

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

FORM 10-Q

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

For the Quarterly Period Ended October 31, 2009

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 1-16497

MOVADO GROUP, INC.
(Exact Name of Registrant as Specified in its Charter)

New York
(State or other jurisdiction
of incorporation or organization)

650 From Road, Ste. 375
Paramus, New Jersey
(Address of principal executive offices)

13-2595932
(IRS Employer
Identification No.)

07652-3556
(Zip Code)

(201) 267-8000

(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 that past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

The number of shares outstanding of the registrant's common stock and class A common stock as of November 30, 2009 was 17,931,736 and 6,634,319, respectively.

MOVADO GROUP, INC.

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October 31, 2009

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

MOVADO GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	<u>October 31, 2009</u>	<u>January 31, 2009</u>	<u>October 31, 2008</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 49,478	\$ 86,621	\$ 85,077
Trade receivables, net	105,469	76,710	118,464
Inventories, net	228,766	228,884	236,734
Other current assets	35,711	47,863	42,245
Total current assets	<u>419,424</u>	<u>440,078</u>	<u>482,520</u>
Property, plant and equipment, net	58,142	66,749	71,359
Deferred income taxes	10,014	23,449	17,753
Other non-current assets	28,648	33,714	34,761
Total assets	<u>\$ 516,228</u>	<u>\$ 563,990</u>	<u>\$ 606,393</u>
LIABILITIES AND EQUITY			
Current liabilities:			
Loans payable to banks	\$ -	\$ 40,000	\$ -
Current portion of long-term debt	-	25,000	10,000
Accounts payable	17,373	20,794	33,146
Accrued liabilities	43,760	47,686	50,010
Deferred and current income taxes payable	484	430	392
Total current liabilities	<u>61,617</u>	<u>133,910</u>	<u>93,548</u>
Long-term debt	24,910	-	59,324
Deferred and non-current income taxes payable	6,116	6,856	6,706
Other non-current liabilities	20,763	22,459	21,279
Total liabilities	<u>113,406</u>	<u>163,225</u>	<u>180,857</u>
Commitments and contingencies (Note 8)			
Equity:			
Preferred Stock, \$0.01 par value, 5,000,000 shares authorized; no shares issued	-	-	-
Common Stock, \$0.01 par value, 100,000,000 shares authorized; 25,103,084, 24,592,682 and 24,588,116 shares issued, respectively	251	246	246
Class A Common Stock, \$0.01 par value, 30,000,000 shares authorized; 6,634,319, 6,634,319 and 6,634,319 shares issued and outstanding, respectively	66	66	66
Capital in excess of par value	137,078	131,796	131,972
Retained earnings	289,414	320,481	344,501
Accumulated other comprehensive income	76,114	44,041	44,520
Treasury Stock, 7,171,348, 6,826,734 and 6,824,799 shares, respectively, at cost	(102,071)	(97,371)	(97,329)
Total Movado Group, Inc. shareholders' equity	<u>400,852</u>	<u>399,259</u>	<u>423,976</u>
Noncontrolling interests	1,970	1,506	1,560
Total equity	<u>402,822</u>	<u>400,765</u>	<u>425,536</u>
Total liabilities and equity	<u>\$ 516,228</u>	<u>\$ 563,990</u>	<u>\$ 606,393</u>

See Notes to Consolidated Financial Statements

MOVADO GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2009	2008	2009	2008
Net sales	\$ 128,966	\$ 135,846	\$ 286,242	\$ 366,888
Cost of sales	68,618	50,405	138,544	133,944
Gross profit	60,348	85,441	147,698	232,944
Selling, general and administrative	57,409	70,821	155,098	205,571
Operating (loss) / income	2,939	14,620	(7,400)	27,373
Interest expense	(1,080)	(691)	(3,797)	(2,191)
Interest income	16	413	87	1,893
(Loss) / income before income taxes and noncontrolling interests	1,875	14,342	(11,110)	27,075
Provision for / (benefit from) income taxes (Note 9)	22,519	(1,434)	19,725	1,802
Net (loss) / income	(20,644)	15,776	(30,835)	25,273
Less: Net income attributed to noncontrolling interests	226	47	232	159
Net (loss) / income attributed to Movado Group, Inc.	\$ (20,870)	\$ 15,729	\$ (31,067)	\$ 25,114
Basic (loss) / income per share:				
Net (loss) / income per share	\$ (0.85)	\$ 0.64	\$ (1.27)	\$ 1.01
Weighted basic average shares outstanding	24,558	24,391	24,509	24,892
Diluted (loss) / income per share:				
Net (loss) / income per share	\$ (0.85)	\$ 0.62	\$ (1.27)	\$ 0.97
Weighted diluted average shares outstanding	24,558	25,225	24,509	25,792
Dividends per share	\$ -	\$ 0.08	\$ -	\$ 0.24

See Notes to Consolidated Financial Statements

MOVADO GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended October 31,	
	2009	2008
Cash flows from operating activities:		
Net (loss) / income	\$ (30,835)	\$ 25,273
Adjustments to reconcile net (loss) / income to net cash used in operating activities:		
Depreciation and amortization	14,346	13,615
Deferred income taxes	20,442	(5,953)
Provision for losses on accounts receivable	1,453	1,855
Provision for losses on inventory	656	1,818
Loss on disposition of property, plant and equipment	-	37
Stock-based compensation	862	(475)
Excess tax / (benefit) from stock-based compensation	478	(361)
Changes in assets and liabilities:		
Trade receivables	(25,787)	(29,752)
Inventories	15,989	(43,391)
Other current assets	9,937	5,721
Accounts payable	(4,294)	(4,393)
Accrued liabilities	(4,353)	4,751
Current income taxes payable	(430)	(2,049)
Other non-current assets	1,429	3,072
Other non-current liabilities	(1,700)	(2,920)
Net cash used in operating activities	(1,807)	(33,152)
Cash flows from investing activities:		
Capital expenditures	(3,373)	(16,990)
Trademarks	(382)	(629)
Net cash used in investing activities	(3,755)	(17,619)
Cash flows from financing activities:		
Proceeds from borrowings	55,909	40,000
Repayments of borrowings	(89,928)	(31,753)
Stock options exercised and other changes	203	934
Purchase of treasury stock	-	(37,872)
Excess (tax) / benefit from stock-based compensation	(478)	361
Financing fee	(2,751)	-
Distribution of minority interests earnings	-	(297)
Dividends paid	(1,220)	(5,909)
Net cash used in financing activities	(38,265)	(34,536)
Effect of exchange rate changes on cash and cash equivalents	6,684	833
Net decrease in cash and cash equivalents	(37,143)	(84,474)
Cash and cash equivalents at beginning of period	86,621	169,551
Cash and cash equivalents at end of period	\$ 49,478	\$ 85,077

See Notes to Consolidated Financial Statements

MOVADO GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared by Movado Group, Inc. (the "Company") in a manner consistent with that used in the preparation of the consolidated financial statements included in the Company's fiscal 2009 Annual Report filed on Form 10-K. In the opinion of management, unless otherwise noted, the accompanying consolidated financial statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair statement of the financial position and results of operations for the periods presented. These consolidated financial statements should be read in conjunction with the aforementioned Annual Report. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the full year.

NOTE 1 – RECLASSIFICATIONS AND REVISIONS

Certain reclassifications were made to prior year's financial statement amounts and related note disclosures to conform to the fiscal 2010 presentation as a result of the adoption of new accounting guidance related to noncontrolling interests in the consolidated financial statements. Additionally, certain expenses associated with the Company's watch repair activities were reclassified from selling, general and administrative expenses to cost of sales on the Company's Consolidated Statements of Income.

During the previous quarters of fiscal 2010, the Company had accounted for certain items within inventory and cost of sales which resulted in an overstatement of gross margin by \$1.3 million and \$1.0 million for the three months ended April 30, 2009 and July 31, 2009, respectively. Such amounts were not material to the previously issued financial statements for the first and second quarter of fiscal 2010. The Company has reflected this revision in its financial statements for the nine months ended October 31, 2009 and, as a result, the adjustment recorded had no impact on the results for the three months ended October 31, 2009. Furthermore, the Company will make the corresponding adjustments to the April 30, 2009 and July 31, 2009 financial statements as appropriate the next time those financial statements are filed.

NOTE 2 – FAIR VALUE MEASUREMENTS

As of February 1, 2008, the Company adopted accounting guidance related to fair value measurements for financial assets and liabilities that are recognized or disclosed at fair value in the Company's consolidated financial statements and on February 1, 2009, the Company adopted fair value measurements for non-recurring financial assets and liabilities. The adoption did not have a material effect on the Company's consolidated financial statements. The guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance establishes a fair value hierarchy which prioritizes the inputs used in measuring fair value into three broad levels as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 - Unobservable inputs based on the Company's assumptions.

The guidance requires the use of observable market data if such data is available without undue cost and effort. The Company's adoption of the guidance did not result in any changes to the accounting for its financial assets and

liabilities. Therefore, the primary impact to the Company upon its adoption of this guidance was to expand its fair value measurement disclosures.

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of October 31, 2009 (in thousands):

	Fair Value at October 31, 2009			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities	\$ 216	\$ -	\$ -	\$ 216
SERP assets - employer	720	-	-	720
SERP assets - employee	12,131	-	-	12,131
Hedge derivatives	-	1,919	-	1,919
Total	\$ 13,067	\$ 1,919	\$ -	\$ 14,986
Liabilities:				
SERP liabilities - employee	\$ 12,131	\$ -	\$ -	\$ 12,131
Hedge derivatives	-	152	-	152
Total	\$ 12,131	\$ 152	\$ -	\$ 12,283

The fair values of the Company's available-for-sale securities are based on quoted prices. The hedge derivatives are entered into by the Company principally to reduce its exposure to the Swiss franc exchange rate risk. Fair values of the Company's hedge derivatives are calculated based on quoted foreign exchange rates, quoted interest rates and market volatility factors. The assets related to the Company's defined contribution supplemental executive retirement plan ("SERP") consist of both employer (employee unvested) and employee assets which are invested in investment funds with fair values calculated based on quoted market prices. The SERP liability represents the Company's liability to the employees in the plan for their vested balances.

NOTE 3 – TOTAL EQUITY

The components of equity for the nine months ended October 31, 2009 and 2008 are as follows (in thousands):

	Common Stock	Class A Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income		Noncontrolling Interests	Total
						Income	Interests		
Balance, January 31, 2009	\$ 246	\$ 66	\$131,796	\$320,481	(\$97,371)	\$44,041		\$1,506	\$400,765
Net (loss) / income				(31,067)				232	(30,835)
Stock options exercised, net of tax	5		4,618		(4,700)				(77)
Stock-based compensation expense				862					862
Supplemental executive retirement plan			(198)						(198)
Net unrealized gain on investments, net of tax							81		81
Net change in effective portion of hedging contracts, net of tax							(738)		(738)
Foreign currency translation adjustment							32,730	232	32,962
Balance, October 31, 2009	\$251	\$ 66	\$137,078	\$289,414	(\$102,071)	\$76,114		\$1,970	\$402,822

	Common Stock	Class A Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total
Balance, January 31, 2008	\$243	\$ 66	\$128,902	\$325,296	(\$57,202)	\$65,748	\$2,007	\$465,060
Net income				25,114			159	25,273
Dividends declared				(5,909)				(5,909)
Stock repurchase					(37,872)			(37,872)
Stock options exercised, net of tax	3		3,429		(2,255)			1,177
Stock-based compensation expense			(475)					(475)
Supplemental executive retirement plan			116					116
Net unrealized loss on investments, net of tax						(92)		(92)
Net change in effective portion of hedging contracts, net of tax						(1,777)		(1,777)
Foreign currency translation adjustment						(19,359)	(309)	(19,668)
Distribution of noncontrolling interests earnings							(297)	(297)
Balance, October 31, 2008	\$246	\$ 66	\$131,972	\$344,501	(\$97,329)	\$44,520	\$1,560	\$425,536

The components of comprehensive income / (loss) for the three months and nine months ended October 31, 2009 and 2008 are as follows (in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2009	2008	2009	2008
Net (loss) / income	\$ (20,644)	\$ 15,776	\$ (30,835)	\$ 25,273
Net unrealized gain / (loss) on investments, net of tax	(16)	(142)	81	(92)
Net change in effective portion of hedging contracts, net of tax	(491)	(1,796)	(738)	(1,777)
Foreign currency translation adjustments (1)	16,572	(26,306)	32,730	(19,359)
Comprehensive income / (loss)	(4,579)	(12,468)	1,238	4,045
Less: Comprehensive income / (loss) attributable to noncontrolling interests	270	(400)	464	(447)
Total comprehensive income / (loss) attributable to Movado Group, Inc.	\$ (4,849)	\$ (12,068)	\$ 774	\$ 4,492

(1) The foreign currency translation adjustments are not adjusted for income taxes as they relate to permanent investments in international subsidiaries.

NOTE 4 – SEGMENT INFORMATION

The Company follows accounting guidance related to disclosures about segments of an enterprise and related information. This guidance requires disclosure of segment data based on how management makes decisions about allocating resources to segments and measuring their performance.

The Company conducts its business primarily in two operating segments: Wholesale and Retail. The Company's Wholesale segment includes the designing, manufacturing and distribution of quality watches, in addition to revenue generated from after sales service activities and shipping. The Retail segment includes the Movado Boutiques and

outlet stores. The Company divides its business into two major geographic segments: United States operations, and International, which includes the results of all other Company operations. The allocation of geographic revenue is based upon the location of the customer. The Company's international operations are principally conducted in Europe, Asia, Canada, the Middle East, South America and the Caribbean. The Company's international assets are substantially located in Switzerland.

Operating Segment Data for the Three Months Ended October 31, 2009 and 2008 (in thousands):

	Net Sales		Operating Income (Loss) (1)	
	2009	2008	2009	2008
Wholesale	\$ 110,987	\$ 117,496	\$ 4,208	\$ 16,161
Retail	17,979	18,350	(1,269)	(1,541)
Consolidated total	<u>\$ 128,966</u>	<u>\$ 135,846</u>	<u>\$ 2,939</u>	<u>\$ 14,620</u>

Operating Segment Data for the Nine Months Ended October 31, 2009 and 2008 (in thousands):

	Net Sales		Operating (Loss) Income (1)	
	2009	2008	2009	2008
Wholesale	\$ 232,396	\$ 309,773	\$ (4,176)	\$ 31,637
Retail	53,846	57,115	(3,224)	(4,264)
Consolidated total	<u>\$ 286,242</u>	<u>\$ 366,888</u>	<u>\$ (7,400)</u>	<u>\$ 27,373</u>

	Total Assets		
	October 31, 2009	January 31, 2009	October 31, 2008
Wholesale	\$ 472,845	\$ 515,517	\$ 547,937
Retail	43,383	48,473	58,456
Consolidated total	<u>\$ 516,228</u>	<u>\$ 563,990</u>	<u>\$ 606,393</u>

(1) Fiscal 2009 Wholesale Operating Income includes severance related costs of \$3.4 million and \$5.6 million for the three and nine months ended October 31, 2008.

Geographic Segment Data for the Three Months Ended October 31, 2009 and 2008 (in thousands):

	Net Sales		Operating (Loss) Income (2)	
	2009	2008	2009	2008
United States	\$ 79,615	\$ 79,021	\$ (4,883)	\$ 3,595
International	49,351	56,825	7,822	11,025
Consolidated total	<u>\$ 128,966</u>	<u>\$ 135,846</u>	<u>\$ 2,939</u>	<u>\$ 14,620</u>

United States and International net sales are net of intercompany sales of \$56.7 million and \$68.3 million for the three months ended October 31, 2009 and 2008, respectively.

Geographic Segment Data for the Nine Months Ended October 31, 2009 and 2008 (in thousands):

	Net Sales		Operating (Loss) Income (2)	
	2009	2008	2009	2008
United States	\$ 171,339	\$ 202,975	\$ (22,619)	\$ (9,180)
International	114,903	163,913	15,219	36,553
Consolidated total	<u>\$ 286,242</u>	<u>\$ 366,888</u>	<u>\$ (7,400)</u>	<u>\$ 27,373</u>

United States and International net sales are net of intercompany sales of \$159.8 million and \$209.9 million for the nine months ended October 31, 2009 and 2008 respectively.

(2) Fiscal 2009 United States Operating Income / (Loss) includes severance related costs of \$2.4 million and \$3.6 million for the three and nine months ended October 31, 2008. Fiscal 2009 International Operating Income includes severance related costs of \$1.0 million and \$2.0 million for the three and nine months ended October 31, 2008.

	Total Assets		
	October 31, 2009	January 31, 2009	October 31, 2008
United States	\$ 214,586	\$ 289,567	\$ 307,055
International	301,642	274,423	299,338
Consolidated total	<u>\$ 516,228</u>	<u>\$ 563,990</u>	<u>\$ 606,393</u>

	Long-Lived Assets		
	October 31, 2009	January 31, 2009	October 31, 2008
United States	\$ 42,842	\$ 50,369	\$ 54,803
International	15,300	16,380	16,556
Consolidated total	<u>\$ 58,142</u>	<u>\$ 66,749</u>	<u>\$ 71,359</u>

NOTE 5 – INVENTORIES, NET

Inventories consist of the following (in thousands):

	October 31, 2009	January 31, 2009	October 31, 2008
Finished goods	\$ 144,287	\$ 146,073	\$ 147,424
Component parts	63,104	81,423	79,322
Work-in-process	21,375	1,388	9,988
	<u>\$ 228,766</u>	<u>\$ 228,884</u>	<u>\$ 236,734</u>

NOTE 6 – DEBT AND LINES OF CREDIT

On June 5, 2009, the Company, together with Movado Group Delaware Holdings Corporation, Movado Retail Group, Inc. and Movado LLC (together with the Company, the “Borrowers”), each a wholly-owned domestic subsidiary of the Company, entered into a Loan and Security Agreement (the “Original Loan Agreement”) with Bank of America,

N.A. as agent and lender thereunder. The Original Loan Agreement provided for a \$50.0 million asset based senior secured revolving credit facility, including a \$15.0 million letter of credit subfacility, that matures on June 5, 2012.

On July 17, 2009, the Borrowers entered into an Amended and Restated Loan and Security Agreement (the "Amended Loan Agreement") with Bank of America, N.A. and Bank Leumi USA, as lenders, and Bank of America, N.A., as agent (in such capacity, the "Agent"), which amended and restated the Original Loan Agreement. The Amended Loan Agreement added Bank Leumi USA as a lender thereunder and, to accommodate Bank Leumi USA holding up to \$15.0 million of the Borrowers' obligations thereunder, increased the size of the Borrowers' asset based senior secured revolving credit facility (the "Facility") from \$50.0 million to \$55.0 million, including a \$15.0 million letter of credit subfacility. The maturity date of the Facility remains June 5, 2012. The collateral securing the Facility also remains unchanged.

Availability is determined by reference to a borrowing base which is based on the sum of a percentage of eligible accounts receivable and eligible inventory of the Borrowers. As in the Original Loan Agreement, \$10.0 million in availability is blocked until the date on which the Borrowers have achieved for a four fiscal quarter period a consolidated fixed charge ratio of at least 1.25 to 1.0 and have domestic EBITDA greater than a specified amount, but under the Amended Loan Agreement, the availability block must remain in place for at least one year and the domestic EBITDA test has been increased from \$0 to \$10.0 million. In the Original Loan Agreement, the amount of the availability block could be reduced by the amount by which the borrowing base exceeded the aggregate amount of the commitments, up to a maximum reduction of \$7.5 million. As the aggregate amount of the commitments under the Amended Loan Agreement has increased to \$55.0 million, the maximum reduction in the availability block attributable to excess borrowing base has been reduced to \$5.0 million. Availability under the Facility may be further reduced by certain reserves established by the Agent in its good faith credit judgment.

The initial applicable margins were reduced for LIBOR rate loans from 4.50% to 4.25% and for base rate loans from 3.50% to 3.25%. Whereas the applicable margins under the Original Loan Agreement were fixed for the term of the Facility, under the Amended Loan Agreement, after July 17, 2010 the applicable margins decrease or increase by 0.25% per annum from the initial applicable margins depending on whether average availability for the most recently completed fiscal quarter is either greater than \$12.5 million, or is \$5.0 million or less, respectively. The Company has also agreed to pay certain fees and expenses and provide certain indemnities, all of which are customary for such financings.

Under the Amended Loan Agreement, prior to the date on which the availability block is released (the "Block Release Date"), if borrowing availability is less than \$10.0 million (increased from \$7.5 million in the Original Loan Agreement, but under the Amended Loan Agreement such threshold may be reduced to the extent the borrowing base exceeds \$55.0 million, up to a maximum \$5.0 million reduction), Borrowers will be subject to a minimum EBITDA covenant. Unlike under the Original Loan Agreement, however, Borrowers will be subject to a minimum EBITDA covenant after the Block Release Date, as well, if borrowing availability is less than \$15.0 million. As of October 31, 2009, the Borrowers were not subject to the minimum EBITDA covenant.

In addition, after the Block Release Date, if borrowing availability is less than \$15.0 million (increased from \$10.0 million in the Original Loan Agreement), Borrowers will be subject to a minimum fixed charge coverage ratio.

Finally, the Borrowers' deposit accounts will be subject to cash dominion prior to the Block Release Date if borrowing availability is less than \$7.5 million, but such threshold may be reduced to the extent the borrowing base exceeds \$55.0 million, up to a maximum \$5.0 million reduction. After the Block Release Date, cash dominion will be imposed if borrowing availability is less than \$15.0 million (increased from \$10.0 million in the Original Loan Agreement). As of October 31, 2009, the Borrowers were not subject to cash dominion nor do the Borrowers expect to be subject to such a requirement in the foreseeable future.

The Amended Loan Agreement contains affirmative and negative covenants binding on the Borrowers and their subsidiaries that are customary for asset based facilities, including restrictions and limitations on the incurrence of debt for borrowed money and liens, dispositions of assets of the Borrowers, capital expenditures, dividends and other payments in respect of equity interests, the making of loans and equity investments, prepayments of subordinated and certain other debt, mergers, consolidations, liquidations and dissolutions, and transactions with affiliates.

The Amended Loan Agreement contains events of default that are customary for facilities of this type, including, but not limited to, nonpayment of principal, interest, fees and other amounts when due, failure of any representation or warranty to be true in any material respect when made or deemed made, violation of covenants, cross default, material judgments, material ERISA liability, bankruptcy events, material loss of collateral in excess of insured amounts, asserted or actual revocation or invalidity of the loan documents, change of control and events or circumstances having a material adverse effect.

The borrowings under the Facility are joint and several obligations of the Borrowers and also cross-guaranteed by each Borrower. In addition, the Borrowers' obligations under the Facility are secured by first priority liens, subject to permitted liens, on substantially all of the Borrowers' U.S. assets other than certain excluded assets.

On June 5, 2009, \$40.0 million in loans were drawn under the Facility, which were used, in part, to repay amounts outstanding under the Company's former U.S. credit facility with JPMorgan Chase Bank, N.A. ("JPM Chase") (the "Former US Facility"), which was terminated. In addition, approximately \$1.5 million in letters of credit were issued, which were used to backstop letters of credit and other obligations outstanding in connection with the Former US Facility. As of October 31, 2009, total availability under the Facility, giving effect to the availability block, the \$20.0 million outstanding under the Facility and the letters of credit, was \$28.2 million.

During fiscal 1999, the Company issued \$25.0 million of Series A Senior Notes ("Series A Senior Notes") under a Note Purchase and Private Shelf Agreement, dated November 30, 1998 and amended on June 5, 2008 (as amended, the "First Amended 1998 Note Purchase Agreement"), between the Company and The Prudential Insurance Company of America ("Prudential"). These notes bore interest of 6.90% per annum, were to mature on October 30, 2010 and were subject to annual repayments of \$5.0 million commencing October 31, 2006. These notes contained various financial covenants including an interest coverage ratio and maintenance of consolidated net worth and certain non-financial covenants that restricted the Company's activities regarding investments and acquisitions, mergers, certain transactions with affiliates, creation of liens, asset transfers, payment of dividends and limitation of the amount of debt outstanding. Upon entering into the Original Loan Agreement on June 5, 2009, all outstanding amounts and related fees due under the Series A Senior Notes were paid in full, and the First Amended 1998 Note Purchase Agreement was terminated.

As of March 21, 2004, the Company amended its Note Purchase and Private Shelf Agreement, originally dated March 21, 2001 (as amended, the "First Amended 2001 Note Purchase Agreement"), among the Company, Prudential and certain affiliates of Prudential (together, the "Purchasers"). This agreement allowed for the issuance of senior promissory notes in the aggregate principal amount of up to \$40.0 million with maturities up to 12 years from their original date of issuance. On October 8, 2004, the Company issued, pursuant to the First Amended 2001 Note Purchase Agreement, 4.79% Senior Series A-2004 Notes due 2011 (the "Senior Series A-2004 Notes") in an aggregate principal amount of \$20.0 million, which were to mature on October 8, 2011 and were subject to annual repayments of \$5.0 million commencing on October 8, 2008. Proceeds of the Senior Series A-2004 Notes have been used by the Company for capital expenditures, repayment of certain of its debt obligations and general corporate purposes. These notes contained certain financial covenants, including an interest coverage ratio and maintenance of consolidated net worth and certain non-financial covenants that restricted the Company's activities regarding investments and acquisitions, mergers, certain transactions with affiliates, creation of liens, asset transfers, payment of dividends and limitation of the amount of debt outstanding. On June 5, 2008, the Company amended the First Amended 2001 Note Purchase Agreement (as amended, the "Second Amended 2001 Note Purchase Agreement"), with Prudential and the Purchasers. Upon entering into the Original Loan Agreement on June 5, 2009, all outstanding

amounts and related fees due under the Senior Series A-2004 Notes were paid in full, and the Second Amended 2001 Note Purchase Agreement was terminated.

The credit agreement dated as of December 15, 2005, as amended, by and between the Company as parent guarantor, its Swiss subsidiaries, MGI Luxury Group S.A., Movado Watch Company SA, Concord Watch Company S.A. and Ebel Watches S.A. as borrowers, and JPM Chase, JPMorgan Securities, Inc., Bank of America, N.A., PNC Bank and Citibank, N.A. (as amended, the "Swiss Credit Agreement"), provided for a revolving credit facility of 33.0 million Swiss francs and was to mature on December 15, 2010. The obligations of the Company's Swiss subsidiaries under this credit agreement were guaranteed by the Company under a Parent Guarantee, dated as of December 15, 2005, in favor of the lenders. The Swiss Credit Agreement contained financial covenants, including an interest coverage ratio, average debt coverage ratio and limitations on capital expenditures and certain non-financial covenants that restricted the Company's activities regarding investments and acquisitions, mergers, certain transactions with affiliates, creation of liens, asset transfers, payment of dividends and limitation of the amount of debt outstanding. Borrowings under the Swiss Credit Agreement bore interest at a rate equal to LIBOR (as defined in the Swiss Credit Agreement) plus a margin ranging from .50% per annum to .875% per annum (depending upon a leverage ratio). Upon entering into the Original Loan Agreement on June 5, 2009, the Swiss Credit Agreement was terminated.

The credit agreement dated as of December 15, 2005, as amended, by and between the Company, MGI Luxury Group S.A. and Movado Watch Company SA, as borrowers, and JPM Chase, JPMorgan Securities, Inc., Bank of America, N.A., PNC Bank, Bank Leumi and Citibank, N.A. (as amended, the "Former US Credit Agreement"), provided for a revolving credit facility of \$90.0 million (including a sublimit for borrowings in Swiss francs of up to an equivalent of \$25.0 million) with a provision to allow for a further increase of up to an additional \$10.0 million, subject to certain terms and conditions. The Former US Credit Agreement was to mature on December 15, 2010. The obligations of MGI Luxury Group S.A. and Movado Watch Company SA were guaranteed by the Company under a Parent Guarantee, dated as of December 15, 2005, in favor of the lenders. The obligations of the Company were guaranteed by certain domestic subsidiaries of the Company under subsidiary guarantees, in favor of the lenders. The Former US Credit Agreement contained financial covenants, including an interest coverage ratio, average debt coverage ratio and limitations on capital expenditures and certain non-financial covenants that restricted the Company's activities regarding investments and acquisitions, mergers, certain transactions with affiliates, creation of liens, asset transfers, payment of dividends and limitation of the amount of debt outstanding. Borrowings under the Former US Credit Agreement bore interest, at the Company's option, at a rate equal to the adjusted LIBOR (as defined in the Former US Credit Agreement) plus a margin ranging from .50% per annum to .875% per annum (depending upon a leverage ratio), or the Alternate Base Rate (as defined in the Former US Credit Agreement). Upon entering into the Original Loan Agreement on June 5, 2009, all outstanding amounts and related fees due under this revolving credit facility were paid in full, and the Former US Credit Agreement was terminated.

On June 16, 2008, the Company renewed a line of credit letter agreement with Bank of America and an amended and restated promissory note in the principal amount of up to \$20.0 million payable to Bank of America, originally dated December 12, 2005. The Company's obligations under the agreement were guaranteed by its subsidiaries, Movado Retail Group, Inc. and Movado LLC. The maturity date was to be June 16, 2009. The amended and restated promissory note contained various representations and warranties and events of default that are customary for instruments of that type. Upon entering into the Original Loan Agreement on June 5, 2009, this uncommitted line of credit agreement was terminated.

On July 31, 2008, the Company renewed a promissory note, originally dated December 13, 2005, in the principal amount of up to \$37.0 million, at a revised amount of up to \$7.0 million, payable to JPM Chase. Pursuant to the promissory note, the Company promised to pay JPM Chase \$7.0 million, or such lesser amount as may then be the unpaid balance of each loan made or letter of credit issued by JPM Chase to the Company thereunder, upon the maturity date of July 31, 2009. The promissory note bore interest at an annual rate equal to (i) a floating rate equal to the prime rate, (ii) a fixed rate equal to an adjusted LIBOR plus 0.625% or (iii) a fixed rate equal to a rate of interest offered by JPM Chase from time to time on any single commercial borrowing. The promissory note contained various

events of default that are customary for instruments of that type. In addition, it was an event of default for any security interest or other encumbrance to be created or imposed on the Company's property, other than as permitted in the lien covenant of the Former US Credit Agreement. Upon entering into the Original Loan Agreement on June 5, 2009, this uncommitted line of credit agreement was terminated.

A Swiss subsidiary of the Company maintains unsecured lines of credit with an unspecified length of time with a Swiss bank. These lines of credit totaled 8.0 million Swiss francs, with dollar equivalents of \$7.9 million and \$6.9 million at October 31, 2009 and 2008, respectively. As of October 31, 2009, there were 5.0 million Swiss francs, with dollar equivalents of \$4.9 million borrowed against these lines. As of October 31, 2009, two European banks have guaranteed obligations to third parties on behalf of two of the Company's foreign subsidiaries in the amount of \$1.7 million in various foreign currencies.

NOTE 7 – EARNINGS PER SHARE

The Company presents net income per share on a basic and diluted basis. Basic earnings per share are computed using weighted-average shares outstanding during the period. Diluted earnings per share are computed using the weighted-average number of shares outstanding adjusted for dilutive common stock equivalents.

The weighted-average number of shares outstanding for basic earnings per share was 24,558,000 and 24,391,000 for the three months ended October 31, 2009 and 2008, respectively. For the three months ended October 31, 2009, the number of shares outstanding for diluted earnings per share was the same as the basic earnings per share because the Company generated a net loss. For the three months ended October 31, 2008, diluted earnings per share was increased by 834,000, due to potentially dilutive common stock equivalents issuable under the Company's stock compensation plans.

For the three months ended October 31, 2009 and October 31, 2008, approximately 730,000 and 64,000 of potentially dilutive common stock equivalents, respectively, were excluded from the computation of dilutive earnings per share because their effect would have been antidilutive.

The weighted-average number of shares outstanding for basic earnings per share was 24,509,000 and 24,892,000 for the nine months ended October 31, 2009 and 2008, respectively. For the nine months ended October 31, 2009, the number of shares outstanding for diluted earnings per share was the same as the basic earnings per share because the Company generated a net loss. For the nine months ended October 31, 2008, diluted earnings per share was increased by 900,000, due to potentially dilutive common stock equivalents issuable under the Company's stock compensation plans.

For the nine months ended October 31, 2009 and October 31, 2008, approximately 1,080,000 and 50,000 of potentially dilutive common stock equivalents, respectively, were excluded from the computation of dilutive earnings per share because their effect would have been antidilutive.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

At October 31, 2009, the Company had outstanding letters of credit totaling \$0.9 million with expiration dates through June 30, 2010. JPM Chase has issued nine irrevocable standby letters of credit for retail and operating facility leases to various landlords, for the administration of the Movado Boutique private-label credit card and Canadian payroll to the Royal Bank of Canada. Under the Facility, approximately \$1.8 million in letters of credit were issued to backstop the letters of credit issued by JPM Chase.

As of October 31, 2009, two European banks have guaranteed obligations to third parties on behalf of two of the Company's foreign subsidiaries in the amount of \$1.7 million in various foreign currencies.

The Company is involved from time to time in legal claims involving trademarks and other intellectual property, contracts, employee relations and other matters incidental to the Company's business. Although the outcome of such matters cannot be determined with certainty, the Company's general counsel and management believe that the final outcome would not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

NOTE 9 – INCOME TAXES

The Company recorded a tax expense of \$22.5 million for the three months ended October 31, 2009. The Company bases its estimate of deferred tax assets and liabilities on current tax laws and rates as well as expected future income. The realization of deferred tax assets, however, depends on the Company's ability to generate future income and the weight of all available evidence, including losses in recent years. In the third quarter of fiscal 2010, the Company determined that it was appropriate to record a full valuation allowance against its net deferred tax assets in the U.S., primarily due to the Company's U.S. loss position in recent years. Under current circumstances, expected future income is not sufficient to overcome such negative evidence, and although the Company may ultimately utilize the underlying tax benefits within the statutory limits, the Company recognized a non-cash deferred tax expense of \$20.8 million. Management will continue to evaluate the appropriate level of allowance on all deferred tax assets, considering such factors as prior earnings history, expected future earnings, carryback and carryforward periods, and tax and business strategies that could potentially enhance the likelihood of realization of the deferred tax assets. In addition, in the third quarter of fiscal 2010, a non-cash provision of \$2.2 million was recorded for net federal income tax on the future remittance of approximately \$10.0 million current year earnings of a foreign subsidiary. No provision has been made for the remaining undistributed earnings of foreign subsidiaries, as those earnings are considered permanently reinvested. The effective tax rate excluding these and other certain non-cash adjustments was -14.0%.

The Company recorded a tax benefit of \$1.4 million for the three months ended October 31, 2008, which reflected the expected utilization of a Swiss net operating loss carryforward acquired with the Ebel brand in fiscal 2005 resulting in a net benefit of approximately \$3.7 million. The effective tax rate excluding these and other certain non-cash adjustments was 13.6%.

The Company recorded tax expense of \$19.7 million for the nine months ended October 31, 2009. The effective tax rate excluding the above non-cash charges of \$23.0 million and other certain non-cash adjustments was 31.0%.

The Company recorded tax expense of \$1.8 million for the nine months ended October 31, 2008, which reflected the expected utilization of a Swiss net operating loss carryforward acquired with the Ebel brand in fiscal 2005 resulting in a net benefit of approximately \$3.7 million. The effective tax rate excluding these and other certain non-cash adjustments was 18.0%.

NOTE 10 – STREAMLINING INITIATIVES

During the second half of fiscal 2009, the Company announced initiatives designed to streamline operations, reduce expenses, and improve efficiencies and effectiveness across the Company's global organization. During fiscal 2009, the Company recorded \$8.7 million of severance related accruals. Any costs incurred pursuant to these initiatives were recorded in SG&A expenses in the Consolidated Statements of Income. The Company expects that the remaining severance related liability will be paid during fiscal 2010.

A summary rollforward of severance related accruals is as follows (in thousands):

	Severance Related
Balance at January 31, 2009	\$ 4,409
Provision charged	-
Severance paid	(3,488)
Balance at October 31, 2009	<u>\$ 921</u>

NOTE 11 – DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes derivative financial instruments to reduce foreign currency fluctuation risks. The Company accounts for its derivative financial instruments in accordance with accounting guidance which establishes accounting and reporting standards for derivative instruments and hedging activities. The guidance requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial condition and measure those instruments at fair value. Changes in the fair value of those instruments will be reported in earnings or other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting. The accounting for gains and losses associated with changes in the fair value of the derivative and the effect on the consolidated financial statements will depend on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value of cash flows of the asset or liability hedged.

The Company's risk management policy is to enter into forward exchange contracts and purchase foreign currency options, under certain limitations, to reduce exposure to adverse fluctuations in foreign exchange rates and, to a lesser extent, in commodity prices related to its purchases of watches. When entered into, the Company designates and documents these derivative instruments as a cash flow hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transactions. Changes in the fair value of a derivative that is designated and documented as a cash flow hedge and is highly effective, are recorded in other comprehensive income until the underlying transaction affects earnings, and then are later reclassified into earnings in the same financial statement line item as the hedged transaction. The Company formally assesses, both at the inception and at each financial quarter thereafter, the effectiveness of the derivative instrument hedging the underlying forecasted cash flow transaction. Any ineffectiveness related to the derivative financial instruments' change in fair value will be recognized in the period in which the ineffectiveness was calculated.

The Company uses forward exchange contracts to offset its exposure to certain foreign currency liabilities. These forward contracts are not designated as qualified hedges and, therefore, changes in the fair value of these derivatives are recognized into earnings, thereby offsetting the current earnings effect of the related foreign currency liabilities.

All of the Company's derivative instruments have liquid markets to assess fair value. The Company does not enter into any derivative instruments for trading purposes.

As of October 31, 2009, the Company's entire net forward contracts hedging portfolio consisted of 56.0 million Swiss francs equivalent for various expiry dates ranging through March 23, 2010.

The following table summarizes the fair value and presentation in the consolidated balance sheets for derivatives designated as hedging instruments under the relevant accounting guidance and derivatives not designated as hedging instruments under the relevant guidance as of October 31, 2009 (in thousands):

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Foreign Exchange Contracts	Other Current Assets	\$ -	Accrued Liabilities	\$ -
Derivatives not designated as hedging instruments:				
Foreign Exchange Contracts	Other Current Assets	\$ 1,919	Accrued Liabilities	\$ 152
Total Derivative Instruments		<u>\$ 1,919</u>		<u>\$ 152</u>

As of October 31, 2009, the balance of deferred net gains on derivative financial instruments documented as cash flow hedges included in accumulated other comprehensive income ("AOCI") was \$0.7 million in net gains, net of tax of \$0.5 million, compared to \$2.0 million in net gains at October 31, 2008, net of tax of \$1.3 million. The Company estimates that a substantial portion of the deferred net gains at October 31, 2009 will be realized into earnings over the next 12 to 24 months as a result of transactions that are expected to occur over that period. The primary underlying transaction which will cause the amount in AOCI to affect cost of goods sold consists of the Company's sell through of inventory purchased in Swiss francs. The maximum length of time the Company hedges its exposure to the fluctuation in future cash flows for forecasted transactions is 24 months. For the three months ended October 31, 2009 and 2008, the Company reclassified from AOCI to earnings \$0.5 million of net gains, net of tax of \$0.3 million and \$0.7 million in net gains, net of tax of \$0.5 million, respectively. For the nine months ended October 31, 2009 and 2008, the Company reclassified from AOCI to earnings \$1.3 million of net gains, net of tax of \$0.7 million and \$2.0 million in net gains, net of tax of \$1.3 million, respectively.

During the three months and nine months ended October 31, 2009 and 2008, the Company recorded no charge related to its assessment of the effectiveness of its derivative hedge portfolio because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged. Changes in the contracts' fair value due to spot-forward differences are excluded from the designated hedge relationship. The Company records these transactions in the cost of sales of the Consolidated Statements of Income.

NOTE 12 – SUBSEQUENT EVENTS

The Company has evaluated all events or transactions that occurred after October 31, 2009 up through December 9, 2009, the date the Company issued these financial statements. During this period the Company did not have any material subsequent events.

FORWARD-LOOKING STATEMENTS

Statements in this Quarterly Report on Form 10-Q, including, without limitation, statements under Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report, as well as statements in future filings by the Company with the Securities and Exchange Commission, in the Company's press releases and oral statements made by or with the approval of an authorized executive officer of the Company, which are not historical in nature, are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbor provided by the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates, forecasts and projections about the Company, its future performance, the industry in which the Company operates and management's assumptions. Words such as "expects", "anticipates", "targets", "goals", "projects", "intends", "plans", "believes", "seeks", "estimates", "may", "will", "should" and variations of such words and similar expressions are also intended to identify such forward-looking statements. The Company cautions readers that forward-looking statements include, without limitation, those relating to the Company's future business prospects, projected operating or financial results, revenues, working capital, liquidity, capital needs, plans for future operations, expectations regarding capital expenditures and operating expenses, effective tax rates, margins, interest costs, and income as well as assumptions relating to the foregoing. Forward-looking statements are subject to certain risks and uncertainties, some of which cannot be predicted or quantified. Actual results and future events could differ materially from those indicated in the forward-looking statements due to several important factors herein identified, among others, and other risks and factors identified from time to time in the Company's reports filed with the SEC including, without limitation, the following: general economic and business conditions which may impact disposable income of consumers in the United States and the other significant markets where the Company's products are sold, uncertainty regarding such economic and business conditions, trends in consumer debt levels and bad debt write-offs, general uncertainty related to possible terrorist attacks and the impact on consumer spending, changes in consumer preferences and popularity of particular designs, new product development and introduction, competitive products and pricing, seasonality, availability of alternative sources of supply in the case of the loss of any significant supplier, the loss of significant customers, the Company's dependence on key employees and officers, the ability to successfully integrate the operations of acquired businesses without disruption to other business activities, the continuation of licensing arrangements with third parties, the ability to secure and protect trademarks, patents and other intellectual property rights, the ability to lease new stores on suitable terms in desired markets and to complete construction on a timely basis, the ability of the Company to successfully implement its expense reduction plan, the continued availability to the Company of financing and credit on favorable terms, business disruptions, disease, general risks associated with doing business outside the United States including, without limitation, import duties, tariffs, quotas, political and economic stability, and success of hedging strategies with respect to currency exchange rate fluctuations.

These risks and uncertainties, along with the risk factors discussed under Item 1A "Risk Factors" in the Company's Annual Report on Form 10-K, should be considered in evaluating any forward-looking statements contained in this Quarterly Report on Form 10-Q or incorporated by reference herein. All forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on its behalf are qualified by the cautionary statements in this section. The Company undertakes no obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this report.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. These estimates and assumptions also affect the reported amounts of revenues and expenses. Estimates by their nature are based on judgments and available information. Therefore, actual results could materially differ from those estimates under different assumptions and conditions.

Critical accounting policies are those that are most important to the portrayal of the Company's financial condition and the results of operations and require management's most difficult, subjective and complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Company's most critical accounting policies have been discussed in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009.

As of October 31, 2009, there have been no material changes to any of the critical accounting policies as disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009.

Effective February 1, 2009, the Company adopted new accounting guidance related to business combinations, which changed how business combinations are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. This guidance will be applied on all future acquisitions.

Effective February 1, 2009, the Company adopted new accounting guidance related to noncontrolling interests in consolidated financial statements. The guidance requires (i) classification of noncontrolling interests, commonly referred to as minority interests, within stockholders' equity, (ii) net income to include the net income attributable to the noncontrolling interests and (iii) enhanced disclosure of activity related to noncontrolling interests. In accordance with this guidance, the Company reclassified its noncontrolling interests to a separate component within equity on the Consolidated Balance Sheets and separately presented the net income attributable to its noncontrolling interests on the Consolidated Statements of Income.

Effective February 1, 2009, the Company adopted new accounting guidance related to disclosures about derivative instruments and hedging activities which changes the disclosure requirements for derivative instruments and hedging activities. The Company is required to provide enhanced disclosures about how and why it uses derivative instruments, how they are accounted for, and how they affect the Company's financial performance. See Note 11, Derivative Financial Instruments.

Effective July 1, 2009, the Company adopted new accounting guidance related to subsequent events which requires the Company to disclose material events that occur after the balance sheet date but before financial statements are issued or are available to be issued. See Note 12, Subsequent Events.

Effective August 1, 2009, the Company adopted new accounting guidance related to the FASB Accounting Standards Codification (the "Codification") and the hierarchy of GAAP. The Codification identifies the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. All guidance contained in the Codification carries an equal level of authority. The adoption of the Codification did not have an impact on the consolidated financial statements.

Effective September 1, 2009, the Company adopted new accounting guidance related to fair value disclosures and disclosures measuring liabilities at fair value. The guidance states that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value. The adoption of this guidance did not have an impact on the consolidated financial statements.

Recent Developments

Economic conditions both in the United States and around the world have deteriorated since the beginning of fiscal 2009. As the events that have caused this deterioration continue to unfold, the Company does not have significant, meaningful visibility into the further effects they could have on the U.S. and the global economy, although they likely will continue to have a negative impact on the Company's sales and profits throughout fiscal 2010. Nevertheless, the Company intends to continue to take actions to appropriately manage its business while strategically positioning itself for long-term success, including:

- capitalizing on the strength of the Company's brands to gain market share across all price categories;
- continuing to manage expenses that began with the expense reduction initiatives implemented throughout fiscal 2009;
- working with retail customers to help them better manage their inventory, improve their productivity and reduce the Company's credit risk; and
- continuing to tightly manage cash and inventory levels.

On April 9, 2009, the Company announced that its Board of Directors has decided to discontinue the quarterly cash dividend. This decision was based on the Company's desire to retain capital during the current challenging economic environment. Under the Amended Loan Agreement described below, dividends are prohibited until certain financial performance measures are achieved.

The Company bases its estimate of deferred tax assets and liabilities on current tax laws and rates as well as expected future income. The realization of deferred tax assets, however, depends on the Company's ability to generate future income and the weight of all available evidence, including losses in recent years. In the third quarter of fiscal 2010, the Company determined that it was appropriate to record a full valuation allowance against its net deferred tax assets in the U.S., primarily due to the Company's U.S. loss position in recent years. Under current circumstances, expected future income is not sufficient to overcome such negative evidence, and although the Company may ultimately utilize the underlying tax benefits within the statutory limits, the Company recognized a non-cash deferred tax expense of \$20.8 million. Management will continue to evaluate the appropriate level of allowance on all deferred tax assets, considering such factors as prior earnings history, expected future earnings, carryback and carryforward periods, and tax and business strategies that could potentially enhance the likelihood of realization of the deferred tax assets.

In addition, in the third quarter of fiscal 2010, a non-cash provision of \$2.2 million was recorded for net federal income tax on the future remittance of approximately \$10.0 million current year earnings of a foreign subsidiary. No provision has been made for the remaining undistributed earnings of foreign subsidiaries, as those earnings are considered permanently reinvested.

Overview

The Company conducts its business primarily in two operating segments: Wholesale and Retail. The Company's Wholesale segment includes the designing, manufacturing and distribution of quality watches. The Retail segment includes the Movado Boutiques and outlet stores.

The Company divides its watch business into distinct categories. The luxury category consists of the Ebel® and Concord® brands. The accessible luxury category consists of the Movado® and ESQ® brands. The licensed brands category represents brands distributed under license agreements and includes Coach®, HUGO BOSS®, Juicy Couture®, Lacoste® and Tommy Hilfiger®.

Results of operations for the three months ended October 31, 2009 as compared to the three months ended October 31, 2008

Net Sales: Comparative net sales by business segment were as follows (in thousands):

	Three Months Ended	
	October 31,	
	2009	2008
Wholesale:		
United States	\$ 61,636	\$ 60,671
International	49,351	56,825
Total Wholesale	110,987	117,496
Retail	17,979	18,350
Net Sales	\$ 128,966	\$ 135,846

Net sales for the three months ended October 31, 2009 were \$129.0 million, below prior year by \$6.9 million or 5.1%. Excluding \$8.4 million of liquidation of excess discontinued inventory in the current year period, net sales were \$120.6 million, or below the prior year by 11.2%. The Company is presenting net sales excluding sales of excess discontinued inventory because the Company believes that it is useful to eliminate the effect of this unusual item in order to improve the comparability of the Company's results for the periods presented. As a result of the weaker U.S. dollar compared to the prior year period and the translation of the international subsidiaries' financial results, the effect of foreign currency favorably impacted net sales in the three months ended October 31, 2009 by \$1.5 million.

Net sales in the wholesale segment were \$111.0 million, below prior year by \$6.5 million or 5.5%. Excluding \$8.4 million of liquidation of excess discontinued inventory in the current year period, net sales in the wholesale segment were \$102.6 million, or below prior year by 12.7%. The decrease in wholesale net sales was primarily attributable to the unfavorable impact of the ongoing difficult global economic environment as lower sales were recorded in all watch categories when compared to the prior year period.

Net sales in the U.S. wholesale segment were \$61.6 million, above prior year by \$1.0 million or 1.6%. Excluding \$8.4 million of liquidation of excess discontinued inventory in the current year period, net sales in the U.S. wholesale segment were \$53.2 million, or below prior year by 12.2%. The decrease in U.S. wholesale net sales was primarily attributable to the unfavorable impact of the ongoing difficult U.S. economic environment as lower sales were recorded in the luxury and accessible luxury watch categories when compared to the prior year period. Net sales in the licensed brand watch category were 10.4% higher compared to the prior year period.

Net sales in the international wholesale segment were \$49.4 million, below prior year by \$7.5 million or 13.2%. The decrease in international wholesale net sales was primarily attributable to the unfavorable impact of the ongoing difficult global economic environment as lower sales were recorded in the luxury and licensed brand watch categories when compared to the prior year period. Net sales in the accessible luxury watch category were slightly higher when compared to the prior year period. As a result of the weaker U.S. dollar compared to the prior year period and the translation of the international subsidiaries' financial results, the effect of foreign currency favorably impacted net sales in the three months ended October 31, 2009 by \$1.5 million.

Net sales in the retail segment were \$18.0 million, below prior year by \$0.4 million or 2.0%. The decrease was the result of lower sales in the Movado Boutiques, primarily attributable to the ongoing difficult U.S. economic environment. Net sales in the Company's outlet stores were relatively flat year-over-year. As of October 31, 2009,

the Company operated 27 Movado Boutiques and 31 outlet stores. As of October 31, 2008, the Company operated 29 Movado Boutiques and 32 outlet stores.

Gross Profit. Gross profit for the three months ended October 31, 2009 was \$60.3 million or 46.8% of net sales as compared to \$85.4 million or 62.9% of net sales for the three months ended October 31, 2008. The gross profit and the gross margin percentage were negatively impacted during the three months ended October 31, 2009 by the sales of excess discontinued inventory of \$8.4 million. Excluding these sales, the gross profit was below prior year by \$22.7 million and the gross margin percentage was 52.0%. The Company is presenting gross margin excluding sales of excess discontinued inventory because the Company believes that it is useful to eliminate the effect of this unusual item in order to improve the comparability of the Company's results for the periods presented. The decrease in gross profit of \$22.7 million was primarily attributable to the lower sales volume as well as an overall decrease in the brand and business gross margin percentage. The gross margin percentage was unfavorably impacted by approximately 380 basis points resulting from a shift in channel and product mix as a result of the global economic recession. In addition, both the gross profit as well as the gross margin percentage were unfavorably impacted by currency and overhead absorption. As a result of the weaker U.S. dollar compared to the prior year period, fewer net favorable currency benefits were recorded year-over-year related to the Company's natural hedge. This was primarily attributable to reductions of inventory purchases in Switzerland and resulted in a 210 basis point decline in gross margin percentage. Also as a result of the weaker U.S. dollar, gross margin deteriorated 150 basis points due to losses on the un-hedged portion of the Company's Swiss franc liabilities, predominantly in the U.S. The unfavorable overhead absorption is primarily attributed to abnormally low production levels associated with the decline in sales volume which unfavorably impacted the gross margin percentage by approximately 210 basis points.

Selling, General and Administrative ("SG&A"). SG&A expenses for the three months ended October 31, 2009 were \$57.4 million as compared to \$70.8 million for the three months ended October 31, 2008, representing a decrease of \$13.4 million or 18.9%. The decrease in SG&A expenses was as a result of the Company's initiatives to streamline operations and reduce expenses, which included lower marketing expenses for the three months ended October 31, 2009 of \$9.9 million, lower payroll and related expenses of \$3.9 million which were primarily the result of headcount reductions and lower expenses in the retail segment of \$1.5 million due in part to the closing of three stores. SG&A expenses in the prior year period included \$3.4 million of severance related costs associated with the implementation of the Company's initiatives to streamline operations and reduce expenses. The expense savings were partially offset by a lower benefit recorded for performance based compensation of \$4.5 million when compared to the prior year period. Due to the challenging global economy, the benefits recorded in both periods are primarily the result of the reversal of previously recorded compensation expense. Additionally, as a result of the weaker U.S. dollar compared to the prior year period and the translation of the Company's foreign subsidiaries' results, the effect of foreign currency unfavorably impacted SG&A expenses for the three months ended October 31, 2009 by \$0.6 million.

Wholesale Operating Income. Operating income of \$4.2 million and \$16.2 million was recorded in the wholesale segment for the three months ended October 31, 2009 and 2008, respectively. The \$12.0 million decrease in profit was the net result of a decrease in gross profit of \$23.8 million partially offset by a decrease in SG&A expenses of \$11.8 million. The decrease in gross profit of \$23.8 million was primarily attributed to the decrease in sales year-over-year resulting from the ongoing difficult global economic environment as well as the decrease in gross margin percentage year-over-year. The decrease in SG&A expenses of \$11.8 million was driven by lower marketing expenses of \$9.8 million and lower payroll and related expenses of \$3.9 million which were primarily the result of headcount reductions. SG&A expenses in the prior year period included \$3.4 million of severance related costs associated with the implementation of the Company's initiatives to streamline operations and reduce expenses. The expense savings were partially offset by a lower benefit recorded for performance based compensation of \$4.5 million when compared to the prior year period. Due to the challenging global economy, the benefits recorded in both periods are primarily the result of the reversal of previously recorded compensation expense. Additionally, as a result of the weaker U.S. dollar compared to the prior year period and the translation of the Company's foreign subsidiaries' results, the effect of foreign currency unfavorably impacted SG&A expenses for the three months ended October 31, 2009 by \$0.6 million.

Retail Operating Loss. Operating losses of \$1.3 million and \$1.5 million were recorded in the retail segment for the three months ended October 31, 2009 and 2008, respectively. The \$0.2 million decrease in loss was the net result of a decrease in gross profit of \$1.4 million more than offset by a decrease in SG&A expenses of \$1.6 million. The decrease in gross profit was primarily attributable to the decrease in gross profit percentage year-over-year resulting from in-store promotions in effect during the current year period. The decrease in SG&A expenses was primarily the result of the Company's initiatives to streamline operations and reduce expenses and the closing of three stores that were open during the prior year period.

Interest Expense. Interest expense for the three months ended October 31, 2009 and 2008 was \$1.1 million and \$0.7 million, respectively. Interest expense increased due to a higher average borrowing rate partially offset by lower average borrowings year-over-year.

Interest Income. Interest income was \$0.1 million and \$0.4 million for the three months ended October 31, 2009 and 2008, respectively. The lower interest income is primarily attributed to less cash invested year-over-year.

Income Taxes. The Company recorded a tax expense of \$22.5 million for the three months ended October 31, 2009. The Company bases its estimate of deferred tax assets and liabilities on current tax laws and rates as well as expected future income. The realization of deferred tax assets, however, depends on the Company's ability to generate future income and the weight of all available evidence, including losses in recent years. In the third quarter of fiscal 2010, the Company determined that it was appropriate to record a full valuation allowance against its net deferred tax assets in the U.S., primarily due to the Company's U.S. loss position in recent years. Under current circumstances, expected future income is not sufficient to overcome such negative evidence, and although the Company may ultimately utilize the underlying tax benefits within the statutory limits, the Company recognized a non-cash deferred tax expense of \$20.8 million. Management will continue to evaluate the appropriate level of allowance on all deferred tax assets, considering such factors as prior earnings history, expected future earnings, carryback and carryforward periods, and tax and business strategies that could potentially enhance the likelihood of realization of the deferred tax assets. In addition, in the third quarter of fiscal 2010, a non-cash provision of \$2.2 million was recorded for net federal income tax on the future remittance of approximately \$10.0 million current year earnings of a foreign subsidiary. No provision has been made for the remaining undistributed earnings of foreign subsidiaries, as those earnings are considered permanently reinvested. The effective tax rate excluding these and other certain non-cash adjustments was -14.0%.

The Company recorded a tax benefit of \$1.4 million for the three months ended October 31, 2008, which reflected the expected utilization of a Swiss net operating loss carryforward acquired with the Ebel brand in fiscal 2005 resulting in a net benefit of approximately \$3.7 million. The effective tax rate excluding these and other certain non-cash adjustments was 13.6%.

Net (Loss) Income. For the three months ended October 31, 2009, the Company recorded a net loss of \$20.9 million as compared to net income of \$15.7 million for the three months ended October 31, 2008.

Results of operations for the nine months ended October 31, 2009 as compared to the nine months ended October 31, 2008

Net Sales: Comparative net sales by business segment were as follows (in thousands):

	Nine Months Ended October	
	31,	
	2009	2008
Wholesale:		
United States	\$ 117,493	\$ 145,860
International	114,903	163,913
Total Wholesale	232,396	309,773
Retail	53,846	57,115
Net Sales	\$ 286,242	\$ 366,888

Net sales for the nine months ended October 31, 2009 were \$286.2 million, below prior year by \$80.6 million or 22.0%. Excluding \$13.6 million of liquidation of excess discontinued inventory in the current year period, net sales were \$272.6 million, or below the prior year by 25.7%. As a result of the stronger U.S. dollar compared to the prior year period and the translation of the international subsidiaries' financial results, the effect of foreign currency unfavorably impacted net sales in the nine months ended October 31, 2009 by \$5.3 million.

Net sales in the wholesale segment were \$232.4 million, below prior year by \$77.4 million or 25.0%. Excluding \$13.6 million of liquidation of excess discontinued inventory in the current year period, net sales in the wholesale segment were \$218.8 million, or below the prior year by 29.4%. The decrease in wholesale net sales was primarily attributable to the unfavorable impact of the ongoing difficult global economic environment as lower sales were recorded in all watch categories when compared to the prior year period.

Net sales in the U.S. wholesale segment were \$117.5 million, below prior year by \$28.4 million or 19.4%. Excluding \$13.6 million of liquidation of excess discontinued inventory in the current year period, net sales in the U.S. wholesale segment were \$103.9 million, or below prior year by 28.8%. The decrease in U.S. wholesale net sales was primarily attributable to the unfavorable impact of the ongoing difficult U.S. economic environment as lower sales were recorded in all watch categories when compared to the prior year period.

Net sales in the international wholesale segment were \$114.9 million, below prior year by \$49.0 million or 29.9%. The decrease in international wholesale net sales was primarily attributable to the unfavorable impact of the ongoing difficult global economic environment as lower sales were recorded in all watch categories when compared to the prior year period. As a result of the stronger U.S. dollar compared to the prior year period and the translation of the international subsidiaries' financial results, the effect of foreign currency unfavorably impacted net sales in the nine months ended October 31, 2009 by \$5.3 million.

Net sales in the retail segment were \$53.8 million, below prior year by \$3.3 million or 5.7%. The decrease in sales was the result of lower sales in the Movado Boutiques, primarily attributable to the ongoing difficult U.S. economic environment. Net sales in the Company's outlet stores were relatively flat year-over-year.

Gross Profit. Gross profit for the nine months ended October 31, 2009 was \$147.7 million or 51.6% of net sales as compared to \$232.9 million or 63.5% of net sales for the nine months ended October 31, 2008. The gross profit and the gross margin percentage were negatively impacted during the nine months ended October 31, 2009 by the sales of

excess discontinued inventory of \$13.6 million. Excluding these sales, the gross profit was below prior year by \$82.2 million and the gross margin percentage was 55.3%. The decrease in gross profit of \$82.2 million was primarily attributable to the lower sales volume as well as an overall decrease in the brand and business gross margin percentage. The gross margin percentage was unfavorably impacted by approximately 380 basis points resulting from a shift in channel and product mix as a result of the global economic recession. In addition, both the gross profit as well as the gross margin percentage were unfavorably impacted by currency and overhead absorption. As a result of the weaker U.S. dollar compared to the prior year period, fewer net favorable currency benefits were recorded year-over-year related to the Company's natural hedge. This was primarily attributable to reductions of inventory purchases in Switzerland and resulted in a 240 basis point decline in gross margin percentage. Also as a result of the weaker U.S. dollar, gross margin deteriorated 70 basis points due to losses on the un-hedged portion of the Company's Swiss franc liabilities, predominantly in the U.S. The unfavorable overhead absorption is primarily attributed to abnormally low production levels associated with the decline in sales volume which unfavorably impacted the gross margin percentage by approximately 100 basis points.

Selling, General and Administrative ("SG&A"). SG&A expenses for the nine months ended October 31, 2009 were \$155.1 million as compared to \$205.6 million for the nine months ended October 31, 2008, representing a decrease of \$50.5 million or 24.6%. The decrease in SG&A expenses was a result of the Company's initiatives to streamline operations and reduce expenses, which included lower marketing expenses for the nine months ended October 31, 2009 of \$23.6 million, lower payroll and related expenses of \$14.6 million which were primarily the result of headcount reductions, lower expenses in the retail segment of \$4.7 million due in part to the closing of three stores and lower travel and related expenses of \$2.7 million. SG&A expenses in the prior year period included \$5.6 million of severance related costs associated with the implementation of the Company's initiatives to streamline operations and reduce expenses. The expense savings were partially offset by a net benefit recorded for performance based compensation of \$2.2 million when compared to the prior year period. Due to the challenging global economy, the benefit recorded in the prior year period was primarily the result of the reversal of previously recorded compensation expense. Additionally, as a result of the stronger U.S. dollar compared to the prior year period and the translation of the Company's foreign subsidiaries' results, the effect of foreign currency favorably impacted SG&A expenses for the nine months ended October 31, 2009 by \$1.5 million.

Wholesale Operating Income / (Loss). Operating loss of \$4.2 million was recorded in the wholesale segment for the nine months ended October 31, 2009 compared to operating income of \$31.6 million recorded for the nine months ended October 31, 2008. The \$35.8 million decrease in profit was the net result of a decrease in gross profit of \$80.4 million partially offset by a decrease in SG&A expenses of \$44.6 million. The decrease in gross profit of \$80.4 million was primarily attributed to the decrease in sales year-over-year resulting from the ongoing difficult global economic environment as well as the decrease in gross margin percentage year-over-year. The decrease in SG&A expenses of \$44.6 million was driven by lower marketing expenses of \$22.4 million, lower payroll and related expenses of \$14.6 million which were primarily the result of headcount reductions and lower travel and related expenses of \$2.7 million. SG&A expenses in the prior year period included \$5.6 million of severance related costs associated with the implementation of the Company's initiatives to streamline operations and reduce expenses. The expense savings were partially offset by a net benefit recorded for performance based compensation of \$2.2 million when compared to the prior year period. Due to the challenging global economy, the benefit recorded in the prior year period was primarily the result of the reversal of previously recorded compensation expense. Additionally, as a result of the stronger U.S. dollar compared to the prior year period and the translation of the Company's foreign subsidiaries' results, the effect of foreign currency favorably impacted SG&A expenses for the nine months ended October 31, 2009 by \$1.5 million.

Retail Operating Loss. Operating losses of \$3.2 million and \$4.2 million were recorded in the retail segment for the nine months ended October 31, 2009 and 2008, respectively. The \$1.0 million decrease in the loss was the net result of a decrease in gross profit of \$4.8 million more than offset by a decrease in SG&A expenses of \$5.8 million. The decrease in gross profit was primarily attributable to the decrease in gross profit percentage year-over-year resulting from in-store promotions in effect during the current year period. The decrease in SG&A expenses was primarily the

result of the Company's initiatives to streamline operations and reduce expenses and the closing of three stores that were open during the prior year period.

Interest Expense. Interest expense for the nine months ended October 31, 2009 and 2008 was \$3.8 million and \$2.2 million, respectively. Interest expense in the current period includes expenses and fees associated with the refinancing and repayment of the Company's former credit and note agreements which included a non-cash pre-tax charge of \$0.2 million related to the accelerated recognition of deferred financing costs and a pre-tax charge of \$1.1 million for fees due to the former lenders. Excluding these expenses and fees, interest expense for the nine months ended October 31, 2009 was \$2.5 million, or \$0.3 million above the prior year. The increase in interest expense is primarily due to an increase in recognized deferred financing costs associated with the Company's new line of credit.

Interest Income. Interest income was \$0.1 million and \$1.9 million for the nine months ended October 31, 2009 and 2008, respectively. The lower interest income is primarily attributed to less cash invested year-over-year.

Income Taxes. The Company recorded tax expense of \$19.7 million for the nine months ended October 31, 2009. The Company bases its estimate of deferred tax assets and liabilities on current tax laws and rates as well as expected future income. The realization of deferred tax assets, however, depends on the Company's ability to generate future income and the weight of all available evidence, including losses in recent years. In the third quarter of fiscal 2010, the Company determined that it was appropriate to record a full valuation allowance against its net deferred tax assets in the U.S., primarily due to the Company's U.S. loss position in recent years. Under current circumstances, expected future income is not sufficient to overcome such negative evidence, and although the Company may ultimately utilize the underlying tax benefits within the statutory limits, the Company recognized a non-cash deferred tax expense of \$20.8 million. Management will continue to evaluate the appropriate level of allowance on all deferred tax assets, considering such factors as prior earnings history, expected future earnings, carryback and carryforward periods, and tax and business strategies that could potentially enhance the likelihood of realization of the deferred tax assets. In addition, in the third quarter of fiscal 2010, a non-cash provision of \$2.2 million was recorded for net federal income tax on the future remittance of approximately \$10.0 million current year earnings of a foreign subsidiary. No provision has been made for the remaining undistributed earnings of foreign subsidiaries, as those earnings are considered permanently reinvested. The effective tax rate excluding these non-cash charges and other certain non-cash adjustments was 31.0%.

The Company recorded tax expense of \$1.8 million for the nine months ended October 31, 2008, which reflected the expected utilization of a Swiss net operating loss carryforward acquired with the Ebel brand in fiscal 2005 resulting in a net benefit of approximately \$3.7 million. The effective tax rate excluding these and other certain non-cash adjustments was 18.0%.

Net Income / (Loss). For the nine months ended October 31, 2009, the Company recorded a net loss of \$31.1 million as compared to net income of \$25.1 million for the nine months ended October 31, 2008.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities was \$1.8 million and \$33.2 million for the nine months ended October 31, 2009 and 2008, respectively. The cash used in operating activities for the nine months ended October 31, 2009 was primarily the result of the net loss of \$30.8 million offset by non-cash charges of \$38.2 million. Additionally, cash used in operating activities included increases in accounts receivables of \$25.8 million due to the seasonality of the business, offset by a planned reduction of inventory of \$16.0 million. The cash used in operating activities for the nine months ended October 31, 2008 was primarily the result of an inventory build of \$43.4 million.

Cash used in investing activities amounted to \$3.8 million and \$17.6 million for the nine months ended October 31, 2009 and 2008, respectively. The cash used during both periods consisted of tooling and design expenditures and capital expenditures of computer hardware and software. The acquisition of computer hardware and software in both

periods is primarily related to the development and implementation of the new SAP enterprise resource planning system. Capital expenditures in the prior year period also included spending related to the expansion and renovation of retail stores and construction of booths used at the Baselworld watch and jewelry show. The decrease in expenditures year-over-year is due to a planned reduction of capital spending resulting from the completion of the SAP implementation and current economic conditions.

Cash used in financing activities amounted to \$38.3 million and \$34.5 million for the nine months ended October 31, 2009 and 2008, respectively. Cash used in financing activities for the current period was primarily used to pay down long-term debt, to pay financing fees related to the new loan agreement and to pay dividends that were declared in the fourth quarter of the prior year. Cash used in financing activities for the prior period was primarily used to repurchase stock and to pay out dividends, partially offset by net proceeds from long-term debt.

On June 5, 2009, the Company, together with Movado Group Delaware Holdings Corporation, Movado Retail Group, Inc. and Movado LLC (together with the Company, the "Borrowers"), each a wholly-owned domestic subsidiary of the Company, entered into a Loan and Security Agreement (the "Original Loan Agreement") with Bank of America, N.A. as agent and lender thereunder. The Original Loan Agreement provided for a \$50.0 million asset based senior secured revolving credit facility, including a \$15.0 million letter of credit subfacility, that matures on June 5, 2012.

On July 17, 2009, the Borrowers entered into an Amended and Restated Loan and Security Agreement (the "Amended Loan Agreement") with Bank of America, N.A. and Bank Leumi USA, as lenders, and Bank of America, N.A., as agent (in such capacity, the "Agent"), which amended and restated the Original Loan Agreement. The Amended Loan Agreement added Bank Leumi USA as a lender thereunder and, to accommodate Bank Leumi USA holding up to \$15.0 million of the Borrowers' obligations thereunder, increased the size of the Borrowers' asset based senior secured revolving credit facility (the "Facility") from \$50.0 million to \$55.0 million, including a \$15.0 million letter of credit subfacility. The maturity date of the Facility is June 5, 2012.

Availability is determined by reference to a borrowing base which is based on the sum of a percentage of eligible accounts receivable and eligible inventory of the Borrowers. \$10.0 million in availability is blocked until the date (the "Block Release Date") on which the Borrowers have achieved for a four fiscal quarter period a consolidated fixed charge coverage ratio of at least 1.25 to 1.0 and have domestic EBITDA greater than \$10.0 million. The availability block must remain in place for at least one year. The amount of the availability block will be reduced by the amount by which the borrowing base exceeds \$55.0 million, up to a maximum reduction of \$5.0 million. Availability under the Facility may be further reduced by certain reserves established by the Agent in its good faith credit judgment.

The initial applicable margin for LIBOR rate loans is 4.25% and for base rate loans is 3.25%. After July 17, 2010, the applicable margins decrease or increase by 0.25% per annum from the initial applicable margins depending on whether average availability for the most recently completed fiscal quarter is either greater than \$12.5 million, or is \$5.0 million or less, respectively. The Company has also agreed to pay certain fees and expenses and provide certain indemnities, all of which are customary for such financings.

Prior to the Block Release Date, if borrowing availability is less than \$10.0 million (this threshold may be reduced to the extent the borrowing base exceeds \$55.0 million, up to a maximum \$5.0 million reduction), Borrowers will be subject to a minimum EBITDA covenant. After the Block Release Date, Borrowers will be subject to a minimum EBITDA covenant if borrowing availability is less than \$15.0 million. As of October 31, 2009, the Borrowers were not subject to the minimum EBITDA covenant.

In addition, after the Block Release Date, if borrowing availability is less than \$15.0 million, Borrowers will be subject to a minimum fixed charge coverage ratio.

Finally, the Borrowers' deposit accounts will be subject to cash dominion prior to the Block Release Date if borrowing availability is less than \$7.5 million, but such threshold may be reduced to the extent the borrowing base

exceeds \$55.0 million, up to a maximum \$5.0 million reduction. After the Block Release Date, cash dominion will be imposed if borrowing availability is less than \$15.0 million. As of October 31, 2009, the Borrowers were not subject to cash dominion nor do the Borrowers expect to be subject to such a requirement in the foreseeable future.

The Amended Loan Agreement contains affirmative and negative covenants binding on the Borrowers and their subsidiaries that are customary for asset based facilities, including restrictions and limitations on the incurrence of debt for borrowed money and liens, dispositions of assets of the Borrowers, capital expenditures, dividends and other payments in respect of equity interests, the making of loans and equity investments, prepayments of subordinated and certain other debt, mergers, consolidations, liquidations and dissolutions, and transactions with affiliates.

The Amended Loan Agreement contains events of default that are customary for facilities of this type, including, but not limited to, nonpayment of principal, interest, fees and other amounts when due, failure of any representation or warranty to be true in any material respect when made or deemed made, violation of covenants, cross default, material judgments, material ERISA liability, bankruptcy events, material loss of collateral in excess of insured amounts, asserted or actual revocation or invalidity of the loan documents, change of control and events or circumstances having a material adverse effect.

The borrowings under the Facility are joint and several obligations of the Borrowers and also cross-guaranteed by each Borrower. In addition, the Borrowers' obligations under the Facility are secured by first priority liens, subject to permitted liens, on substantially all of the Borrowers' U.S. assets other than certain excluded assets.

On June 5, 2009, \$40.0 million in loans were drawn under the Facility, which were used, in part, to repay amounts outstanding under the Company's former U.S. credit facility with JPMorgan Chase Bank, N.A. ("JPM Chase") (the "Former US Facility"), which was terminated. In addition, approximately \$1.5 million in letters of credit were issued, which were used to backstop letters of credit and other obligations outstanding in connection with the Former US Facility. As of October 31, 2009, total availability under the Facility, giving effect to the availability block, the \$20.0 million outstanding under the Facility and the letters of credit, was \$28.2 million.

A Swiss subsidiary of the Company maintains unsecured lines of credit with an unspecified length of time with a Swiss bank. These lines of credit totaled 8.0 million Swiss francs, with dollar equivalents of \$7.9 million and \$6.9 million at October 31, 2009 and 2008, respectively. As of October 31, 2009, there were 5.0 million Swiss francs, with dollar equivalents of \$4.9 million borrowed against these lines. As of October 31, 2009, two European banks have guaranteed obligations to third parties on behalf of two of the Company's foreign subsidiaries in the amount of \$1.7 million in various foreign currencies.

On April 9, 2009, the Company announced that its Board of Directors has decided to discontinue the quarterly cash dividend. This decision was based on the Company's desire to retain capital during the current challenging economic environment. Under the Amended Loan Agreement, dividends are prohibited until certain financial performance measures are achieved. The Company paid dividends of \$0.05 per share or approximately \$1.2 million for the nine months ended October 31, 2009, which were declared in the prior year and \$0.24 per share or approximately \$5.9 million for the nine months ended October 31, 2008.

Cash at October 31, 2009 amounted to \$49.5 million compared to \$85.1 million at October 31, 2008. The decrease in cash is primarily the result of net cash used to pay down long-term debt.

Management believes that the cash on hand in addition to the expected cash flow from operations and the Company's short-term borrowing capacity will be sufficient to meet its working capital needs for at least the next 12 months.

Off-Balance Sheet Arrangements

The Company does not have off-balance sheet financing or unconsolidated special-purpose entities.

Foreign Currency and Commodity Price Risk

A significant portion of the Company's purchases are denominated in Swiss francs. The Company reduces its exposure to the Swiss franc exchange rate risk through a hedging program. Under the hedging program, the Company manages most of its foreign currency exposures on a consolidated basis, which allows it to net certain exposures and take advantage of natural offsets. The Company uses various derivative financial instruments to further reduce the net exposures to currency fluctuations, predominately forward and option contracts. These derivatives either (a) are used to hedge the Company's Swiss franc liabilities and are recorded at fair value with the changes in fair value reflected in earnings or (b) are documented as cash flow hedges with the gains and losses on this latter hedging activity first reflected in other comprehensive income, and then later classified into earnings in accordance with accounting guidance related to accounting for derivative instruments and hedging activities. In both cases, the earnings impact is partially offset by the effects of currency movements on the underlying hedged transactions. If the Company did not engage in a hedging program, any change in the Swiss franc to local currency would have an equal effect on the Company's cost of sales. In addition, the Company hedges its Swiss franc payable exposure with forward contracts. As of October 31, 2009, the Company's entire net forward contracts hedging portfolio consisted of 56.0 million Swiss francs equivalent for various expiry dates ranging through March 23, 2010. If the Company were to settle its Swiss franc forward contracts at October 31, 2009, the net result would have been a gain of \$1.1 million, net of tax of \$0.7 million. As of October 31, 2009, the Company had no Swiss franc option contracts related to cash flow hedges.

The Company's Board of Directors authorized the hedging of the Company's Swiss franc denominated investment in its wholly-owned Swiss subsidiaries using purchase options under certain limitations. These hedges are treated as net investment hedges under the relevant accounting guidance regarding derivative instruments. As of October 31, 2009, the Company did not hold a purchased option hedge portfolio related to net investment hedging.

Commodity Risk

Additionally, the Company has the ability under the hedging program to reduce its exposure to fluctuations in commodity prices, primarily related to gold used in the manufacturing of the Company's watches. Under this hedging program, the Company can purchase various commodity derivative instruments, primarily future contracts. These derivatives are documented as qualified cash flow hedges, and gains and losses on these derivative instruments are first reflected in other comprehensive income, and later reclassified into earnings, partially offset by the effects of gold market price changes on the underlying actual gold purchases. The Company did not hold any future contracts in its gold hedge portfolio related to cash flow hedges as of October 31, 2009, thus any changes in the gold price will impact the Company's cost of sales.

Debt and Interest Rate Risk

In addition, the Company has certain debt obligations with variable interest rates, which are based on LIBOR plus a fixed additional interest rate. The Company does not hedge these interest rate risks. The Company believes that a 1% change in interest rates would affect the Company's net income by approximately \$0.2 million for the year.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures, as such terms are defined in Rule 13a-15(e) under the Securities Exchange Act, as amended. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective at a reasonable assurance level as of the end of the period covered by this report.

The Company's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, and the Company's Chief Executive Officer and Chief Financial Officer have concluded that such disclosure controls and procedures are effective at that reasonable assurance level. However, it should be noted that a control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that its objectives will be met and may not prevent all errors or instances of fraud.

Changes in Internal Control Over Financial Reporting

During the first quarter of fiscal 2010, the Company implemented an ERP system in all of its wholesale businesses to support the Company's business plan. Implementing an ERP system on a global basis involves significant changes in business processes and extensive personnel training. The Company believes it has taken the necessary steps to monitor and maintain its internal control baseline upon go-live, deploying qualified resources to mitigate internal control risks and performing pre-implementation testing and verification to ensure data integrity.

Moreover, the Company believes its process owners understand the controls they are expected to perform as part of the utilization of the new system.

PART II - OTHER INFORMATION

Item 1. *Legal Proceedings*

The Company is involved in pending legal proceedings and claims in the ordinary course of business. Although the outcome of such matters cannot be determined with certainty, the Company's general counsel and management believe that the final outcome would not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

Reference is made to the information disclosed under Item 1 — "Legal Proceedings" in the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2009. The following is a summary of recent litigation developments.

The Company participated in mediation proceedings with respect to the case of Bertha V. Norman, et al. v. Movado Company Store, United States District Court, Central District of California, 2008-cv-6691 and agreed to settle the case. The settlement, which was preliminarily approved by the Court, provides for the Company to pay a stipulated amount representing plaintiffs' attorney's fees and costs and compensation for class members who timely submit claim forms. The Company has previously booked a reserve which it believes is adequate to cover the entire settlement amount.

Item 1A. *Risk Factors*

As of October 31, 2009, there have been no material changes to any of the risk factors previously reported in the Annual Report on Form 10-K for the fiscal year ended January 31, 2009.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

On December 4, 2007, the Board of Directors authorized a program to repurchase up to one million shares of the Company's Common Stock. Shares of Common Stock were repurchased from time to time as market conditions warranted either through open market transactions, block purchases, private transactions or other means. The objective of the program was to reduce or eliminate earnings per share dilution caused by the shares of Common Stock issued upon the exercise of stock options and in connection with other equity based compensation plans. As of April 14, 2008, the Company had completed the one million share repurchase in the first quarter of fiscal 2009, at a total cost of approximately \$19.4 million, or \$19.41 per share.

On April 15, 2008, the Board of Directors announced a new authorization to repurchase up to an additional one million shares of the Company's Common Stock. Under this authorization, the Company has the option to repurchase shares over time, with the amount and timing of repurchases depending on market conditions and corporate needs. The Company entered into a Rule 10b5-1 plan to facilitate repurchases of its shares under this authorization. A Rule 10b5-1 plan permits a company to repurchase shares at times when it might otherwise be prevented from doing so, provided the plan is adopted when the company is not aware of material non-public information. The Company may suspend or discontinue the repurchase of stock at any time. Under this share repurchase program, the Company had repurchased a total of 937,360 shares of Common Stock in the open market during the first and second quarters of fiscal year 2009 at a total cost of approximately \$19.5 million or \$20.79 per share. During the nine months ended October 31, 2009, the Company has not repurchased shares of Common Stock.

An aggregate of 344,614 shares have been repurchased during the nine months ended October 31, 2009 as a result of the surrender of shares in connection with the vesting of certain restricted stock awards and exercise of certain stock options. At the election of an employee, shares having an aggregate value on the vesting date equal to the employee's withholding tax obligation may be surrendered to the Company.

The following table summarizes information about the Company's purchases for the period ended October 31, 2009 of equity securities that are registered by the Company pursuant to Section 12 of the Securities Exchange Act of 1934:

Issuer Repurchase of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
February 1, 2009 - February 28, 2009	2,835	\$ 7.29	-	62,640
March 1, 2009 - March 31, 2009	2,848	\$ 8.24	-	62,640
April 1, 2009 - April 30, 2009	-	-	-	62,640
May 1, 2009 - May 31, 2009	-	-	-	62,640
June 1, 2009 - June 30, 2009	308	\$ 9.39	-	62,640
July 1, 2009 - July 31, 2009	-	-	-	62,640
August 1, 2009 - August 31, 2009	-	-	-	62,640
September 1, 2009 - September 30, 2009	338,623	\$ 13.74	-	62,640
October 1, 2009 - October 31, 2009	-	-	-	62,640
Total	344,614	\$ 13.64	-	62,640

Item 6.

Exhibits

10.1 Amended and Restated License Agreement among Tommy Hilfiger Licensing LLC, Movado Group, Inc. and Swissam Products Limited, dated as of September 16, 2009.**

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

** Confidential portions of Exhibit 10.1 have been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

SIGNATURE

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

(Registrant)

MOVADO GROUP, INC.

Dated: December 9, 2009

By: /s/ Sallie A. DeMarsilis
Sallie A. DeMarsilis
Senior Vice President,
Chief Financial Officer and
Principal Accounting Officer

**AMENDED AND RESTATED
LICENSE AGREEMENT**

BETWEEN

TOMMY HILFIGER LICENSING LLC

(“LICENSOR”)

AND

MOVADO GROUP, INC AND SWISSAM PRODUCTS LIMITED

(“LICENSEE”)

** CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED FROM PAGES 3, 6, 8, 10, 15, 17-24, 29, 33 and 35 AND FROM EXHIBITS C, D, F, G, H, I AND J AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION (“SEC”) PUSUANT TO RULE 24b-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (“1934 ACT”).

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LICENSE AGREEMENT

THIS AMENDED AND RESTATED LICENSE AGREEMENT is entered into as of the 16 day of Sept, 2009, by and between TOMMY HILFIGER LICENSING LLC, a Delaware limited liability company, having an address at 200 Liberty Way, Cranbury, New Jersey 08512 ("Licensor") and MOVADO GROUP, INC., a New York corporation, having its offices at 650 From Road, Paramus, New Jersey 07652 ("MGI") and SWISSAM PRODUCTS LIMITED, a Hong Kong corporation, having its offices at 5th Floor, Alexander House, 18 Charter Road, Hong Kong ("SPL," and together with MGI, "Licensee"), with reference to the following premises.

PREMISES

- A. Licensor's Trademarks (as defined below) are famous and valuable, and are associated with substantial goodwill in connection with apparel and related products.
- B. Licensee recognizes the fame, value of, and goodwill associated with the Trademarks and that all rights to the Trademarks, and the goodwill associated therewith, belong exclusively to Licensor.
- C. Licensor, MGI and Movado Watch Company, SA (a wholly owned subsidiary of MGI, "MWC") have previously entered into a license agreement dated June 3, 1999 (as heretofore amended, the "Existing License Agreement") to use the Trademarks, on and in connection with the manufacture, importation, distribution, promotion, advertising and sale of the Licensed Products (as defined below) in the Territory (as defined below); and MWC has assigned all of its interest in the Existing License Agreement to SPL.
- D. Licensor and Licensee desire to amend and restate the Existing License Agreement subject to the terms and conditions set forth below.
- E. In consideration of these premises and the mutual covenants herein expressed, and for other good consideration, which the parties hereby acknowledge, the parties hereby agree as follows.

ARTICLE 1.

DEFINITIONS

1.1 "Affiliate" means, with respect to either party, a person or business entity, whether a corporation, partnership, joint venture or otherwise, which now or hereafter controls, or is controlled, directly or indirectly by such party, or is under common control with such party.

1.2 "Agreement" means this agreement.

1.3 "Annual Period" means the twelve-month period beginning on April 1 and ending on March 31.

- 1.4 “Close-Outs” means first quality Licensed Products that under applicable industry standards are not sold to regular customers, although they were originally intended for sale to such customers (such as overruns and sales of excess merchandise). Close-Out sales shall not include Program Sales.
- 1.5 “Close-Out Customer” means a purchaser of Close-Outs that regularly and primarily is engaged in the resale of Close-Outs
- 1.6 “Distributor” means a person or entity appointed by Licensee to purchase Licensed Products from Licensee for purposes of reselling the same to approved customers (as set forth in Paragraph 7.7 hereof) in a defined geographic territory, which appointment shall be subject to the approval by Licensor, such approval not to be unreasonably withheld, delayed or conditioned.
- 1.7 “Franchisee” means the operator of a store which is not owned or affiliated with Licensor and that bears the name “Tommy Hilfiger”, “Hilfiger” or any derivative thereof, authorized by Licensor to sell the Licensed Products from such store to end-customers in a territory.
- 1.8 “Gross Sales” means the invoiced amount for Licensed Products shipped by Licensee, before any deductions for allowances, discounts and returns (as are referred to in Paragraph 1.15), insurance and freight.
- 1.9 “Guaranteed Minimum Royalty.” means the minimum royalty that Licensee shall pay in each Annual Period, as set forth in Paragraph 9.1.
- 1.10 “Inventory” means Licensee’s inventory of Licensed Products and of related work in progress.
- 1.11 “Inventory Schedule” means a complete and accurate schedule of Inventory.
- 1.12 “Labels” means all labels, tags, packaging materials, tickets, advertising and promotional materials and all other forms of identification that bear the Trademarks, affixed to or accompanying the Licensed Products at the point of sale.
- 1.13 “Licensed Products” means only those products listed in **Exhibit A** attached hereto that bear one or more of the Trademarks and are approved by Licensor in accordance with the provisions of this Agreement. Licensee acknowledges that the application of the definition of Licensed Products to a particular item may be unclear. If there is a dispute over whether a particular item qualifies as a Licensed Product, Licensor’s reasonable written determination shall be conclusive and binding.
- 1.14 “Minimum Sales Level” means the minimum Net Sales (as defined below) of Licensed Products that Licensee is required to achieve during each Annual Period, as set forth in Paragraph 7.5.
- 1.15 “Net Sales” means the Gross Sales of Licensed Products, including but not limited to, Seconds and Close-Outs, but not including samples, less only: (a) returns (or destruction in

place) that Licensee actually authorizes and, for returns, actually receives, (b) allowances (defined as credits to a customer after delivery, including credits for returns, promotions and markdowns) that Licensee actually grants in writing, and (c) trade discounts (defined as reductions in the list wholesale selling price that are customary in the trade) that Licensee actually grants in writing prior to delivery; and (d) taxes, freight and insurance to the extent the same are separately stated on Licensee's invoices. No other deductions from Gross Sales shall be taken in computing Net Sales, including, but not limited to, deductions for special promotions, advertising, warehouse or distribution expenses, or for uncollectible accounts. For the purpose of computing of Net Sales, the foregoing permitted deductions shall not exceed * percent of the Gross Sales of Licensed Products shipped in any Annual Period.

1.16 "Off-Price Sales"

means Net Sales (other than sales to Distributors, Approved Corporate Accounts, Licensor, Affiliates of Licensor, Tommy Hilfiger Stores, Tommy Hilfiger Websites and Franchisees) of Seconds (if applicable), Close-Outs, Program Sales (if applicable), and all other sales of Licensed Products at a discount of more than * percent off of the standard wholesale price.

1.17 "Percentage Royalty"

means the amount of money that Licensee shall pay to Licensor in consideration for the grant of this license, as set forth in Paragraph 9.2. The Percentage Royalty shall be based on the *bona fide* prices that Licensee charges for Licensed Products to independent retailers or to independent Distributors, as the case may be, in arms' length transactions. For the avoidance of doubt, if Licensee sells Licensed Products to an Affiliate of Licensee operating as a retailer, the Percentage Royalty shall be based on such *bona fide* wholesale prices charged by Licensee to independent retailers, and if Licensee sells Licensed Products to an Affiliate of Licensee operating as a Distributor, the Percentage Royalty shall be based on such *bona fide* prices charged by Licensee to independent Distributors, irrespective, in either case, of Licensee's internal accounting treatment of such sales.

1.18 "Program Sales"

means sales to a Close-Out Customer of Licensed Products which are manufactured specifically for sale to such Close-Out Customer after at least six (6) months have passed since the initial introduction of such Licensed Products at market.

1.19 "Seasonal Collection"

means a collection of Licensed Products that Licensee shall present to the market in accordance with Paragraph 6.1.

1.20 "Seconds"

means damaged, imperfect, defective or otherwise non-first quality Licensed Products. Seconds sales may not exceed the stated percentages as set forth in Paragraph 7.14(e) below.

1.21 "Subcontractor"

means an entity or an individual hired by a Third Party Manufacturer (other than employees of such Third Party Manufacturer) to perform manufacturing in relation to this Agreement.

1.22 "Supplier"

means an individual or entity that produces components for the Licensed Products, and provides such components to a manufacturer in order to assemble the finished Licensed Products, provided that such individual or entity does not contribute further to the

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manufacture of the Licensed Products.

1.23 “**Term**”

means the duration of this Agreement, as set forth in Paragraph 3.1, including, if not expressly excluded, all Extensions as defined in Paragraph 3.2, if any.

1.24 “**Territory**”

means the entire world, excluding Japan (except as to those specific approved customers listed on **Exhibit I** annexed hereto). At times this Agreement shall refer to specific regions (“Regions”) defined below:

- (a) **Western Hemisphere** means the Region including the United States (including its territories and possessions as of the date of this Agreement), Canada, the Caribbean Islands, duty free shops (such as, but not limited to, DFS) worldwide, United States military bases worldwide, Mexico and, commencing as of April 1, 2005, Latin America.
- (b) **Europe** means the Region including the following areas (“Areas”):
 - (i) **North Europe** means the area including Germany, Austria, Switzerland, Benelux, France, Denmark, Sweden, Iceland, Norway and Finland;
 - (ii) **South Europe** means the Area including Spain, Portugal, Greece, Turkey, Italy, Malta and the Middle East (comprising Egypt, Kuwait, Israel, United Arab Emirates, Syria, Saudi Arabia, Morocco and Lebanon);
 - (iii) **United Kingdom** means the Area including England, Ireland, Northern Ireland, Scotland and Wales.
 - (iv) **Eastern Europe** means Poland, Bulgaria, Romania, Russia (and the countries of the former Soviet Union), Slovenia, Slovakia, Croatia, Serbia, the Czech Republic, and Hungary.
- (c) **Pan Pacific** means the Region including Hong Kong, Taiwan, Southeast Asia and Australia (specifically not including Japan or Korea).
- (d) **Latin America** means the Region including the following Areas:
 - and;
 - (i) **South America** means the Area including Paraguay, Colombia, Brazil, Chile, Peru, Argentina, Bolivia and Uruguay, but specifically excluding Venezuela
 - (ii) **Central America** means the Area including Panama, Nicaragua, Honduras, El Salvador, Ecuador, Guatemala and Costa Rica.
- (e) **Korea** means the Republic of Korea
- (f) **China** means the People’s Republic of China and all of its administrative regions

(except as otherwise included in another Region)

1.25 “Third Party Manufacturer”

means an entity or an individual which or whom Licensee either hires or pays to manufacture the Licensed Products.

1.26 “Tommy Hilfiger Stores”

means retail and outlet stores, including flagship stores, within or outside the Territory, owned or operated by Licensor or its Affiliates that bear the name “Tommy Hilfiger”, “Hilfiger” or any derivative thereof as determined by Licensor.

1.27 “Tommy Hilfiger Websites”

means any internet websites owned or operated by Licensor or its Affiliates through which products bearing the Trademarks are sold and/or marketed to consumers and/or the trade.

1.28 “Trade Secrets”

means any and all information that derives to its owner independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use, and that is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

1.29 “Trademarks”

means only the trademarks set forth in Exhibit B attached hereto, the direct derivatives and variants thereof, and any trademarks used or Licensed by Licensor for use on products with the Trademarks.

ARTICLE 2.

GRANT

2.1 License

. Licensor grants to Licensee an exclusive non-assignable license during the Term, subject to all of the obligations and conditions contained in this Agreement, to use the Trademarks in connection with (a) the manufacture of Licensed Products anywhere in the world, and (b) marketing, advertising, sale and distribution at wholesale of Licensed Products by MGI in the United States (including its territories and possessions) and by SPL in the remainder of the geographic areas comprising the Territory.

2.2 Exclusivity; Competitors.

Licensor agrees that in the event it desires to enter into a license arrangement for the distribution of the Licensed Products in any country other than those included in the Territory, it shall send a notice to Licensee of such intention. Licensee shall have the right to submit a business plan to Licensor outlining its proposal for obtaining such a license, which Licensor shall consider reasonably and in good faith, provided, however, that Licensor’s decision whether to grant such license shall be final and binding and, provided, further that nothing stated herein shall be construed as an obligation for Licensor to grant Licensee any additional license for countries other than those included in the Territory.

2.3 Reservations

. This Agreement does not constitute a grant of any rights other than those expressly set forth herein. In particular, Licensor does not grant to Licensee:

- (a) the right to use the name “TOMMY”, “HILFIGER”, or “TH” individually, or logos representing said names, except to the extent that any such name or logo is included within the Trademarks;

- (b) the right to use any derivative of, or modification to, the Trademarks;
- (c) the right to form a business entity whose name includes the terms "Tommy", "Hilfiger", or "TH";
- (d) an assignment of any right, title or interest in or to the Trademarks; or
- (e) the right to use the Trademarks on invoices, order forms, stationery and related business purposes without Licensor's prior written approval.

Licensor, and its other licensees and sublicensees, have the right to (i) manufacture and sell products of any and all types and descriptions other than the Licensed Products inside or outside of the Territory, or (ii) to manufacture Licensed Products inside or outside of the Territory for sale outside of the Territory.

Nothing contained in this Agreement shall prohibit Licensor or any Affiliate of Licensor from offering for sale in Tommy Hilfiger Stores and/or on Tommy Hilfiger Websites watches or jewelry that are not Licensed Products.

Except as otherwise provided for herein, no license is granted hereunder for the manufacture, sale or distribution of Licensed Products to be used for publicity purposes, in combination sales, premiums or giveaways, or to be disposed of under or in connection with similar methods of merchandising, such license being specifically reserved for Licensor. The foregoing provision shall not prohibit Licensee from promoting or advertising the sale of the Licensed Products.

2.4 Distribution of Jewelry Products. Anything herein to the contrary notwithstanding, Licensee shall launch the sale of jewelry products under one or more of the Trademarks ("Jewelry Products") consistent with the current business plan (the initial business plan is attached hereto at **Exhibit J**) (including sales in commercially reasonable quantities of Jewelry Products to Tommy Hilfiger Stores) (i) in Europe * ; (ii) in Pan Pacific no later than * and (iii) in Latin America no later than April 1, 2012. Without limiting the generality of the foregoing, (i) Licensee shall launch the sale of Jewelry Products in a particular country where other Tommy Hilfiger products are sold within twelve (12) months of Licensor's specific written request to so launch the sale of Jewelry Products in such country, provided that Licensor will not request any such launch in any country included as part of Europe, Pan Pacific or Latin America earlier than the respective date set forth above for such Region, and (ii) any launch of the sale of Jewelry Products by Licensee hereunder shall be subject to Licensor's prior written approval of a business plan submitted by Licensee to Licensor which sets forth Licensee's sales, marketing and advertising plans for such sales in the relevant Region or country. Licensor's approval of any such business plan shall not be unreasonably withheld, delayed or conditioned. Beginning at the time of the initial launch of Jewelry Products and continuing thereafter, Movado shall sell Jewelry Products to Tommy Hilfiger Stores anywhere in the world that wish to purchase them. If Licensee fails to launch the sale of Jewelry Products on or before the date set forth above for a particular Region or Licensee fails to launch the sale of Jewelry Products in a particular country within

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twelve (12) months of Licensor's request to do so, as required by this Paragraph 2.4 and such failure is not the result of any action or inaction on the part of Licensor contrary to the terms of this Agreement or any event of force majeure, then Licensor may terminate this Agreement as to such Region or country, as the case may be, with respect to Jewelry Products only, within ninety (90) days after written notice to Licensee if within said ninety (90) days Licensor shall not have remedied such failure, in which case Licensee shall lose its right to sell and distribute Jewelry Products in such Region or country.

ARTICLE 3. TERM OF THE AGREEMENT

3.1 Term

. The initial Term of this Agreement shall commence on April 1, 2009 and expire on March 31, 2014, unless sooner terminated in accordance with the provisions of this Agreement. If as of January 1, 2012, Licensor believes that higher Minimum Sales Levels are justified for the Annual Periods April 1, 2012 – March 31, 2013 and April 1, 2013 – March 31, 2014, the parties shall discuss raising those Minimum Sales Levels.

3.2 Extension

. This Agreement shall be extended for an additional five (5) year renewal period commencing on April 1, 2014 and ending on March 31, 2019 (the "Extension Term"), provided that Licensee:

- (a) makes a request for Extension in writing at least twelve (12) months, but no more than fifteen (15) months, before the expiration of the applicable Term or Extension Term; and
- (b) at the time it requests any Extension and as of the end of the initial Term, is in compliance with the terms and conditions of this Agreement;
- (c) submits a business plan for the Extension Term that Licensor approves at least six (6) months prior to expiration of the Term; and
- (d) has achieved Minimum Sales Levels in at least two (2) Annual Periods prior to the April 1, 2013 – March 31, 2014 Annual Period and, as of the date the business plan for the Extension Term is approved, has projected and committed to achieving the applicable Minimum Sales Level for the balance of the then expiring Term.

Licensee acknowledges that the twelve (12) month advance notice is necessary to maintain the continuity of Licensor's licensing and marketing programs and the goodwill associated with the Trademarks. Time is of the essence in this regard and Licensee's failure to make its request in time shall constitute a conclusive decision by Licensee not to seek an Extension Term. Upon such failure, Licensor has the right, without notice to Licensee, to immediately replace Licensee as of the end of the Term as provided for in Paragraph 15.5 hereunder.

ARTICLE 4. ORGANIZATION

4.1 Organization

. Licensee shall, at its sole cost and expense, employ the following persons or persons with similar titles and responsibility, who will, except as specifically indicated, work exclusively with Licensor's representatives on Licensee's business arising under this Agreement

laws. Licensee may not exhibit, display, manufacture, sell, use, distribute or advertise any disapproved item. In the event that it is necessary for Licensor to perform on-site approvals, Licensee shall pay any and all reasonable expenses, including travel, incurred by Licensor with respect to such on-site approvals.

ARTICLE 6. DESIGN AND MANUFACTURING

6.1 Seasonal Design, Time and Action Calendar

. Attached hereto as **Exhibit D** is Licensee's design, time and action calendar for the Term of the Agreement. Each Annual Period, Licensee shall present to the market at least four (4) Seasonal Collections – Fall, Holiday, Spring, and Summer. On or about each January 15th, Licensee shall present a design, time and action calendar for the next succeeding July through December. On or about each July 15th, Licensee shall present a design, time and action calendar for the next succeeding January through June.

6.2 Overall Commitment to Quality

. Licensee shall maintain the distinctiveness of the Trademarks and the image and high quality of the goods bearing the Trademarks. The Licensed Products shall at all times be at least commensurate with the reputation, image and prestige of the Trademarks and be of high quality as to workmanship, construction, appearance, fabrication, design and materials used therein and generally associated with the Licensor's and its other licensee's goods bearing the Trademarks (collectively "Quality"), and shall be at least equal in Quality to the samples of Licensed Products submitted by Licensee and approved in writing in advance by Licensor pursuant to Paragraph 6.3 hereof.

6.3 Samples of Manufactured Products

. Before Licensee may exhibit, display or distribute any Licensed Products in any Seasonal Collection, Licensee shall submit samples of each of said Licensed Products and the Labels thereon to Licensor for its prior written approval, utilizing any submission form as reasonably provided by Licensor. Any approval given hereunder shall apply only to that Seasonal Collection for which it is submitted to Licensor. In addition, any such approvals shall authorize Licensee to make only such quantities of the approved item as Licensee reasonably expects to sell to its regular customers (excluding customers approved for sales of Close-Outs) and to Licensor, Licensor's Affiliates and Distributors. Licensee shall submit to Licensor additional samples of Licensed Products upon Licensor's reasonable request. Licensee shall provide all samples to Licensor at Licensee's sole cost and expense. Once samples have been approved, Licensee may manufacture only in accordance with such approved samples and shall not make any material changes for manufacture without Licensor's prior written approval. No Licensed Products (including samples) may be exhibited, displayed, distributed and/or sold by Licensee pursuant to this Agreement unless such Licensed Products are in substantial conformity with, and at least equal in, Quality to the samples previously approved by Licensor in accordance with this Paragraph 6.3.

6.4 Non-Conforming Products

. In the event that any Licensed Product is, in the judgment of Licensor, not being manufactured and distributed in accordance with the previously approved Quality, Licensor shall notify Licensee and Licensee shall promptly repair or change such Licensed Product to conform thereto. If after Licensor's request a Licensed Product as repaired or changed does not strictly conform and conformity cannot be obtained after one (1) resubmission, Licensee may sell the item but only after removing from the item the Trademarks and Labels or

may sell the same as a clearly marked Second or irregular. Notwithstanding anything in this Paragraph 6.4 to the contrary, sales of all such products using any of Licensor's exclusive designs, whether or not bearing Labels or the Trademarks, shall nonetheless be subject to royalty payments pursuant to Article 9. In the event that Licensor finds any Licensed Products in the marketplace that, in Licensor's judgment, are inconsistent with approved Quality for such Licensed Products at the time of their sale, then Licensor shall notify Licensee thereof and promptly provide such information with respect thereto as Licensee shall reasonably request. In the event that, after receiving all such information, Licensee fails within ten (10) days to either correct such inconsistencies or remove such Licensed Products from the market, then Licensor may, at Licensee's expense, purchase such Licensed Products and bill such costs to Licensee. Licensee shall pay all royalties due on sales of nonconforming goods. Licensor may require Licensee to recall any Licensed Products not consistent with approved Quality.

6.5 Withdrawal of Approval

. If at any time any Licensed Product ceases to be acceptable to Licensor, Licensor shall have the right in the exercise of its sole discretion to withdraw approval of such Licensed Product, a "Family" of which (meaning all men's and women's models) in any Annual Period (following the first full Annual Period in which such Family is first introduced) sells less than * not including Seconds and Close-Outs, in the aggregate. Notwithstanding the foregoing, Licensor acknowledges that certain Jewelry Product Families may not be forecasted to sell * and that Licensee's failure to sell * of such a Jewelry Product Family shall not constitute a basis for withdrawal of approval. Upon withdrawal of approval, Licensee shall cease the use of the Trademarks in connection with the manufacture, distribution, promotion, advertising, and use of such Licensed Product(s). Notice of such election by Licensor to withdraw approval shall not relieve Licensee from its obligation to pay royalties on sales of such product(s) made by Licensee prior to the date of disapproval or thereafter as permitted. Licensee may, however, complete work in progress for three (3) months from notice of withdrawal of approval, sell all existing Inventory of such Licensed Products and utilize materials on hand provided that it submits proof of such work in progress and inventory of such discontinued Licensed Product to Licensor. All such discontinued Licensed Products shall be sold or otherwise disposed of in the manner set forth in Paragraph 15.4 (h) within twelve (12) months of receipt of notice of withdrawal of approval.

6.6 Assistance by Licensor

. Licensor shall provide creative concepts and fashion direction for each Seasonal Collection. Licensor has ultimate design and creative approval rights, and written approval is required at key dates as indicated in the design, time and action calendar. At least four (4) times during each Annual Period, Licensee may, at its expense, visit Licensor's offices, factories, showroom, and other places of business, and attend Licensor's sales meetings to obtain additional know-how and assistance with respect to Licensed Products. The scheduling of such visits shall be at times mutually convenient to the parties hereto. If Licensee requests Mr. Tommy Hilfiger or any other member(s) of Licensor's staff to make a personal appearance, to attend any function, to visit Licensee's manufacturing plants or facilities or to attend any design meetings, all of the foregoing shall be subject to scheduling availability, if any, and Licensee shall pay all reasonable expenses in connection therewith, including appropriate airfare, lodgings, meals and local transportation consistent with the travel policy of Licensor, understanding and agreeing that if Licensee requests Mr. Tommy Hilfiger to make such an appearance, Licensee shall pay all expenses in connection therewith, including appropriate

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airfare, lodgings, meals and local transportation consistent with Mr. Tommy Hilfiger's typical travel arrangements (e.g., private aircraft transportation). Licensor shall at least four (4) times during each Annual Period, upon request by Licensee, make available to Licensee certain samples, designs, colors, samples of materials, Labels and artwork, the cost of which shall be borne by Licensee at the cost incurred by Licensor to provide the same. In addition to the foregoing, for marketing purposes, Licensor shall, upon request, make available to Licensee such of the following that are available to Licensor: (a) reports on marketing policy of Licensor; (b) reports on color, style and fabric trends; (c) at Licensee's cost, samples of advertising materials; (d) display ideas; and (e) Labels.

6.7 Ownership of Designs

. All right, title and interest, including copyright and goodwill, in and to all unique and legally protectable samples, sketches, designs, and other materials, whether created hereunder by Licensor, by Licensee, or by third parties (and, if created by Licensee or by any third party, used on or as part of or in connection with Licensed Products), including any modifications or improvements thereto, are the exclusive property of Licensor or its Affiliates; and this Agreement constitutes an assignment by Licensee to Licensor of such rights, to the extent they are not already the property of Licensor, and are licensed hereunder solely and exclusively for use in connection with the manufacture and distribution of Licensed Products in the Territory. Provided, however, that notwithstanding anything to the contrary contained herein, Licensor shall not have any exclusive right, title or interest in or to any such samples, sketches, designs or other materials that were previously used by Licensee or by any third party on or as part of watches or clocks other than the Licensed Products. Licensor may use and permit others to use said designs and other materials in any manner it desires (other than on Licensed Products in the Territory during the Term), provided that such use does not conflict with any rights that Licensor is granting to Licensee hereunder. Licensee specifically acknowledges that such designs and other materials may be used by Licensor and other licensees on Licensed Products in jurisdictions outside the Territory and on products other than Licensed Products anywhere in the world. Licensee shall place appropriate notices, reflecting ownership of such design rights by Licensor, on all Licensed Products, Labels and advertising and promotional materials if requested by Licensor in writing on a case by case basis and if Licensee reasonably determines that such placement is practicable. Neither Licensee nor any Affiliate or any other person or entity with whom Licensee has a contractual relationship or who is otherwise under Licensee's control, shall do or allow to be done anything that may adversely affect any of Licensor's design rights. Licensee shall disclose and freely make available to Licensor any and all developments or improvements it may make relating to Licensed Products and to their manufacture, promotion and sales, including, without limitation, developments and improvements in any machine, process or product design, that may be disclosed or suggested by Licensor or regarding any patent or trademark that Licensee is entitled to utilize.

6.8 Cost of Designs, Samples

. Licensee is solely responsible for all product development and associated expenses, including costs associated with the preparation and submission of designs to Licensor and all reasonable travel expenses incurred by Licensor in the event Licensor travels to Licensee's factories or other facilities as part of the design process.

6.9 Code of Conduct

. Attached hereto as **Exhibit E** is Licensor's Supplier Code of Conduct ("Code"), which applies to any entity manufacturing products bearing the Trademarks or the components thereof, including Licensed Products. Licensee shall use its best efforts to ensure that

Licensee and all Third Party Manufacturers, Subcontractors and Suppliers comply with the terms of the Code and shall evidence such compliance by:

- (a) prior to the commencement of the manufacturing of Licensed Products, Licensee and all Third Party Manufacturers, Subcontractors and Suppliers providing written acknowledgment of its receipt of and adherence to the Code, it being understood that neither Licensee nor any Third Party Manufacturer, Subcontractor or Supplier need re-acknowledge its receipt and adherence to the Code if it has so previously acknowledged; and
- (b) displaying and having all Third Party Manufacturers, Subcontractors and Suppliers display the Code, in a clearly visible location in Licensee's manufacturing facilities (if applicable) and in the manufacturing facilities of Licensee's Third Party Manufacturers, Subcontractors and Suppliers, at all times during the Term and any Extension Term(s) of this Agreement.

6.10 Monitoring Program

Licensee acknowledges that prior to the commencement of the manufacturing of Licensed Products, it shall have in effect, to the satisfaction of Licensor, a program of monitoring manufacturing facilities, whether operated by Licensee, by Third Party Manufacturers, Subcontractors or Suppliers, that is sufficient to ensure their compliance with the Code and all applicable laws and regulations. Such compliance shall be evidenced by Licensee executing and abiding by a Certification in such form as may be provided by Licensor from time to time

6.11 Third Party Manufacturing Agreement

Within thirty (30) days after establishing a new arrangement with a Third Party Manufacturer or Subcontractor, Licensee shall inspect each Third Party Manufacturer or Subcontractor and provide approval, signed by an authorized employee or agent of Licensee that such Third Party Manufacturer or Subcontractor is in compliance with Paragraph 6.9 above, and shall obtain and provide to Licensor the signature of an authorized representative from each of such parties on a Third Party Manufacturing Agreement on such form as may be provided by Licensor from time to time upon Licensee's request. Within thirty (30) days after establishing a new arrangement with a Supplier, Licensee shall obtain and provide to Licensor the signature of an authorized representative from each Supplier on a Certification in the form as may be provided by Licensor from time to time upon Licensee's request. In the event Licensee has knowledge of, has reason to believe, or should have reason to know that any Third Party Manufacturer, Subcontractor or Supplier is in breach of the Third Party Manufacturing Agreement or Certification, as the case may be, Licensee shall immediately notify Licensor and Licensee shall, at its sole expense, or at the expense of the transgressor, take immediate action to rectify such breach, including, where Licensor deems it necessary, due to repeated violations, prompt termination of its relationship with such Third Party Manufacturer, Subcontractor or Supplier. If Licensee fails to take prompt action or such action is not successful, Licensee shall assign its rights to proceed against such Third Party Manufacturer, Subcontractor or Supplier to Licensor and Licensor shall, at Licensee's expense, have the right to pursue all available remedies to protect its rights. Notwithstanding the foregoing, Licensee acknowledges that it shall remain primarily liable and completely obligated under all of the provisions of this Agreement in respect of the production of Licensed Products hereunder.

6.12 Information About Third Party Manufacturers

In order to maintain Licensor's high standard

of quality control and to ensure that appropriate measures are taken against counterfeiting, Licensee shall provide notice to Licensor, on a quarterly basis, including all of the following information:

- (a) the name and address of each Third Party Manufacturer, Subcontractor and Supplier;
- (b) the type of Licensed Products manufactured by such Third Party Manufacturer and Subcontractor;
- (c) quantity of Licensed Products to be manufactured by each such entity; the type of components provided by each Supplier;
- (d) any breaches of the Third Party Manufacturing Agreement or the Code;
- (e) any remediation efforts undertaken and a description of the success of those efforts; and
- (f) any other information that the Licensor shall reasonably request.

6.13 Inspection of Facilities

. Licensee shall regularly inspect the facilities it utilizes and those facilities used by Third Party Manufacturers, Subcontractors, and Suppliers, if any, for compliance with this provision and shall take actions necessary to cure any deficiencies or terminate as appropriate. Licensor and its duly authorized representatives shall have the right, but not the obligation, to inspect all facilities utilized by Licensee, its Third Party Manufacturers, Subcontractors and Suppliers in connection with the manufacture, storage or distribution of Licensed Products. For purposes of this Paragraph 6.13, all such books, records and documents of Licensee relating to compliance with the Code shall be maintained by Licensee in a secure and readily accessible location for a period of three (3) years from their creation. Licensor shall have the right upon reasonable prior written notice to review such inspection reports and related information or correspondence and communications. In the event that Licensor determines, reasonably based on an inspection and written report by an independent third party, that the inspected facilities are not complying with the Code or applicable laws, and Licensee fails to cure such lack of compliance within thirty (30) days after receipt of written notice of same is received by Licensee, then Licensee shall pay Licensor for the reasonable cost of any subsequent inspections of such facilities by Licensor or its representatives, related corrections or monitoring programs or services to address Code or legal compliance.

6.14 Compliance with Applicable Laws – Generally

. All Licensed Products manufactured and distributed by, or on behalf of, Licensee shall be marked, labeled, packaged, advertised, and distributed in accordance with this Agreement, in accordance with all applicable laws, rules and regulations in the Territory, including, to the extent applicable, but not limited to the Flammable Fabrics Act, the Fair Labor Standards Act and the Consumer Product Safety Improvement Act of 2008, and in such a manner as shall not tend to mislead or deceive the public or damage the reputation of the Trademarks.

6.15 Notices on Invoices. Licensee shall require that all commercial invoices (bills of lading) to Licensee that accompany Licensed Products include the following language (either pre-printed or "stamped") including (1) if such Licensed Products are manufactured in the United States of America, or (2) if such Licensed Products are manufactured outside the United States of America:

We hereby certify that the merchandise (including components thereof) covered by this shipment was manufactured in compliance with the Tommy Hilfiger Supplier Code of Conduct and: (1) it was manufactured in compliance with (a) sections 6, 7, and 12 of the Fair Labor Standards Act, as amended and all regulations and orders of the United States Department of Labor under section 14 thereof, and (b) state and local laws pertaining to child labor, minimum wage and overtime compensation; or (2) it was manufactured in compliance with the wage and hour laws of the country of manufacture and without the use of child (persons under the age of 15 or younger than the age for completing compulsory education, if that age is higher than 15), prison, indentured, exploited, bonded, forced or slave labor. We further certify that we have in effect a program of monitoring our subcontractors and suppliers and other designated contract facilities that manufacture TOMMY HILFIGER brand merchandise for compliance with the foregoing. We also certify that the merchandise is in compliance with all laws governing the designation of country of origin and, if applicable, is being shipped under legally issued and valid export license or visa.

6.16 Meetings

. Licensor may from time to time at Licensor's sole option, but no more than twice a year, hold a meeting of Licensor's licensees/distributors. Licensee shall upon receipt of reasonable notice attend any such meeting(s) at its own expense.

6.17 Anti-Counterfeiting Materials. To aid Licensor in policing counterfeiting, Licensee shall provide Licensor, upon Licensor's written request, with regular updates of Licensed Products produced by Licensee, Third Party Manufacturers, Subcontractors, and Suppliers, such as line-books, brochures and/or product DVDs. Licensee shall also designate an employee with specialization in the Licensed Products who Licensor may contact to assist in ascertaining whether products are counterfeit.

ARTICLE 7.

BRAND DEVELOPMENT, SALES AND MARKETING

7.1

Best Efforts

. Licensee shall use its best efforts to exploit this license throughout the Territory. Without limitation, Licensee shall: (a) sell a sufficiently representative quantity of styles, fabrications and colors of Licensed Products; (b) offer for sale Licensed Products so that they may be sold to consumers on a timely basis; and (c) cooperate with Licensor's merchandising, sales and anti-piracy programs. Licensee acknowledges that to preserve the goodwill associated with the Trademarks, Licensed Products should be sold at prices and terms reflecting the quality and nature of the Trademarks, and the reputation of the Trademarks as appearing on goods of high quality, it being understood, however, that Licensor is not empowered and has no desire to fix or regulate the prices for which the Licensed Products are to be sold. Licensee shall at all times maintain personnel and resources sufficient to provide effective distribution of the Licensed Products throughout the Territory.

7.2 Sales and Deliveries

. For each Seasonal Collection during the Term, Licensee shall ship no less than * of Licensed Products ordered and un-cancelled by the applicable customer. Licensee shall use its best efforts to ensure that each order is shipped by the date requested by Licensee's customers. An order to be shipped to a customer which is on credit hold or other hold shall not be deemed to be an untimely shipment, provided that Licensee notifies the customer in writing of the existence of the hold on the account and the reason for the hold, prior to the requested shipment date. Each order shall bear the respective shipping schedule. Licensee shall, within fifteen (15) days of Licensor's request, supply documentation evidencing such timely delivery during the immediately preceding quarter. Licensee shall not be deemed in breach of this paragraph until the second quarter in which it violates the terms hereof.

7.3 Reporting

. Licensee shall submit the following reports to Licensor:

- (a) Financial statements as set forth in Paragraph 10.6;
- (b) Within seventy-five (75) days after the end of each Annual Period, a certification by an authorized officer of Licensee of the Net Sales of Licensed Products during such Annual Period. Upon written request from Licensor not more than once each Annual Period, Licensee shall provide Licensor with a letter from its external auditors setting forth Licensee's Net Sales of Licensed Products during such Annual Period.
- (c) On or before the fifteenth (15th) day of each month, reports of the prior month's (i) monthly net shipments and (ii) retail selling results.

7.4 Sales/Marketing Plans

. On or before December 15 of each Annual Period, Licensee shall submit to Licensor (a) a schedule of its projected sales and marketing plans for the Licensed Products for the next three (3) Annual Periods for Licensor's approval, and (b) a complete and accurate summary of its sales to date for such Annual Period, including distribution by account and door (as reasonably practicable). Licensee shall use form(s) provided by Licensor for the reports required in this subsection, upon Licensor's request.

7.5 Minimum Sales Levels

. During each Annual Period, Licensee shall achieve the Minimum Sales Level for such Annual Period set forth in **Exhibit F**. The Minimum Sales Level for each Annual Period shall be the greater of the amount set forth in Exhibit F for such Annual Period or * Net Sales for the immediately preceding Annual Period. In no event may the Minimum Sales Level for any Annual Period be less than the Minimum Sales Level for the immediately preceding Annual Period. The Minimum Sales Level for each Annual Period during any Extension Term, if applicable, shall be the greater of *

. Prior to the commencement of an Extension Term, if any, the parties shall discuss in good faith adjusting the Minimum Sales Levels set forth herein, in the event that there has been a significant decline in the opportunity to sell the Licensed Products.

7.6 Certain Sales Excluded

. Licensee shall not receive credit towards Minimum Sales Levels for (a) sales outside the Territory; (b) sales to Licensor; or (c) sales pursuant to Paragraph 6.4.

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7.7 Approved Customers

. Licensee shall sell, and shall require that its Distributors sell, Licensed Products only to (a) those specialty shops, department stores and retail outlets whose operations are consistent with the prestige of the Trademarks and Licensor's sales policies and which are pre-approved by Licensor in its sole discretion, either specifically or consistent with written standards issued by Licensor, and (b) Franchisees and other purchasers as otherwise expressly permitted hereunder. Retail stores owned or operated by Licensee or any Affiliate of Licensee shall be deemed approved customers. In addition, Licensee may sell Licensed Products to corporate accounts, which have been approved in writing by Licensor, for the use of the employees of such corporate accounts ("Approved Corporate Accounts") and to third parties selling to such Approved Corporate Accounts. Approved Corporate Accounts shall in no event include corporate accounts selling alcohol, tobacco, gaming and firearms products. Upon execution of this Agreement, prior to the opening of each selling season and whenever Licensee wishes to sell Licensed Products to customers not previously approved, Licensee shall submit a list of its proposed customers for Licensor's written approval. Licensor shall have the right to revoke its approval of a customer, upon thirty (30) days prior written notice to Licensee, if Licensor determines in its sole discretion that the customer no longer meets its standards. After such notice, Licensee may not accept additional orders for Licensed Products from such retail customer, but may fill any existing order. Anything herein to the contrary notwithstanding, Licensee may sell Licensed Products to advertising specialty companies for resale only to Approved Corporate Accounts, for the use of their employees, and not for resale, provided that such advertising specialty companies shall, prior to receiving any Licensed Products from Licensee, execute an agreement providing for such limitation on resale, in form and substance reasonably acceptable to Licensor, and provide an original executed copy of such agreement to Licensor. Licensee shall within fifteen (15) days of Licensor's request, provide Licensor with a complete list of Licensee's customers.

7.8 Prohibited Sales

. Except as expressly permitted by Licensor in writing, Licensee may not (a) market or promote or seek customers for Licensed Products outside of the Territory; (b) establish a branch, wholly owned subsidiary, distribution center or warehouse with inventories of Licensed Products outside of the Territory (other than within a country in which the Licensed Products are manufactured, for the purpose of managing that manufacturing and export); (c) sell or distribute any Licensed Products to wholesalers, jobbers, diverters, catalog vendors or any other entity that does not operate retail stores exclusively other than as expressly permitted herein or pursuant to Licensor's written approval, and to its distributors which distribute only to U.S. military bases or to retail customers in the Territory that satisfy the criteria set forth in Paragraph 7.7 hereof; (d) sell Licensed Products directly to the public in retail stores except through outlet stores operated by Licensee or an Affiliate of Licensee; (e) sell or distribute any Licensed Products over the Internet or any other global or regional computer access network; (f) use Licensed Products as giveaways, prizes or premiums, except for promotional programs which have received the prior written approval of Licensor; or (g) sell Licensed Products to any third party or Affiliate of Licensee or any of its directors, officers, employees or any person having an equity participation in or any other affiliation to Licensee, other than to Licensee's employees or other representatives or persons for their personal use, unless such sales to a business which is an Affiliate are on an arms length basis or for personal use. Licensor may, at Licensee's expense, purchase any Licensed Products found in the marketplace that Licensee has sold to unapproved

customers. Licensee shall include and shall enforce the following on all invoices to its retail customers:

“Limitations on Sale by Buyer.

Seller expressly reserves the right to limit the amount of merchandise delivered to only such quantities as are necessary to meet the reasonably expected demand at Buyer’s store locations.

This merchandise is sold to Buyer for resale to the ultimate consumer only. Except to the extent that such prohibition would be contrary to applicable law, Buyer is expressly prohibited from selling the merchandise purchased hereunder to a retailer or other dealer in like merchandise, or to any party who Buyer knows, or has reason to know, intends to resell the merchandise.

The merchandise purchased hereunder may not be sold by Buyer from any store locations which Seller has advised Buyer do not qualify as an acceptable location.

Tommy Hilfiger Licensing, LLC is a third-party beneficiary of these terms.”

7.9 Showrooms and In-Store Shops.

(a) Showroom. Licensee may display Licensed Products for wholesale sale only in a separate showroom, designed and displayed in accordance with Licensor’s specifications, apart from any showroom(s) in which Licensee or another business may sell goods other than Licensed Products. The style and manner in which Licensed Products will be displayed in said showroom are subject to Licensor’s approval.

(b) In-Store Shops/Fixtures. Licensee shall participate in any in-store shop or main floor fixturing program with any of Licensee’s customers on terms reasonably satisfactory to Licensee. Licensee shall use reasonable efforts to secure premium positioning in the areas dedicated to the sale of Licensed Products in the stores of each of Licensee’s customers. Licensee shall use reasonable efforts to cause Licensed Products sold in an in-store shop or in connection with a main floor fixturing program to be displayed and sold in a manner which maintains the prestige and reputation of the Trademarks. Licensee shall fixture or use reasonable efforts to cause to be refixed each in-store shop and area dedicated to the sale of Licensed Products within sixty (60) days after notice from Licensor and, without notice from Licensor, shall update the fixtures no less often than * and shall update visual enhancements no less often than * .

7.10 Products for Licensor’s Use

. Licensee shall supply to Licensor, at Licensee’s sole cost and expense with two (2) complete sets of each Seasonal Collection.

7.11 Purchases By Licensor

. In addition to the Licensed Products which Licensee provides to Licensor pursuant to Paragraph 7.10, Licensee shall sell to Licensor a reasonable amount of in-stock Licensed Products for the personal use of Licensor’s employees at * off the regular wholesale price on standard industry terms. Purchases pursuant to this Paragraph

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7.12 are exempt from any royalty or advertising obligation requirements hereunder.

7.12 Purchases By Outlet Stores Owned or Operated by Licensor or its Affiliates

. At the beginning of each season, Licensee shall offer for sale Close-Outs to Licensor's or its Affiliates' outlet stores ("Outlet Stores"), prior to offering such Close-Outs to other parties. In no event shall Licensee make available to Outlet Stores fewer Licensed Products than it makes available to outlet stores operated by Licensee or Affiliates of Licensee. Outlet Stores may also purchase in-stock Licensed Products. The price for any purchases under this Paragraph shall be the lesser of (i) * off Licensee's standard suggested retail price and (ii) the price charged by Licensee to outlet stores owned or operated by Licensee or an Affiliate of Licensee. Licensee shall fill the orders of the Outlet Stores in a manner at least as favorable as Licensee fills orders from its other Close-Out customers. Purchases pursuant to this Paragraph 7.12 are exempt from any royalty or advertising obligation requirements hereunder.

7.13 Purchases By Tommy Hilfiger Stores, Tommy Hilfiger Websites and Tommy Hilfiger Franchisees

. Beginning on the first day of each of Licensee's market periods, Franchisees, Tommy Hilfiger Websites and Tommy Hilfiger Stores may purchase Licensed Products from Licensee. The prices charged to each shall be no greater than the following:

Purchaser	Price
Franchisee	*
Tommy Hilfiger Stores and Tommy Hilfiger Websites	*

All of the foregoing purchases shall be on standard industry terms. Licensee shall fill such orders in a manner at least as favorable as Licensee fills orders from its other comparable customers. In addition, if Tommy Hilfiger Stores and Licensee choose to contract for special programs of Licensed Products the price shall be no greater than * of the suggested retail price which would be reasonably ascribed to such products if the same were to be sold by Licensee to other customers.

Purchases pursuant to this Paragraph 7.13 are exempt from any royalty or advertising obligation requirements hereunder.

Where customs duties or other obstacles to direct sales to Tommy Hilfiger Stores and Franchisees in certain territories make impracticable the selling of Licensed Products at the prices set forth herein, those prices shall not apply. Instead, Licensee shall cooperate with Licensor and utilize commercially reasonable efforts to develop alternative solutions that enable Tommy Hilfiger Stores and Franchisees to purchase Licensed Products at reasonable prices in those territories.

7.14 Disposal of Off-Price Products. Licensee may sell Off-Price products only to approved Off-Price customers ("Off-Price Accounts").

(a) **Seconds and Close-Outs.** Licensee may sell Seconds and Close-Outs only in a

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way that will not reduce the value of the Trademarks and shall obtain the express prior written consent of Licensor with respect to the terms (other than the price or any terms affecting the price) and method of such disposal. Licensee shall have the right to sell Seconds and Close-Outs to outlet stores operated by Licensee or an Affiliate of Licensee. All Seconds shall be clearly marked "Seconds" or "Irregular".

(b) Program Sales. Program Sales are prohibited, unless expressly pre-approved in writing by Licensor.

(c) Off-Price Caps. Licensee may only make Off-Price Sales subject to the following restrictions and penalties.

(i) Restrictions. The Off-Price Sales in any Annual Period may not exceed * of the total Net Sales of Licensed Products in that Annual Period. The Net Sales of Seconds in any Annual Period pursuant to Paragraph 7.14(a) may not, in any event, exceed * of the total Net Sales of Licensed Products by Licensee in that Annual Period (collectively, the "Off-Price Caps").

(ii) Penalties. All Off-Price Sales in excess of one or both of the Off-Price Caps set forth in Paragraph 7.14(d)(i) are subject to an additional penalty royalty ("Penalty Royalty") of * in addition to the Percentage Royalty set forth in Paragraph 9.2, provided that nothing herein shall be deemed to make such sales permissible hereunder. For the avoidance of doubt, this means that all Off-Price Sales in excess of the Off-Price Caps are subject to an aggregate * royalty, combining the * Penalty Royalty and the * Percentage Royalty. All sales of Licensed Products to outlet stores operated by Licensee or an Affiliate of Licensee shall be considered Off-Price Sales hereunder. The Penalty Royalty shall be paid in the same manner as the Percentage Royalty on such sales.

7.15 Penalties for Unapproved and Prohibited Sales. Licensee shall promptly report to Licensor any sales by Licensee or any Affiliate of Licensee (a) to unapproved customers, (b) of products using the Trademarks that have not been approved by Licensor as Licensed Products, or (c) otherwise prohibited under Paragraph 7.8 ("Unapproved and Prohibited Sales"), including the number of units, description of product, customers, prices and shipping dates. Licensee shall promptly respond to and investigate any good faith inquiries from Licensor about the same. Promptly after Licensee has actual notice of any Unapproved and Prohibited Sales, it shall take reasonable measures to remedy the same, including, if possible, repurchasing the goods. In the event that the total aggregate Unapproved and Prohibited Sales in any twelve-month (12) period ("Penalty Period") exceeds * , Licensor may charge Licensee a penalty, which Licensee shall pay promptly, equal to the greater of (i) * or (ii) * (collectively, a "Penalty"), which Licensee agrees is fair compensation therefore. Such Penalty shall not, by itself, cure such default. Upon payment of a Penalty, a new twelve-month (12) Penalty Period shall immediately commence; meaning, for example, that Licensee could be required to pay another Penalty if it made over * in Prohibited and Unapproved Sales in the month following payment of a Penalty. Notwithstanding the foregoing,

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Licensee shall not be subject to penalty due to the first (and only the first) * of Unapproved and Prohibited Sales for which Licensee can provide written evidence that the Licensed products were repurchased, returned or destroyed. For the avoidance of doubt, thereafter, Licensee's efforts to remedy Unapproved or Prohibited Sales shall have no effect on the application and amount of a Penalty.

ARTICLE 8.

ADVERTISING

8.1 Guaranteed Minimum and Brand Advertising Payments

(a) GMA Product Contribution. Each Annual Period or portion thereof (calculated on a *pro rata* basis) Licensee shall pay to Licensor in support of advertising and marketing the Licensed Products a guaranteed minimum advertising amount ("GMA Product Contribution") equal to the greater of (i) * of the Minimum Sales Level for such Annual Period (exclusive of Minimum Sales for Jewelry Products) and (ii) the "Calculated GMA" for such Annual Period. Licensee shall make GMA Product Contribution payments in quarterly installments on each April 1, July 1, October 1 and January 1. The Calculated GMA shall be as follows:

(i) For the Annual Period April 1, 2009 – March 31, 2010: * ;

(ii) For each Annual Period thereafter: * of the Net Sales for the previous Annual Period (exclusive of Net Sales of Jewelry Products).

(b) Brand Contribution. Each Annual Period or portion thereof (calculated on a *pro rata* basis) Licensee shall pay to Licensor in support of the Trademarks an amount ("Brand Contribution") equal to * of Net Sales for such Annual Period (exclusive of Net Sales of Jewelry Products). The Brand Contribution shall be payable in quarterly installments at the same time as the payment of the Percentage Royalty payments, as provided in Paragraph 9.2.

8.2 Percentage Advertising Payment

(a) Percentage Product Contribution. Each Annual Period or portion thereof (calculated on a *pro rata* basis) during the Term, Licensee shall pay to Licensor a percentage advertising payment ("Percentage Product Contribution") equal to * of actual Net Sales for that Annual Period (exclusive of Net Sales of Jewelry Products), less the GMA Product Contribution paid for such Annual Period. The Percentage Product Contribution will be payable within thirty (30) days after the end of each Annual Period in which the Licensed Products are sold, provided, however, that in no event shall the Percentage Product Contribution due for any Annual Period be less than zero. If at the end of any Annual Period, the Percentage Product Contribution is less than the GMA Product Contribution, Licensee shall receive no refund or credit towards future advertising, co-op advertising, royalty or other payment obligations.

(b) Licensee Advertising Expenditure. Each Annual Period or portion thereof

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(calculated on a *pro rata* basis) during the Term, Licensee shall spend an amount equal to * of actual Net Sales for that Annual Period (exclusive of Net Sales of Jewelry Products) on cooperative and direct advertising in support of the Licensed Products (other than Jewelry Products). In the event that Licensee fails to spend these required monies in any given Annual Period, Licensee shall spend the shortfall the following Annual Period, in addition to its independent advertising spending obligations for that Annual Period under this subparagraph.

(c) Jewelry Contribution. Anything herein to the contrary notwithstanding, if Net Sales of Jewelry Products during any Annual Period exceeds * , then in the next Annual Period Licensee shall pay to Licensor in support of the Jewelry Products an amount equal to * of the Minimum Sales Level for Jewelry Products during such Annual Period or portion thereof (calculated on a *pro rata* basis) (the "Jewelry Contribution"). For the avoidance of doubt, should Licensee's Net Sales of Jewelry Products exceed * during an Annual Period, Licensee shall pay the Jewelry Contribution for every Annual Period thereafter, regardless of the Net Sales of Jewelry Products thereafter.

8.3 Media Plan and Licensor's Advertising Spending

(a) Media Plan. Each February, Licensor and Licensee shall discuss the media plan for the next twelve (12) month period in an effort to reach an agreement regarding such plans. A similar discussion will be had in connection with any changes to any such plan.

(b) Licensor's Advertising Spending. Each February, Licensor and Licensee shall discuss the creative and media plans in an effort to reach a mutual agreement about Licensor's spending, but in the absence of such agreement, Licensor will spend the amounts received from Licensee pursuant to Paragraphs 8.1 and 8.2 above within twelve (12) months of the time the same is received by Licensor in promoting and advertising Licensed Products and the Trademarks in the Territory as follows: (i) * of the GMA Product Contribution and Percentage Product Contribution will be spent on advertisements which promote and depict Licensed Products (other than Jewelry Products) and * percent of the Jewelry Contribution will be spent on advertisements which promote and depict Jewelry Products; and (ii) the Brand Contribution, other than the GMA Product Contribution, the Percentage Product Contribution and the Jewelry Contribution, will be expended by Licensor in any manner that Licensor, in its sole discretion, deems appropriate. Licensor will use reasonable efforts to expend an amount equivalent to at least * of the prior Annual Period's Net Sales in the United States, Canada and the European Union on advertising in those territories, respectively. Such expenditures will include, without limitation, marketing, advertising, public relations, special events and promotions, production, administration and other costs related to all of the foregoing. Additionally, Licensee acknowledges that, as it derives certain benefits from advertising activities, Licensor may allocate a portion of Licensee's payments toward Licensor's (or its Affiliates' or licensees') production of advertising materials and costs incurred in connection therewith (e.g. costs for photographers, models, usage rights, advertising shoots, etc.). Within sixty (60) days of the conclusion of each Annual Period, Licensor shall provide to Licensee a "Summary Report" of all of Licensor's advertising expenditures hereunder during the Annual Period. The Summary Report shall include the total

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cost of the advertising as well as copies of the individual advertising materials. In the event that the cost of such advertising is less than the total advertising payments made by Licensee to Licensor for that Annual Period, Licensor agrees to place additional advertising in an amount equal to the shortage during the next Annual Period. Any apportionment of advertising costs among Licensed Products and other products bearing the Trademark shall be made by Licensor in its sole discretion. Additionally, Licensor may undertake various endorsements, team and event sponsorship and other such activities as Licensor deems appropriate as part of a worldwide marketing program to develop its image internationally. Subject to the foregoing, Licensor will be entitled to allocate a portion of Licensee's advertising payments toward Licensee's share of the cost of such program.

(c) Licensee's Advertising Spending. Each February, Licensor and Licensee shall discuss the creative and media plans in an effort to reach a mutual agreement about Licensee's spending, but in the absence of such agreement, Licensee will spend the amounts required under Paragraph 8.2(b) in support of the Licensed products through (a) cooperative advertising and (b) direct advertising * . In the event that Licensor plans to undertake a material change to agreed-upon creative and media plans during the course of an Annual Period, the parties shall discuss such plans and Licensor shall consider in good faith any concerns Licensee raises about them.

8.4 Approval of Labels and Licensee's Advertising

. All of Licensee's Labels, marketing, and advertising copy and the media of all of the aforesaid, if any, shall comply with specifications provided from time to time by Licensor and are, at all times, subject to the prior written approval of Licensor. No advertising, including cooperative advertising whereby Licensee provides a customer with a contribution toward the cost of an advertisement for Licensed Products, whether by way of credit or otherwise, may be used without the prior written consent of Licensor; provided that once the form of an in-store or in-trade (including, without limitation, trade shows collateral material) advertising material has been approved, then such material may be re-used without nay further approval. Additionally, under no circumstances shall Licensee advertise Licensed Products over any medium not previously approved by Licensor in writing.

All Labels shall bear at least one of the Trademarks, but no other trademark or trade name may be used except as may be required by applicable law or permitted by Licensor in writing. Licensee shall not be permitted to use its name(s) on Licensed Products or Labels displaying the Trademarks other than as specifically approved by Licensor in writing. Any Labels provided by Licensor to Licensee shall be so provided at Licensee's expense, at Licensor's cost of producing and providing the same.

8.5 Launch

. In addition to the advertising requirements hereunder, Licensee shall host a launch event and distribute a gift package to the fashion and financial press and to major retail accounts during the initial selling season for the first Jewelry Collection to be sold under this Agreement. Such event shall be held at the International Watch & Jewelry Fair in Basel, Switzerland (the "Basel Fair") and shall be comparable to similar launch events hosted by Licensor's other licensees of the Trademarks and shall reasonably reflect the prestige of the Trademarks and the relative significance of Licensed Products to Licensor.

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8.6 Branded Shows

. Licensee shall, at Licensee's sole cost and expense, participate in and provide Licensed Products in reasonable quantities for (a) fashion shows held by Licensor and (b) fashion shows held by its other licensees each Annual Period.

8.7 Trade Shows

. Licensee may not participate in trade shows, other than the Basel Fair and the Las Vegas trade shows, without the prior written consent of Licensor. To the extent that Licensor does consent to such participation, the booth or showroom shall be subject to Licensor's prior written approval in each instance. All expenses for the booth or showroom and in relation to said trade shows shall be borne by Licensee.

8.8 Public Announcements

. Licensee's press releases and other public announcements related to Licensee's operations hereunder and otherwise naming Licensor or the Trademarks are subject to the prior written approval by Licensor, which consent shall not be unreasonably withheld, delayed or conditioned; except to the extent that any such announcement is required by law in which event no consent shall be required.

ARTICLE 9. ROYALTIES AND RELATED FEES

9.1 Guaranteed Minimum Royalty

. Licensee shall, during each Annual Period or portion thereof (calculated on a *pro rata basis*), pay to Licensor the guaranteed minimum royalties ("GMR") set forth in **Exhibit G**. GMR payments shall be payable in quarterly installments in advance on the first day of each quarter during each Annual Period during the Term. In no event shall the GMR for any Annual Period be less than * of the Minimum Sales Level for that Annual Period, except that for the Annual Period ending March 31, 2010, the Guaranteed Minimum Royalty shall be * of the Minimum Sales Level.

9.2 Percentage Royalty

. Except as specifically exempted, all sales of Licensed Products require the payment of a Percentage Royalty of * of Net Sales, except that for the Annual Period ending March 31, 2010, the Percentage Royalty shall be * of Net Sales for that Annual Period. Percentage Royalties shall be payable quarterly in arrears on April 30, July 30, October 30 and January 30 of each Annual Period in which the Licensed Products are sold, less the corresponding GMR payment made for said period. Payment of the GMR payment shall not relieve Licensee of its obligation to make the Percentage Royalty payments, it being understood and agreed by Licensee that it is obligated each Annual Period to pay the greater of (a) the GMR payment or (b) the Percentage Royalty payment. All royalties shall accrue upon the sale of Licensed Products, regardless of the time of collection by Licensee. For purposes of this Paragraph 9.2, a Licensed Product shall be considered "sold" upon the date of invoicing, shipping, or payment, whichever occurs first. No Percentage Royalty shall be due on purchases of Licensed Products by Tommy Hilfiger Stores or Tommy Hilfiger Websites, or with respect to purchases by Licensor or Licensor's Affiliates and Franchisees.

9.3 Royalty Statements

. At a time when each Percentage Royalty payment is due, Licensee shall submit to Licensor a complete and accurate royalty statement in a form, if any, provided by Licensor from time to time, signed by an authorized officer of Licensee and certified by him/her as accurate, containing the following information: (a) the total invoice price of all Licensed Products sold during the period covered by such Percentage Royalty payment; (b) the amount of

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discounts and credits from Gross Sales that were permissibly deducted therefrom during said period and any other reduction from Gross Sales permitted under Paragraph 1.15 hereof to calculate Net Sales; and (c) computation of the amount of Percentage Royalty due for said period. Licensee shall identify separately all sales to Affiliates of Licensee, as well as provide a complete list of customers to whom Licensed Products were shipped during the applicable reporting period. At least once annually, or more often at Licensor's written request, Licensee shall also submit to Licensor a certification from its chief financial officer that its statements up through that date have been in compliance with the requirements of this Paragraph 9.3. Receipt or acceptance by Licensor of any statement furnished, or of any sums paid by Licensee, shall not preclude Licensor from questioning their correctness at any time. On the other hand, reports submitted by Licensee shall be binding and conclusive on Licensee in the event of any termination of this Agreement based on a breach by Licensee arising out of any payment or report.

9.4 Merchandise Coordinator Program

. Licensee may use its own merchandise coordinators provided that (i) Licensee establishes a contact person who shall work with Licensor's representatives in respect of Licensee's merchandise coordinators, and (ii) provides Licensor within sixty (60) days after the beginning of each Annual Period with a budget and description for Licensee's merchandise coordinator program for the Licensed Products. Licensor may review the performance of Licensee's coordinators and, if Licensor reasonably determines that Licensee's coordinators are not performing adequately, then Licensor shall so notify Licensee, specifying the inadequate performance in reasonable detail. Within forty five (45) days after its receipt of such notice, Licensee shall remedy the inadequate performance. Notwithstanding the foregoing, Licensee shall (i) contribute * each Annual Period to Licensor's Merchandise Coordinator Program to support broader brand merchandising coordination efforts, and (ii) provide training to Licensor's retail store personnel as reasonably requested by Licensor.

9.5 No Set-Off

. The obligation of Licensee to pay royalties hereunder is absolute notwithstanding any claim that Licensee may assert against Licensor. Licensee shall not have the right to set-off, compensate or make any deduction from such royalty payments for any reason whatsoever. In the event that Licensee fails to pay royalties or advertising obligations hereunder when due in breach of this Agreement, Licensee shall reimburse Licensor for any reasonable costs and expenses (including reasonable attorneys' fees) incurred by Licensor in recovering those royalties and/or advertising payments.

ARTICLE 10. MANNER OF PAYMENT, INTEREST, BOOKS AND RECORDS, INSPECTION

10.1 Manner of Payment

. All payments required by Licensee hereunder shall be made to Licensor by wire transfer of immediately available funds in US Dollars to the US bank account designated by Licensor.

10.2 Interest on Late Payments

. In addition to any other remedy available to Licensor, if any payment due under this Agreement is delayed for any reason, interest will accrue and be payable, to the extent legally enforceable, on such unpaid principal amounts from and after the date on which the same became due, at a *per annum* rate equal to the lesser of (a) two (2) points above the

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prime rate of interest in effect on the due date of the late payment as quoted by Chase Manhattan Bank in New York, New York, U.S.A. and (b) the highest rate permitted by law in New York.

10.3 Taxes

. Licensee shall bear all taxes, duties and other governmental charges in the Territory relating to or arising under this Agreement, excluding any state or federal income taxes due and payable by Licensor, withholding taxes on royalties, any stamp or documentary taxes or duties, turnover, sales or use taxes, value added taxes, excise taxes, customs or exchange control duties and any other charges relating to or on any royalty payable by Licensee to Licensor. Licensee shall obtain, at its own cost and expense, all licenses, reserve bank, commercial bank or other bank approvals, and any other documentation necessary for the importation of materials and the transmission of royalties and all other payments relevant to Licensee's performance under this Agreement. If any tax or withholding is imposed on the royalties due hereunder, Licensee shall promptly provide Licensor with appropriate evidence of the tax payment or withholding or of an extension of time to pay the same.

10.4 Books and Records

. Licensee shall, at its sole cost and expense, maintain complete and accurate books and records (specifically including, without limitation, the originals or copies of documents supporting entries in the books of account) covering all transactions arising out of or relating to this Agreement at least three (3) years after the date of such transaction. Licensor shall have the right, upon ten (10) days prior written notice to Licensee, during normal business hours, for the duration of this Agreement and for three (3) years thereafter, to examine and copy said books and records and all other documents and materials in the possession of and under the control of Licensee with respect to the subject matter and terms of this Agreement that have not been previously examined hereunder. The exercise by Licensor of any right to review at any time or times or the acceptance by Licensor of any statement or payment shall be without prejudice to any of Licensor's rights or remedies and shall not bar Licensor from thereafter disputing the accuracy of any payment or statement and Licensee shall remain fully liable for any balance due under this Agreement. Licensee shall assign style numbers to Licensed Products that are unique from numbers for any products other than the Licensed Products that Licensee may manufacture and/or sell. The style number assigned to each Licensed Product shall be identical to the style number utilized to identify that Licensed Product in all of Licensee's books and records. All documents evidencing the sale of Licensed Products shall state the style and number of each of such products. Licensee may not use terms such as "assorted" or "irregular" without a style specification. All sales of the Licensed Products shall be made on invoices that (a) (except for retail sales) contain sales only of the Licensed Products, (b) contain a statement that the invoice shall be paid only to an account owned by Licensee or its assignee, and (c) are recorded in a separate ledger account, or in lieu if the foregoing, via appropriate EDI communication.

10.5 Underpayments

. If, upon any examination of Licensee's books and records, Licensor discovers any royalty or advertising underpayment by Licensee, Licensee shall make all payments required to be made to correct and eliminate such underpayment within ten (10) days after Licensor's written demand for such payment, which demand sets forth in reasonable detail all such alleged underpayments. In addition, if said examination reveals a royalty or advertising underpayment of five (5%) percent or more, for any period, Licensee shall reimburse Licensor the out of pocket third party cost of said examination within ten (10) days after Licensee's

receipt of Licensor's written demand. Any payment by Licensee hereunder shall not preclude Licensee from contesting the results of Licensor's audit.

10.6 Financial Statements

. Licensee shall provide to Licensor copies of its annual report on form 10-K and quarterly reports on form 10-Q as filed with the United States Securities and Exchange Commission within five (5) days after the date such reports are filed.

ARTICLE 11. REPRESENTATIONS AND WARRANTIES

11.1 Representations and Warranties. Each party hereby represents, warrants and covenants that:

- (a) it has the full right, power and authority to enter into this Agreement, and to perform all of its obligations hereunder;
- (b) it is financially capable of undertaking the business operations which it conducts and of performing its obligations hereunder;
- (c) it is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation, as the case may be;
- (d) all necessary corporate acts have been effected by it to render this Agreement valid and binding upon it; and
- (e) in its negotiations relative to this Agreement, it has not utilized the services of any finder, broker or agent and it owes no commission or fees to any such person in relation hereto. Each party agrees to indemnify the other against, and hold it harmless from, any and all liabilities (including, without limitation, reasonable legal fees) to any person, firm or corporation claiming commissions or fees in connection with this Agreement or the transactions contemplated hereby as a result of an agreement with or services rendered to such party.

11.2 Representations by Licensor.

- (a) Licensor represents that no other party has superior rights to the Trademarks for the Licensed Products; and
- (b) Licensor has not previously granted a license covering the Licensed Products in the Territory to any third party.

11.3 Representations by Licensee.

MGI represents that on the date hereof and throughout the Term MWC shall be a wholly-owned subsidiary of MGI

12. CONFIDENTIALITY AND HIRING OF EMPLOYEES

12.1 Confidentiality. Any and all information of any kind in any form acquired, devised or developed from either party, such party's files or such party's personnel, suppliers, subcontractors, or Third Party Manufacturers by the other, including but not limited to the terms of this Agreement, prints, designs, ideas, sketches and other materials or Trade Secrets, shall be deemed Confidential Information and shall be maintained by each such party and its Affiliates and their respective employees, attorneys, accountants and bankers, in strict confidentiality. Confidential Information shall not include information (a) generally known to the public, (b) previously known to the recipient, or (c) properly received by the recipient outside the scope of this Agreement and from any third party not affiliated with the protected party and not under any duty to the protected party not to disclose such information. Each party agrees not to disclose, in whole or in part, any Confidential Information of the other party to any third party, except upon consent of the other or pursuant to, or as may be required by law, or in connection with regulatory or administrative proceedings and only then with reasonable advance notice of such disclosure to the other, and provided, (a) that each such person shall agree to be bound by the terms of this Agreement; (b) that Confidential Information shall be used by the party to whom disclosed, and such persons solely as provided hereunder; and that Confidential Information shall be revealed only to those officers, directors and employees of such party, respectively, on a need to know basis. Licensee shall take all reasonable precautions to protect the secrecy of the materials, samples, and designs constituting Confidential Information prior to their commercial distribution or the showing of samples for sale, and shall not sell any merchandise employing or adapted from any of said designs except under the Trademarks. Licensor shall take all reasonable precautions to protect the secrecy of the original designs created by Licensee for Licensed Products prior to their advertisement, commercial distribution or the showing of samples for sale. Neither Licensor nor Licensee may, at any time during the Term disclose or use for any purpose, other than as contemplated by this Agreement, any revealed or otherwise acquired Confidential Information and data relating to the business of the other. The identity of Licensee's Third Party Manufacturers, Subcontractors and Suppliers shall be deemed Confidential Information and Licensor shall not directly contract with the same in connection with the manufacture of Licensed Products.

12.2 Hiring of Employees. During the Term and for a period of two (2) years thereafter, neither party shall directly or indirectly solicit the employment on a full or part- time basis of any employee of the other or of its Affiliates.

13. TRADEMARKS AND COPYRIGHTS

13.1 Rights to the Trademarks

. Licensee acknowledges the great value of the goodwill associated with the Trademarks, and acknowledges that the Trademarks and all the rights therein, and goodwill attached thereto, belong exclusively to Licensor. Licensee shall not, during the Term or thereafter: (a) do, or otherwise suffer to be done, any act or thing that might, in any way, adversely affect the rights of Licensor in and to the Trademarks or that, directly or indirectly, may reduce the value of the Trademarks or detract from their reputation; (b) prosecute an application to register the Trademarks; (c) attack Licensor's title or right in and to the Trademarks; (d) attack the validity of this license or the Trademarks; or (e) contest the fact that Licensee's rights under this Agreement (i) are solely those of a manufacturer and distributor, and

(ii) subject to the provisions of Articles 14 and 15 hereof, cease upon expiration or termination of this Agreement.

13.2 Protecting the Trademarks

. Licensee shall cooperate fully and in good faith with Licensor for the purpose of securing, preserving and protecting Licensor's rights in and to the Trademarks. At the request of Licensor, Licensee shall execute and deliver to Licensor any and all customary documents and do all other acts and things that Licensor reasonably deems necessary or appropriate (at Licensor's cost) to make fully effective or to implement the provisions of this Agreement relating to the ownership, use or registration of the Trademarks. Licensor shall reimburse Licensee for Licensee's reasonable out of pocket expenses incurred in providing the foregoing.

13.3 Compliance with Notice and Other Requirements

. Licensee shall use the Trademarks strictly in compliance with all applicable legal requirements. Whenever the Trademarks are used on any item of packaging or labeling or in any advertisement, they shall be followed, in the case of a registered trademark by the registration symbol, *i.e.*, ® and in the case of all other trademarks by the symbol ™, or other appropriate symbols of similar import acceptable to Licensor or required by applicable law. Upon expiration or termination of this Agreement for any reason whatsoever, Licensee shall execute and deliver to Licensor any and all documents required by Licensor for terminating any and all registered user agreements and other documents regarding Licensee's use of the Trademarks.

13.4 Ownership of Copyrights

. Except as otherwise provided in Paragraph 6.7, any copyrights created by or for Licensee in any sketch, design, print, package, label, tag or the like, designed and approved for use in connection with Licensed Products, are hereby assigned by Licensee to Licensor. Licensee is granted a license to use the same during the Term and under the conditions set forth in this Agreement. Licensee shall not, at any time, do, or otherwise suffer to be done, any act or thing that may adversely affect any rights of Licensor in such copyrights and shall, at Licensor's request, do all things reasonably required by Licensor to preserve and protect said rights, including the placement of appropriate notices of copyright ownership. The license to use the copyrighted materials and the duties of the Licensee hereunder are essential terms of this Agreement.

13.5 Infringement

. Licensee shall promptly notify Licensor of any infringement or other misuse of the Trademarks that becomes known to it or the use by any person of any trademarks or trade names confusingly similar to the Trademarks that comes to its attention. Licensor shall take such action as it deems advisable, and Licensee shall assist in such action at Licensor's expense, as Licensor reasonably may request. In no event, however, shall Licensor be required to take any action if it deems it inadvisable to do so, and Licensee shall have no right to take any action without the prior written consent of Licensor. Any approved action taken by Licensee shall be at Licensee's cost. However, in the event of any infringement or other misuse of any of the Trademarks on items identical or similar to Licensed Products, Licensor shall take the measures it deems appropriate to protect the Trademarks and Licensee, at Licensor's request, shall pay the costs incurred therefor.

13.6 Counterfeit Protection

. Licensee shall cooperate with Licensor as reasonably requested by

Licensor in all efforts to prevent counterfeiting. Licensed Products shall bear and use any counterfeit preventive system, devices or labels reasonably designated by Licensor. At its option, Licensor may supply the system, devices or labels (provided that they are supplied on a timely basis), that Licensee shall use for which Licensee shall pay all reasonable out of pocket costs incurred by Licensor, in advance upon presentation to Licensee of appropriate documentation substantiating such costs. In no event shall Licensee be required to pay costs hereunder in excess of * during any Annual Period.

13.7 Use of Other Trademarks

. During the Term, neither Licensee, nor any Affiliate of Licensee, or company in which the controlling shareholders of Licensee are partners, or in which Licensee is a partner, may act as a licensee or distributor in the Territory of any products within the definition of Licensed Products, under any name which is set forth on **Exhibit H**, or which may be reasonably added to Exhibit H by Licensor at the commencement of an Extension Term, if any, unless expressly consented to by Licensor in writing, or as a result of the acquisition by Licensee of substantially all of the assets of or the outstanding securities of or otherwise acquiring control of an entity which, other than as its primary function, acts as a distributor or licensee of products bearing such competitive names. If such consent is given, unless prohibited by other agreements, Licensee shall provide Licensor with samples of any such competitive products it manufactures and distributes that do not bear the Trademarks. (Licensee may act as a manufacturer only of such products, provided that Licensee is not the licensee or distributor thereof). In all cases, the design and style of any such products or any of Licensee's private label products, shall be clearly distinguished from Licensed Products. A breach of this clause shall constitute a violation of Licensee's obligation to use its best efforts to exploit this license. Licensee shall maintain the design, merchandising, packaging, sales and display of all of Licensee's other products separate and distinct from Licensed Products.

13.8 Use of Trademarks on Invoices, etc

. Licensee shall submit to Licensor for prior approval the proposed use of the Trademarks on invoices, business cards, order forms, stationery and related materials and in advertising in telephone and other directory listings.

13.9 Monitoring

. Licensee shall actively monitor use of the Trademarks by third parties, including by its customers, and shall use its best efforts to see that such use does not impair the image or reputation of the Trademarks, provided, however, that Licensee shall have no obligation to impose any unlawful restrictions or to attempt to impose any unlawful restrictions on any third party.

14. **INSOLVENCY**

14.1 Effect of Proceeding in Bankruptcy.

If (a) either party institutes for its protection or is made a defendant in any proceeding under bankruptcy, insolvency, reorganization or receivership law, and in the event a party is made a defendant in such proceeding, such proceeding is not dismissed within sixty (60) days following its institution, or (b) either party is placed in receivership or makes an assignment for benefit of creditors, and such receivership is not removed within sixty (60) days following appointment, the other party may elect to terminate this Agreement immediately by written notice to the other party without prejudice to any right or remedy the terminating party may have, including, but not limited to, damages for breach.

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14.2 Rights Personal

. The license and rights granted hereunder are personal to Licensee. No assignee for the benefit of creditors, receiver, trustee in bankruptcy, sheriff or any other officer or court charged with taking over custody of Licensee's assets or business, shall have any right to continue performance of this Agreement or to exploit or in any way use the Trademarks if this Agreement is terminated pursuant to Paragraph 14.1, except as may be required by law.

14.3 Trustee in Bankruptcy

. Notwithstanding the provisions of Paragraph 14.2 above, in the event that, pursuant to applicable bankruptcy law a trustee in bankruptcy, receiver or other comparable person, of Licensee, or Licensee, as debtor, is permitted to assume this Agreement and does so and, thereafter, desires to assign this Agreement to a third party, which assignment satisfies the requirements of the applicable law, the trustee or Licensee, as the case may be, shall notify Licensor. Said notice shall set forth the name and address of the proposed assignee, the proposed consideration for the assignment and all other relevant details thereof. The giving of such notice shall be deemed to constitute an offer to Licensor to have this license assigned to it or its designee for such consideration, or its equivalent in money, and upon such terms as are specified in the notice. Licensor may accept the aforesaid offer only by written notice given to the trustee or Licensee, as the case may be, within fifteen (15) days after Licensor's receipt of the notice. If Licensor fails to deliver such notice within the said fifteen (15) days, such party may complete the assignment referred to in its notice, but only if such assignment is to the entity named in said notice and for the consideration and upon the terms specified therein. Nothing contained herein shall be deemed to preclude or impair any rights that Licensor may have as a creditor in any bankruptcy proceeding.

15. EXPIRATION AND TERMINATION

15.1 Other Rights Unaffected. Expiration of the Term or termination of this Agreement shall not affect any obligation of either party to make payments to the other hereunder accruing prior to such expiration or termination or in respect to an antecedent breach of this Agreement, and shall not prejudice any other right of either party hereunder including, without limitation, damages for breach and each party agrees to reimburse the other for any reasonable costs and expenses (including reasonable attorneys' fees) incurred by such other party in enforcing its rights hereunder. Except as required by law, no assignee for the benefit of creditors, receiver, liquidator, sequestrator, trustee in bankruptcy, sheriff or any other officer of the court or official charged with taking over custody of Licensee's assets shall have the right to continue the performance of this Agreement.

15.2 Termination without Right to Cure. Licensor shall have the right to immediately terminate this Agreement by giving Licensee a notice of termination, without giving Licensee any right to cure, if Licensee:

- (a) makes an unauthorized disclosure of Confidential Information or Trade Secrets, other than inadvertent disclosures;
- (b) institutes proceedings seeking relief under a bankruptcy act or any similar law, or otherwise violates the provisions of Paragraph 14.1 thereof;

- (c) transfers or agrees to transfer substantially all of its property, its shares of stock or, this Agreement in violation of Paragraph 20.4 hereof;
- (d) exhibits, displays, or distributes unapproved products that bear the Trademarks, which action would reasonably be expected to adversely effect any of the image, prestige, value or ownership of the Trademarks, the Licensed Products or Licensor;
- (e) without the prior written consent of Licensor, uses the Trademarks in an unauthorized or improper manner, other than as a result of inadvertence, which action would reasonably be expected to adversely effect any of the image, prestige, value or ownership of the Trademarks, the Licensed Products or Licensor;
- (f) uses the Trademarks with another trademark or name in connection with the sale of Licensed Products, other than as a result of inadvertence, which action would reasonably be expected to adversely effect any of the image, prestige, value or ownership of the Trademarks, the Licensed Products or Licensor;
- (g) intentionally misrepresents any financial data regarding its business under this Agreement; or
- (h) places, or participates in, any unapproved or prohibited consumer, trade or cooperative advertising including or displaying the Trademarks or the Licensed Products, which action would reasonably be expected to adversely effect any of the image, prestige, value or ownership of the Trademarks, the Licensed Products or Licensor.

15.3 Termination with Right to Cure.

- (a) By Licensor. If Licensee breaches any of its other obligations under this Agreement, Licensor shall have the right to terminate this Agreement by giving Licensee a notice of intention to terminate. Termination will become effective automatically and without further notice unless Licensee completely cures the breach within thirty (30) days after the giving of such notice (it being agreed that to cure a breach of Paragraph 7.8 resulting from Licensee's sale of Licensed Products to an unapproved customer Licensee shall recall all such Licensed Products in such unapproved customer's possession and pay the fine imposed under Paragraph 7.15 within such thirty (30) day period). Licensor shall not terminate this Agreement if Licensee fails to achieve the Minimum Sales Level during only one (1) Annual Period in any period of five (5) consecutive Annual Periods, provided that Licensee promptly pays to Licensor the Guaranteed Minimum Royalty for such Annual Period. Notwithstanding the foregoing, if Licensee fails to achieve the Minimum Sales Level for two (2) Annual Periods during any period of five (5) consecutive Annual Periods, Licensor may issue a notice of termination, which shall be effective thirty (30) days later. Furthermore, in the event that Licensee fails to sell commercially reasonable quantities of Licensed Products in a territory for two (2) Annual Periods during any period of five (5) consecutive Annual Periods, as set forth in a business plan agreed to by Licensee and Licensor, this Agreement shall be terminable by Licensor as to the territory.

(b) By Licensee. If Licensor breaches any of its obligations under this Agreement, Licensee shall have the right to terminate this Agreement by giving Licensor a notice of intention to terminate. Termination shall become effective automatically and without further notice unless Licensor cures the breach within sixty (60) days after the giving of such notice.

15.4 Effect of Expiration or Termination. Upon expiration of the Term or termination of this Agreement for any reason whatsoever:

(a) Reversion of Rights. Except as specified below, all of the rights of Licensee under this Agreement shall terminate and immediately revert to Licensor and Licensee shall immediately discontinue use of the Trademarks, whether in connection with the sale, advertisement or manufacture of Licensed Products or otherwise, and shall not resume the use thereof or adopt any colorable imitation of the Trademarks or any of their components or designs incorporated therein or material parts thereof.

(b) Royalties. All royalties on sales theretofore made shall become immediately due and payable.

(c) Return of Labels and Other Materials. At Licensor's option, exercised, if at all, by notice to Licensee within thirty (30) days after the expiration of the Term or termination of this Agreement, as the case may be, Licensee shall (i) promptly destroy, or (ii) convey to Licensor (at a price equal to Licensee's book value therefor) and free of all liens and encumbrances, all plates, engravings, silkscreens, computer tapes, molds, stitching patterns or the like used to make or reproduce the Trademarks in Licensee's possession or control, and all items affixed with likenesses or reproductions of the Trademarks in Licensee's possession or control whether Labels, bags, boxes, tags or otherwise, except such quantity reasonably required by Licensee in connection with its permitted sell off of Licensed Products under Paragraph 15.4(f). Licensee shall deliver to Licensor, free of charge, all sketches, Designs and the like in its possession or control, designed or approved by Licensor, and all Labels supplied by Licensor in Licensee's possession or control, except such quantity reasonably required by Licensee in connection with its permitted sell off of Licensed Products under Paragraph 15.4(f). Licensor shall have the option, exercisable upon notice to Licensee within thirty (30) days after such expiration of the Term or termination of this Agreement, to negotiate the purchase of the Labels that were not supplied by Licensor. If such negotiations do not result in the purchase of those Labels, Licensee shall destroy those Labels under the supervision of Licensor, except such quantity reasonably required by Licensee in connection with its permitted sell off of Licensed Products under Paragraph 15.4(f) and Licensee, shall deliver to Licensor a certificate of destruction signed by an authorized officer of Licensee.

(d) Pending Orders. Except as otherwise provided below, Licensee shall be entitled for a period of one hundred eighty (180) days after expiration of the Term or termination of this Agreement, to consummate all sales of Licensed Products that were firm upon the delivery of the Inventory Schedule specified in Paragraph 15.4(e) below,

(e) Inventory / Right to Purchase. Within ten (10) business days after expiration of the Term or termination of this Agreement, Licensee shall deliver to Licensor an Inventory Schedule. The Inventory Schedule shall be prepared as of the close of business on the

date of such expiration of the Term or termination of this Agreement and shall reflect the direct cost of each Licensed Product (actual manufacturing cost, not including overhead or any general or administrative expenses). Licensor shall have the right to conduct a physical inventory of Licensed Products in Licensee's possession or control provided that such physical inventory shall only be done at a mutually agreeable time and in the presence of a representative of Licensee. Licensor shall have the option, exercisable by notice to Licensee, within thirty (30) days after its receipt of the complete Inventory Schedule, to purchase any or all of the Inventory for an amount equal to Licensee's cost. In the event Licensor sends such notice, Licensor shall collect and pay for the Inventory it elects to purchase within sixty (60) days after Licensor's notice.

(f) Inventory / Right to Sell Off. Except as otherwise provided below, if Licensor does not elect to purchase the Inventory, Licensee may sell off Licensed Products not purchased by Licensor up to a period of * after the date of expiration of the Term or termination of this Agreement. Licensee further, shall have the right, in connection with such sell-off, to use the Labels and other materials and, promptly after such sell-off period, Licensee shall destroy all such Labels and materials.

(g) Non-Conforming Products. Licensee may not, under any circumstances, (i) sell Licensed Products that have not been approved in accordance with Paragraph 6.3 above or are in any way non-conforming as to style or quality or; (ii) advertise or promote the Trademarks during the sell-off period without Licensor's prior written approval. The sell off of Licensed Products shall be subject to all of Licensee's obligations hereunder, including, but not limited to royalty payment obligations.

(h) Remaining Products. At the end of such * period, any Licensed Products remaining in Licensee's possession shall, at the request of and under the supervision of Licensor, be destroyed.

15.5 Freedom to License. In the event of expiration of the Term or termination of this Agreement or the receipt by Licensor of a notice of termination from Licensee, Licensor shall be free to license to others the use of the Trademarks in connection with the manufacture and sale of Licensed Products in the Territory.

15.6 Royalty Payments on Termination. Upon termination of this Agreement as a result of a breach by Licensee, the total amount of the Guaranteed Minimum Royalties for the eighteen (18) month period immediately following such termination (or for such shorter period of time that would have remained during the Term if this Agreement is terminated with less than eighteen (18) months remaining before the expiration date of the Term), although not yet due, shall, without notice of demand, remain due and payable in quarterly installments as if this Agreement had not so terminated. In the event that this Agreement is terminated solely because of Licensee's failure to meet the Minimum Sales Level for a particular Annual Period, Licensee may continue to ship Licensed Products until the earlier of the following: (i) the commencement of a new license for Licensed Products or (ii) the end of * . Licensee shall pay Licensor Percentage Royalties in connection with such sales to the extent the same exceeds the Guaranteed Minimum Royalty Payments payable by Licensee to Licensor pursuant to this paragraph.

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16. RELATIONSHIP BETWEEN THE PARTIES

16.1 No Agency

Neither of the parties shall represent itself as the agent or legal representative of the others or the other's affiliates for any purpose whatsoever and shall have no right to create or assume any obligation of any kind, expressed or implied, for or on behalf of them in any way whatsoever.

17. CUSTOMS

17.1 Compliance

Licensee, as importer of record for the Licensed Products, shall, at all times, fully comply with the terms of the Customs Modernization Act and shall provide to United States Customs and Border Protection ("U.S. Customs") complete and accurate information relevant to the classification, valuation and admissibility of Licensed Products manufactured in whole, or in part, outside the United States of America. Licensee shall further provide to U.S. Customs all relevant information and accompanying documentation regarding the payment of royalties, buying commissions, etc., if applicable, in connection with imported Licensed Products.

17.2 Notices to Licensor

Licensee shall promptly notify Licensor of any material written or oral communication from or to U.S. Customs relating to the importation of Licensed Products. Under no circumstances shall Licensee seek any formal Customs ruling in connection with the importation of Licensed Products that may in any way adversely affect Licensor, Licensor's reputation, the reputation of the Trademarks or the reputation of Licensed Products, without the express written approval of Licensor.

18. INDEMNIFICATION AND INSURANCE

18.1 Indemnification by Licensee. Licensee shall indemnify, defend, and hold harmless Licensor, Tommy Hilfiger individually, and Licensor's directors, officers, employees, agents, officials and Affiliates from and against any and all losses, liability, claims, causes of action, damages and expenses (including reasonable attorneys' fees and expenses) that they or any of them may incur or be obligated to pay in any action, claim or proceeding against them or any of them, for or by reason of any acts, whether of omission or commission, that may be committed or suffered by Licensee or any of its servants, agents or employees in connection with or in any way related to Licensee's performance of this Agreement, including Licensee's use of Licensee's own designs, in connection with Licensed Products manufactured by or on behalf of Licensee or patent, trademark, copyright or other proprietary rights; provided, however, that Licensor gives Licensee prompt notice of, and full cooperation in the defense against, such claim. If any action or proceeding is brought or asserted against Licensor in respect of which indemnity may be sought from Licensee under this Paragraph 18.1, Licensor shall promptly notify Licensee thereof in writing, and Licensee shall assume and direct the defense thereof. Licensor may thereafter, at its own expense, be represented by its own counsel in such action or proceeding. Licensor and Licensee shall keep each other fully advised of all developments and shall cooperate fully with each other and in all respects in connection with any such defense. The provisions of this paragraph and Licensee's obligations

hereunder shall survive any termination or rescission of this Agreement.

18.2 Notice of Suit or Claim. Licensee shall promptly inform Licensor by written notice of any suit or claim against Licensee in connection with or in any way related to Licensee's performance under this Agreement, whether such suit or claim is for personal injury, involves alleged defects in the Licensed Products manufactured, sold or distributed hereunder, or otherwise.

18.3 Indemnification by Licensor. Licensor shall indemnify, defend, and hold harmless Licensee, and each Affiliate of Licensee and each of their respective parties against any and all liabilities, damages and expense (including reasonable attorneys' fees, costs and expenses) which Licensee may incur or be obligated to pay in any action or claim against Licensee for infringement of any other person's claimed right to use a trademark in the Territory, including such infringements as may be contained in advertising placed by Licensor, but only where such action or claim results from Licensee's use of the Trademarks in the Territory in accordance with the terms of this Agreement. Licensee shall give Licensor prompt written notice of any such claim or action, and thereupon Licensor shall undertake and conduct the defense of any suit so brought. It is understood, however, that if there is a dispute between Licensor and Licensee as to whether the suit was brought as a result of Licensee's failure to use the Trademarks in accordance with this Agreement, Licensee may be required to conduct such defense unless and until it is determined that no such misuse of the Trademarks occurred. In the event appropriate action is not taken by Licensor within thirty (30) days after its receipt of notice from Licensee, Licensee shall have the right to defend such claim or action in its own name, but no settlement or compromise of any such claim or action may be made without the prior written approval of Licensor. In either case, Licensor and Licensee shall keep each other fully advised of all developments and shall cooperate fully with each other and in all respects in connection with any such defense. Such indemnification will be deemed to apply solely to the amount of the judgment, if any, against Licensee, and sums paid by Licensee in connection with its defense, and will not apply to any consequential damages suffered by Licensee that are not included in the aforementioned judgment. Such indemnification will not apply to any damages sustained by Licensee by reason of claimed infringement other than those specified above.

18.4 Insurance.

(a) Requirements. Without limiting Licensee's liability pursuant to the indemnity provisions of this Agreement, Licensee shall maintain comprehensive general liability insurance in the amount of at least * (combined single limit per occurrence) including property damage liability coverage. This insurance shall include broad form blanket contractual liability, personal injury liability, advertising injury, liability, products and completed operations liability. Each coverage shall be written on an "occurrence" form.

(b) Theft and Destruction Coverage. Licensee shall purchase insurance against theft and destruction of the Licensed Products that will (i) be written on an "all risk" basis; (ii) provide that Licensee will be reimbursed for loss in an amount equal to the manufacturer's selling price for the products (this may be accomplished by either a selling price endorsement or business interruption insurance); (iii) be in effect while goods are on premises owned, rented or controlled by Licensee and while in transit or storage; and (iv) include a brand and label clause stating that the

insurer shall pay the cost of removing the Trademarks from damaged merchandise and relabeling goods.

(c) General Provisions. The insurance described in subparagraphs (a) and (b) shall include: (i) a cross-liability endorsement; (ii) if possible, an endorsement stating that Licensor shall receive at least thirty (30) days written notice prior to cancellation or non-renewal of coverage; (iii) an endorsement naming Licensor as an additional insured as its interests may appear; (iv) an endorsement stating that the insurance required by this Agreement is primary and that any insurance purchased by Licensor shall only apply in excess of the insurance purchased by Licensee; and (v) a waiver of subrogation in favor of Licensor.

(d) Approved Carrier/Policy Changes. All insurance shall be obtained from an insurance company rated by A.M. Best as "A" or better. Licensee shall notify Licensor at least thirty (30) days prior to the cancellation of, or any modification in, such insurance policy that would affect Licensor's status or benefits thereunder. Licensee may obtain this insurance for Licensor in conjunction with a policy that covers products other than the Licensed Products.

(e) Evidence of Coverage. No later than thirty (30) days from the date hereof, Licensee shall furnish to Licensor evidence, in form and substance satisfactory to Licensor, of the maintenance and renewal of the required insurance including, but not limited to, certificates of insurance.

(f) Territory. The insurance set forth in this section shall cover the entire Territory.

19. NOTICES

19.1 Manner of Notice

. Any notice, request for approval, or communication required or arising out of or under this Agreement shall be in writing and effective only on the day after the notice, service or communication is sent by express mail or next business day courier service (e.g., FedEx Courier); or five (5) days after the date of mailing by first class registered mail. All notices shall be sent to the parties at the addresses listed below or to such other persons and addresses as may be designated in writing by the parties to each other. The date a notice shall be deemed to be transmitted, sent by overnight air courier or mailed shall be the date at the notifying party's place of business at the time of transmission, sending or mailing provided that the notice is placed into the hands of the express company or USPS on such date and a receipt is issued therefor.

Payments and:

Statements to LICENSOR:

200 Liberty Way
Cranbury, New Jersey 08512

TOMMY HILFIGER LICENSING, LLC

All Other Notices to LICENSOR:

601 West 26th Street, 6th Floor
New York, NY 10001

TOMMY HILFIGER LICENSING, LLC

Attn:
Telephone: (212) 548-1341

President, Licensing

Facsimile: (646) 304-2834

with a copy to:
601 West 26th Street
New York, New York 10001
Attention: Legal Department

TOMMY HILFIGER U.S.A., INC.

To Licensee:
650 From Road, Ste. 375

MOVADO GROUP, INC.
Paramus, NJ 07652-3556
Attention: President – Licensed Brands

Telephone: 201 267 8076
Facsimile: 201 267 8081

with a copies to:
650 From Road, Ste. 375

MOVADO GROUP, INC.
Paramus, NJ 07652-3556
Attention: President – Tommy Hilfiger Watches
Telephone: 201 267 8340
Facsimile: 201 267 8081

Attention: General Counsel

Telephone: 201 267 8105
Facsimile: 201 267 8050

20. MISCELLANEOUS

20.1 Benefit

. This Agreement shall inure to the benefit of and be binding upon the parties hereto, and to their permitted successors and assigns.

20.2 Entire Agreement; Amendment

. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and this Agreement may not be amended or modified, except in a writing signed by both parties hereto.

20.3 Non-Waiver

. The failure of either party to enforce at any time any term, provision or condition of this Agreement, or to exercise any right or option herein, except Licensee's request for Extension, shall in no way operate as a waiver thereof, nor shall any single or partial exercise preclude any other right or option herein; and no waiver whatsoever shall be valid unless in writing, signed by the waiving party, and only to the extent set forth in such writing.

20.4 No Assignment Without Consent

. The license and rights granted to Licensee hereunder

are personal in nature, and Licensee may not sell, transfer, lease, sublicense or assign this Agreement or its rights or interest hereunder, or any part hereof, by operation of law or otherwise, without the prior written consent of Licensor, which consent may be withheld in Licensor's sole discretion. A sale or other transfer of all or substantially all of the assets of Licensee, or a change or assumption of control of Licensee, shall be deemed an assignment of Licensee's rights and interests under this Agreement to which the terms and conditions of this Paragraph 20.4 of this Agreement shall apply. Notwithstanding the foregoing, Licensee shall have the right, upon written notice to Licensor, to assign this Agreement to an Affiliate; provided, however, that in such event Licensee unconditionally guarantees the performance and obligations of such Affiliate under this Agreement.

20.5 Assignment by Licensor

. Licensor has a complete and unrestricted right to sell, transfer, lease or assign its rights and interests in this Agreement to person or entity, providing that such transferee agrees to be bound by all of the terms and obligations of Licensor hereunder and has the requisite rights in the Trademarks to fulfill its obligations hereunder. When Licensor wishes to sell, transfer, lease or assign its rights and interests in this Agreement, Licensor shall give reasonable notice to Licensee.

20.6 Severability

. If any provision or any portion of any provision of this Agreement is construed to be illegal, invalid, or unenforceable, such shall be deemed stricken and deleted from this Agreement to the same extent and effect as if never incorporated herein, but all other provisions of this Agreement and any remaining portion of any provision which is not deemed illegal, invalid or unenforceable in part shall continue in full force and effect.

20.7 Governing Law

. This Agreement has been negotiated, prepared, executed and delivered in several jurisdictions, including the State of New York, United States of America. Accordingly, in order to establish with certainty that this Agreement shall be governed by one body of well-developed commercial law, this Agreement shall be governed by, and construed in accordance with, the laws of the State of New York (without regard to the conflicts of laws principles thereof), applicable to contracts executed and fully to be performed therein, to the exclusion of any other applicable body of governing law including, without limitation, the United Nations Convention on Contracts for the International Sale of Goods.

20.8 Jurisdiction

. The parties hereby consent to the exclusive jurisdiction of the United States District Court for the Southern District of New York and any of the courts of the State of New York in any dispute arising from or related to this Agreement and agree further that service of process or notice in any such action, suit or proceeding will be effective if in writing and issued as provided in Paragraph 19.1 hereof.

20.9 Exhibits

. All Exhibits are incorporated into this Agreement. Licensor may revise its reporting, approval and related forms at any time at its sole discretion.

20.10 Headings

. The headings of the Articles and Paragraphs of this Agreement are for convenience only and in no way limit or affect the terms or conditions of this Agreement.

20.11 Counterparts

. This Agreement may be executed in two (2) or more counterparts, each of

which shall be deemed an original, but all of which shall constitute one and the same instrument.

20.12 Force Majeure; Delays. Neither party shall be liable for delay, non-delivery, or the performance of any other term or condition of the Agreement due to causes beyond its reasonable control, including but not limited to acts of God, natural or human-caused disasters such as flood and fire, a public enemy, war (declared or undeclared), civil disturbance, actions of or failures by third parties including suppliers, labor disputes, compliance with governmental regulations or other authority, transit interruptions, or the inability of freight forwarders or carriers to complete shipments in accordance with instructions. If such condition continues for a period of more than ninety (90) days, Licensor shall have the right to terminate this Agreement. If the *force majeure* does not impact Licensee directly but it prevents Licensee from manufacturing and/or delivering Licensed Products, due to an inability to obtain fabric or other materials, destruction of manufacturing facilities, inability to deliver finished product, or similar conditions, Licensee shall have no more than one hundred twenty (120) days to find alternate sources and Licensee shall advise Licensor on a weekly basis of the progress it has made in that regard. If, in Licensor's reasonable opinion, Licensee fails to diligently proceed to obtain alternate sources, or if the condition continues for more than one hundred twenty (120) days, whichever first occurs, Licensor shall have the right to terminate this Agreement.

20.13 Survival. The following provisions shall survive Termination or rescission of this Agreement: Article 1, Article 12, Article 15 and Article 18 in their entirety, and Paragraphs 7.7, 7.8, 7.14, 7.15, 8.8 (for 180 days following expiration or termination of the Agreement), 8.9, 9.5, 19.1, 20.4, 20.10 and 20.11. For the avoidance of doubt, the failure to identify a provision of this Agreement in the preceding sentence shall not be construed as evidence that the parties intended such provision not survive Termination or rescission of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in multiple duplicates by their authorized representatives as of the day and year first above written.

MOVADO GROUP, INC.
By: /s/ Timothy F. Michno
Name: Timothy F. Michno
Title: General Counsel

TOMMY HILFIGER LICENSING LLC
By: /s/ Anne Marino
Name: Anne Marino
Title: President

SWISSAM PRODUCTS LIMITED

By: /s/ Timothy F. Michno
Name: Timothy F. Michno
Title: Director

EXHIBIT A

LICENSED PRODUCTS

Men's and women's watches. As provided in Paragraph 2.4, men's and women's Jewelry Products.

EXHIBIT B
TRADEMARKS

Trademarks	Registration Number	International Class
TOMMY HILFIGER		
FLAG/LOGO DESIGN		
TOMMY		
TOMMY GIRL		

EXHIBIT C

ORGANIZATION CHART

ORGANIZATIONAL CHART – TOMMY HILFIGER WATCHES

*

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EXHIBIT D

DESIGN, TIME AND ACTION CALENDAR

*

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Tommy Hilfiger 2010 CALENDAR (Guideline)

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TOMMY HILFIGER JEWELRY CALENDAR

MARKET: FW 2010

Project Phase	Task #	Task Name	Assigned To	Calendar	
				Start Date	Calendar Finish Date

*

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EXHIBIT E

TOMMY HILFIGER LICENSING, LLC
SUPPLIER CODE OF CONDUCT

We, at the Tommy Hilfiger Corporation (hereinafter "Tommy Hilfiger"), are proud of our tradition of conducting our business in accordance with the highest ethical standards and in compliance with the laws of the United States and of the countries in which we produce, buy and sell our products.

Tommy Hilfiger is committed to legal compliance and ethical business practices in all operations and seeks to do business with suppliers who share that commitment. Tommy Hilfiger actively seeks to engage as its suppliers, companies which offer their workers safe and healthy workplaces.

Tommy Hilfiger will not tolerate exploitative or abusive conditions once known. The Tommy Hilfiger Licensing, LLC Supplier Code of Conduct (hereinafter the "Code of Conduct") defines our minimum expectations. No Code can be all inclusive, but we expect our suppliers to act reasonably in all respects and to ensure that no abusive, exploitative or illegal conditions exist at their workplaces, or those of their manufacturers, subcontractors and suppliers.

Tommy Hilfiger requires its suppliers to extend principles of fair and honest dealing to all others with whom they do business, including employees, manufacturers, subcontractors and other third parties. We also require our suppliers to ensure and to certify to us that no abusive, exploitative or illegal conditions exist at their workplaces and those of their manufacturers, subcontractors and suppliers.

Tommy Hilfiger will only do business with suppliers who obey the laws of the country in which they operate and the principles expressed in this Code of Conduct.

Tommy Hilfiger will only do business with suppliers who have certified to us that their business practices and those of their manufacturers, subcontractors and suppliers are lawful, ethical and in compliance with the principles set forth in this Code of Conduct. Moreover, Tommy Hilfiger will only do business with suppliers who have agreed to be subjected to the scrutiny of the Tommy Hilfiger Supplier Monitoring Program under which they and their manufacturers, subcontractors and suppliers will be inspected and evaluated to ensure their compliance with this Code of Conduct.

Forced Labor: Tommy Hilfiger will not purchase products or components thereof from manufacturers, subcontractors and suppliers that use forced labor, prison labor, indentured labor or exploited bonded labor, or permit their suppliers to do so.

Child Labor: Tommy Hilfiger will not purchase products or components thereof manufactured by persons younger than 15 years of age or younger than the age of completing compulsory education in the country of manufacture where such age is higher than 15.

Harassment or Abuse: Tommy Hilfiger manufacturers, subcontractors and suppliers must treat their employees with respect and dignity. No employee shall be subject to physical, sexual or psychological harassment or abuse.

Nondiscrimination: Tommy Hilfiger manufacturers, subcontractors and suppliers shall not subject any person to discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.

Health and Safety: Tommy Hilfiger manufacturers, subcontractors and suppliers shall provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities. Employers must fully comply with all applicable workplace conditions, safety and environmental laws.

Freedom of Association: Tommy Hilfiger manufacturers, subcontractors and suppliers shall recognize and respect the right of employees to freely associate in accordance with the laws of the countries in which they are employed.

Wages and Benefits: Tommy Hilfiger manufacturers, subcontractors and suppliers recognize that wages are essential to meeting employees' basic needs. Tommy Hilfiger manufacturers, subcontractors and suppliers shall pay employees at least the minimum wage required by local law regardless of whether they pay by the piece or by the hour and shall provide legally mandated benefits.

Work Hours: Tommy Hilfiger manufacturers, subcontractors and suppliers shall not require their employees to work more than the limits on regular and overtime hours allowed by the law of the country of manufacture. Except under extraordinary business circumstances, Tommy Hilfiger manufacturers', subcontractors' and suppliers' employees shall be entitled to one day off in every seven day period. Tommy Hilfiger manufacturers, subcontractors and suppliers must inform their workers at the time of their hiring if mandatory overtime is a condition of their employment. Tommy Hilfiger manufacturers, subcontractors and suppliers shall not compel their workers to work excessive overtime hours.

Overtime Compensation: Tommy Hilfiger manufacturers', subcontractors' and suppliers' employees, shall be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in countries where such laws do not exist, at a rate at least equal to their regular hourly compensation rate.

Contract Labor: Tommy Hilfiger manufacturers, subcontractors and suppliers shall not use workers obligated under contracts which exploit them, which deny them the basic legal rights available to people and to workers within the countries in which they work or which are inconsistent with the principles set forth in this Code of Conduct.

Legal and Ethical Business Practices: Tommy Hilfiger manufacturers, subcontractors and

suppliers must fully comply with all applicable local, state, federal, national and international laws, rules and regulations including, but not limited to, those relating to wages, hours, labor, health and safety, and immigration. Tommy Hilfiger manufacturers, subcontractors and suppliers must be ethical in their business practices.

Penalties: Tommy Hilfiger reserves the right to terminate its business relationship with any supplier who violates this Code of Conduct or whose manufacturers, subcontractors or suppliers violate this Code of Conduct. Tommy Hilfiger reserves the right to terminate its business relationship with suppliers who fail to provide written confirmation to Tommy Hilfiger that they have a program in place to monitor their manufacturers, subcontractors and suppliers for compliance with this Code of Conduct.

EXHIBIT F

MINIMUM SALES LEVELS

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EXHIBIT G

GUARANTEED MINIMUM ROYALTY

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EXHIBIT H

COMPETITIVE BRANDS

*

Any derivatives of the above-listed names are also deemed competitive.

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EXHIBIT I

APPROVED CUSTOMERS IN JAPAN

*

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EXHIBIT J

INITIAL BUSINESS PLAN

TOMMY HILFIGER Jewelry Business Plan (Projected)

*

TOMMY HILFIGER Jewelry Launch (FY11)

*

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CERTIFICATIONS

I, Efraim Grinberg, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Movado Group, 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 officer(s) 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 disclosure 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 officer(s) 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.

Date: December 9, 2009

/s/ Efraim Grinberg

Efraim Grinberg

Chairman of the Board of Directors, President and Chief Executive Officer

CERTIFICATIONS

I, Sallie A. DeMarsilis, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Movado Group, 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 officer(s) 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 disclosure 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 officer(s) 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.

Date: December 9, 2009

/s/ Sallie A. DeMarsilis

Senior Vice President,

Sallie A. DeMarsilis

Chief Financial Officer and
Principal Accounting Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Movado Group, Inc. (the "Company") for the quarter ended October 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report") the undersigned hereby certifies, in the capacity indicated below and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 9, 2009

/s/ Efraim Grinberg
Efraim Grinberg
Chairman of the Board of Directors, President and
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Movado Group, Inc. (the "Company") for the quarter ended October 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report") the undersigned hereby certifies, in the capacity indicated below and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 9, 2009

/s/ Sallie A. DeMarsilis
Sallie A. DeMarsilis
Senior Vice President,
Chief Financial Officer and
Principal Accounting Officer
