

**IMPACT OF SOX ON THE APPAREL INDUSTRY
Adverse Section 404 Reports
For Companies with Years Ended in 2006
As of July 6, 2007**

The following is a copy of the nine adverse reports that were issued from companies in the Apparel industry with years ended in 2006. These were all of the accelerated filers in the Apparel industry with adverse Sarbanes-Oxley Section 404 management self assessments. This information was gathered using the online research tool called Audit Analytics an Ives Group, Inc company.

The following is a summary of the **material internal control weaknesses** reported in the nine adverse Section 404 Self Assessments:

Internal Controls - Accounting documentation, policy and/or procedures	6
Internal Controls - Accounting personnel resources, competency/training	4
Internal Controls - Restatement or nonreliance of company filings	3
Internal Controls - Material and/or numerous auditor /YE adjustments	3
Internal Controls - Accounting documentation, policy and/or procedures	3
Internal Controls - Restatement of previous 404 disclosures	2
Internal Controls - Restatement or nonreliance of company filings	1
Internal Controls - Material and/or numerous auditor /YE adjustments	1

The following is a summary of the **material accounting weaknesses** reported in the nine adverse Section 404 Self Assessments. Section 404 is not just about internal control issues, but also about misapplication of financial accounting and reporting issues:

Accounting - Cash flow statement (FAS 95) classification errors	2
Accounting - Cash flow statement (FAS 95) classification errors	2
Accounting - Tax expense/benefit/deferral/other (FAS 109) issues	2
Accounting - Accounts/loans receivable, investments & cash issues	1
Accounting - Deferred, stock-based or executive comp issues	1
Accounting - Financial derivatives/hedging (FAS 133) acctg issues	1
Accounting - Inventory, vendor and cost of sales issues	1
Accounting - Liabilities, payables, reserves and accrual est failures	1
Accounting - Revenue recognition issues	1
Accounting - Tax expense/benefit/deferral/other (FAS 109) issues	1
Accounting - PPE, intangible or fixed asset (value/diminution) issues	1
Accounting - Fin Stmt, footnote, US GAAP, segment disclosure issues	1



POLO RALPH LAUREN CORP

10-K 2006 Management - Internal Control Assessment

Management's Report of Internal Control Over Financial Reporting Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Securities Exchange Act Rule 13a-15(f). Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with U.S. Generally Accepted Accounting Principles. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the design and effectiveness of our internal control over financial reporting as of the end of the fiscal year covered by this report based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework. Based on this evaluation, management concluded that, as of April 1, 2006, the Company did not maintain effective internal control over financial reporting as there was more than a remote likelihood that a material misstatement of the Company's annual or interim financial statements with respect to income taxes would not be prevented or detected, on a timely basis, by Company employees in the normal course of performing their assigned functions. This control deficiency, which management first determined to be a material weakness under the Public Company Accounting Oversight Board's Auditing Standard No. 2 in its Annual Report on Form 10-K for the fiscal year ended April 2, 2005, largely related to inadequate internal tax resources for a sufficient period of time, lack of formal training for tax personnel and inadequate controls and procedures over the tax accounting process to complete a comprehensive and timely review of the income tax accounts and required tax footnote disclosures. Because this material weakness was not fully remediated as of the end of Fiscal 2006, our management believes that, as of April 1, 2006, we did not maintain effective internal control over financial reporting based on the COSO criteria. The Company's assessment of its internal control over financial reporting did not include an evaluation of the internal controls of its Footwear Business and Polo Jeans Business, which were acquired during Fiscal 2006. Accordingly, the Company's conclusion regarding the effectiveness of its internal controls over financial reporting does not extend to the internal controls of such businesses. In the aggregate, the Footwear Business and Polo Jeans Business represented 14.7% of the total consolidated assets, 2.6% of total consolidated revenues and 1.5% of total consolidated operating income of the Company as of and for the fiscal year ended April 1, 2006. Management's assessment of the effectiveness of internal control over financial reporting as of April 1, 2006 was audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is included in this Annual Report on Form 10-K.

ASHWORTH INC

10-K 2006 Management - Internal Control Assessment

Management's Report on Internal Control over Financial Reporting Our management is responsible for establishing and maintaining adequate internal control over financial reporting

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as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Internal control over financial reporting refers to the process designed by, or under the supervision of, our CEO and PAO, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Management has used the framework set forth in the report entitled Internal Control—Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, known as COSO, to evaluate the effectiveness of the Company's internal control over financial reporting as of October 31, 2006. As a result of our assessment, management identified one material weakness in internal control over financial reporting as of October 31, 2006. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Inadequate Internal Controls over Inventory Costing As of October 31, 2006, management did not maintain effective internal controls over inventory costing. This material weakness resulted in a material adjustment to income from operations in the fourth quarter. Certain product completion costs that are incurred immediately prior to shipment were being improperly capitalized as part of a substantial amount of the Company's inventory. This resulted in an adjustment to the ending inventory value. The adjustment points to a material weakness in the design of the Company's internal controls over financial reporting.

TRUE RELIGION APPAREL INC

10-K 2006 Management - Internal Control Assessment

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING Management of True Religion Apparel, Inc. is responsible for establishing and maintaining an adequate system of internal control over financial reporting. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. As of the end of the 2006 fiscal year, management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in Internal Control-Integrated Framework (the "Framework") issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its evaluation, management concluded that the Company's system of internal control over financial reporting was ineffective as of December 31, 2006. Based on the COSO criteria, management has identified control deficiencies that constitute material weaknesses. A material weakness is a control deficiency or a combination of control deficiencies, which results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected in a timely manner. Specifically, the following material weaknesses were detected or identified. As a result of the audit, our Independent Registered Public Accounting Firm discovered a material understatement of accounts payable and accrued expenses. As a result of the discovery of these errors, the Company recorded approximately \$1,015,000 of additional expenses for the

year ended December 31, 2006. These errors were not discovered by our internal controls; specifically our year end search for unrecorded liabilities. Management has concluded this constitutes a material weakness with respect to the controls over completeness of accounts payable and accrued expenses. In connection with its review of our consolidated financial statements, our Independent Registered Public Accounting Firm discovered that the consolidated financial statements we presented to them before our filing of the Form 10-K were not in compliance with Regulation S-X and Generally Accepted Accounting Principles. Specifically, the consolidated financial statements we presented to our Independent Registered Public Accounting Firm were lacking significant disclosures and contained inconsistencies within the document. Management has concluded that a material weakness existed with respect to its controls over the financial reporting process. During the quarter ended September 30, 2006, the Company incorrectly calculated its provision for income taxes and related deferred tax assets resulting in an adjustment of approximately \$900,000 to increase income tax expense, approximately \$166,000 to increase deferred tax assets, and approximately \$1,066,000 to decrease prepaid income taxes. Management has concluded that a material weakness existed at that time over the accuracy of its calculation of provision for income taxes and related balance sheet accounts. Because of these material weaknesses, management concluded that we did not maintain effective control over financial reporting as of December 31, 2006, based on the COSO criteria. The independent registered public accounting firm of Stonefield Josephson, Inc., as auditors of the Company's consolidated financial statements, has audited our management's assessment of the effectiveness of our internal controls over financial reporting as of December 31, 2006, as stated in their report, which appears herein.

BUCKLE INC

10-K/A 2006 Management - Internal Control Assessment

Management's Report on Internal Control over Financial Reporting (as revised) - Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15-d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United State of America ("GAAP"). All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In the Company's 2006 annual report on Form 10-K, filed on April 11, 2006, management of the Company included Management's Report on Internal Control Over Financial Reporting, which expressed a conclusion by management that as of January 28, 2006, the Company's internal control over financial reporting was effective. In connection with the restatement of its financial statements, as described further in Note M to the financial statements, management determined that a material weakness in internal control over financial reporting existed as of January 28, 2006 and, accordingly, has revised its assessment of the effectiveness of the Company's internal control over financial reporting as of January 28, 2006. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management identified the following material weakness in their revised assessment. The Company's controls over the accounting for cash and cash equivalents and short-term investments did not operate effectively to appropriately identify

certain auction-rate securities and determine that such auction-rate securities and certain other investments were presented in accordance with generally accepted accounting principles with the Company's balance sheet and statement of cash flows. This material weakness resulted in the restatement of the Company's 2004, 2005 and 2006 annual financial statements. Management based this revised assessment of the effectiveness of the Company's internal control over financial reporting as of January 28, 2006, on the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in their Internal Control-Integrated Framework. Based on the revised assessment of internal control over financial reporting, management has concluded that the Company's internal control over financial reporting was not effective as of January 28, 2006. The Company's independent registered public accounting firm, Deloitte & Touche LLP, has audited management's assessment of the Company's internal control over financial reporting. Their report appears herein.

CACHE INC

10-K 2006 Management - Internal Control Assessment

(2) Management's Annual Report on Internal Control over Financial Reporting—Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). A system of internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 30, 2006. In making its assessment of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in Internal Control—Integrated Framework.

In performing this assessment, management evaluated the impact of certain matters identified during its financial year-end closing and reporting process. These matters related to the completeness of the review and inadequate consideration in the application of certain technical interpretations of generally accepted accounting principles, evidenced by adjustments in the following areas; (1) forfeiture rates associated with stock based compensation and classification of excess tax benefits, associated with the exercise of stock options within the statement of cash flows in accordance with Statement of Financial Accounting Standards No. 123(R) "Share-Based Payments", (2) completeness of the Company's analysis of the accounting for income taxes, and (3) documentation of an analysis in regard to fixed asset impairment, which resulted in the Company recording an adjustment relating to fixed asset impairment for one store that will close in 2007. Based upon the foregoing, management has determined that material weakness described above represents a material weakness and that the Company's internal control over financial reporting was not effective based on the criteria established by COSO as of December 30, 2006.

A material weakness in internal control over financial reporting is a control deficiency (within the meaning of the Public Company Accounting Oversight Board's ("PCAOB") Auditing

Standard No. 2), or combination of control deficiencies, that results in there being more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. PCAOB Auditing Standard No. 2 identifies a number of circumstances that, because of their likely significant negative effect on internal control over financial reporting, are to be regarded as at least significant deficiencies as well as strong indicators that a material weakness exists, including the restatement of previously issued financial statements to reflect the correction of a misstatement.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on management's assessment of the Company's internal control over financial reporting. This report appears below.

Remediation Steps to Address the Material Weakness—We are currently reviewing our remediation process for the material weakness described above. We may conclude to take one or more of the following actions:

- i. Clearly define roles and responsibilities throughout the accounting/finance organization;
- ii. Implement additional training of finance personnel;
- iii. Conducting a review of accounting processes to strengthen the design and operation of controls;
- iv. Implement policies to ensure the accuracy of accounting calculations supporting the amounts reflected in our financial statements

These remediation plans will be implemented during the second and third quarters of fiscal 2007. The material weakness will not be considered remediated until the applicable remedial procedures operate for a period of time, such procedures are tested and management has concluded that the procedures are operating effectively.

FINLAY ENTERPRISES INC /DE

10-K 2006 Management - Internal Control Assessment

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We excluded from our assessment the internal control over financial reporting within our Carlyle subsidiary, which was acquired on May 19, 2005, and whose financial statements reflect total assets and net sales constituting 13.0% and 7.0%, respectively, of the related

consolidated financial statement amounts as of and for the year ended January 28, 2006.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management's assessment identified the following material weakness in internal control over financial reporting.

During the year ended January 28, 2006, an error was made in the classification of the payment of Carlyle debt assumed upon acquisition as a component of cash flows from operating activities rather than as a component of cash flows from financing activities on the consolidated statements of cash flows. This misclassification had no impact on the increase (decrease) in cash and cash equivalents for the period. This misclassification was corrected and is reflected properly in the consolidated statements of cash flows for the year ended January 28, 2006. The correction of this misstatement will result in the restatement of the consolidated statements of cash flows for the thirteen weeks and twenty-six weeks ended July 30, 2005 and thirty-nine weeks ended October 29, 2005 to reflect the repayment of the debt in accordance with SFAS No. 95, "Statement of Cash Flows" as cash used in financing activities rather than operating activities. We anticipate correcting this in our Form 10-Q filings for the second and third quarters of 2006. As a result, the Company's controls related to the review, monitoring and analysis of the consolidated statements of cash flows to determine that transactions were appropriately classified in accordance with SFAS No. 95, "Statement of Cash Flows" did not operate effectively.

Management concluded that as of January 28, 2006, as a result of the material weakness described above, we did not maintain effective internal control over financial reporting. Management and the Audit Committee agree that this control deficiency constitutes a material weakness.

Our management's assessment of the effectiveness of our internal control over financial reporting as of January 28, 2006 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

FINLAY FINE JEWELRY CORP

10-K 2006 Management - Internal Control Assessment

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We excluded from our assessment the internal control over financial reporting within our Carlyle subsidiary, which was acquired on May 19, 2005, and whose financial statements reflect total assets and net sales constituting 13.0% and 7.0%, respectively, of the related

consolidated financial statement amounts as of and for the year ended January 28, 2006.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management's assessment identified the following material weakness in internal control over financial reporting.

During the year ended January 28, 2006, an error was made in the classification of the payment of Carlyle debt assumed upon acquisition as a component of cash flows from operating activities rather than as a component of cash flows from financing activities on the consolidated statements of cash flows. This misclassification had no impact on the increase (decrease) in cash and cash equivalents for the period. This misclassification was corrected and is reflected properly in the consolidated statements of cash flows for the year ended January 28, 2006. The correction of this misstatement will result in the restatement of the consolidated statements of cash flows for the thirteen weeks and twenty-six weeks ended July 30, 2005 and thirty-nine weeks ended October 29, 2005 to reflect the repayment of the debt in accordance with SFAS No. 95, "Statement of Cash Flows" as cash used in financing activities rather than operating activities. We anticipate correcting this in our Form 10-Q filings for the second and third quarters of 2006. As a result, the Company's controls related to the review, monitoring and analysis of the consolidated statements of cash flows to determine that transactions were appropriately classified in accordance with SFAS No. 95, "Statement of Cash Flows" did not operate effectively.

Management concluded that as of January 28, 2006, as a result of the material weakness described above, we did not maintain effective internal control over financial reporting. Management and the Audit Committee agree that this control deficiency constitutes a material weakness.

Our management's assessment of the effectiveness of our internal control over financial reporting as of January 28, 2006 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

COLDWATER CREEK INC

10-K/A 2006 Management - Internal Control Assessment

Management's Report on Internal Control Over Financial Reporting (restated)

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control system is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of January 28, 2006. Management's assessment was based on criteria set forth in Internal Control – Integrated Framework, issued by the Committee of Sponsoring



Organizations of the Treadway Commission (COSO).

In the Company's Annual Report in Form 10-K for the year ended January 28, 2006, filed on April 13, 2006, management concluded that the Company's internal control over financial reporting was effective as of January 28, 2006. Subsequently, the Company determined to restate certain of its previously issued financial statements to correct the recognition of revenue under its co-branded credit card program. As a result of this restatement, management reassessed the Company's internal control over financial reporting using the COSO criteria and identified a material weakness related to the recognition of revenue under its co-branded credit card program that existed as of January 28, 2006. Specifically, the Company determined that it lacked technical expertise to evaluate revenue arrangements containing multiple deliverables and effectively identify and analyze the terms of such arrangements to ensure that financial reporting complied with generally accepted accounting principles. As a result, the Company has restated the interim financial statements in its quarterly reports on Form 10-Q for the quarters ended July 30, 2005 and October 29, 2005 and the fiscal 2005 financial statements and fourth quarter financial information included in its Form 10-K for the year ended January 28, 2006 to correct an overstatement in credit card marketing revenue.

Table of Contents A material weakness in internal control over financial reporting is a control deficiency (within the meaning of the Public Company Accounting Oversight Board's ("PCAOB") Auditing Standard No. 2), or combination of control deficiencies, that results in there being more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. PCAOB Auditing Standard No. 2 identifies a number of circumstances that, because of their likely significant negative effect on internal control over financial reporting, are to be regarded as at least significant deficiencies, as well as strong indicators of a material weakness, including the restatement of previously issued financial statements to reflect the correction of a misstatement. As a result of the aforementioned material weakness related to the Company's accounting for revenue arrangements containing multiple deliverables, management has revised its previously reported assessment and has concluded that, as of January 28, 2006, the Company's internal control over financial reporting was not effective based on the criteria set forth in the COSO framework.

The Company's independent registered public accounting firm, KPMG LLP, has issued an audit report on management's restated assessment of the Company's internal control over financial reporting, included elsewhere in this report.

ZALE CORP

10-K 2006 Management - Internal Control Assessment

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING To the Stockholders of Zale Corporation: The management of Zale Corporation and its subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is designed to provide reasonable assurance to management and the Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also,

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projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures included in such controls may deteriorate. Our management has assessed the effectiveness of our internal control over financial reporting as of July 31, 2006. In making this assessment, management used criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework. Based on this assessment, the following material weakness was identified in the Company's internal control over financial reporting: The Company did not maintain effective policies and procedures to ensure the accounting for certain derivative financial instrument in accordance with Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). Specifically, the Company had inadequate policies and procedures in place to ensure compliance with the documentation requirements of SFAS 133 at inception of the hedge relationship and failed to properly assess effectiveness and measure ineffectiveness at inception and on a quarterly basis. In addition, the Company did not have resources with sufficient technical experience related to the application of the provisions of SFAS 133. These deficiencies resulted in errors related to the recognition and classification of gains and losses on certain derivative financial instruments in the Company's financial statements. These deficiencies also resulted in more than a remote likelihood that a material misstatement of the annual or interim financial statements would not be prevented or detected. Because of the material weakness described above, management concluded that the Company's internal control over financial reporting was not effective as of July 31, 2006. KPMG LLP, the registered public accounting firm that audited the financial statements included in this Form 10-K filing, has issued an audit report on management's assessment of our internal control over financial reporting. That report appears on page F-3. Mary E. Burton George R. Mihalko, Jr. President, Chief Executive Officer Chief Financial Officer, and Director Chief Administrative Officer and Director October 12, 2006 October 12, 2006

TIMBERLAND CO

10-K/A 2006 Management - Internal Control Assessment

Management's Annual Report on Internal Control Over Financial Reporting (as revised) Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rules 13a-15(f). Timberland's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of Timberland's internal control over financial reporting as of December 31, 2006. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Management has concluded that a material weakness in internal control over financial reporting existed related to controls over the proper application of generally accepted accounting principles for certain complex transactions, including the accounting for derivative instruments as of December 31, 2006. As a result of this material weakness, management revised its earlier assessment and concluded that Timberland's internal control over financial reporting was not effective as of December 31, 2006. As discussed in Note 8 to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K/A, we



acquired Howies Limited ("Howies") on December 1, 2006. As a result of the timing of the acquisition and as permitted by the Securities and Exchange Commission, management has excluded certain internal controls at Howies from its assessment of the internal control over financial reporting as of December 31, 2006. The areas excluded constitute less than 1% of total assets, revenue and net income of the consolidated financial statement amounts as of and for the year ended December 31, 2006. Timberland's independent registered public accounting firm has issued a report on management's revised assessment of Timberland's internal control over financial reporting, which appears below.

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