with the Plan.

ARTICLE XIII

AMENDMENT OR TERMINATION OF PLAN

13.1 **Amendment, Modification, Suspension, and Termination.** Subject to Section 13.2 the Committee may, at any time and from time to time, alter, amend, modify, suspend, or terminate the Plan and any Award Agreement in whole or in part; provided, however, that, without the prior approval of the Company's stockholders and except as provided in Section 4.6, the Committee shall not directly or indirectly lower the Option Price of a previously granted Option or the grant price of a previously granted SAR issued under the Plan, and no amendment of the Plan shall be made without stockholder approval if stockholder approval is required by applicable law or stock exchange rules.

13.2 **Awards Previously Granted.** Notwithstanding any other provision of the Plan to the contrary, no termination, amendment, suspension, or modification of the Plan or an Award Agreement shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Holder holding such Award.

ARTICLE XIV
MISCELLANEOUS

14.1 **Unfunded Plan/No Establishment of a Trust Fund.** Holders shall have no right, title, or interest whatsoever in or to any investments that the Company or any of its Affiliates may make to aid in meeting obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Holder, beneficiary, legal representative, or any other person. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts, except as expressly set forth in the Plan. No property shall be set aside nor shall a trust fund of any kind be established to secure the rights of any Holder under the Plan. All Holders shall at all times rely solely upon the general credit of the Company for the payment of any benefit which becomes payable under the Plan. The Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended.

14.2 **No Employment Obligation.** The granting of any Award shall not constitute an employment contract, express or implied, nor impose upon the Company or any Affiliate any obligation to employ or continue to employ, or utilize the services of, any Holder. The right of the Company or any Affiliate to terminate the employment of any person shall not be diminished or affected by reason of the fact that an Award has been granted to him, and nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Company or its Affiliates to terminate any Holder's employment at any time or for any reason not prohibited by law.

14.3 **Tax Withholding.** The Company or any Affiliate shall be entitled to deduct from other compensation payable to each Holder any sums required by federal, state or local tax law to be withheld with respect to the vesting or exercise of an Award or lapse of restrictions on an Award. In the alternative, the Company may require the Holder (or other person validly exercising the Award) to pay such sums for taxes directly to the Company or any Affiliate in cash or by check within ten days after the date of vesting, exercise or lapse of restrictions. In the discretion of the Committee, and with the consent of the Holder, the Company may reduce the number of shares of Stock issued to the Holder upon such Holder's exercise of an Option to satisfy the tax withholding obligations of the Company or an Affiliate; provided that the Fair Market Value of the shares of Stock held back shall not exceed the Company's or the Affiliate's Minimum Statutory Withholding Tax Obligations. The Committee may, in its discretion, permit a Holder to satisfy any Minimum Statutory Withholding Tax Obligations arising upon the vesting of Award by delivering to the Holder of the Award a reduced number of shares of Stock in the manner specified herein. If permitted by the Committee and acceptable to the Holder, at the time of vesting of shares of under the Award, the Company shall (a) calculate the amount of the Company's or an Affiliate's Minimum Statutory Withholding Tax Obligations on the assumption that all such shares of Stock vested under the Award are made available for delivery, (b) reduce the number of such shares of Stock made available for delivery so that the Fair Market

Value of the shares of Stock withheld on the vesting date approximates the Company's or an Affiliate Minimum Statutory Withholding Tax Obligation and (c) in lieu of the withheld shares of Stock, remit cash to the United States Treasury and/or other applicable governmental authorities, on behalf of the Holder, in the amount of the Minimum Statutory Withholding Tax Obligations due. The Company shall withhold only whole shares of Stock to satisfy its Minimum Statutory Withholding Tax Obligations. Where the Fair Market Value of the withheld shares of Stock does not equal the amount of the Minimum Statutory Withholding Tax Obligations, the Company shall withhold shares of Stock with a Fair Market Value slightly less than the amount of its Minimum Statutory Withholding Tax Obligation and the Holder must satisfy the remaining Minimum Statutory Withholding Tax Obligation in some other manner permitted under this Section 14.3. The withheld shares of Stock not made available for delivery by the Company shall be retained as treasury shares or will be cancelled and, in either case, the Holder's right, title and interest in such shares of Stock shall terminate. The Company shall have no obligation upon vesting or exercise of any Award or lapse of restrictions on an Award until the Company or an Affiliate has received payment sufficient to cover the Minimum Statutory Withholding Tax Obligation with respect to that vesting, exercise or lapse of restrictions. Neither the Company nor any Affiliate shall be obligated to advise a Holder of the existence of the tax or the amount which it will be required to withhold.

14.4 Written Agreement. Each Award shall be embodied in a written agreement or statement which shall be subject to the terms and conditions of the Plan. The Award Agreement shall be signed by a member of the Committee on behalf of the Committee and the Company or by an executive officer of the Company, other than the Holder, on behalf of the Company, and may be signed by the Holder to the extent required by the Committee. The Award Agreement may contain any other provisions that the Committee in its discretion shall deem advisable which are not inconsistent with the terms and provisions of the Plan.

14.5 Indemnification of the Committee. The Company shall indemnify each present and future member of the Committee against, and each member of the Committee shall be entitled without further action on his or her part to indemnity from the Company for, all expenses (including attorney's fees, the amount of judgments and the amount of approved settlements made with a view to the curtailment of costs of litigation, other than amounts paid to the Company itself) reasonably incurred by such member in connection with or arising out of any action, suit or proceeding in which such member may be involved by reason of such member being or having been a member of the Committee, whether or not he or she continues to be a member of the Committee at the time of incurring the expenses, including, without limitation, matters as to which such member shall be finally adjudged in any action, suit or proceeding to have been negligent in the performance of such member's duty as a member of the Committee. However, this indemnity shall not include any expenses incurred by any member of the Committee in respect of matters as to which such member shall be finally adjudged in any action, suit or proceeding to have been guilty of gross negligence or willful misconduct in the performance of his duty as a member of the Committee. In addition, no right of indemnification under the Plan shall be available to or enforceable by any member of the Committee unless, within 60 days after institution of any action, suit or proceeding, such member shall have offered the Company, in writing, the opportunity to handle and defend same at its own expense. This right of indemnification shall inure to the benefit of the heirs, executors or administrators of each

member of the Committee and shall be in addition to all other rights to which a member of the Committee may be entitled as a matter of law, contract or otherwise.

14.6 **Gender and Number.** If the context requires, words of one gender when used in the Plan shall include the other and words used in the singular or plural shall include the other.

14.7 **Severability.** In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

14.8 **Headings.** Headings of Articles and Sections are included for convenience of reference only and do not constitute part of the Plan and shall not be used in construing the terms and provisions of the Plan.

14.9 **Other Compensation Plans.** The adoption of the Plan shall not affect any other option, incentive or other compensation or benefit plans in effect for the Company or any Affiliate, nor shall the Plan preclude the Company from establishing any other forms of incentive compensation arrangements for Employees.

14.10 **Other Awards.** The grant of an Award shall not confer upon the Holder the right to receive any future or other Awards under the Plan, whether or not Awards may be granted to similarly situated Holders, or the right to receive future Awards upon the same terms or conditions as previously granted.

14.11 **Successors.** All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

14.12 **Law Limitations/Governmental Approvals.** The granting of Awards and the issuance of shares of Stock under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

14.13 **Delivery of Title.** The Company shall have no obligation to issue or deliver evidence of title for shares of Stock issued under the Plan prior to:

(a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and

(b) completion of any registration or other qualification of the Stock under any applicable national or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable.

14.14 **Inability to Obtain Authority.** The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any shares of Stock hereunder, shall

relieve the Company of any liability in respect of the failure to issue or sell such shares of Stock as to which such requisite authority shall not have been obtained.

14.15 Investment Representations. The Committee may require any person receiving Stock pursuant to an Award under the Plan to represent and warrant in writing that the person is acquiring the shares of Stock for investment and without any present intention to sell or distribute such Stock.

14.16 Persons Residing Outside of the United States. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the TMW Group operates or has Employees, the Committee, in its sole discretion, shall have the power and authority to:

- (a) determine which Affiliates shall be covered by the Plan;
- (b) determine which persons employed outside the United States are eligible to participate in the Plan;
- (c) amend or vary the terms and provisions of the Plan and the terms and conditions of any Award granted to persons who reside outside the United States;
- (d) establish subplans and modify exercise procedures and other terms and procedures to the extent such actions may be necessary or advisable — any subplans and modifications to Plan terms and procedures established under this Section 14.16 by the Committee shall be attached to the Plan document as Appendices; and
- (e) take any action, before or after an Award is made, that it deems advisable to obtain or comply with any necessary local government regulatory exemptions or approvals.

Notwithstanding the above, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act, the Code, any securities law or governing statute or any other applicable law.

14.17 No Fractional Shares. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, additional Awards, or other property shall be issued or paid in lieu of fractional shares of Stock or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

14.18 Arbitration of Disputes. Any controversy arising out of or relating to the Plan or an Option Agreement shall be resolved by arbitration conducted pursuant to the arbitration rules of the American Arbitration Association. The arbitration shall be final and binding on the parties.

14.19 Governing Law. The provisions of the Plan and the rights of all persons claiming thereunder shall be construed, administered and governed under the laws of the State of Texas.

Certifications

I, George Zimmer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Men's Wearhouse, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 12, 2008

By /s/ GEORGE ZIMMER

George Zimmer
Chief Executive Officer

Certifications

I, Neill P. Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Men's Wearhouse, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 12, 2008

By /s/ NEILL P. DAVIS

Neill P. Davis
Executive Vice President, Chief Financial Officer,
Treasurer and Principal Financial Officer

**Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002**

Not Filed Pursuant to the Securities Exchange Act of 1934

In connection with the Quarterly Report of The Men's Wearhouse, Inc. (the "Company") on Form 10-Q for the period ending May 3, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George Zimmer, Chief Executive Officer of the Company, certify, pursuant to 18 U. S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirement of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 12, 2008

By /s/ GEORGE ZIMMER
George Zimmer
Chief Executive Officer

**Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002**

Not Filed Pursuant to the Securities Exchange Act of 1934

In connection with the Quarterly Report of The Men's Wearhouse, Inc. (the "Company") on Form 10-Q for the period ending May 3, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Neill P. Davis, Chief Financial Officer of the Company, certify, pursuant to 18 U. S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirement of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 12, 2008

By /s/ NEILL P. DAVIS

Neill P. Davis

Executive Vice President, Chief Financial Officer,
Treasurer and Principal Financial Officer