

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934
FOR FISCAL YEAR ENDED JANUARY 31, 2001,

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 0-22378

MOVADO GROUP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEW YORK
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)
125 CHUBB AVENUE
LYNDHURST, NEW JERSEY
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

13-2595932
(I.R.S. EMPLOYER
IDENTIFICATION NO.)
07071
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (201) 460-4800

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
NONE

NAME OF EACH EXCHANGE ON WHICH REGISTERED:
NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT;
COMMON STOCK, \$.01 PAR VALUE
(TITLE OF CLASS)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K.

Based on the closing sales price of the Common Stock as of April 20, 2001,
the aggregate market value of the voting stock held by non-affiliates of the
registrant was approximately \$139,736,884. For purposes of this computation,
each share of Class A Common Stock is assumed to have the same market value as
one share of Common Stock into which it is convertible and only shares of stock
held by directors and executive officers were excluded.

The number of shares outstanding of the registrant's Common Stock and Class
A Common Stock as of April 20, 2001 were 9,687,960 and 3,509,733 respectively.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to Registrant's 2001
annual meeting of shareholders (the "Proxy Statement") are incorporated by
reference in Part III hereof.

PART I

Item 1. Business

CORPORATE ORGANIZATION

The registrant, Movado Group, Inc. is a designer, manufacturer and distributor of quality watches with prominent brands sold in almost every price category comprising the watch industry. The Company was incorporated in New York in 1967 to acquire Piaget Watch Corporation and Corum Watch Corporation, which had been, respectively, the exclusive importers and distributors of Piaget and Corum watches in the United States since the 1950's. The registrant and its subsidiaries are referred to herein as "Movado Group, Inc.," or the "Company" unless the context otherwise requires.

In 1970, the Company acquired the Swiss manufacturer of Concord watches, which had been manufacturing Concord watches since 1908, and in 1983, the Company acquired the U.S. distributor of and substantially all the assets related to the Movado watch brand from the Swiss manufacturer of Movado watches.

On October 7, 1993, the Company completed a public offering of 2,666,667 shares of common stock, par value \$.01 per share (the "Common Stock"). In connection with the public offering, each share of the then currently existing Class A Common Stock was converted into 10.46 shares of new Class A Common Stock, par value of \$.01 per share (the "Class A Common Stock"). Each share of Common Stock is entitled to one vote per share and each share of Class A Common Stock is entitled to 10 votes per share on all matters submitted to a vote of the shareholders. Each holder of shares of Class A Common Stock is entitled to convert, at anytime, any and all such shares into the same number of shares of Common Stock. Each share of Class A Common Stock is converted automatically into Common Stock in the event that the beneficial or record ownership of such shares of Class A Common Stock is transferred to any person, except to certain family members or affiliated persons deemed "permitted transferees" pursuant to the Company's Amended Restated Certificate of Incorporation. The Common Stock is traded on the NASDAQ National Market under the trading symbol "MOVA".

On October 21, 1997, the Company completed a secondary stock offering in which 1,500,000 shares of Common Stock were issued.

On February 22, 1999, the Company completed the sale of its Piaget business to VLG North America, Inc. ("VLG"). The Company sold all of its rights, title and interest in substantially all the assets and properties relating to the business of selling and distributing Piaget watches and jewelry in the United States, Canada, Central America and the Caribbean.

On January 14, 2000, the Company completed the sale of its Corum business to Corum Reis Bannwart & Co. SA ("Corum Switzerland"). The Company sold all of its rights, title and interest in substantially all the assets and properties relating to the business of selling and distributing Corum watches in the United States, Canada and the Caribbean.

With executive offices in Woodcliff Lake and Lyndhurst, New Jersey, the Company operates wholly owned subsidiaries in Canada, Hong Kong, Japan, Singapore, Switzerland and the United States.

INDUSTRY OVERVIEW

The largest markets for watches are North America, Western Europe and the Far East. While exact worldwide wholesale sales volumes are difficult to quantify, the Company estimates from data obtained from the Federation of the Swiss Watch Industry that worldwide wholesale sales of watches and related components are over \$12 billion annually. Watches are produced predominantly in Switzerland, Hong Kong/China and Japan. According to the Federation of the Swiss Watch Industry, Switzerland, Hong Kong/China and Japan accounted for approximately 53%, 37% and 1% respectively, of worldwide watch exports based on units in 2000. Among all the major watch exporting countries, Swiss watches have the highest average unit value.

The Company divides the watch market into six principal categories as set forth in the following table:

MARKET CATEGORY	SUGGESTED RETAIL PRICE RANGE	PRIMARY CATEGORY OF MOVADO GROUP, INC. BRANDS
Exclusive	\$10,000 and over	Concord
Luxury	\$1,000 to \$9,999	Concord
Premium	\$500 to \$999	Movado and Coach
Moderate	\$125 to \$499	ESQ and Coach
Fashion Watch Market	\$55 to \$125	Tommy Hilfiger
Mass Market	Less than \$55	—

The Company's Concord watches compete primarily in the Luxury category of the market, although certain Concord watches compete in the Exclusive and Premium categories. The Company's Movado watches compete primarily in the Premium category of the market, although certain Movado watches compete in the Exclusive, Luxury and Moderate categories. The Company's Coach brand competes in both the Premium and Moderate categories. The ESQ line competes in the Moderate category of the market. The Company entered the Fashion Watch Market category in March 2001 with the launch of the Tommy Hilfiger line of watches manufactured, distributed and marketed under a license agreement with Tommy Hilfiger Licensing, Inc. The Company does not currently sell watches in the Mass Market category.

Exclusive Watches

Exclusive watches are usually made of precious metals, including 18 karat gold or platinum, and may be set with precious gems, including diamonds, emeralds, rubies and sapphires. These watches are primarily mechanical or quartz-analog watches. Mechanical watches keep time with intricate mechanical movements consisting of an arrangement of wheels, jewels and winding and regulating mechanisms. Quartz-analog watches have quartz movements in which time is precisely calibrated to the regular frequency of the vibration of quartz crystal. Exclusive watches are manufactured almost entirely in Switzerland. In addition to the Company's Concord and Movado watches, well-known brand names of Exclusive watches include Audemars Piguet, Patek Philippe, Piaget and Vacheron Constantin.

Luxury Watches

Luxury watches are either quartz-analog watches or mechanical watches. These watches typically are made with either 14 or 18 karat gold, stainless steel or a combination of gold and stainless steel, and are occasionally set with precious gems. Luxury watches are primarily manufactured in Switzerland. In addition to a majority of the Company's Concord and certain Movado watches, well-known brand names of Luxury watches include Baume & Mercier, Breitling, Cartier, Ebel, Omega, Rolex and TAG Heuer.

Premium Watches

The majority of Premium watches are quartz-analog watches. These watches typically are made with gold finish, stainless steel or a combination of gold finish and stainless steel. Premium watches are manufactured primarily in Switzerland, although some are manufactured in the Far East. In addition to a majority of the Company's Movado, Coach and certain Concord watches, well-known brand names of Premium watches include Gucci, Rado and Raymond Weil.

Moderate Watches

Most Moderate watches are quartz-analog watches. Moderate watches are manufactured primarily in the Far East and Switzerland. These watches typically are made with gold finish, stainless steel, brass or a combination of gold finish and stainless steel. In addition to the Company's ESQ and Coach brands, well-known brand names of watches in the Moderate category include Anne Klein, Bulova, Gucci, Guess, Seiko, Citizen and Wittnauer.

Fashion Watch Market Watches

Watches comprising the Fashion Watch Market are primarily quartz-analog watches but also include some digital watches. Digital watches, unlike quartz-analog watches, have no moving parts. Instead, time is kept by electronic microchips and is displayed as discrete Arabic digits illuminated on the watch face by light emitting diodes (LED's) or liquid crystal displays (LCD's). Watches in the Fashion Watch Market category are generally made with stainless steel, gold finish, brass and/or plastic and are manufactured primarily in the Far East. Fashion Watch Market watches are based on designs and use features that attempt to reflect current and emerging fashion trends. Many are sold under licensed designer and brand names that are well known principally in the apparel industry. Well-known brands of Fashion Watch Market watches include Anne Klein II, DKNY, Guess?, Kenneth Cole, Swatch and Fossil. The Company entered this category in March 2001 with the launch of the Tommy Hilfiger line of watches produced and sold under license from Tommy Hilfiger Licensing, Inc.

Mass Market Watches

Mass market watches typically consist of digital watches and analog watches made from stainless steel, brass and/or plastic manufactured in the Far East. Well known brands include Armatron, Casio, Citizen, Pulsar, Seiko and Timex.

PRODUCTS

During Fiscal 2001, the Company marketed five distinctive brands of watches: Movado, Concord, ESQ, Coach and Tommy Hilfiger, which compete in the Exclusive, Luxury, Premium, Moderate and Fashion Watch Market categories. The Company designs, manufactures and contracts for the assembly of Movado and Concord watches primarily in Switzerland, as well as in the United States, for sale throughout the world. ESQ and Tommy Hilfiger watches are manufactured to the Company's specifications by independent contractors located in the Far East. ESQ watches are presently sold primarily in the United States, Canada and the Caribbean. Tommy Hilfiger watches are presently sold in the United States. Coach watches are assembled in Switzerland by independent suppliers and primarily sold in North America, Caribbean and Far East. Until the end of fiscal 1999, the Company distributed Piaget watches. On February 22, 1999, the Company sold its Piaget business to VLG. Until the end of fiscal 2000, the Company distributed Corum watches. On January 14, 2000, the Company sold its Corum business to Corum Switzerland.

Movado

Founded in 1881 in La Chaux-de-Fonds, Switzerland, the Movado brand today includes a line of watches based on the design of the world famous Movado Museum watch and a number of other watch collections with more traditional dial designs. The design for the Movado Museum watch was the first watch design chosen by the Museum of Modern Art for its permanent collection. It has since been honored by 10 other museums throughout the world. All Movado watches have Swiss movements, and are made with 14 or 18 karat gold, 18 karat gold finish, stainless steel or a combination of 18 karat gold finish and stainless steel. The majority of Movado watches have suggested retail prices between approximately \$195 and \$4,000.

Concord

Concord was founded in 1908 in Bienne, Switzerland. All Concord watches have Swiss movements, either quartz or mechanical. Concord watches are made with 18 karat gold, stainless steel or a combination of 18 karat gold and stainless steel, except for Concord Royal Gold watches, most of which are made with 14 karat gold. The majority of Concord watches have suggested retail prices between approximately \$1,000 and \$15,000.

Coach

During fiscal 1999, the Company introduced Coach watches under an exclusive license with Coach, Inc. All Coach watches contain Swiss movements and are made with stainless steel, gold finish or a combination of stainless steel and gold finish with leather straps, stainless steel bracelets or gold finish bracelets. The suggested retail prices range from \$195 to \$795.

ESQ

ESQ was launched in the second half of fiscal 1993 under an exclusive license agreement with The Hearst Corporation. All ESQ watches contain Swiss movements and are made with stainless steel, gold finish or a combination of stainless steel and gold finish, with leather straps, stainless steel bracelets or gold finish bracelets. The ESQ brand consists of sport and fashion watches with suggested retail prices ranging from \$125 to \$495, with features and styles comparable to more expensive watches.

Tommy Hilfiger

The Company launched Tommy Hilfiger watches in March 2001, under an exclusive agreement with Tommy Hilfiger Licensing, Inc. Marketed under the TOMMY HILFIGER(R) and TOMMY(R) labels. Tommy Hilfiger watches feature quartz, digital and analog-digital movements, with stainless steel, titanium, aluminum, silver-tone, two-tone and gold-tone cases and bracelets, and leather, fabric, plastic and rubber straps. The line includes fashion and sport models with suggested retail prices from \$55 to \$195.

Other Revenue

During fiscal 2001, sales of other products and services totaled approximately \$45.1 million, or approximately 14% of consolidated net sales. Approximately \$39.3 million of this other revenue is derived from the Company's retail operations which consist of 23 outlet stores and seven Movado Boutiques. The outlet stores sell discontinued models and factory seconds of all of the Company's watch brands. The Movado Boutiques sell selected models of Movado watches as well as proprietary jewelry, home and personal accessory lines which were launched in 1998. The jewelry, home and personal accessory lines are sold exclusively in the Movado Boutiques. Other revenue also includes the Company's after sales service and watch repair operations.

WARRANTY AND REPAIR

The Company has service facilities around the world including eight Company-owned service facilities and approximately 120 authorized independent service centers. The Company conducts training sessions for and distributes technical information and updates to repair personnel in order to maintain consistency and quality at its service facilities and authorized independent service centers. The Company's products are covered by limited warranties against defects in materials and workmanship for periods ranging from one to three years from the date of purchase for movements and up to five years for Movado watch casings and bracelets. Products that are returned under warranty to the Company are generally serviced by the Company's employees at its service facilities.

Historically, the Company retained significant inventories of component parts to facilitate after sales service of its watches for an extended period of time after the discontinuance of such watches from its core range line. During fiscal 1999, the Company decided that it would no longer retain this level of non-core component inventories and took steps to begin assembling some of these components into finished watches for resale through liquidation channels and its outlet stores.

ADVERTISING

Advertising is important to the successful marketing of the Company's watches. Hence, the Company devotes significant resources to advertising. Since 1972, the Company has maintained its own in-house advertising department which the Company restructured to focus primarily on the implementation and management of global marketing and advertising programs. At the time, the Company also shifted the creative development of advertising campaigns to an outside agency with no increase in cost. Advertising expenditures totaled approximately 19.4%, 21.0% and 19.4% of net sales in fiscal 2001, 2000 and 1999, respectively. Advertising is developed individually for each of the Company's watch

brands and is directed primarily to the ultimate consumer rather than to trade customers and is developed by targeting consumers with particular demographic characteristics appropriate to the image and price range of the brand. Advertisements are placed predominately in magazines and other print media, but are also created for radio and television campaigns, catalogues and promotional materials.

SALES AND DISTRIBUTION

Overview

The Company divides its business into two major geographic segments: "Domestic" which includes the results of the Company's United States and Canadian operations and "International" which includes the results of all other Company operations. The Company's international operations are principally conducted in Europe and the Far East.

Domestic Wholesale

The Company sells all of its brands in the domestic market primarily through department stores, such as Macy's, Neiman-Marcus and Saks Fifth Avenue; jewelry store chains, such as Zales, Helzberg and Sterling; and independent jewelers. Sales to trade customers in the United States and Canada are made directly by the Company's sales force of approximately 105 employees who typically specialize in a particular brand. A majority of the sales force is compensated solely on the basis of commissions, which are determined as a percentage of sales. Zale Corporation accounted for 10%, 13% and 10% of the Company's consolidated net sales for fiscal 2001, 2000 and 1999, respectively. At January 31, 2001 and 2000, the same trade customer accounted for 13% and 18% of consolidated trade receivables, respectively.

International Wholesale

The Company sells Movado, Concord and Coach watches internationally through its own sales force of approximately 30 employees operating from the Company's sales and distribution offices in Hong Kong, Singapore, and Switzerland, and also through a network of approximately 72 independent distributors operating in numerous countries around the world. A majority of the Company's arrangements with its international distributors are long term, generally require certain minimum purchases and restrict the distributor from selling competitive products.

Retail

In addition to its sales to trade customers and independent distributors, the Company sells Movado watches as well as Movado jewelry, tabletop accessories and other product line extensions in seven company-operated Movado Boutiques. The Company also operates 23 outlet stores which sell discontinued and sample merchandise and factory seconds, providing the Company with an organized and efficient method of reducing inventory without competing directly with trade customers.

BACKLOG

At March 31, 2001, the Company had unfilled customer orders of approximately \$45.8 million, compared to approximately \$49.8 million at March 31, 2000. The Company believes the backlog is affected by a variety of factors, including seasonality and the scheduling of the manufacture and shipment of products.

SOURCES AND AVAILABILITY OF SUPPLIES

Concord watches are generally assembled at the Company's manufacturing facility in Bienne, Switzerland with some off-site assembly performed principally by independent Swiss watchmakers. Movado watches are assembled primarily in Switzerland by independent third party subcontract assemblers. Until the middle of fiscal 2001, certain lower price point Movado models were assembled by subcontractors in the Far East. Movado and Concord watches are assembled using Swiss movements and other components obtained from third party suppliers. Coach watches are assembled in Switzerland by independent assemblers using Swiss movements and other components obtained from third party suppliers in Switzerland and elsewhere. ESQ and Tommy Hilfiger watches are assembled by independent contractors in the Far East. ESQ watches are manufactured using Swiss movements and other components purchased from third party suppliers principally located in the Far East. Tommy Hilfiger watches are manufactured using movements and other components purchased from third party suppliers located in the Far East.

A majority of the watch movements used in the manufacture of Movado, Concord and ESQ watches are purchased from two suppliers. The Company obtains other watch components for all of its manufactured brands, including movements, cases, crystals, dials, bracelets and straps from a number of other suppliers. Precious stones used in the Company's watches are purchased from various suppliers and are set in the United States and Switzerland. The Company does not have long-term supply contracts with any of its component parts suppliers.

COMPETITION

The markets for each of the Company's watch brands are highly competitive. With the exception of The Swatch Group, Ltd. (formerly known as SMH), a large Swiss-based competitor, no single company competes with the Company across all of its brands. Certain companies, however, compete with Movado Group, Inc. with respect to one or more of its watch brands. Certain of these companies have, and other companies that may enter the Company's markets in the future may have, substantially greater financial, distribution, marketing and advertising resources than the Company. The Company's future success will depend, to a significant degree, upon its continued ability to compete effectively with regard to, among other things, the style, quality, price, advertising, marketing and distribution of its watch brands.

TRADEMARKS, PATENTS AND LICENSING AGREEMENTS

Movado Group, Inc. owns the trademarks MOVADO(R), CONCORD(R) and VIZIO(R), as well as trademarks for the Movado Museum dial design, and related trademarks for watches in the United States and in numerous other countries. The Company licenses ESQUIRE(R), ESQ(R) and related trademarks on an exclusive basis for use in connection with the manufacture, distribution, advertising and sale of watches pursuant to an agreement with the Hearst Corporation ("Hearst License Agreement"). The current term of the Hearst License Agreement expires December 31, 2003 but contains options for renewal at the Company's discretion through December 31, 2018. The Company licenses the trademark COACH(R) and related trademarks on an exclusive basis for use in connection with the manufacture, distribution, advertising and sale of watches pursuant to an agreement with Coach, Inc. ("Coach License Agreement"). Subject to meeting certain performance goals, the Coach License Agreement expires in March 2008.

The Company has also entered into a license agreement with Tommy Hilfiger Licensing, Inc. ("THLI"), the initial term of which expires December 31, 2005 but which can be extended at the request of the Company through December 31, 2010 if it is in compliance with all material terms of the agreement. Under the agreement with THLI, the Company has been granted the exclusive license to use the trademark TOMMY HILFIGER(R) and related trademarks in connection with the manufacture of watches worldwide and in connection with the marketing, advertising, sale and distribution of watches at wholesale (and at retail through its outlet stores) in the United States, Canada, the Caribbean, and in duty free and U.S. military shops worldwide.

In connection with the sale of the Piaget business to VLG, and the Corum business to Corum Switzerland, the Company assigned the trademark PIAGET(R) for watches and jewelry and certain related trademarks in the United States to VLG and assigned the trademark CORUM(R) and certain related trademarks in the United States to Corum Switzerland.

The Company also owns and has pending applications for a number of design patents in the United States and internationally for various watch designs, as well as designs of watch cases, bracelets and jewelry.

The Company actively seeks to protect and enforce its intellectual property rights by working with industry associations, anti-counterfeiting organizations, private investigators and law enforcement authorities, including the United States Customs Service and, when necessary, suing infringers of its trademarks and patents. Consequently, the Company is involved from time to time in litigation or other proceedings to determine the enforceability, scope and validity of these rights. With respect to the trademarks MOVADO(R) and CONCORD(R) and certain other related trademarks, the Company has received exclusion orders that prohibit the importation of counterfeit goods or goods bearing confusingly similar trademarks into the United States. In accordance with Customs regulations, these exclusion orders, however, cannot cover the importation of gray-market Movado or Concord watches because the Company is the manufacturer of such watches. All of the Company's exclusion orders are renewable.

EMPLOYEES

As of January 31, 2001, the Company has approximately 838 full-time employees in its domestic and international operations. No employee of the Company is represented by a labor union or is subject to a collective bargaining agreement. The Company has never experienced a work stoppage due to labor difficulties and believes that its employee relations are good.

FINANCIAL INFORMATION ABOUT OPERATING SEGMENTS, SEASONALITY, FOREIGN AND DOMESTIC OPERATIONS

The Company divides its business into two major geographic segments: "Domestic", which includes the results of the Company's United States and Canadian operations, and "International", which includes the results of all other Company operations. The Company's international operations are principally conducted in Europe and the Far East and its international assets are substantially located in Europe.

The Company's domestic sales are traditionally greater during the Christmas and holiday season and are significantly more seasonal than its international sales. Consequentially, the Company's net sales historically have been higher during

the second half of its fiscal year. The second half of each year accounted for approximately 59.6%, 60.3% and 60.2% of the Company's net sales for the fiscal years ending January 31, 2001, 2000, and 1999, respectively. The amount of net sales and operating income generated during the second half of each fiscal year depends upon the general level of retail sales during the Christmas and holiday season, as well as economic conditions and other factors beyond the Company's control. The Company does not expect any significant change in the seasonality of its domestic business in the foreseeable future. International sales tend to be less seasonal, particularly those derived from the Middle and Far Eastern markets.

The Company conducts its business primarily in two operating segments: "Wholesale" and "Other". The Company's wholesale segment includes the design, manufacture and distribution of quality watches. The Company's other segment includes the Company's retail and service center operations. See Note 12 to the Consolidated Financial Statements for financial information regarding segment data.

Item 2. Properties

The Company leases various facilities in the United States, Canada, Switzerland, and the Far East for its corporate, manufacturing, distribution and sales operations. The Company's leased facilities are as follows:

LOCATION -----	FUNCTION -----	SQUARE FOOTAGE -----	LEASE EXPIRATION -----
Moonachie, New Jersey	Watch assembly, distribution and repair	100,000	June 2010
Paramus, New Jersey	New executive offices	57,500	July 2013
Lyndhurst, New Jersey	Former watch assembly and distribution	57,000	May 2002
Bienne, Switzerland	Corporate functions, watch sales, distribution, assembly and repair	52,000	January 2007
Lyndhurst, New Jersey	Corporate offices	28,000	December 2001
Woodcliff Lake, New Jersey	Executive offices	19,400	July 2001
Markham, Canada	Office and distribution	11,200	June 2007
Hong Kong	Watch sales, distribution and repair	8,500	June 2004
Hackensack, New Jersey	Warehouse	6,600	July 2004
New York, New York	Watch repair and Public Relations Office	4,900	April 2008
Los Angeles, California	Watch repair	3,000	December 2002
Miami, Florida	Watch repair	2,600	October 2001
Grenchen, Switzerland	Watch sales	2,600	March 2005
Toronto, Canada	Office	1,600	June 2001
Japan	Watch sales	1,500	Month to Month
Singapore	Watch sales, distribution and repair	1,100	August 2001

The Company believes that its existing facilities are suitable and adequate for its current operations. The Company leases retail space averaging 1,400 square feet per store with leases expiring from July 2001 to November 2007 for the

operation of the Company's 23 outlet stores. The Company also leases retail space for the operation of each of its nine Movado Boutiques, two opening in fiscal 2002, averaging 1,960 square feet per store with leases expiring from January 2005 to January 2012.

The Company also owns approximately 2,400 square feet of office space in Hanau, Germany, which it previously used for sales, distribution and watch repair functions. The Company is currently subletting this facility.

The Company will move its Woodcliff Lake, New Jersey offices to its new Paramus, New Jersey, Corporate Headquarters in July 2001 and its Lyndhurst, New Jersey offices by the end of 2001. In February 2001 the Company moved its U.S. Distribution operations from Lyndhurst, New Jersey to a 100,000 sq. ft. facility in Moonachie, New Jersey. This lease expires in June 2010.

Item 3. Legal Proceedings

The Company is involved in certain legal proceedings arising in the normal course of its business. The Company believes that none of these proceedings, either individually or in the aggregate, will have a material adverse effect on the Company's operating results, liquidity or its financial position.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of shareholders of the Company during the fourth quarter of fiscal 2001.

PART II

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

As of March 26, 2001, there were 46 holders of record of the Class A Common Stock and, the Company estimates, approximately 2,445 beneficial owners of the Common Stock represented by 410 holders of record. The Common Stock is traded on the NASDAQ National Market under the symbol "MOVA" and on March 26, 2001, the closing price of the Common Stock was \$13.39. The quarterly high and low closing prices for the fiscal years ended January 31, 2001 and 2000 were as follows:

QUARTER ENDED -----	FISCAL 2001 -----		FISCAL 2000 -----	
	LOW ---	HIGH ---	LOW ---	HIGH ---
April 30	\$8.57	\$19.08	\$20.75	\$25.75
July 31	\$7.70	\$14.07	\$22.88	\$27.75
October 31	\$13.20	\$17.31	\$21.63	\$27.13
January 31	\$11.50	\$15.59	\$18.63	\$25.38

The Class A Common Stock is not publicly traded and is subject to certain restrictions on transfer as provided under the Company's Restated Certificate of Incorporation, as amended and, consequently, there is currently no established public trading market for these shares.

During the fiscal year ended January 31, 2001, the Board of Directors approved for each of the first three quarters a cash dividend of \$0.025 per share and, for the fourth quarter, approved an increase of the quarterly cash dividend to \$0.03 per share to Common Stock and Class A Common Stock shareholders. During the fiscal year ended January 31, 2000, the Board of Directors approved four \$0.025 per share quarterly cash dividends to Common Stock and Class A Common Stock shareholders. The declaration and payment of future dividends, if any, will be at the sole discretion of the Board of Directors and will depend upon the Company's profitability, financial condition, capital and surplus requirements, future prospects, terms of indebtedness and other factors deemed relevant by the Board of Directors. See Notes 4 and 5 to the Consolidated Financial Statements regarding contractual restrictions on the Company's ability to pay dividends.

Item 6. Selected Financial Data

The selected financial data presented below has been derived from the Consolidated Financial Statements. This information should be read in conjunction with, and is qualified in its entirety by, the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Item 7 of this report. Amounts are in thousands except per share amounts.

	FISCAL YEAR ENDED JANUARY 31,				
	2001	2000	1999	1998	1997
STATEMENT OF INCOME DATA:					
Net sales	\$320,841	\$295,067	\$277,836	\$237,005	\$215,107
Cost of sales	123,392	126,667	111,766	97,456	95,031
Selling, general and administrative	163,317	152,631	133,395	113,593	99,657
Total expenses	286,709	279,298	245,161	211,049	194,688
Operating income	34,132	15,769	32,675	25,956	20,419
Gain on disposition of business		4,752			
Net interest expense	6,443	5,372	5,437	5,383	4,874
Income before income taxes	27,689	15,149	27,238	20,573	15,545
Provision for income taxes	6,922	1,428	6,265	4,731	3,853
Net income (1)	\$20,767	\$ 13,721	\$ 20,973	\$15,842	\$11,692
Net income per share-Basic	\$1.78	\$1.10	\$1.63	\$1.35	\$1.04
Net income per share-Diluted (1)	\$1.75	\$1.06	\$1.58	\$1.29	\$1.02
Basic shares outstanding	11,651	12,527	12,842	11,736	11,273
Diluted shares outstanding	11,866	12,890	13,256	12,236	11,489
Cash dividends declared per share	\$0.105	\$0.10	\$0.08	\$0.08	\$0.064
BALANCE SHEET DATA (END OF PERIOD):					
Working capital	\$154,637	\$157,465	\$191,033	\$157,103	\$126,690
Total assets	290,405	259,649	296,375	249,069	208,443
Long-term debt	40,000	45,000	55,000	35,000	40,000
Shareholders' equity	\$159,470	\$147,815	\$162,608	\$145,533	\$ 13,870

(1) Includes \$8.3 million pre-tax or \$0.46 per share after tax one-time charge and \$4.8 million pre-tax or \$0.28 per share after tax gain from the sale of the Company's Piaget business during 2000. Excluding these items, net income would have been \$15.9 million or \$1.24 per share on a diluted basis.

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

FORWARD LOOKING STATEMENTS

Statements in this annual report on Form 10-K, including statements under this Item 7 and elsewhere in this report as well as statements in future filings by the Company with the Securities and Exchange Commission ("SEC"), 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 Section 21E of the Securities Exchange Act of 1934. The Company cautions readers that FORWARD LOOKING STATEMENTS include, without limitation, those relating to the Company's future business prospects, revenues, working capital, liquidity, capital needs, plans for future operations, 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, 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 officers, the continuation of licensing arrangements with third parties, ability to secure and protect trademarks, patents and other intellectual property rights, ability to lease new stores on suitable terms in desired markets and to complete construction on a timely basis, continued availability to the Company of financing and credit on favorable terms, business disruptions, general risks associated with doing business outside the United States including, without limitations, import duties, tariffs, quotas, political and economic stability, and success of hedging strategies with respect to currency exchange rate fluctuations.

GENERAL

Wholesale Sales. Among the more significant factors that influence annual sales are general economic conditions in the Company's domestic and international markets, new product introductions, the level and effectiveness of advertising and marketing expenditures, and product pricing decisions.

Approximately 19% of the Company's total sales are from international markets and therefore reported sales are affected by foreign exchange rates. Significant portions of the Company's international sales are billed in Swiss francs and translated to U.S. dollars at average exchange rates for financial reporting purposes.

The Company's business is very seasonal. There are two major selling seasons in the Company's domestic markets: the Spring season, which includes school graduations and several holidays, and, most importantly, the Christmas and holiday season. Major selling seasons in certain international markets center around significant local holidays that occur in late Winter or early Spring. These markets are a less significant portion of the Company's business and, therefore, their impact is far less than that of the selling seasons in North America.

During fiscal 2000, the Company completed the sale of both the Piaget and Corum distribution businesses and substantially all the assets associated with these businesses. Prior to the sale, the Company had been the exclusive distributor of these brands in North America. The Company completed the sale of its Piaget business to VLG in February 1999 and sold its Corum business to Corum Switzerland in January 2000. The disposition of these brands negatively impacted sales in fiscal 2000.

Retail Sales. The Company's retail operations consist of 23 outlet stores located throughout the U.S. and seven full-priced Movado Boutiques. The Company does not have any overseas retail operations.

The significant factors that influence annual sales volumes in the Company's retail operations are similar to those that influence domestic wholesale operations. In addition, many of the Company's outlet stores are located near vacation destinations and, therefore, the seasonality of these stores is driven by the peak tourist season associated with these locations.

Gross Margins. The Company's overall gross margins are primarily affected by four major factors: sales mix, product pricing strategy, manufacturing costs and the U.S. dollar/Swiss franc exchange rate.

Gross margins vary among the brands included in the Company's portfolio and also among watch models within each brand. Luxury and premium retail price point models generally earn lower gross margins than more popular moderate price models. Gross margins in the Company's outlet business are lower than those of the wholesale business since the outlets primarily sell seconds and discontinued models that generally command lower retail prices. Gross margins in the full priced Movado Boutiques exceed those of the wholesale business since the Company earns full channel margins from manufacture to point of sale in this business.

All of the Company's brands compete with a number of other brands on the basis of not only styling but also wholesale and retail price. The Company's ability to improve margins through price increases is, therefore, to some extent, constrained by competitors' actions. In addition, the Company's wholesale operation periodically engages in liquidation sales of discontinued models at reduced prices. The level of these sales in a particular period can also have a significant impact on the Company's gross margins.

Manufacturing costs of the Company's brands consist primarily of component costs, internal and subcontractor assembly costs and unit overhead costs associated with the Company's supply chain operations in the U.S., Switzerland and the Far East. The Company seeks to control and reduce component and subcontractor labor costs through a combination of negotiations with existing suppliers and alternative sourcing. The Company's supply chain operations consist of logistics management of assembly operations and product sourcing in Switzerland and the Far East and minor assembly in the U.S. The Company has historically controlled the level of overhead costs and maintained flexibility in its cost structure by outsourcing a significant portion of its component and assembly requirements and expects to extend this strategy over the near term.

Since a substantial amount of the Company's product costs are incurred in Swiss francs, fluctuations in the U.S. dollar/Swiss franc exchange rate can impact the Company's production costs and, therefore, its gross margins. The Company, therefore, hedges its Swiss franc purchases using a combination of forward contracts, purchased currency options and spot purchases. The Company's hedging program has, in the recent past, been reasonably successful in stabilizing product costs and therefore gross margins despite exchange rate fluctuations.

Operating Expenses. The Company's operating expenses consist primarily of advertising, selling, distribution and general and administrative expenses. Annual advertising expenditures are based principally on overall strategic considerations relative to maintaining or increasing market share in markets that management considers to be crucial to the Company's continued success as well as on general economic conditions in the various markets around the world in which the Company sells its products.

Selling expenses consist primarily of sales commissions, sales force costs and operating costs incurred in connection with the Company's retail business. Sales commissions vary proportionally with overall sales levels. Retail operating expenses consist primarily of salaries and store rents.

Distribution expenses consist primarily of salaries of distribution staff, the cost of part-time help to meet seasonal needs, and shipping costs and supplies.

General and administrative expenses consist primarily of salaries, employee benefit plan costs, office rent, management information systems costs and various other general corporate expenses.

Operating expenses over the last three fiscal years reflect the effect of the implementation of the Company's growth strategy. The more significant expenses associated with this strategy include advertising and marketing expenses designed to increase market share for all of the Company's watch brands, both domestically and internationally; additions to the Company's sales force; salaries and rents associated with additional outlet stores and the Movado Boutiques; the addition of staff to support distribution, inventory management and customer service requirements coincident with growth of the Company's business; and general and administrative expenses, such as employee benefits and the development of the Company's information systems infrastructure.

RESULTS OF OPERATIONS FOR THE FISCAL YEARS ENDED JANUARY 31, 2001, 2000 AND 1999

Net Sales. Comparative net sales by product class were as follows:

	FISCAL YEARS ENDED JANUARY 31,		
	2001	2000	1999
	-----	-----	-----
	(in thousands)		
Concord, Movado, Coach and ESQ:			
Domestic	\$216,390	\$200,480	\$180,909
International	59,668	56,185	50,940
Piaget and Corum	(336)	(726)	13,934
Other	45,119	39,128	32,053
	-----	-----	-----
Net Sales	\$320,841	\$295,067	\$277,836
	=====	=====	=====

Total net sales increased 8.7% to \$320.8 million in fiscal 2001 from \$295.1 million in fiscal 2000. Domestic sales increased 9.5% to \$260.6 million from \$237.9 million in the prior year. Domestic sales were led by double digit growth in the Movado brand and high single digit growth in the ESQ brand. International sales of the Company's core brands increased 6.2% led by the continuing international rollout of the Coach watch brand in the Far East, which resulted in a doubling of Coach watch international sales in fiscal 2001 and double digit growth in the Concord brand.

Other net domestic sales, which includes the Company's outlet stores, Movado Boutiques and after sales service business, increased 16% over the prior year. This growth was primarily attributable to comparable store sales gains in the Movado Boutiques of approximately 27% and new store openings in the Company's outlet stores and Movado Boutiques, offset by a decrease in after sales service revenues as a result of the sale of the Piaget and Corum businesses. Comparable store sales in the Company's outlet stores were relatively flat.

Total net sales increased 6.2% for the year ended January 31, 2000. Sales from ongoing operations, excluding the disposed Piaget and Corum distribution businesses, increased 13.4% to \$295.8 million from \$260.9 million in the prior year. Domestic sales of the Company's core Concord, Movado, ESQ and Coach brands increased 10.8%. All of the Company's core brands experienced high single or low double digit percentage growth rates in the domestic market. International sales of the Company's core brands increased 10.3% led by the continuing international rollout of the Coach watch brand in the Far East, which resulted in a near doubling of Coach watch international sales in fiscal 2000. International sales of the Concord brand also increased approximately 10%.

Other net sales, which includes the Company's outlet stores, Movado Boutiques and after sales service business, increased 22% over the prior year. This growth was primarily attributable to double digit comparable store sales gains in both the outlets and the Boutiques and new store openings in both of these retail venues, offset by a decrease in after sales service revenues as a result of the sale of the Piaget business.

Gross Margins. The gross margin for fiscal 2001 was 61.5% as compared to 57.1% for fiscal 2000. Gross margin increases reflect the improvements the Company initiated in fiscal 2001. These improvements included the improved availability of core range products, higher margins on new model introductions, reduction of product acquisition costs mainly due to the strength of the U.S. dollar against the Swiss franc and significant reduction of liquidation sales. The gross margin increase was also due to one time charges of \$5.0 million made in fiscal 2000 to write down non-core component inventories and the \$2.3 million book to physical inventory adjustment during fiscal 2000.

The Company's gross margin decreased from 59.8% in fiscal 1999 to 57.1% in fiscal 2000 due to the one time charge of \$5.0 million to write down non-core component inventories and \$2.3 million book to physical inventory adjustments. The decrease was also attributed to a higher level of liquidation sales in fiscal 2000 due to the unavailability of higher margin core range products.

Operating Expenses. Operating expenses for fiscal 2001 were \$163.3 million or 50.9% of net sales as compared to \$152.6 million or 51.7% of net sales in fiscal 2000. The increase in operating expenses of approximately 7% or \$10.7 million relates to several areas, including advertising and marketing expenses, which increased \$0.4 million or 0.65%; selling expenses, which increased \$2.2 million or 5%; distribution costs, which decreased \$0.2 million or 2%, and general and administrative expenses, which increased \$8.3 million or 21%.

The increase in advertising costs were the results of an increase of \$1.3 million in the Movado Boutiques and cooperative advertising programs offset by a decrease of expenditures for special events, point of sale support material such as displays and product brochures and media advertising programs. Increases in advertising expenses at the Movado Boutiques reflect the costs associated with new business initiatives.

Selling expenses increased in both the Company's wholesale and retail businesses. Increases in selling expenses in the wholesale business primarily reflects higher levels of sales commissions due to sales increases in the Movado brands and increases in head count to support the launch of the Tommy Hilfiger line.

Increases in selling expenses associated with the Company's retail operations relate primarily to the addition of one new outlet and two new Movado Boutiques in fiscal 2001 as well as the annualized cost of stores opened during fiscal 2000.

Distribution expenses are largely variable in nature and these expenses grew proportionately with increases in unit volume shipments offset by a nonrecurring charge of \$1.0 million made in fiscal 2000, for expenses related to the relocation of the Company's U.S. distribution operations.

Increases in general and administrative expenses were substantially due to the recording of a management bonus as a result of exceeding corporate performance targets, a moving and relocation expense associated with the shutdown of the distribution and service center in Lyndhurst, N.J. and costs associated with new business initiatives including staffing costs for the launch of the Tommy Hilfiger brand, Movado Boutiques and Company outlet stores. In addition, there were cost increases in a small number of general and administrative expenses which are consistent with industry cost increases.

Operating expenses for fiscal 2000 were \$152.6 million or 51.7% of net sales as compared to \$133.4 million or 48.0% of net sales in fiscal 1999. The increase in operating expenses of approximately 14% or \$19.2 million relates to several areas, including advertising and marketing expenses, which increased \$8.1 million or 15%; selling expenses, which increased \$4.5 million or 12%; distribution costs, which increased \$2.3 million or 38%, and general and administrative expenses, which increased \$4.3 million or 12%.

The increase in advertising costs related to increased media and cooperative advertising programs with retailers in support of the Company's brands, higher advertising production costs due to the launch of new media campaigns for both the Concord and ESQ brands, increased spending on point of sale support material such as displays and product brochures, and the development of a new advertising and marketing management team.

Selling expenses increased in both the Company's wholesale and retail businesses. Selling expenses in the wholesale business primarily reflect higher levels of sales commissions due to sales increases across the Company's brands. Headcount increases in the Coach and ESQ brands to support growth also resulted in increased compensation and travel expenses. Selling expenses for fiscal 2000 also reflect the first year of amortization of the Company's major trade show exhibition facility constructed for use at the annual Basel International Watch and Jewelry Show.

Increases in selling expenses associated with the Company's retail operations relate primarily to the addition of four new outlets and one new Movado Boutique in fiscal 2000 as well as the annualization of cost of stores opened during fiscal 1999.

Increases in distribution expenses include a nonrecurring charge associated with the planned relocation of the Company's U.S. distribution operations. The remaining increase is due to the variable nature of distribution expenses which grew proportionately with increases in unit volume shipments.

Increases in general and administrative expenses were primarily in the area of human resources and information systems. The Company experienced increases in employee benefit costs associated with a growing workforce as well as recruiting fees, specifically associated with the hiring of two senior executives in the fourth quarter. Information systems related expenses increased as the Company began amortizing its significant investment in its new U.S. core system effective with the March 1999 implementation date and incurred Year 2000 remediation expenses relative to systems in Switzerland and its other international subsidiaries. The Company also added information systems support personnel in fiscal 2000.

Interest Expense. Net interest expense in fiscal 2001 increased \$1.0 million from \$5.4 million in fiscal 2000 to \$6.4 million in fiscal 2001. The increase in interest expense was primarily a result of a decrease in investment income from the investment of the \$28.4 million proceeds from the Company's sale of the Piaget business in February 1999. Gross interest expense decreased by \$148,000 or 2.4% due to a decrease in the average revolving credit and working capital borrowings from \$40.3 million in fiscal 2000 to \$31.7 million in fiscal 2001, a 21% reduction of debt, offset by an increase in average interest rates. In addition, a \$5.0 million payment on the Senior Note borrowings was made in January 2000, interest for this borrowing was reduced by approximately \$0.3 million.

Net interest expense for fiscal 2000 and 1999 was \$5.4 million and consisted primarily of interest on the Company's 6.56% Senior Notes, 6.90% Series A Senior Notes, revolving lines of credit and borrowings against working capital lines.

Income Taxes. The Company's income tax provision amounted to \$6.9 million, \$1.4 million, and \$6.3 million for fiscal 2001, 2000 and 1999, respectively, or 25% of pretax income for fiscal 2001, 9.4% for fiscal 2000 and 23% for fiscal 1999. Also, a portion of the Company's consolidated operations are located in non-U.S. jurisdictions, and, therefore, the Company's effective rate differs from U.S. statutory rates. The majority of the Company's non-U.S. operations are located in jurisdictions with statutory rates below U.S. rates. The Company believes that the near term future effective tax rate will stabilize in the 25% to 30% range reflecting the Company's current expectation that domestic earnings will gradually increase as a percentage of the overall earnings mix. However, there can be no assurance of this result as it is dependent on a number of factors, including the mix of foreign to domestic earnings, local statutory tax rates and the Company's ability to utilize net operating loss carryforwards in certain jurisdictions.

LIQUIDITY AND FINANCIAL POSITION

Operating activities generated cash flows of \$25.3 million in fiscal 2001, \$28.3 million in fiscal 2000 and (\$9.1) million in fiscal 1999. Cash flows from operating activities in fiscal 2001 were less than fiscal 2000 mainly due to increased inventory positions. Operating cash flows in fiscal 2000 increased from fiscal 1999 due to a reduction in working capital.

The Company used cash of \$11.7 million in fiscal 2001 for investing activities, primarily for capital expenditures. This compared to a cash inflow of \$17.5 million in fiscal 2000 mainly as a result of the sale of its Piaget business to VLG for \$28.4 million in cash. In fiscal 1999, \$10.9 million of cash was utilized in investing activities, primarily for capital expenditures.

Capital expenditures amounted to \$10.8 million in fiscal 2001 and related primarily to management information systems projects, the addition of one outlet store and two Movado Boutiques and the build out of the new distribution center in Moonachie, New Jersey. The Company's capital expenditures for fiscal 2000 and

fiscal 1999 amounted to \$10.1 million and \$11.7 million, respectively. Expenditures in fiscal 2000 were primarily related to management information systems projects, the addition of four new outlet stores and one Movado Boutique, and construction of a major tradeshow exhibition facility used annually at the Basel International Watch and Jewelry show. Expenditures in fiscal 1999 were primarily related to planned expenditures for the Company's information systems, including retail information systems, expansion of the Company's Movado Boutiques and further expansion of the Company's network of outlet stores. The Company expects that annual capital expenditures in the near term will approximate the levels experienced in fiscal 2001 and 2000 and will relate primarily to relocating its U.S. headquarters, various information systems projects and leasehold improvements associated with additional Movado Boutiques and outlet stores.

Cash used in financing activities amounted to \$17.4 million in fiscal 2001. This compares to \$22.1 million of cash used in and \$18.6 million of cash provided by financing activities in fiscal 2000 and 1999, respectively.

At January 31, 2001 the Company had two series of Senior Notes outstanding. Senior Notes due January 31, 2005 were originally issued in a private placement completed in fiscal 1994. These notes have required annual principal payments of \$5.0 million since January 1998. The Company repaid \$5 million and \$10 million in principal amount of these notes in fiscal 2001 and fiscal 2000, respectively. At January 31, 2001, \$20 million in principal amount of these notes remained outstanding.

During fiscal 1999, the Company issued \$25 million of Series A Senior Notes under a Note Purchase and Private Shelf Agreement dated November 30, 1998. The \$25 million Series A Senior Notes bear interest at 6.90%, mature on October 30, 2010 and are subject to annual repayments of \$5.0 million commencing October 31, 2006.

On March 21, 2001, the Company entered into a new Note Purchase and Private Shelf Agreement which allows for the issuance for up to three years after the date thereof, of senior promissory notes in the aggregate principal amount of up to \$40 million with maturities up to 12 years from their original date of issuance.

The Company finances its seasonal working capital requirements through borrowings under its bank lines of credit. The Company borrows from its bank group under both a \$100 million unsecured revolving line and \$15.0 million of uncommitted working capital lines of credit. The borrowings are governed under a three year renewed Bank Credit Agreement dated June 22, 2000, among the Company and its bank group, which replaced a previous agreement dated July 23, 1997. The previous agreement provided for a \$90 million unsecured revolving line and \$31.6 million of annually renewable working capital lines of credit. At January 31, 2001, the Company had \$8.8 million of outstanding borrowings under its bank lines as compared to \$13.5 million at January 31, 2000.

Under a series of share repurchase authorizations approved by the Board of Directors, the Company has maintained a discretionary buy-back program throughout fiscal 2001. Share repurchases under the repurchase program amounted to \$7.3 million, \$17.6 million and \$0.6 million in fiscal 2001, 2000 and 1999, respectively. As of January 31, 2001, the Company had authority to repurchase \$4.5 million against an aggregate authorization of \$30 million.

During fiscal 1999, the Company repurchased \$2.3 million of stock under a 400,000 share program that had been authorized by the Board of Directors in

March 1998. This program had been put in place to mitigate the dilutive impact of employee compensation programs.

Cash dividends in fiscal 2001 amounted to \$1.2 million compared to \$1.2 million in fiscal 2000 and \$1.0 million in fiscal 1999.

Cash and cash equivalents at January 31, 2001 amounted to \$23.1 million compared to \$26.6 million at January 31, 2000. Net debt to total capitalization at January 31, 2001 was 16% as compared to 20% at January 31, 2000.

In summary, the Company made significant progress in fiscal 2001 in maintaining its liquidity primarily through the success of its operating expense reduction initiatives and increased product profitability. The Company plans to continue to focus on improving its cash flows in fiscal 2002.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which is effective for the Company as of February 1, 2001. SFAS 133 requires that an entity recognizes all derivatives as either assets or liabilities measured at fair value. Changes in derivative fair values will either be recognized in earnings as offsets to the changes in fair values of related hedged assets, liabilities and firm commitments or, for forecasted transactions, deferred and recorded as a component of other stockholders' equity until the hedged transactions occur and are recognized in earnings. The ineffective portion of a hedging derivative's change in fair value will be immediately recognized in earnings. Adoption of this statement is not expected to materially impact the Company's financial statements.

In December 1999, the Securities and Exchange Commission "SEC", issued Staff Accounting Bulletin No. 101, "SAB 101", "Revenue Recognition in Financial Statements". SAB 101 summarizes certain of the SEC's views in applying accounting principles generally accepted in the United States to revenue recognition in financial statements. The Company adopted the guidance of this bulletin during fiscal 2001, which had no material impact on the Company's revenue recognition policy.

MARKET RISKS

The Company's primary market risk exposure relates to foreign currency exchange risk (see Note 6 to the Consolidated Financial Statements). The majority 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 purchases various financial instruments, predominately forward and option contracts. Gains and losses on financial instruments resulting from this hedging activity are offset by the effects of the currency movements on respective 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 entities' cost of sales. As of January 31, 2001, the Company's hedging portfolio consisted of various dates ranging through April 30, 2003 with an average forward rate of 1.6368 Swiss francs per dollar. The Company has \$20.0 million of option contracts with a maturity date of February 1, 2001 and \$25 million of option contracts with a maturity date of December 11, 2001. The option contracts have an average strike price of 1.6543 Swiss francs per dollar. As of January 31, 2001, the carrying value of the options amounted to approximately \$0.6 million, which represents the unamortized premium of the option and a fair market value of approximately \$1.3 million.

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 also has certain debt obligations with fixed interest rates. The difference between the market based interest rates at January 31, 2001 and the fixed rates was minimal.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Schedule Number -----	Page Number -----
Report of Independent Accountants		F-1
Consolidated Statements of Income for the fiscal years ended January 31, 2001, 2000 and 1999		F-2
Consolidated Balance Sheets at January 31, 2001 and 2000		F-3
Consolidated Statements of Cash Flows for the fiscal years ended January 31, 2001, 2000 and 1999		F-4
Consolidated Statements of Changes in Shareholders' Equity for the fiscal years ended January 31, 2001, 2000 and 1999		F-5
Notes to Consolidated Financial Statements		F-6 to F-21
Valuation and Qualifying Accounts and Reserves	II	S-1

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by this item is included in the Company's Proxy Statement for the 2001 annual meeting of shareholders and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this item is included in the Company's Proxy Statement for the 2001 annual meeting of shareholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is included in the Company's Proxy Statement for the 2001 annual meeting of shareholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information required by this item is included in the Company's Proxy Statement for the 2001 annual meeting of shareholders and is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents filed as part of this report

1. Financial Statements:

See Financial Statements Index on page 22 included in Item 8 of part II of this report.

2. Financial Statement Schedule:

Schedule II	Valuation and Qualifying Accounts and Reserves
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All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

3. Exhibits:

Incorporated herein by reference is a list of the Exhibits contained in the Exhibit Index on pages 27 through 32 of this report.

(b) Current Reports on Form 8-K

None

SIGNATURES

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

MOVADO GROUP, INC.
(Registrant)

Dated: April 30, 2001 By: /s/ Gedalio Grinberg

Gedalio Grinberg
Chief Executive Officer and
Chairman of the Board of Directors

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

Dated: April 30, 2001 /s/ Gedalio Grinberg

Gedalio Grinberg
Chief Executive Officer and
Chairman of the Board of Directors
(Principal Executive Officer)

Dated: April 30, 2001 /s/ Efraim Grinberg

Efraim Grinberg
President

Dated: April 30, 2001 /s/ Richard J. Cote

Richard J. Cote
Executive Vice President of Finance and
Administration

Dated: April 30, 2001 /s/ Kenneth C. Johnson

Kenneth C. Johnson
Senior Vice President and Chief Financial Officer
(Chief Financial Officer)

Dated: April 30, 2001 /s/ Margaret Hayes Adame

Margaret Hayes Adame
Director

Dated: April 30, 2001 /s/ Donald Oresman

Donald Oresman
Director

Dated: April 30, 2001 /s/ Leonard L. Silverstein

Leonard L. Silverstein
Director

Dated: April 30, 2001 /s/ Alan H. Howard

Alan H. Howard
Director

EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
3.1	Restated By-Laws of the Registrant. Incorporated by reference to Exhibit 3.1 filed with the Registrant's Registration statement on Form S-1 (Registration No. 33-666000).
3.2	Restated Certificate of Incorporation of the Registrant as amended. Incorporated herein by reference to Exhibit 3(i) to the Registrant's Quarterly Report on Form 10-Q filed for the quarter ended July 31, 1999.
4.1	Specimen Common Stock Certificate. Incorporated herein by reference to Exhibit 4.1 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1998.
4.2	Note Agreement, dated as of November 9, 1993, by and between the Registrant and The Prudential Insurance Company of America. Incorporated herein by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1993.
4.3	Note Purchase and Private Shelf Agreement dated as of November 30, 1998 between the Registrant and The Prudential Insurance Company of America. Incorporated herein by reference to Exhibit 10.31 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1999.
4.4	Note Purchase and Private Shelf agreement dated as of March 21, 2001 between the Registrant and The Prudential Insurance Company of America.
10.1	Lease dated August 5, 1998 between Grand Canal Shops Mall Construction, LLC as landlord and Movado Retail Group, Inc., as tenant, for premises at Grand Canal Shops, Clark County, Nevada. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter Ended July 31, 1998.

EXHIBIT NUMBER -----	DESCRIPTION -----
10.2	Amendment Number 1 to License Agreement dated December 9, 1996 between Registrant as Licensee and Coach, a division of Sara Lee Corporation as Licensor, dated as of February 1, 1998. Incorporated herein by reference to exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1998.
10.3	Agreement, dated January 1, 1992, between The Hearst Corporation and the Registrant, as amended on January 17, Incorporated herein by reference to Exhibit 10.8 filed with Company's Registration Statement on Form S-1 (Registration No. 33-666000).
10.4	Letter Agreement between the Registrant and The Hearst Corporation dated October 24, 1994 executed October 25, 1995 amending License Agreement dated as of January 1, 1992, as amended. Incorporated herein by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1995.
10.5	Lease Agreement between the Registrant and Meadowlands Associates, dated October 31, 1986, for office space in Lyndhurst, New Jersey, together with the Non-Disturbance and Attornment Agreement, dated March 11, 1987. Incorporated herein by reference to Exhibit 10.10 filed with Company's Registration Statement on Form S-1 (Registration No. 33-666000).
10.6	Registrant's 1996 Stock Incentive Plan amending and restating the 1993 Employee Stock Option Plan. Incorporated herein by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996.**

EXHIBIT NUMBER -----	DESCRIPTION -----
10.7	Lease dated August 10, 1994 between Rockefeller Center Properties, as landlord and SwissAm Inc., as tenant for space at 630 Fifth Avenue, New York, New York. Incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 1994.
10.8	First Amendment of Lease dated May 31, 1994 between Meadowlands Associates, as landlord and the Registrant, as tenant for additional space at 125 Chubb Avenue, Lyndhurst, New Jersey. Incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 1994.
10.9	Death and Disability Benefit Plan Agreement dated September 23, 1994 between the Registrant and Gedalio Grinberg, Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1994.**
10.10	Registrant's amended and restated Deferred Compensation Plan for Executives effective January 1, 1998. Incorporated herein by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1998. **
10.11	Policy Collateral Assignment and Split Dollar Agreement dated December 5, 1995 by and between the Registrant and The Grinberg Family Trust together with Demand Note dated December 5, 1995. Incorporated herein by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1996.**
10.12	License Agreement dated December 9, 1996 between the Registrant and Sara Lee Corporation. Incorporated herein by reference to Exhibit 10.32 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1997.
10.13	First Amendment to Lease dated April 8, 1998 between RCPI Trust, successor in interest to Rockefeller Center Properties ("Landlord") and Movado Retail Group, Inc., successor in

EXHIBIT
NUMBER
-----DESCRIPTION

- interest to SwissAm Inc. ("Tenant") amending lease dated August 10, 1994 between Landlord and Tenant for space at 630 Fifth Avenue, New York, New York. Incorporated herein by reference to Exhibit 10.37 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1998.
- 10.14 Second Amendment dated as of September 1, 1999 to the December 1, 1996 license agreement between Sara Lee Corporation and Registrant. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1999.
- 10.15 License Agreement entered into as of June 3, 1999 between Tommy Hilfiger Licensing, Inc. and Registrant. Incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1999.
- 10.16 Second Amendment of Lease dated as of December 23, 1998 between Meadowlands Associates, as landlord and the Registrant, as tenant, further amending lease dated as of October 31, 1986. Incorporated herein by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2000.
- 10.17 Lease termination agreement dated as of February 1, 2000 between PW/MS OP SUB I, LLC, successor in interest to Belle Mead Corporation, landlord, and Movado Group, Inc., tenant, terminating lease dated as of April 15, 1996, as amended, respecting premises located at 1200 Wall Street West, Lyndhurst, New Jersey. Incorporated herein by reference to Exhibit 10.31 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2000.
- 10.18 Sublease made as of October 26, 1999 between Merck-Medco Managed Care, L.L.C. as sublessor and Registrant as Sublessee for premises at 300 Tice Boulevard, Woodcliff Lake, New Jersey. Incorporated herein by reference to Exhibit 10.32 to the

EXHIBIT NUMBER -----	DESCRIPTION -----
	Registrant's Annual Report on Form 10-K for the year ended January 31, 2000.
10.19	Third Amendment of lease dated as of February 17, 2000 between Meadowlands Associates, as landlord, and the Registrant, as tenant, further amending lease dated as of October 31, 1986. Incorporated herein by reference to Exhibit 10.33 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2000.
10.20	License Agreement entered into as of October 31, 1999 by and between Movado Corporation, Movado Watch Company S.A. and Lantis Eyewear Corporation. Incorporated herein by reference to Exhibit 10.34 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2000.
10.21	Severance Agreement dated December 15, 1999, and entered into December 16, 1999 between the Registrant and Richard J. Cote. Incorporated herein by reference to Exhibit 10.35 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2000.**
10.22	Lease made December 21, 2000 between the Registrant and Mack-Cali Realty, L.P. for premises in Paramus, New Jersey together with First Amendment thereto made December 21, 2000.
10.23	Temporary rental agreement between the Registrant and 300 Tice Realty Associates L.L.C. for premises in Woodcliff Lake, New Jersey dated December 21, 2000.
10.24	Credit Agreement dated June 22, 2000 among the Registrant, the Chase Manhattan Bank as Administrative Agent, and as Swingline Bank, and as issuing Bank, Fleet Bank, N.A. as Syndication Agent, The Bank of New York as Documentation Agent and the other Lenders signatory thereto. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed for the quarter ended July 31, 2000.
10.25	Lease agreement dated May 22, 2000 between Forsgate Industrial Complex and the Registrant for premises located at 105 State

EXHIBIT
NUMBER
-----DESCRIPTION

Street, Moonachie, New Jersey. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed for the quarter ended April 30, 2000.

- 10.26 Line of Credit Letter Agreement dated June 22, 2000 between the Registrant and Fleet Bank, N.A.
- 10.27 Amended and Restated Master Promissory Note agreement dated June 27, 2000 between the Registrant and The Bank of New York.
- 10.28 Loan Agreement dated May 19, 1999 between Concord Watch Company, S.A. and credit Swiss (English translation).
- 21.1 Subsidiaries of the Registrant.
- 23.1 Consent of PricewaterhouseCoopers LLP.

** Constitutes a compensatory plan or arrangement.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
and Shareholders of Movado Group, Inc.

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) on page 24 present fairly, in all material respects, the financial position of Movado Group, Inc. and its subsidiaries at January 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2001, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2) on page 24 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Florham Park, New Jersey
March 23, 2001

MOVADO GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	FISCAL YEAR ENDED JANUARY 31,		
	2001	2000	1999
Net sales	\$ 320,841	\$ 295,067	\$ 277,836
Costs and expenses:			
Cost of sales	123,392	126,667	111,766
Selling, general and administrative	163,317	152,631	133,395
	286,709	279,298	245,161
Operating income	34,132	15,769	32,675
Interest expense, net	6,443	5,372	5,437
Gain on disposition of business	--	4,752	--
Income before income taxes	27,689	15,149	27,238
Provision for income taxes	6,922	1,428	6,265
Net income	\$ 20,767	\$ 13,721	\$ 20,973
Net income per share - Basic	\$ 1.78	\$ 1.10	\$ 1.63
Weighted average shares outstanding	11,651	12,527	12,842
Net income per share - Diluted	\$ 1.75	\$ 1.06	\$ 1.58
Weighted average shares and share equivalents outstanding	11,866	12,890	13,256
COMPREHENSIVE INCOME:			
Net Income	\$ 20,767	\$ 13,721	\$ 20,973
Other comprehensive income, net of tax:			
Foreign currency translation adjustment	(1,707)	(10,456)	(869)
Comprehensive income	\$ 19,060	\$ 3,265	\$ 20,104

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MOVADO GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	JANUARY 31,	
	2001	2000
ASSETS		

Current assets:		
Cash	\$ 23,059	\$ 26,615
Trade receivables, net	98,797	96,258
Inventories, net	95,863	77,075
Other	23,501	18,076
	241,220	218,024
Plant, property and equipment, net	32,906	27,593
Other assets	16,279	14,032
	\$ 290,405	\$ 259,649
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		

Current liabilities:		
Loans payable to banks	\$ 8,800	\$ 13,500
Current portion of long-term debt	5,000	5,000
Accounts payable	28,819	17,562
Accrued liabilities	28,157	19,065
Current taxes payable	12,677	2,013
Deferred taxes payable	3,130	3,419
	86,583	60,559
Long-term debt	40,000	45,000
Deferred and noncurrent foreign income taxes	3,517	5,105
Other liabilities	835	1,170
	130,935	111,834
	-----	-----
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Preferred Stock, \$0.01 par value, 5,000,000 shares authorized; no shares issued	--	--
Common Stock, \$0.01 par value, 20,000,000 shares authorized; 9,600,435 and 9,496,529 shares issued, respectively	96	95
Class A Common Stock, \$0.01 par value, 10,000,000 shares authorized; 3,509,733 and 3,509,733 shares issued and outstanding, respectively	35	35
Capital in excess of par value	67,242	66,113
Retained earnings	138,176	118,615
Accumulated other comprehensive income	(18,169)	(16,462)
Treasury stock, 1,556,670 and 920,690 shares at cost, respectively	(27,910)	(20,581)
	159,470	147,815
	-----	-----
	\$ 290,405	\$ 259,649
	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MOVADO GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	FISCAL YEAR ENDED JANUARY 31,		
	2001	2000	1999
Cash flows from operating activities:			
Net income	\$ 20,767	\$ 13,721	\$ 20,973
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	6,341	5,189	5,380
Deferred and noncurrent foreign income taxes	(1,342)	(1,636)	1,764
Provision for losses on accounts receivable	2,083	1,077	1,304
Provision for losses on inventory	1,710	7,263	--
Gain on disposition of business	--	(4,752)	--
Changes in current assets and liabilities:			
Trade receivables	(4,831)	2,469	(24,693)
Inventories	(20,043)	14,609	(19,925)
Other current assets	(3,383)	(6,269)	(1,265)
Accounts payable	11,142	(7,004)	4,108
Accrued liabilities	9,322	4,464	3,352
Deferred and current taxes payable	9,800	(2,532)	229
Other noncurrent assets	(5,960)	2,305	(314)
Other noncurrent liabilities	(335)	(629)	(29)
Net cash provided by (used in) operating activities	25,271	28,275	(9,116)
Cash flows from investing activities:			
Capital expenditures	(10,833)	(10,125)	(11,707)
Proceeds from disposition of business	--	28,409	--
Goodwill, trademarks and other intangibles	(852)	(755)	(1,835)
Sale of subsidiary	--	--	2,646
Net cash (used in) provided by investing activities	(11,685)	17,529	(10,896)
Cash flows from financing activities:			
Repayment of Senior Notes	(5,000)	(10,000)	(5,000)
Proceeds from issuance of Series A Senior Notes	--	--	25,000
Net (payment of) proceeds from current bank borrowings	(4,700)	6,300	2,200
Principal payments under capital leases	--	(69)	(387)
Stock options exercised	840	499	627
Dividends paid	(1,206)	(1,247)	(1,026)
Purchase of treasury stock	(7,329)	(17,593)	(2,860)
Net cash (used in) provided by financing activities	(17,395)	(22,110)	18,554
Effect of exchange rate changes on cash	253	(2,705)	(3,790)
Net (decrease) increase in cash	(3,556)	20,989	(5,248)
Cash at beginning of year	26,615	5,626	10,874
Cash at end of year	\$ 23,059	\$ 26,615	\$ 5,626

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MOVADO GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Preferred Stock	Common Stock	Class A Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comp- Rehensive Income	Treasury Stock
	-----	-----	-----	-----	-----	-----	-----
Balance, January 31, 1998	--	\$93	\$36	\$64,475	\$86,194	(\$5,137)	(\$128)
Net income					20,973		
Dividends (\$0.08 per share)					(1,026)		
Stock options exercised, net of tax benefit				857			
Common stock repurchased							(2,860)
Foreign currency translation adjustment						(869)	
Conversion of Class A Common Stock to Common Stock		1	(1)				
Balance, January 31, 1999	--	94	35	65,332	106,141	(6,006)	(2,988)
Net income					13,721		
Dividends (\$0.10 per share)					(1,247)		
Stock options exercised, net of tax benefit				781			
Common stock repurchased							(17,593)
Foreign currency translation adjustment						(10,456)	
Conversion of Class A Common Stock to Common Stock		1					
Balance, January 31, 2000	--	95	35	66,113	118,615	(16,462)	(20,581)
Net income					20,767		
Dividends (\$0.105 per share)					(1,206)		
Stock options exercised, net of tax benefit					1,129		
Common stock repurchased							(7,329)
Foreign currency translation adjustment				(1,707)			
Conversion of Class A Common Stock to Common Stock		1					
Balance, January 31, 2001	--	\$96	\$35	\$67,242	\$138,176	(\$18,169)	(\$27,910)
	=====	=====	=====	=====	=====	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO MOVADO GROUP INC.'S CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Movado Group, Inc. (the "Company") is a designer, manufacturer and distributor of quality watches with prominent brands in almost every price category comprising the watch industry. In fiscal 2001, the Company marketed four distinctive brands of watches: Movado, Concord, ESQ, and Coach, which compete in most segments of the watch market.

The Company designs and manufactures Concord and Movado watches primarily through its subsidiaries and third party contract assemblers in Switzerland, as well as in the United States, for sale throughout the world. ESQ watches are manufactured to the Company's specifications using Swiss movements by independent contractors located in the Far East. Coach watches are assembled in Switzerland by independent suppliers. The Company distributes its watch brands through its United States operations as well as through sales subsidiaries in Canada, Hong Kong, Singapore and Switzerland, and through a number of independent distributors located in various countries throughout the world.

In addition to its sales to trade customers and independent distributors, through a wholly owned domestic subsidiary, the Company sells Movado watches, Movado jewelry, tabletop accessories and other product line extensions within the Movado brand directly to consumers in its Movado Boutiques. Another of the Company's domestic subsidiaries also operates a number of Movado outlet stores throughout the United States, through which it sells discontinued and sample merchandise.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany transactions and balances have been eliminated.

Translation of foreign currency financial statements and foreign currency transactions

The financial statements of the Company's international subsidiaries have been translated into United States dollars by translating balance sheet accounts at year-end exchange rates and statement of operations accounts at average exchange rates for the year. Foreign currency transaction gains and losses are charged or credited to income as incurred. Foreign currency translation gains and losses are reflected in the equity section of the Company's consolidated balance sheet in accumulated other comprehensive income.

Trade receivables

The Company's trade customers include department stores, jewelry store chains and independent jewelers. Movado and Concord watches are also marketed outside the U.S. through a network of independent distributors. Accounts receivable are stated net of allowances for doubtful accounts of \$4,442,000 and \$3,604,000 at January 31, 2001 and 2000, respectively. The Zale Corporation accounted for 10%, 13% and 10% of the Company's consolidated net sales in fiscal 2001, 2000 and 1999, respectively. At January 31, 2001 and 2000, the same trade customer accounted for 13% and 18% of consolidated trade receivables, respectively.

The Company's concentrations of credit risk arise primarily from accounts receivable related to trade customers during the peak selling seasons. The Company has significant accounts receivable balances due from major department store chains. The Company's results of operations could be materially adversely affected in the event any of these customers or a group of these customers defaulted on all or a significant portion of their obligations to the Company as a result of financial difficulties.

Inventories

Inventories are valued at the lower of cost or market. The cost of domestic finished goods inventories is determined primarily using the first-in, first-out (FIFO) method. The cost of finished goods inventories held by overseas subsidiaries, and all component parts inventories are determined using average cost.

Plant, property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation of furniture and equipment is provided using the straight-line method based on the estimated useful lives of assets, which range from three to ten years. Leasehold improvements are amortized using the straight-line method over the lesser of the term of the lease or the estimated useful life of the leasehold improvement. Computer software costs related to the development of major systems are capitalized as incurred and are amortized over their useful lives. Maintenance and repair costs are charged to earnings while expenditures for major renewals and improvements are capitalized. Upon the disposition of plant, property and equipment, the accumulated depreciation is deducted from the original cost and any gain or loss is reflected in current earnings.

Goodwill and other intangibles

Other intangible assets consist primarily of trademarks and are recorded at cost. Trademarks are generally amortized over ten years. Goodwill is amortized over 40 years. The Company continually reviews goodwill and other intangible assets to evaluate whether events or changes have occurred that would suggest an impairment of carrying value. An impairment would be recognized when expected undiscounted future operating cash flows are lower than the carrying value. At January 31, 2001 and 2000, goodwill and other intangible assets at cost were \$5,251,000 and \$4,358,000, respectively, and related accumulated amortization of goodwill and other intangibles was \$1,549,000 and \$1,068,000, respectively.

Revenue Recognition

Sales are recognized upon transfer of title or, in the case of retail sales, at the time of register receipt. Allowances for estimated returns and sales discounts are provided when sales are recorded.

Pre-opening Costs

Costs associated with the opening of new retail and outlet stores is expensed in the period incurred.

Advertising

The Company expenses the production costs of an advertising campaign at the commencement date of the advertising campaign. Advertising expenses for fiscal 2001, 2000 and 1999, amounted to \$62.3 million, \$61.8 million and \$53.8 million, respectively.

Income taxes

The Company and its domestic subsidiaries file a consolidated federal income tax return. Foreign income taxes have been provided based on the applicable tax rates in each of the foreign countries in which the Company operates. Certain Swiss income taxes are payable over several years; the portion of these taxes not payable within one year is classified as noncurrent. Noncurrent foreign income taxes included in the consolidated balance sheets at January 31, 2001 and 2000 were \$1,812,000 and \$1,905,000, respectively.

Earnings per share

The Company presents net income per share on a 'basic' and 'diluted' basis. Basic earnings per share is computed using weighted average shares outstanding during the period. Diluted earnings per share is 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 were 11,651,000, 12,527,000 and 12,842,000 for fiscal 2001, 2000 and 1999, respectively. For diluted earnings per share, these amounts were increased by 215,000, 363,000 and 414,000 in fiscal 2001, 2000 and 1999, respectively, due to potentially dilutive common stock equivalents issuable under the Company's stock option plans. There were no anti-dilutive common stock equivalents in the years presented.

Stock-based compensation

Stock-based compensation is recognized using the intrinsic value method. For disclosure purposes, pro forma net income and earnings per share are provided as if the fair value method had been applied.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Stockholders' Equity

Under a series of share repurchase authorizations approved by the Board of Directors, the Company has maintained a discretionary buy-back program throughout fiscal 2001. Share repurchases under the repurchase program amounted to \$7.3 million, \$17.6 million and \$0.6 million in fiscal 2001, 2000 and 1999, respectively. As of January 31, 2001, the Company had authorization to repurchase shares up to an additional \$4.5 million against an aggregate authorization of \$30 million.

During fiscal 1999, the Company repurchased \$2.3 million of stock under a 400,000 share repurchase program that had been authorized by the Board of Directors in March 1998. This program had been put in place to mitigate the dilutive impact of employee compensation programs.

New Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which is effective for the Company as of February 1, 2001. SFAS 133 requires that an entity recognizes all derivatives as either assets or liabilities measured at fair value. Changes in derivative fair values will either be recognized in earnings as offsets to the changes in fair value of related hedged assets, liabilities and firm commitments or, for forecasted transactions, deferred and recorded as a component of other stockholders' equity until the hedged transactions occur and are recognized in earnings. The ineffective portion of a hedging derivative's change in fair value will be immediately recognized in earnings. Adoption of this statement is not expected to materially impact the Company's financial statements.

In December 1999, the Securities and Exchange Commission, "SEC", issued Staff Accounting Bulletin No. 101, "SAB 101", "Revenue Recognition in Financial Statements." SAB 101 summarizes certain of the SEC's views in applying accounting principles generally accepted in the United States to revenue recognition in financial statements. The Company adopted the guidance of this bulletin during fiscal 2001, which had no material impact on the Company's revenue recognition policy.

Reclassification

Certain prior year amounts have been reclassified to conform to the fiscal 2001 presentation.

NOTE 2 - INVENTORIES

Inventories consist of the following (in thousands):

	JANUARY 31,	
	2001	2000
Finished goods	\$60,909	\$50,565
Component parts	30,942	25,473
Work-in-process	4,012	1,037
	\$95,863	\$77,075
	=====	=====

NOTE 3 - PLANT, PROPERTY AND EQUIPMENT

Plant, property and equipment at January 31, at cost, consisted of the following (in thousands):

	2001 -----	2000 -----
Furniture and equipment	\$44,705	\$40,820
Leasehold improvements	15,579	11,026
	-----	-----
	60,284	51,846
Less: accumulated depreciation	(27,378)	(24,253)
	-----	-----
	\$32,906	\$27,593
	=====	=====

Depreciation and amortization for fiscal 2001, 2000 and 1999 was \$5,732,000, \$4,701,000 and \$4,820,000, respectively.

NOTE 4 - BANK CREDIT ARRANGEMENTS AND LINES OF CREDIT

The Company's revolving credit facility with its domestic bank group was entered into in June 2000 to provide for a three-year \$100.0 million unsecured revolving line of credit, which replaced a three-year \$90.0 million unsecured facility dated July 1997. In addition, certain members within the bank group provided for \$15.0 million and \$31.6 million of uncommitted working capital lines of credit at January 31, 2001 and 2000, respectively. The renewed bank credit agreement provides for various rate options including the federal funds rate plus a fixed rate, the prime rate or a fixed rate plus the LIBOR rate. The Company pays a facility fee on the unused portion of the credit facility. The agreement also contains certain financial covenants including an interest coverage ratio and certain restrictions that limits the Company on the sale, transfer or distribution of corporate assets, including dividends and limit the amount of debt outstanding. The Company was in compliance with these restrictions and covenants at January 31, 2001 and 2000. The domestic unused line of credit was \$106.2 million and \$108.1 million at January 31, 2001 and 2000, respectively.

The Company's Swiss subsidiaries maintain secured and unsecured lines of credit with Swiss banks, a majority of which have an unspecified duration. Available credit under these lines totaled 11.3 million Swiss francs and 10.0 million Swiss francs, with dollar equivalents of approximately \$6.9 million and \$6.0 million at January 31, 2001 and 2000, of which a maximum of \$5.0 million can be drawn. One subsidiary's credit line contains a covenant requiring maintenance of retained earnings above a specified minimum level. This subsidiary was in compliance with this covenant at January 31, 2001 and 2000. There are no other restrictions on transfers in the form of dividends, loans or advances to the Company by its foreign subsidiaries.

Outstanding borrowings against the Company's aggregate demand lines of credit were \$8.8 million at January 31, 2001 and \$13.5 million at January 31, 2000. Aggregate maximum and average monthly outstanding borrowings against the Company's lines of credit and related weighted average interest rates during fiscal 2001, 2000 and 1999 were as follows (in thousands):

	FISCAL YEAR ENDED JANUARY 31,		
	2001	2000	1999
Maximum borrowings	\$51,850	\$61,900	\$70,900
Average monthly borrowings	\$31,622	\$40,290	\$41,229
Weighted average interest rate	8.2%	6.3%	6.9%

Weighted average interest rates were computed based on average month-end outstanding borrowings and applicable average month-end interest rates.

NOTE 5 - LONG-TERM DEBT

The components of long-term debt as of January 31 were as follows (in thousands):

	2001	2000
Senior Notes	\$20,000	\$25,000
Series A Senior Notes	25,000	25,000
	45,000	50,000
Less current portion	5,000	5,000
Long-term debt	\$40,000	\$45,000

Senior Notes due January 31, 2005 (the "Senior Notes") were issued in a private placement completed in fiscal 1994 and bear interest at 6.56% per annum, payable semiannually on July 31 and January 31, and are subject to annual payments of \$5.0 million commencing January 31, 1998. Accordingly, such amounts have been classified as a current liability in fiscal 2001 and 2000. The Company has the option to prepay amounts due to holders of the Senior Notes at 100% of the principal plus a "make-whole" premium and accrued interest.

The Series A Senior Notes ("Series A Senior Notes") were issued on December 1, 1998 under a Note Purchase and Private Shelf Agreement and bear interest at 6.90% per annum. Interest is payable semiannually on April 30 and October 30. These notes mature on October 30, 2010 and are subject to annual payments of \$5.0 million commencing on October 31, 2006.

On March 21, 2001 the Company entered into a new Note Purchase and Private Shelf Agreement which allows for the issuance for up to three years after the date thereof, 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.

The agreements governing the Senior Notes and Series A Senior Notes contain certain restrictions and covenants which generally require the maintenance of a minimum net worth, limit the amount of additional secured debt the Company can incur and limit the sale, transfer or distribution of corporate assets including dividends. The Company was in compliance with these restrictions and covenants at January 31, 2001 and 2000.

NOTE 6 - FOREIGN CURRENCY MANAGEMENT

A substantial portion of the Company's watches and watch components are sourced from affiliated and nonaffiliated suppliers in Switzerland. A significant strengthening of the Swiss franc against currencies of other countries in which the Company conducts sales activities increases the Company's product cost. This may adversely impact gross margins to the extent the Company is unsuccessful in hedging against changes in the currency exchange rates or higher product costs cannot be recovered through price increases in local markets. Significant fluctuations in the Swiss franc - U.S. dollar exchange rate can also have a material impact on the U.S. dollar value of the net assets of the Company's wholly-owned Swiss subsidiaries.

The Company hedges against foreign currency exposure using only forward exchange contracts, purchased foreign currency options and open market purchases to cover identifiable inventory purchase commitments and, occasionally, equity invested in its international subsidiaries.

The Company has established strict counterparty credit guidelines and only enters into foreign currency transactions with financial institutions of investment grade or better. To minimize the concentration of credit risk, the Company enters into hedging transactions with each of these financial institutions. As a result, the Company considers the risk of counterparty default to be minimal.

The following table presents the aggregate contract amounts and fair values, based on dealer quoted prices, of the Company's financial instruments outstanding at January 31, 2001 and 2000. Foreign currency forward contracts included below mature within one year. Currency option contracts at January 31, 2001 generally mature after one year. All financial instruments included below were held for hedging purposes only. Contract amounts (in thousands) consist primarily of U.S. dollar - Swiss franc contracts.

	AS OF JANUARY 31,			
	2001		2000	
	CONTRACT AMOUNTS	FAIR VALUES	CONTRACT AMOUNTS	FAIR VALUES
Foreign Currency Forward Contracts	\$67,477	\$67,602	\$47,287	\$42,732
Purchased Options	\$27,202	\$1,340	\$94,105	\$1,638

The contract amounts of these foreign currency forward contracts and purchased options do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of the exposure of the Company through its use of these financial instruments. The amounts exchanged are calculated on the basis of

the contract amounts and the other terms of the financial instruments, which relate to exchange rates. As of January 31, 2001 and 2000, the payable to banks recorded in current liabilities associated with closed contract positions was \$681,000 and \$1,795,000, respectively.

The estimated fair values of these foreign currency forward amounts and purchased options used to hedge the Company's risks will fluctuate over time. These fair value amounts should not be viewed in isolation, but rather in relation to the fair values of the underlying hedged transactions and investments and the Company's overall exposure to fluctuations in foreign exchange rates.

Gains and losses from and premiums paid for forward or option transactions that hedge inventory purchase commitments are included in the carrying cost of inventory and are recognized in cost of sales upon sale of the inventory. Net deferred charges from hedging amounted to \$0.6 million and \$2.7 million at January 31, 2001 and 2000, respectively. These amounts were included in other current assets on the accompanying balance sheets.

NOTE 7 - FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

The fair value of the Company's 6.56% Senior Notes and 6.9% Series A Senior Notes approximate 99% and 95% of the carrying value of the notes, respectively, as of January 31, 2001. The fair value was calculated based upon the present value of future cash flows discounted at estimated borrowing rates for similar debt instruments or upon estimated prices based on current yields for debt issues of similar quality and terms.

NOTE 8 - INCOME TAXES

The provision for income taxes for the fiscal years ended January 31, 2001, 2000 and 1999 consists of the following components (in thousands):

	2001 -----	2000 -----	1999 -----
Current:			
U.S. Federal	\$ 3,124	\$ --	\$ 1,500
U.S. State and Local	498	11	444
Non-U.S.	2,607	1,043	1,888
	-----	-----	-----
	6,229	1,054	3,832
	=====	=====	=====
Noncurrent:			
U.S. Federal	--	--	--
U.S. State and Local	--	--	--
Non-U.S.	1,674	1,785	1,924
	-----	-----	-----
	1,674	1,785	1,924
	=====	=====	=====
Deferred:			
U.S. Federal	(1,948)	(1,518)	(750)
U.S. State and Local	(385)	--	--
Non-U.S.	1,352	107	1,259
	-----	-----	-----
	(981)	(1,411)	509
	=====	=====	=====
Provision for income taxes	\$ 6,922	\$ 1,428	\$ 6,265
	=====	=====	=====

Deferred income taxes reflect the tax effect of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. Deferred income taxes have been classified as current or noncurrent on the consolidated balance sheets based on the underlying temporary differences and the expected due dates of taxes payable upon reversal. Significant components of the Company's deferred income tax assets and liabilities for the fiscal year ended January 31, 2001 and 2000 consist of the following (in thousands):

	2001 DEFERRED TAX -----		2000 DEFERRED TAX -----	
	ASSETS -----	LIABILITIES -----	ASSETS -----	LIABILITIES -----
Operating loss carry forwards	\$ 1,596	\$ --	\$ 2,706	\$ --
Rent accrual	143	--	291	--
Inventory reserve	2,225	3,502	894	5,340
Receivable allowance	2,183	2,862	1,054	1,278
Depreciation/amortization	1,628	--	1,089	--
Other	2,352	--	1,355	--
	-----	-----	-----	-----
	10,127	6,364	7,389	6,618
Valuation allowance	(1,383)	--	(1,439)	--
	-----	-----	-----	-----
Total	\$ 8,744	\$ 6,364	\$ 5,950	\$ 6,618
	=====	=====	=====	=====

As of January 31, 2001, the Company had foreign net operating loss carryforwards of approximately \$3.5 million, which are available to offset taxable income in future years. As of January 31, 2001, the Company maintained a valuation allowance with respect to the tax benefit of certain foreign net operating loss carryforwards. Since the Company's foreign deferred tax assets relate primarily to its former sales office in Germany, which is currently operated by an independent distributor, the Company's assessment is that a portion of the foreign deferred tax assets will not likely be utilized in the foreseeable future. Management is continuing to evaluate the appropriate level of allowance based on future operating results and changes in circumstances.

The provision for income taxes differs from the amount determined by applying the U.S. federal statutory rate as follows (in thousands):

	FISCAL YEAR ENDED JANUARY 31,		
	2001	2000	1999
Provision for income taxes at the U.S. statutory rate	\$9,691	\$5,311	\$9,533
Lower effective foreign income tax rate	(3,621)	(3,362)	(3,685)
Change in valuation allowance	(56)	(1,221)	--
Tax provided on repatriated earnings of foreign subsidiaries	265	238	252
State and local taxes, net of federal benefit	113	8	134
Other, net	530	454	31
	<u>\$6,922</u>	<u>\$1,428</u>	<u>\$6,265</u>

In fiscal 2001, the Company recognized a tax benefit of \$1,083 from realization of domestic and certain foreign net operating loss carryforwards.

No provision has been made for taxes on foreign subsidiaries' undistributed earnings of approximately \$155 million at January 31, 2001, as those earnings are considered to be reinvested for an indefinite period.

NOTE 9 - OTHER ASSETS

In fiscal 1996, the Company entered into an agreement with a trust which owns an insurance policy issued on the lives of the Company's Chairman and Chief Executive Officer and his spouse. Under that agreement, the trust has assigned the insurance policy to the Company as collateral to secure repayment by the trust of interest-free loans to be made by the Company in amounts sufficient for the trust to pay the premiums on said insurance policy (approximately \$741,000 per annum). Under the agreement, the trust will repay the loans from the proceeds of the policy. The Company had loaned approximately \$3.8 million and \$3.1 million under this agreement at January 31, 2001 and 2000, respectively.

NOTE 10 - LEASES, COMMITMENTS AND CONTINGENCIES

The Company leases office, distribution, retail and manufacturing facilities and office equipment under operating leases, which expire at various dates through July 2013. Certain of the leases provide for renewal options and escalation clauses for real estate taxes and other occupancy costs. Rent expense for equipment and distribution, factory and office facilities under operating leases was approximately \$9.4 million, \$6.6 million and \$5.5 million in fiscal 2001, 2000 and 1999, respectively. Minimum annual rentals at January 31, 2001 under noncancelable operating leases which do not include escalations that will be based on increases in real estate taxes and operating costs are as follows:

YEAR ENDING JANUARY 31,
(IN THOUSANDS):

2002	\$8,488
2003	5,856
2004	4,874
2005	4,436
2006	3,268
Thereafter	11,883

	\$38,805
	=====

Due to the nature of its business as a luxury consumer goods distributor, the Company is exposed to various commercial losses. The Company believes it is adequately insured against such losses.

NOTE 11 - EMPLOYEE BENEFIT PLANS

The Company maintains an Employee Savings Plan under Section 401(k) of the Internal Revenue Code. Company contributions and expenses of administering the Employee Savings Plan amounted to \$528,000, \$556,000 and \$430,000 in fiscal 2001, 2000 and 1999, respectively.

Effective June 1, 1995, the Company adopted a defined contribution supplemental executive retirement plan ("SERP"). The SERP provides eligible executives with supplemental pension benefits in addition to amounts received under the Company's other retirement plan. The Company makes a matching contribution which vests equally over five years. During fiscal 2001, 2000 and 1999, the Company recorded an expense related to the SERP of approximately \$381,000, \$640,000 and \$338,000, respectively.

During fiscal 1999, the Company adopted a Stock Bonus Plan for all employees not in the SERP. Under the terms of this Stock Bonus Plan, the Company contributes a discretionary amount to the trust established under the plan. Each plan participant vests after five years in 100% of their respective pro rata portion of such contribution. For fiscal 2001, 2000 and 1999 the Company recorded an expense of \$80,000, \$159,000 and \$209,000 respectively, related to this plan.

On September 23, 1994, the Company entered into a Death and Disability Benefit Plan agreement with the Company's Chairman and Chief Executive Officer. Under the terms of the agreement, in the event of the Chairman's death or disability, the Company is required to make an annual benefit payment of approximately \$300,000 to his spouse for the lesser of ten years or her remaining lifetime. Neither the agreement nor the benefits payable thereunder are assignable and no benefits are payable to the estates or heirs of the Chairman or his spouse. Results of operations include an actuarially determined charge related to this plan of approximately \$120,000, \$110,000 and \$101,000 for fiscal 2001, 2000 and 1999, respectively.

Effective concurrently with the consummation of the Company's public offering in the fourth quarter of fiscal 1994, the Board of Directors and the shareholders of the Company approved the adoption of the Movado Group, Inc. 1993 Employee Stock Option Plan (the "Employee Stock Option Plan") for the benefit of certain officers, directors and key employees of the Company. The Employee Stock Option Plan was amended in fiscal 1997 and restated as the Movado Group, Inc. 1996 Stock Incentive Plan (the "Plan"). Under the Plan, the Compensation Committee of the Board of Directors, which is comprised of the Company's four outside directors, has the authority to grant incentive stock options and nonqualified stock options, to purchase, as well as stock appreciation rights and stock awards, up to 2,000,000 shares of Common Stock. Options granted to participants under the Plan become exercisable in equal installments on the first through fifth anniversaries of the date of grant and remain exercisable until the tenth anniversary of the date of grant. The option price may not be less than the fair market value of the stock at the time the options are granted.

Transactions in stock options under the Plan since fiscal 1998 are summarized as follows:

	OUTSTANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----
January 31, 1998	1,126,400	9.91
Options granted	282,749	25.53
Options exercised	(63,250)	9.02
Options forfeited	(62,289)	13.39
	-----	-----
January 31, 1999	1,283,610	13.23
Options granted	436,550	21.56
Options exercised	(54,266)	9.21
Options forfeited	(109,477)	16.51
	-----	-----
January 31, 2000	1,556,417	15.65
Options granted	244,050	8.72
Options exercised	(103,387)	8.15
Options forfeited	(82,779)	18.86
	-----	-----
January 31, 2001	1,614,301	\$15.09
	=====	=====

Options exercisable at January 31, 2001, 2000 and 1999 were 813,587, 701,814 and 538,216, respectively.

The weighted-average fair value of each option grant estimated on the date of grant using the Black-Scholes option-pricing model is \$4.72, \$11.18 and \$13.34 per share in fiscal 2001, 2000 and 1999, respectively. The following weighted-average assumptions were used for grants in 2001, 2000 and 1999: dividend yield of 0.86% for fiscal 2001, 0.45% for fiscal 2000 and 0.3% for fiscal 1999; expected volatility of 48% for fiscal 2001, 40% for fiscal 2000 and 45% for fiscal 1999, risk-free interest rates of 6.67% for fiscal 2001, 6.75% for fiscal 2000 and 4.7% for fiscal 1999 and expected lives of seven years for fiscal 2001, 2000 and 1999.

The Company applies APB Opinion 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for the Plan. Had compensation cost for the Company grants for stock-based compensation plans been determined based on the fair value at the grant dates and recognized ratably over the vesting period, the Company's net income and net income per share for fiscal 2001, 2000 and 1999 would approximate the pro forma amounts below (in thousands, except per share data):

	2001		2000		1999	
	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA
Net Income	\$20,767	\$19,135	\$13,721	\$12,216	\$20,973	\$19,856
Net Income per share-Basic	\$1.78	\$1.64	\$1.10	\$0.98	\$1.63	\$1.55
Net Income per share-Diluted	\$1.75	\$1.61	\$1.06	\$0.95	\$1.58	\$1.50

The pro forma impact takes into account options granted since February 1, 1995 and is likely to increase in future years as additional options are granted and amortized ratably over the vesting period.

The following table summarizes outstanding and exercisable stock options as of January 31, 2001:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED- AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED- AVERAGE EXERCISE PRICE
\$5.00 - \$9.99	765,545	5.2	\$8.53	486,906	\$8.39
\$10.00 - \$14.99	207,756	5.7	\$13.16	140,871	\$13.17
\$15.00 - \$19.99	24,500	7.9	\$15.87	8,800	\$16.16
\$20.00 - \$24.99	439,950	8.5	\$22.41	99,090	\$22.49
\$25.00 - \$29.75	176,550	6.9	\$27.44	77,920	\$27.39
\$5.00 - \$29.75	1,614,301	6.4	\$15.09	813,587	\$12.84

NOTE 12 - SEGMENT INFORMATION

In fiscal 1999, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", which requires reporting certain financial information according to the "management approach." This approach requires reporting information regarding operating segments on the basis used internally by management to evaluate segment performance. SFAS 131 also requires disclosures about products and services, geographic areas and major customers.

The Company divides its business into two major geographic segments: "Domestic", which includes the result of the Company's United States and Canadian operations, and "International", which includes the results of all other Company operations. The Company's international operations are principally conducted in Europe. The Company's international assets are substantially located in Europe.

The Company conducts its business primarily in two operating segments: "Wholesale" and "Other". The Company's wholesale segment includes the designing, manufacturing and distribution of quality watches. Other includes the Company's retail and service center operations. The accounting policies of the segments are the same as those described in "Significant Accounting Policies". The Company evaluates segment performance based on operating profit.

OPERATING SEGMENT DATA AS OF AND FOR THE FISCAL YEAR ENDED JANUARY 31 (IN THOUSANDS):

	NET SALES			OPERATING PROFIT (LOSS)		
	2001	2000	1999	2001	2000	1999
Wholesale	\$275,865	\$256,081	\$245,783	\$38,238	\$14,187	\$34,631
Other	44,976	38,986	32,053	(1,735)	127	(1,597)
Elimination (1)	-	-	-	(2,371)	1,455	(359)
Consolidated total	\$320,841	\$295,067	\$277,836	\$34,132	\$15,769	\$32,675

	TOTAL ASSETS			CAPITAL EXPENDITURES		
	2001	2000	1999	2001	2000	1999
Wholesale	\$238,278	\$207,232	\$261,395	\$8,167	\$7,917	\$6,368
Other	29,068	25,802	29,354	2,191	1,520	5,226
Corporate (2)	23,059	26,615	5,626	475	688	113
Consolidated total	\$290,405	\$259,649	\$296,375	\$10,833	\$10,125	\$11,707

	DEPRECIATION AND AMORTIZATION		
	2001	2000	1999
Wholesale	\$4,460	\$3,396	\$4,515
Other	1,198	966	298
Corporate	683	827	567
Consolidated total	\$6,341	\$5,189	\$5,380

GEOGRAPHIC SEGMENT DATA AS OF AND FOR THE FISCAL YEAR ENDED JANUARY 31 (IN THOUSANDS):

	NET SALES			LONG-LIVED ASSETS		
	2001	2000	1999	2001	2000	1999
Domestic	\$288,443	\$267,160	\$245,865	\$18,483	\$16,534	\$17,222
International	218,379	209,217	199,060	14,423	11,059	5,776
Elimination (3)	(185,981)	(181,310)	(167,089)	-	-	-
Consolidated total	\$320,841	\$295,067	\$277,836	\$32,906	\$27,593	\$22,998

	INCOME (LOSS) BEFORE TAXES		
	2001	2000	1999
Domestic	\$4,647	\$(8,987)	\$2,096
International	26,399	23,780	25,501
Elimination (3)	(3,357)	356	(359)
Consolidated total	\$27,689	\$15,149	\$27,238

(1) Elimination of inter-segment management fees.

(2) Corporate assets include cash.

(3) Elimination of intercompany sales between domestic and international units.

NOTE 13 - QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents unaudited selected interim operating results of the Company for fiscal 2001 and 2000 (in thousands, except per share amounts):

	QUARTER ENDED			
	1ST	2ND	3RD	4TH
FISCAL 2001				
Net sales	\$53,339	\$76,173	\$105,122	\$86,207
Gross profit	\$32,041	\$45,786	\$65,195	\$54,429
Net income	\$(173)	\$4,730	\$12,557	\$3,653
PER SHARE:				
Net income (loss):				
Basic	\$(0.01)	\$0.41	\$1.09	\$0.32
Diluted	\$(0.01)	\$0.40	\$1.07	\$0.31
FISCAL 2000				
Net sales	\$47,653	\$69,538	\$99,032	\$78,844
Gross profit	\$29,035	\$41,221	\$61,641	\$36,503
Net income (loss)	\$4,312	\$4,422	\$13,767	(\$8,780)
PER SHARE:				
Net income:				
Basic	\$0.34	\$0.35	\$1.10	(\$0.70)
Diluted	\$0.33	\$0.34	\$1.07	(\$0.68)

As each quarter is calculated as a discrete period, the sum of the four quarters may not equal the calculated full year amount. This is in accordance with prescribed reporting requirements.

NOTE 14 - SUPPLEMENTAL CASH FLOW INFORMATION

The following is provided as supplemental information to the consolidated statements of cash flows (in thousands):

	FISCAL YEAR ENDED JANUARY 31,		
	2001	2000	1999
Cash paid during the year for:			
Interest	\$6,634	\$7,559	\$5,274
Income taxes	\$2,992	\$7,079	\$4,585

SCHEDULE II

MOVADO GROUP, INC.

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
(IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	PROVISION CHARGED TO OPERATIONS	CURRENCY REVALUATION	NET WRITE-OFFS	BALANCE AT END OF YEAR
-----	-----	-----	-----	-----	-----
Year ended January 31, 2001: Allowance for doubtful accounts	\$3,604	\$2,386	\$3	(\$1,551)	\$4,442
Year ended January 31, 2000: Allowance for doubtful accounts	\$2,567	\$2,553	(\$21)	(\$1,495)	\$3,604
Year ended January 31, 1999: Allowance for doubtful accounts	\$2,187	\$1,304	\$7	(\$931)	\$2,567
	BALANCE AT BEGINNING OF YEAR	PROVISION CHARGED TO OPERATIONS	CURRENCY REVALUATION	ADJUSTMENTS	BALANCE AT END OF YEAR
-----	-----	-----	-----	-----	-----
Year ended January 31, 2001: Inventory reserve	\$7,035	\$3,550	\$46	(\$1,024)	\$9,607
Year ended January 31, 2000: Inventory reserve	\$3,308	\$5,113	(\$436)	(\$950)	\$7,035
Year ended January 31, 1999: Inventory reserve	\$2,853	\$400	\$55	\$0	\$3,308
	BALANCE AT BEGINNING OF YEAR	PROVISION (BENEFIT) CHARGED	ADJUSTMENTS	BALANCE AT END OF YEAR	
-----	-----	-----	-----	-----	-----
Year ended January 31, 2001: Deferred tax assets valuation allowance	\$1,439	(\$56)	\$0	\$1,383	
Year ended January 31, 2000: Deferred tax assets valuation allowance	\$2,660	(\$1,221)	\$0	\$1,439	
Year ended January 31, 1999: Deferred tax assets valuation allowance	\$2,370	\$290	\$0	\$2,660	

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MOVADO GROUP, INC.
NOTE PURCHASE AND PRIVATE SHELF AGREEMENT
\$40,000,000
Private Shelf Facility
Dated as of March 21, 2001

=====

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(not part of agreement)

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MOVADO GROUP, INC.
125 CHUBB AVENUE
LYNDHURST, NJ 07071

As of March 21, 2001

The Prudential Insurance Company of America (herein called "PRUDENTIAL") Each Prudential Affiliate (as hereinafter defined) which becomes bound by certain provisions of this Agreement as hereinafter provided (together with Prudential, the "PURCHASERS")

c/o Prudential Capital Group
1114 Avenue of the Americas, 30th Floor
New York, New York 10036

Ladies and Gentlemen:

The undersigned, Movado Group, Inc., a New York corporation (herein called the "COMPANY"), hereby agrees with you as follows:

1. AUTHORIZATION OF ISSUE OF NOTES.

1A. AUTHORIZATION OF ISSUE OF SHELF NOTES. The Company will authorize the issue of its senior promissory notes (the "SHELF NOTES") in the aggregate principal amount of \$40,000,000, to be dated the date of issue thereof, to mature, in the case of each Shelf Note so issued, no more than 12 years after the date of original issuance thereof, to have an average life, in the case of each Shelf Note so issued, of no more than 10 years after the date of original issuance thereof, to bear interest on the unpaid balance thereof from the date thereof at the rate per annum, and to have such other particular terms, as shall be set forth, in the case of each Shelf Note so issued, in the Confirmation of Acceptance with respect to such Shelf Note delivered pursuant to paragraph 2A(6), and to be substantially in the form of Exhibit A attached hereto. The terms "SHELF NOTE", "SHELF NOTES", "NOTE" and "NOTES", as used herein shall include each Shelf Note delivered pursuant to any provision of this Agreement and each Shelf Note delivered in substitution or exchange for any such Shelf Note pursuant to any such provision. Notes which have (i) the same final maturity, (ii) the same principal prepayment dates, (iii) the same principal prepayment amounts (as a percentage of the original principal amount of each Note), (iv) the same interest rate, (v) the same interest payment periods and (vi) the same date of issuance (which, in the case of a Note issued in exchange for another Note, shall be deemed for these purposes the date on which such Note's ultimate predecessor Note was issued), are herein called a "SERIES" of Notes.

2. PURCHASE AND SALE OF SHELF NOTES.

2A(1). FACILITY. Prudential is willing to consider, in its sole discretion and within limits which may be authorized for purchase by Prudential and Prudential Affiliates from time to time, the purchase of Shelf Notes pursuant to this Agreement. The willingness of Prudential to consider such purchase of Shelf Notes is herein called the "FACILITY". At any time, the aggregate principal amount of Shelf Notes stated in paragraph 1A, minus the aggregate principal amount of Shelf Notes purchased and sold pursuant to this Agreement prior to such time, minus the aggregate principal amount of Accepted Notes (as hereinafter defined) which have not yet been purchased and sold hereunder prior to such time, is herein called the "AVAILABLE FACILITY AMOUNT" at such time. NOTWITHSTANDING THE WILLINGNESS OF PRUDENTIAL TO CONSIDER PURCHASES OF SHELF NOTES, THIS AGREEMENT IS ENTERED INTO ON THE EXPRESS UNDERSTANDING THAT NEITHER PRUDENTIAL NOR ANY PRUDENTIAL AFFILIATE SHALL BE OBLIGATED TO MAKE OR ACCEPT OFFERS TO PURCHASE SHELF NOTES, OR TO QUOTE RATES, SPREADS OR OTHER TERMS WITH RESPECT TO SPECIFIC PURCHASES OF SHELF NOTES, AND THE FACILITY SHALL IN NO WAY BE CONSTRUED AS A COMMITMENT BY PRUDENTIAL OR ANY PRUDENTIAL AFFILIATE. NOTWITHSTANDING THE WILLINGNESS OF THE COMPANY TO CONSIDER SALES OF SHELF NOTES, THIS AGREEMENT IS ENTERED INTO ON THE EXPRESS UNDERSTANDING THAT THE COMPANY SHALL NOT BE OBLIGATED TO MAKE OFFERS TO SELL SHELF NOTES, OR TO REQUEST RATES, SPREADS OR OTHER TERMS WITH RESPECT TO SPECIFIC SALES OF SHELF NOTES, AND THE FACILITY SHALL IN NO WAY BE CONSTRUED AS A COMMITMENT BY THE COMPANY.

2A(2). ISSUANCE PERIOD. Shelf Notes may be issued and sold pursuant to this Agreement until the earlier of (i) the third anniversary of the date of this Agreement (or if such anniversary is not a Business Day, the Business Day next preceding such anniversary) and (ii) the thirtieth day after Prudential shall have given to the Company, or the Company shall have given to Prudential, a written notice stating that it elects to terminate the issuance and sale of Shelf Notes pursuant to this Agreement (or if such thirtieth day is not a Business Day, the Business Day next preceding such thirtieth day). The period during which Shelf Notes may be issued and sold pursuant to this Agreement is herein called the "ISSUANCE PERIOD".

2A(3). PERIODIC SPREAD INFORMATION. Not later than 9:30 A.M. (New York City local time) on a Business Day during the Issuance Period if there is an Available Facility Amount on such Business Day, the Company may request by telecopier or telephone, and Prudential will, to the extent reasonably practicable, provide to the Company on such Business Day (or, if such request is received after 9:30 A.M. (New York City local time) on such Business Day, on the following Business Day), information (by telecopier or telephone followed by telecopier notice, if requested by the Company) with respect to various spreads at which Prudential or Prudential Affiliates might be interested in purchasing Shelf Notes of different average lives; provided, however, that the Company may not make such requests more frequently than once in every five Business Days or such other period as shall be mutually agreed to by the Company and Prudential. The amount and content of information so provided shall be in the sole discretion of Prudential but it is the intent of Prudential to provide information which will be of use to the Company in determining whether to initiate procedures for use of the Facility. Information so provided shall not constitute an offer to purchase Shelf Notes, and neither Prudential nor any

Prudential Affiliate shall be obligated to purchase Shelf Notes at the spreads specified. Information so provided shall be representative of potential interest only for the period commencing on the day such information is provided and ending on the earlier of the fifth Business Day after such day and the first day after such day on which further spread information is provided. Prudential may suspend or terminate providing information pursuant to this paragraph 2A(3) for any reason, including its determination that the credit quality of the Company has declined since the date of this Agreement and shall be required to provide written notice to the Company as soon as practicable of its decision to suspend or terminate providing information to the Company.

2A(4). REQUEST FOR PURCHASE. The Company may from time to time during the Issuance Period make requests for purchases of Shelf Notes (each such request being herein called a "REQUEST FOR PURCHASE"). Each Request for Purchase shall be made to Prudential by telecopier or overnight delivery service, and shall (i) specify the aggregate principal amount of Shelf Notes covered thereby, which shall not be less than \$5,000,000 and not be greater than the Available Facility Amount at the time such Request for Purchase is made, (ii) specify the principal amounts, final maturities, principal prepayment dates and amounts and interest payment periods (quarterly or semi-annual in arrears) of the Shelf Notes covered thereby, (iii) specify the use of proceeds of such Shelf Notes, (iv) specify the proposed day for the closing of the purchase and sale of such Shelf Notes, which shall be a Business Day during the Issuance Period not less than 10 days and not more than 25 days after the making of such Request for Purchase, (v) specify the number of the account and the name and address of the depository institution to which the purchase prices of such Shelf Notes are to be transferred on the Closing Day for such purchase and sale, (vi) certify that the representations and warranties contained in paragraph 8 are true on and as of the date of such Request for Purchase and that there exists on the date of such Request for Purchase no Event of Default or Default and (vii) be substantially in the form of Exhibit B attached hereto. Each Request for Purchase shall be in writing and shall be deemed made when received by Prudential.

2A(5). RATE QUOTES. Not later than five Business Days after the Company shall have given Prudential a Request for Purchase pursuant to paragraph 2A(4), Prudential may, but shall be under no obligation to, provide to the Company by telephone or telecopier with oral confirmation of receipt by the Company, in each case between 9:30 A.M. and 1:30 P.M. New York City local time (or such later time as Prudential may elect) interest rate quotes for the several principal amounts, maturities, principal prepayment schedules, and interest payment periods of Shelf Notes specified in such Request for Purchase. Each quote shall represent the interest rate per annum payable on the outstanding principal balance of such Shelf Notes at which Prudential or a Prudential Affiliate would be willing to purchase such Shelf Notes at 100% of the principal amount thereof.

2A(6). ACCEPTANCE. Within 30 minutes after Prudential shall have provided any interest rate quotes pursuant to paragraph 2A(5) or such shorter period as Prudential may specify to the Company (such period herein called the "ACCEPTANCE WINDOW"), the Company may, subject to paragraph 2A(7), elect to accept such interest rate quotes as to not less than \$5,000,000 aggregate principal amount of the Shelf Notes specified in the related Request for Purchase. Such election shall be made by an Authorized Officer of the Company notifying Prudential by telecopier or telephone followed by telecopier notice, if requested by the Company within the Acceptance Window that the Company elects to accept such interest rate quotes, specifying the Shelf Notes (each such Shelf Note being herein called an "ACCEPTED NOTE") as to which such acceptance (herein called an "ACCEPTANCE") relates. The day the Company notifies an Acceptance with

respect to any Accepted Notes is herein called the "ACCEPTANCE DAY" for such Accepted Notes. Any interest rate quotes as to which Prudential does not receive an Acceptance within the Acceptance Window shall expire, and no purchase or sale of Shelf Notes hereunder shall be made based on such expired interest rate quotes. Subject to paragraph 2A(6) and the other terms and conditions hereof, the Company agrees to sell to Prudential or a Prudential Affiliate, and Prudential agrees to purchase, or to cause the purchase by a Prudential Affiliate of, the Accepted Notes at 100% of the principal amount of such Notes. As soon as practicable following the Acceptance Day, the Company, Prudential and each Prudential Affiliate which is to purchase any such Accepted Notes will execute a confirmation of such Acceptance substantially in the form of Exhibit C attached hereto (herein called a "CONFIRMATION OF ACCEPTANCE"). If the Company should fail to execute and return to Prudential within three Business Days following receipt thereof a Confirmation of Acceptance with respect to any Accepted Notes, Prudential may at its election at any time prior to its receipt thereof cancel the closing with respect to such Accepted Notes by so notifying the Company in writing.

2A(7). MARKET DISRUPTION. Notwithstanding the provisions of paragraph 2A(6), if Prudential shall have provided interest rate quotes pursuant to paragraph 2A(5) and thereafter prior to the time an Acceptance with respect to such quotes shall have been notified to Prudential in accordance with paragraph 2A(6) the domestic market for U.S. Treasury securities or derivatives shall have closed or there shall have occurred a general suspension, material limitation, or significant disruption of trading in securities generally on the New York Stock Exchange or in the domestic market for U.S. Treasury securities or derivatives, then such interest rate quotes shall expire, and no purchase or sale of Shelf Notes hereunder shall be made based on such expired interest rate quotes. If the Company thereafter notifies Prudential of the Acceptance of any such interest rate quotes, such Acceptance shall be ineffective for all purposes of this Agreement, and Prudential shall promptly notify the Company in writing that the provisions of this paragraph 2A(7) are applicable with respect to such Acceptance.

2A(8). FACILITY CLOSINGS. Not later than 11:30 A.M. (New York City local time) on the Closing Day for any Accepted Notes, the Company will deliver to each Purchaser listed in the Confirmation of Acceptance relating thereto at the offices of Prudential Capital Group, 1114 Avenue of the Americas, 30th Floor, New York, New York 10036, the Accepted Notes to be purchased by such Purchaser in the form of one or more Notes in authorized denominations as such Purchaser may request for each Series of Accepted Notes to be purchased on the Closing Day, dated the Closing Day and registered in such Purchaser's name (or in the name of its nominee), against payment of the purchase price thereof by transfer of immediately available funds for credit to the Company's account specified in the Request for Purchase of such Notes. If the Company fails to tender to any Purchaser the Accepted Notes to be purchased by such Purchaser on the scheduled Closing Day for such Accepted Notes as provided above in this paragraph 2A(8), or any of the conditions specified in paragraph 3 shall not have been fulfilled by the time required on such scheduled Closing Day, the Company shall, prior to 1:00 P.M., New York City local time, on such scheduled Closing Day notify Prudential (which notification shall be deemed received by each Purchaser) in writing whether (i) such closing is to be rescheduled (such rescheduled date to be a Business Day during the Issuance Period not less than one Business Day and not more than 10 Business Days after such scheduled Closing Day (the "RESCHEDULED CLOSING DAY") and certify to Prudential (which certification shall be for the benefit of each Purchaser) that the Company reasonably believes that it will be able to comply with the conditions set forth in paragraph 3 on such Rescheduled Closing Day and that the Company will pay the Delayed Delivery Fee in accordance with paragraph 2A(9)(iii) or (ii) such closing is to be canceled.

In the event that the Company shall fail to give such notice referred to in the preceding sentence, Prudential (on behalf of each Purchaser) may at its election, at any time after 1:00 P.M., New York City local time, on such scheduled Closing Day, notify the Company in writing that such closing is to be canceled. Notwithstanding anything to the contrary appearing in this Agreement, the Company may elect to reschedule a closing with respect to any given Accepted Notes on not more than one occasion, unless Prudential shall have otherwise consented in writing.

2A(9). FEES.

2A(9)(i). FACILITY FEE. At the time of the execution and delivery of this Agreement by the Company and Prudential, the Company will pay to Prudential in immediately available funds a fee (herein called the "FACILITY FEE") in the amount of \$50,000.

2A(9)(ii). ISSUANCE FEE. The Company will pay to Prudential in immediately available funds a fee (herein called the "ISSUANCE FEE") on each Closing Day in an amount equal to 0.15% of the aggregate principal amount of Notes sold on such Closing Day.

2A(9)(iii). DELAYED DELIVERY FEE. If the closing of the purchase and sale of any Accepted Note is delayed for any reason beyond the original Closing Day for such Accepted Note, the Company will pay to Prudential (a) on the Cancellation Date or actual closing date of such purchase and sale and (b) if earlier, the next Business Day following 90 days after the Acceptance Day for such Accepted Note and on each Business Day following 90 days after the prior payment hereunder, a fee (herein called the "DELAYED DELIVERY FEE") calculated as follows:

$$(BEY - MMY) \times DTS/360 \times PA$$

where "BEY" means Bond Equivalent Yield, i.e., the bond equivalent yield per annum of such Accepted Note, "MMY" means Money Market Yield, i.e., the yield per annum on a commercial paper investment of the highest quality selected by Prudential on the date Prudential receives notice of the delay in the closing for such Accepted Note having a maturity date or dates the same as, or closest to, the Rescheduled Closing Day or Rescheduled Closing Days (a new alternative investment being selected by Prudential each time such closing is delayed); "DTS" means Days to Settlement, i.e., the number of actual days elapsed from and including the original Closing Day with respect to such Accepted Note (in the case of the first such payment with respect to such Accepted Note) or from and including the date of the next preceding payment (in the case of any subsequent delayed delivery fee payment with respect to such Accepted Note) to but excluding the date of such payment; and "PA" means Principal Amount, i.e., the principal amount of the Accepted Note for which such calculation is being made. In no case shall the Delayed Delivery Fee be less than zero. Nothing contained herein shall obligate any Purchaser to purchase any Accepted Note on any day other than the Closing Day for such Accepted Note, as the same may be rescheduled from time to time in compliance with paragraph 2A(8).

2A(9)(iv). CANCELLATION FEE. If the Company at any time notifies Prudential in writing that the Company is canceling the closing of the purchase and sale of any Accepted Note, or if Prudential notifies the Company in writing under the circumstances set forth in the last sentence of paragraph 2A(6) or the penultimate sentence of paragraph 2A(8) that the closing of the purchase and sale of such Accepted Note is to be canceled, or if the closing of the purchase and sale of such Accepted Note is not consummated on or prior to the last day of the Issuance Period (the date of any such notification, or the last day of the Issuance Period, as the case may

be, being herein called the "CANCELLATION DATE"), the Company will pay the Purchasers in immediately available funds an amount (the "CANCELLATION FEE") calculated as follows:

PI X PA

where "PI" means Price Increase, i.e., the quotient (expressed in decimals) obtained by dividing (a) the excess of the ask price (as determined by Prudential) of the Hedge Treasury Note(s) on the Cancellation Date over the bid price (as determined by Prudential) of the Hedge Treasury Notes(s) on the Acceptance Day for such Accepted Note by (b) such bid price; and "PA" has the meaning ascribed to it in paragraph 2A(9)(iii). The foregoing bid and ask prices shall be as reported by Bridge Telerate (or, if such data for any reason ceases to be available through Bridge Telerate, any publicly available source of similar market data). Each price shall be based on a U.S. Treasury security having a par value of \$100.00 and shall be rounded to the second decimal place. In no case shall the Cancellation Fee be less than zero.

3. CONDITIONS OF CLOSING. The effectiveness of this Agreement on the date of its execution by the Company and Prudential (such date being hereinafter referred to as the "EFFECTIVE DATE"), and the obligation of any Purchaser to purchase and pay for any Notes on any Closing Day, are subject (in each case) to the satisfaction, on or before such Effective Date or Closing Day, as the case may be, of the following conditions applicable thereto:

3A. CERTAIN DOCUMENTS. The Purchaser shall have received the following, each dated the Effective Date or the applicable Closing Day, as the case may be:

(i) With respect to any Closing Day, the Note(s) to be purchased by such Purchaser.

(ii) With respect to (a) the Effective Date, certified copies of the resolutions of the Board of Directors of the Company, authorizing the execution and delivery of this Agreement, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement, or (b) any Closing Day, certified copies of the resolutions of the Board of Directors of the Company authorizing the issuance of the Notes, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the Notes.

(iii) With respect to (a) the Effective Date, a certificate of the Secretary or an Assistant Secretary and one other officer of the Company, certifying the names and true signatures of the officers of the Company authorized to sign this Agreement and the Notes and the other documents to be delivered hereunder, or (b) any Closing Day, a certificate of the Secretary or an Assistant Secretary and one other officer of the Company certifying that the certificate of such Person delivered pursuant to the immediately preceding clause (a) continues to be true, current and correct (except as specifically set forth therein, which modifications shall be acceptable to the Purchasers).

(iv) With respect to (a) the Effective Date, certified copies of the Certificate of Incorporation and By-laws of the Company, or (b) any Closing Day, a certificate of the Secretary or an Assistant Secretary of the Company certifying that the Certificate of Incorporation and By-laws of the Company delivered pursuant to the immediately preceding clause (a) continue to be in full force and effect and have not been modified or

amended in any respect (except as specifically set forth therein, which modifications or amendments shall be in form and substance acceptable to the Purchasers, and copies of which shall accompany such certificate).

(v) With respect to (a) the Effective Date, a favorable opinion of Timothy F. Michno, Esq., General Counsel of the Company (or such other counsel designated by the Company and acceptable to the Purchaser(s), and (b) any Closing Day, a favorable opinion of Timothy F. Michno, Esq., General Counsel of the Company and Paul, Weiss, Rifkind, Wharton & Garrison, special counsel to the Company (or such other counsel designated by the Company and acceptable to the Purchaser(s)). Each such opinion shall be satisfactory to such Purchaser and substantially in the form of Exhibit E-1 (in the case of the Effective Date) or Exhibits E-2(A) and (B) (in the case of any Closing Day) attached hereto and as to such other matters as such Purchaser may reasonably request. The Company hereby directs each such counsel to deliver such opinion, agrees that the issuance and sale of any Notes will constitute a reconfirmation of such direction, and understands and agrees that each Purchaser receiving such an opinion will and is hereby authorized to rely on such opinion.

(vi) With respect to the Effective Date or any Closing Day, a good standing certificate for the Company from the Secretary of State of New York dated of a recent date and such other evidence of the status of the Company as such Purchaser may reasonably request.

(vii) With respect to the Effective Date or any Closing Day, certified copies of Requests for Information or Copies (Form UCC-11) or equivalent reports listing all effective financing statements which name the Company or any Subsidiary (under its present name and previous names) as debtor and which are filed in the offices of the Secretaries of State of New York, New Jersey and Florida, together with copies of such financing statements.

(viii) With respect to the Effective Date or any Closing Day, additional documents or certificates with respect to legal matters or corporate or other proceedings related to the transactions contemplated hereby as may be reasonably requested by such Purchaser.

3B. REPRESENTATIONS AND WARRANTIES; NO DEFAULT. The representations and warranties contained in this Agreement and those otherwise made in writing by or on behalf of the Company in connection with the transactions contemplated by this Agreement shall be true on and as of the Effective Date or such Closing Day, as the case may be; there shall exist on the Effective Date or such Closing Day, as the case may be, no Event of Default or Default; the Company shall have performed or complied with all matters required to be performed or complied with by it hereunder; there shall have been no material adverse change in the business, financial condition or operations of the Company and its Subsidiaries, taken as a whole, since January 31, 2000; and the Company shall have delivered to such Purchaser an Officer's Certificate, dated the Effective Date or such Closing Day, as the case may be, to each such effect.

3C. PURCHASE PERMITTED BY APPLICABLE LAWS. On the Effective Date and each Closing Day, the purchase of and payment for the Notes on the terms and conditions herein provided (including the use of the proceeds of such Notes by the Company) shall not

violate any applicable law or governmental regulation (including, without limitation, Section 5 of the Securities Act or Regulation T, U or X of the Board of Governors of the Federal Reserve System) and shall not subject such Purchaser to any tax (other than income taxes payable on the receipt of income), penalty, liability or, in the reasonable judgment of such Purchaser, other onerous condition under or pursuant to any applicable law or governmental regulation.

3D. APPROVALS AND CONSENTS. The Company shall have duly received all material authorizations, consents, approvals, licenses, franchises, permits and certificates by or of all United States federal, state and local governmental authorities and any third parties necessary in connection with the transactions contemplated hereby, including any consents required under the Credit Agreement, and all thereof shall be in full force and effect on the Effective Date or such Closing Day, as the case may be. Any consents from the shareholders of the Company required to be obtained in connection with the transactions contemplated herein shall have been obtained. The Company shall have delivered an Officer's Certificate to such Purchaser, dated the Effective Date or such Closing Day, as the case may be, to such effect.

3E. PAYMENT OF FEES. The Company shall have paid to Prudential any fees due it pursuant to or in connection with this Agreement, including any Facility Fee due pursuant to paragraph 2A(9)(i), any Issuance Fee due pursuant to paragraph 2A(9)(ii) and any Delayed Delivery Fee due pursuant to paragraph 2A(9)(iii).

3F. INSURANCE CERTIFICATE. On the Effective Date, the Company shall have delivered to Prudential the Officer's Certificate required by paragraph 5E.

3G. SUBSIDIARY GUARANTEE. On the Effective Date, the Company shall have delivered to Prudential the following:

(i) Guarantees, substantially in the form of Exhibit D, duly authorized and executed by its Subsidiaries, SwissAm, Inc. ("SWISSAM"), a New Jersey corporation, and Movado LLC ("MOVADO LLC"), a Delaware limited liability company (formerly Movado Corporation, a Delaware corporation),

(ii) A certified copy of the resolutions of the respective Boards of Directors of SwissAm, and Movado Group Delaware Holdings Corporation, a Delaware corporation (as the sole member of Movado LLC), authorizing the execution, delivery and performance of the Guarantee and of all documents evidencing other necessary corporate action and government approval, if any,

(iii) A certified copy of (i) the respective Certificates of Incorporation and By-Laws of SwissAm and Movado Group Delaware Holdings Corporation, a Delaware corporation, (ii) the Certificate of Conversion changing the name of Movado Corporation to Movado LLC and (iii) the Certificate of Formation of Movado LLC (together with any other organizational documents of Movado LLC),

(iv) A certificate of the respective Secretaries or Assistant Secretaries and one other officer of SwissAm and Movado Group Delaware Holdings Corporation, a Delaware corporation, certifying the names and true signatures of the respective officers thereof authorized to sign the applicable Guarantee, and

(v) A favorable opinion of counsel to SwissAm and Movado LLC, satisfactory to Prudential and substantially in the form of Exhibit E-1.

4. PREPAYMENTS. The Shelf Notes shall be subject to the required prepayments specified in paragraph 4A and the optional prepayments permitted by paragraph 4B. The Shelf Notes may also be acquired or required to be purchased under the circumstances set forth in paragraphs 4E and 4F. Any prepayment made by the Company pursuant to any other provision of this paragraph 4 shall not reduce or otherwise affect its obligation to make any required prepayment as specified in paragraph 4A.

4A. REQUIRED PREPAYMENTS OF SHELF NOTES. Each Series of Shelf Notes shall be subject to required prepayment, if any, set forth in the Notes of such Series.

4B. OPTIONAL PREPAYMENT. The Notes of each Series shall be subject to prepayment, in whole or from time to time in part (in an amount of at least \$1,000,000 and any larger integral multiples of \$100,000), at the option of the Company, at 100% of the principal amount so prepaid plus interest accrued thereon to the prepayment date and the Yield-Maintenance Amount, if any, with respect to each such Note; provided, however, that if any such prepayment is made with Disposition Proceeds as contemplated by subparagraph (iii) of the second paragraph of the definition of "DESIGNATED APPLICATIONS", such prepayment shall be made at par plus interest accrued thereon to the prepayment date.

4C. NOTICE OF OPTIONAL PREPAYMENT. The Company shall give the holder of each Note to be prepaid irrevocable written notice of such prepayment not less than 10 Business Days prior to the prepayment date, specifying such prepayment date, the aggregate principal amount of the Notes, and of the Notes held by such holder, to be prepaid on such date and stating that such prepayment is to be made pursuant to paragraph 4B. Notice of prepayment having been given as aforesaid, the principal amount of the Notes specified in such notice, together with interest thereon to the prepayment date and together with the Yield-Maintenance Amount, if any, herein provided, shall become due and payable on such prepayment date. The Company shall, on or before the day on which it gives written notice of any prepayment pursuant to paragraph 4B, give telephonic notice or notice by facsimile machine of the principal amount of the Notes to be prepaid and the prepayment date to each holder of Notes which shall have designated a recipient of such notices in the Purchaser Schedule attached hereto or the applicable Confirmation of Acceptance or by notice in writing to the Company.

4D. APPLICATION OF PREPAYMENTS. Upon any partial prepayment of Notes of any Series pursuant to paragraph 4A or 4B, the principal amount to be prepaid shall be applied pro rata to all outstanding Notes of such Series (including for the purpose of this paragraph 4D only, all Notes prepaid or otherwise retired or purchased or otherwise acquired by the Company or any of its Subsidiaries or Affiliates other than by prepayment pursuant to paragraph 4A or 4B) according to the respective unpaid principal amounts thereof.

4E. RETIREMENT OF NOTES. The Company shall not, and shall not permit any of its Subsidiaries or Affiliates to, prepay or otherwise retire in whole or in part prior to their stated final maturity (other than by prepayment pursuant to paragraph 4A or 4B by purchase pursuant to paragraph 4F or upon acceleration of such final maturity pursuant to paragraph 7A), or purchase or otherwise acquire, directly or indirectly, Notes of any Series held by any holder

unless the Company or such Subsidiary or Affiliate shall have offered to prepay or otherwise retire or purchase or otherwise acquire, as the case may be, the same proportion of the aggregate principal amount of Notes of such Series held by each other holder of Notes of such Series at the time outstanding upon the same terms and conditions.

4F. PURCHASES OF NOTES BY THE COMPANY. (a) At any time after the occurrence of a Purchase Event and prior to the expiration of the later of (x) 90 days after receipt of an Event Notice (as defined below) relating thereto and (y) 15 days after receipt of an Other Holder Notice (as defined below), any holder of a Note may deliver a notice (a "PURCHASE NOTICE") to the Company (x) stating that it is electing to exercise its right to require the purchase by the Company pursuant to this paragraph 4F of any or all of the Notes then held by it (which shall not exceed the Retirement Fraction applicable to such holder's Notes) and (y) specifying the period (which shall be at least 10 Business Days) during which such purchase shall occur (which period shall commence not earlier than 15 Business Days after the date on which such holder shall have delivered such Purchase Notice to the Company), and in any such event the Company, on a date in such period specified by the Company (which shall be the first Business Day therein if the Company shall not specify another date), shall purchase the Note or Notes then held by such holder in the amount specified in such Purchase Notice (which shall not exceed the Retirement Fraction applicable to such holder's Notes), without recourse, representation or warranty (other than a statement as to the holder's full right, title and interest free of any Lien or adverse claim in such Note or Notes and the holder's authority to sell such Note or Notes), and such holder shall sell such Note or Notes to the Company at a price, payable in immediately available funds by wire transfer to the accounts specified in paragraph 11A or to such other account in the United States as may be specified in such notice, in an amount equal to the then outstanding principal amount thereof, together with interest accrued on such principal amount to the date of purchase. In the event the Company shall be in receipt of a Purchase Notice from more than one holder of Notes, without having effectuated the purchase of Notes required by any such Purchase Notice, specifying purchase periods with an overlapping day or days, it shall purchase the Notes relating to such Purchase Notices simultaneously on the earliest overlapping date specified in such Purchase Notices.

(b) Promptly, and in any event within 5 Business Days following its receipt thereof and at least 5 Business Days prior to the date on which the Company intends to purchase any Notes pursuant to subparagraph (a) above (the "PURCHASE DATE") pursuant thereto, the Company will deliver to each holder of a Note a copy of each Purchase Notice received by it pursuant to subparagraph (a) of this paragraph 4F (an "OTHER HOLDER NOTICE").

(c) The Company covenants that it will deliver to each holder of a Note promptly, and in any event within 5 Business Days following the occurrence thereof, a notice of the occurrence of a Purchase Event, together with a statement of the date of occurrence of such Purchase Event and a reasonably detailed description of the facts and circumstances underlying such occurrence known to it, and which specifies the applicable Retirement Fraction and states that the Company is obligated, upon receipt of a Purchase Notice described in subparagraph (a) of this paragraph 4F, to purchase Notes pursuant to subparagraph (a) of this paragraph 4F (an "EVENT NOTICE").

4G. CANCELLATION OF NOTES. Any Notes acquired pursuant to paragraph 4E or purchased pursuant to paragraph 4F or prepaid pursuant to paragraph 4A or 4B, or otherwise acquired by or on behalf of the Company or a Subsidiary, shall be canceled and shall not be

reissued and shall not be deemed to be outstanding for any purpose of this Agreement. Any Note held by any Affiliate of the Company shall not be deemed outstanding for the purpose of determining the aggregate principal amount of Notes outstanding for purposes of determining whether or not any specified percentage of holders of outstanding Notes have given any consent or taken any other action hereunder.

5. AFFIRMATIVE COVENANTS.

5A. FINANCIAL STATEMENTS. The Company covenants that it will deliver to each holder of any Note in duplicate:

(i) as soon as practicable and in any event within 75 days after the end of each quarterly period (other than the last quarterly period) in each fiscal year, consolidated statements of operations and consolidated statements of changes in shareholders' equity and cash flows of (a) the Company and its Restricted Subsidiaries, and (b) the Company and its Unrestricted Subsidiaries for such quarterly period and, in the case of the second and third quarterly periods, for the period from the beginning of the current fiscal year to the end of such quarterly period, and a consolidated balance sheet of (a) the Company and its Restricted Subsidiaries, and (b) the Company and its Unrestricted Subsidiaries as at the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and satisfactory in form to the Required Holder(s) (the detail and form reflected in the quarterly financial statements identified in paragraph 8B being deemed satisfactory as to consolidated statements) and certified by an authorized financial officer of the Company, subject to changes resulting from year-end adjustments;

(ii) as soon as practicable and in any event within 120 days after the end of each fiscal year, consolidated and consolidating statements of operations and consolidated statements of changes in shareholders' equity and cash flows of the Company and its Subsidiaries for such year, and a consolidated and consolidating balance sheet of the Company and its Subsidiaries as at the end of such year, setting forth in each case in comparative form corresponding consolidated figures from the preceding annual audit, all in reasonable detail and satisfactory in form to the Required Holder(s) (the detail and form reflected in the annual financial statements identified in paragraph 8B(i) being deemed satisfactory as to consolidated statements) and, as to the consolidated statements, reported on by independent public accountants of recognized national standing selected by the Company whose report shall be without limitation as to the scope of the audit and satisfactory in substance to the Required Holder(s) (the substance set forth in the reports accompanying the aforesaid annual financial statements being deemed satisfactory) and, as to the consolidating statements, certified by an authorized financial officer of the Company;

(iii) promptly upon transmission thereof, (a) copies of all such financial statements, proxy statements, notices and reports as it shall send to its public shareholders, (b) copies of all registration statements (without exhibits) and all reports which it publicly files with the Securities and Exchange Commission (or any governmental body or agency succeeding to the functions of the Securities and Exchange Commission) (including, without limitation, reports on Form 10-K and Form 10-Q not later than the date on which the same are required to be filed) and (c) copies of all press releases;

(iv) promptly upon receipt thereof and if such holder is a Significant Holder, a copy of each other report submitted to the Company or any Subsidiary by independent accountants in connection with any annual, interim or special audit made by them of the books of the Company or any Subsidiary which constitutes a "significant subsidiary" within the meaning of Regulation S-X of the Securities and Exchange Commission (including management letters submitted to the board of directors of the Company or any such Subsidiary); and

(v) with reasonable promptness and if such holder is a Significant Holder, such other information with respect to the business, finances and affairs of the Company and its Subsidiaries as such Significant Holder may reasonably request.

Together with each delivery of financial statements required by clauses (i) and (ii) above, the Company will deliver to each holder of any Notes an Officer's Certificate (a) demonstrating (with computations in reasonable detail) compliance by the Company and its Subsidiaries with the provisions of paragraphs 6A, 6B, 6C, 6D, 6F, 6I and 6L, (b) specifying the circumstances of any designation of Restricted Subsidiaries pursuant to paragraph 6K within the preceding fiscal quarter, (c) containing a list of all reports, certificates and other informational materials then being furnished to its lenders under any credit agreement or loan agreement, (d) stating that there exists no Event of Default or Default, or, if any Event of Default or Default exists, specifying the nature and period of existence thereof and what action the Company has taken or proposes to take with respect thereto and (e) if any of the Subsidiaries included in such statements shall not be Restricted Subsidiaries, specifying the adjustments which are necessary to permit the holders of the Notes to confirm the foregoing calculations. Together with each delivery of financial statements required by clause (ii) above, the Company will deliver to each record holder of any Note (x) the Officer's Certificate required pursuant to paragraph 5E, and (y) a certificate of the accountants referred to in said clause (ii) above stating that, in making the audit necessary for their report on such financial statements, they have obtained no knowledge of any Event of Default or Default, or, if they have obtained knowledge of any Event of Default or Default, specifying the nature and period of existence thereof. Such accountants, however, shall not be liable to anyone by reason of their failure to obtain knowledge of any Event of Default or Default, which Event of Default or Default would not normally be disclosed or discovered in the course of an audit conducted in accordance with generally accepted auditing standards. The Company also covenants that promptly after any Responsible Officer obtains actual knowledge that any existing state of facts or circumstances constitutes an Event of Default or Default (and in any event within 5 Business Days of obtaining such knowledge), it will deliver to each holder of any Note an Officer's Certificate specifying the nature and period of existence thereof and what action the Company has taken or proposes to take with respect thereto.

5B. INFORMATION REQUIRED BY RULE 144A. The Company covenants that it will, upon the request of the holder of any Note, provide such holder, and any qualified institutional buyer permitted to purchase any Note under the terms of this Agreement designated by such holder, such financial and other information as such holder may reasonably determine to be necessary in order to permit compliance with the information requirements of Rule 144A under the Securities Act in connection with the resale of Notes, except at such times as the Company is subject to the reporting requirements of section 13 or 15(d) of the Exchange Act. For the purpose of this paragraph 5B, the term "qualified institutional buyer" shall have the meaning specified in Rule 144A under the Securities Act.

5C. INSPECTION OF PROPERTY; BOOKS AND RECORDS. The Company covenants that it will permit any Person designated in writing by any Significant Holder, at the Company's expense while an Event of Default is continuing and otherwise at such Significant Holder's expense, to visit and inspect any of the properties of the Company and its Restricted Subsidiaries, to examine the corporate books and financial records of the Company and its Restricted Subsidiaries and make copies thereof or extracts therefrom and to discuss the affairs, finances and accounts of any of such corporations with the principal officers thereof or with its independent public accountants (and by this provision the Company hereby agrees that it will make such officers available for any such discussion and authorizes such accountants to discuss such matters with such Person), all at such reasonable times, upon reasonable notice, and as often as such Significant Holder may reasonably request. The Company will maintain or cause to be maintained the books of record and account of the Company and its Subsidiaries in good order in accordance with sound business and financial practice and its financial statements (including those required to be delivered pursuant to paragraph 5A) prepared in accordance with generally accepted accounting principles.

5D. MAINTENANCE OF PROPERTIES. The Company will maintain or cause to be maintained in good repair, working order and condition all properties used in or necessary for the operation of the business of the Company and its Restricted Subsidiaries (ordinary wear and tear excepted) and from time to time will make or cause to be made all reasonable repairs, renewals and replacements thereof, all to the extent material to the business and operations of the Company and its Restricted Subsidiaries taken as a whole. The Company will procure and maintain in full force and effect all franchises, certificates, licenses, permits and other authorizations from governmental political subdivisions or regulatory authorities and all patents, trademarks, service marks, trade names, copyrights, licenses and other rights, in each case that are necessary in any material respect for the ownership, maintenance and operation of the business and operations of the Company and its Restricted Subsidiaries taken as a whole.

5E. MAINTENANCE OF INSURANCE. The Company covenants that it and each of its Restricted Subsidiaries will maintain with financially sound and reputable insurers insurance against fire, explosion, hazards insured against by extended coverage and liability for other hazards and risks, and insurance against liability to Persons and for property damage, all to the extent and in the manner as is customarily maintained by other companies of established reputation operating comparable or similar businesses, and, on the Effective Date, and together with each delivery of financial statements under clause (ii) of paragraph 5A, it will deliver an Officer's Certificate setting forth a summary schedule of such insurance in effect.

5F. COMPLIANCE WITH ENVIRONMENTAL LAWS. The Company will, and will cause each of its Subsidiaries and each of its Affiliates that are controlled by the Company or its

Subsidiaries to, comply with, or operate pursuant to valid waivers of, applicable Environmental Laws and Environmental Permits, including, without limitation, to the extent required by applicable Environmental Laws or Environmental Permits, conducting, on a timely basis, periodic tests and monitoring for contamination of ground water, surface water, air and land and for biological toxicity and completing proper, thorough and effective clean-up, removal, remediation and/or restoration, except to the extent that failure so to comply with any Environmental Law or Environmental Permit does not have a material adverse effect on the business, financial condition or operations of the Company and its Restricted Subsidiaries, taken as a whole, and, except that, with respect to any testing, monitoring, clean-up, removal, remediation or other such action required pursuant to such law or permits, neither the Company nor any of its Subsidiaries or Affiliates shall be required to perform any such action if the applicability or validity thereof is being contested in good faith by appropriate proceedings and adequate reserves have been established in accordance with generally accepted accounting principles.

5G. ERISA NOTICES. The Company covenants that it shall deliver to each Significant Holder, promptly upon the Company or its Subsidiaries or any of their respective ERISA Affiliates:

- (i) giving or being required to give notice to the PBGC of any "reportable event" (as defined in section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA by the PBGC, or becoming aware that any plan administrator of any Plan has given or is required to give notice of any such "reportable event", a copy of the notice of such reportable event given or which should have been given to the PBGC;
- (ii) receiving notice of the Company's or an ERISA Affiliate's complete or partial withdrawal from a Multiemployer Plan under Title IV of ERISA, or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice;
- (iii) receiving notice from the PBGC under Title IV of ERISA of its intent to terminate, impose liability (other than for premiums under section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice;
- (iv) applying for a waiver of the minimum funding standard under section 412 of the Code, a copy of such application;
- (v) giving notice to the PBGC of intent to terminate any Plan under section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC;
- (vi) giving notice to the PBGC of withdrawal from any Plan pursuant to section 4063 of ERISA, a copy of such notice; or
- (vii) failing to make any required payment or required contribution to any Plan or Multiemployer Plan or making any amendment to any Plan which has resulted in the posting of a bond or other security, a certificate of the chief financial officer or the chief accounting officer of the Company setting forth details as to such occurrence and the action, if any, which the Company is required to take.

5H. PAYMENT OF TAXES AND CLAIMS. The Company will pay or discharge, or cause to be paid or discharged, before the same shall become delinquent (a) all taxes, assessments and governmental charges (including claims of the IRS and the PBGC and claims made at the insistence of the PBGC) levied or imposed upon it or any ERISA Affiliate or any Code Affiliate or upon its or their income, profits or property, (b) all lawful claims for labor, materials and supplies, which, if unpaid, might by law become a Lien upon its or its Subsidiaries, properties, and (c) all required installments under section 412(m) of the Code and all other required payments under section 412 of the Code with respect to any Plan maintained by the Company or any ERISA Affiliate; provided, however, that, in the case of clause (a) and (b) above, the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim, the applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with generally accepted accounting principles.

5I. CORPORATE EXISTENCE, ETC. Subject to the provisions of paragraph 6F, the Company will at all times preserve and keep in full force and effect its and its Restricted Subsidiaries, corporate existence, and will qualify, and cause each of its Restricted Subsidiaries to qualify, to do business in any jurisdiction where the failure to do so would have a material adverse effect on the business, financial condition or operations of the Company and its Restricted Subsidiaries taken as a whole.

5J. COMPLIANCE WITH LAWS, ETC. The Company will comply and cause its Subsidiaries to comply with the requirements of all applicable laws, rules, regulations and judicial or administrative orders and judgments of any court or governmental authority (including those relating to environmental protection, employee benefits and welfare and employee safety), the noncompliance with which would materially adversely affect the business, financial condition or operations of the Company and its Restricted Subsidiaries taken as a whole.

5K. COVENANT TO SECURE NOTES EQUALLY.

5K(1). The Company covenants that if it or any Restricted Subsidiary shall create or assume any Lien upon any of its property or assets, whether now owned or hereafter acquired, other than Liens permitted by the provisions of paragraph 6B (unless prior written consent to the creation or assumption thereof shall have been obtained pursuant to paragraph 11C), it will make or cause to be made effective provision satisfactory in form and substance to the Required Holder(s) (including, without limitation, opinions of counsel relating thereto) whereby the Notes will be secured by such Lien equally and ratably with any and all other Debt thereby secured so long as any such other Debt shall be so secured. Securing the Notes as provided in this paragraph 5K(1) shall not permit the existence of any Lien not permitted by paragraph 6B.

5K(2). The Company covenants that if at any time after the date of this Agreement any Restricted Subsidiary guarantees or provides collateral in any manner for any Indebtedness of the Company under the Credit Agreement, it will simultaneously cause such Restricted Subsidiary to guarantee or provide such collateral for the Notes equally and ratably with all Indebtedness guaranteed or secured by such Restricted Subsidiary for so long as such Indebtedness is guaranteed and pursuant to a guarantee substantially in the form of Exhibit D hereto, together with an opinion of counsel substantially in the form of paragraphs 1, 3 and 4 of

Exhibit E-1 hereto. Upon the execution and delivery of such guarantee, such Restricted Subsidiary shall become a Subsidiary Guarantor.

5L. COVENANT TO MAINTAIN BUSINESS. The Company covenants that the Company and its Restricted Subsidiaries taken as a whole will engage primarily in the Core Business.

6. NEGATIVE COVENANTS.

6A. MAINTENANCE OF CONSOLIDATED NET WORTH. The Company covenants that it will not at the end of any fiscal quarter permit Consolidated Net Worth to be less than the sum of (i) \$125,000,000 and (ii) the Incremental Net Worth Amount. As of any date of determination the "INCREMENTAL NET WORTH AMOUNT" shall be an amount equal to the sum of 50% of Consolidated Net Income for all fiscal years of the Company preceding or ending on such date of determination (beginning with the fiscal year ending on or about February 1, 2001) in which Consolidated Net Income is a positive number.

6B. LIMITATIONS ON LIENS. The Company covenants that neither it nor any of its Restricted Subsidiaries will create, assume or suffer to exist any Lien upon any of its Property or assets (including, without limitation, any capital stock of a Restricted Subsidiary owned by the Company or any Subsidiary), whether now owned or hereafter acquired and whether or not provision is made for equally and ratably securing the Notes as provided in paragraph 5K; provided, however, that the foregoing restriction and limitation shall not apply to the following Liens:

(i) Liens for taxes, assessments or governmental charges or levies not yet delinquent or which are being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with, and as permitted by, paragraph 5H;

(ii) Liens imposed by law, such as carriers', landlords', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure payment of obligations not more than 60 days past due or which are being contested in good faith by appropriate proceedings as permitted by paragraph 5H; Liens (other than ERISA Liens) arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation; servitudes, easements, rights-of-way, restrictions, minor defects or irregularities in title and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere in any material way with the use thereof in the business of the Company or its Restricted Subsidiaries; and other Liens incidental to the conduct of the Company's or any Restricted Subsidiary's business, or the ownership of the Company's or its Restricted Subsidiaries' Property, provided, that, in each case, such Liens (a) are not incurred in connection with the borrowing of money or the obtaining of advances or credit (other than vendors, liens in respect of current accounts payable not overdue and extended in the ordinary course of business) or the payment of a deferred

purchase price and (b) do not in the aggregate materially detract from the value of the Property of the Company and its Restricted Subsidiaries taken as a whole, or materially impair the use thereof in the operation of the business of the Company and its Restricted Subsidiaries taken as a whole;

(iii) Liens on property or assets of a Restricted Subsidiary to secure obligations of such Restricted Subsidiary to the Company or to a Wholly-owned Restricted Subsidiary;

(iv) subject to compliance with paragraph 6D, (a) Capitalized Leases and (b) Liens (other than Liens permitted by clause (iii) above) on Property existing at the time of acquisition or placed on Property being acquired or constructed to secure the purchase price or cost thereof or Debt incurred to finance such purchase or construction, provided, that (w) in the case of any Lien on Property existing at the time of acquisition, such Lien was not created in contemplation of such acquisition, (x) the principal amount of the Debt secured by such Lien shall not exceed the lesser of (1) the cost of the Property subject thereto or (2) the fair market value of such Property, (y) such Lien is confined to the Property so acquired or constructed and (z) no Default or Event of Default shall exist or result therefrom;

(v) Capitalized Leases and Liens existing on the date of this Agreement securing Debt or securing certain other obligations as described in Schedule 6B; and

(vi) other Liens (including any renewal or extension of any Lien permitted under the preceding clauses (iv) and (v) if such Lien is not extended to other Property), provided, that, after incurrence of the Debt secured by such Lien, (y) Adjusted Priority Debt shall not exceed 20% of Consolidated Total Capitalization and (z) no Default or Event of Default shall exist or result therefrom.

6C. LIMITATIONS ON DEBT. The Company covenants that it will not, and will not permit any of its Restricted Subsidiaries to, create, incur, assume or otherwise become or be liable with respect to any Debt (collectively referred to herein as an "incurrence" or "to incur" such Debt, all Debt of a Person existing at the time it shall become a Restricted Subsidiary being deemed incurred as of that time and all Debt owing by the Company or any Restricted Subsidiary to any other Restricted Subsidiary being deemed to be incurred at the time such "other Restricted Subsidiary" shall cease to be a Restricted Subsidiary as defined herein), except:

(i) Debt represented by the Notes, the 1993 Notes and the 1998 Notes;

(ii) Debt of any Restricted Subsidiary owing to the Company or to a Restricted Subsidiary;

(iii) Current Debt of the Company or a Restricted Subsidiary (subject to the limitations of paragraph 6D), provided no such Current Debt shall be permitted to exist on any day after the date hereof unless either

(A) there shall have been a period of at least 30 consecutive days in the preceding period of 15 consecutive calendar months (a "CURRENT DEBT COMPUTATION PERIOD") when the aggregate amount of Consolidated Current Debt outstanding on such date shall not have exceeded \$20,000,000 at any time during such Current Debt Computation Period (a "CLEAN DOWN PERIOD"), or

(B) the aggregate amount of Consolidated Funded Debt and Excess Current Debt shall not exceed 55% of the sum of Consolidated Total Capitalization and Excess Current Debt; and

(iv) other Funded Debt of the Company or a Restricted Subsidiary (subject to the limitations of paragraph 6D) if at the time of incurrence thereof and after giving effect thereto and to the application of the proceeds thereof the aggregate amount of Consolidated Funded Debt and Excess Current Debt shall not exceed the sum of 55% of Consolidated Total Capitalization and Excess Current Debt.

6D. LIMITATIONS ON PRIORITY DEBT. The Company covenants that it will not permit, at any time, Priority Debt to exceed 20% of Consolidated Total Capitalization.

6E. MERGER, CONSOLIDATION, SALE OR TRANSFER OF ASSETS. The Company covenants that it will not, and will not permit any of its Restricted Subsidiaries to, be a party to any merger, amalgamation, consolidation, reorganization, reconstruction or arrangement with any other Person or sell, lease or transfer or otherwise dispose of all or substantially all of its assets to any Person, except that:

(i) subject to the provisions of clause (iv) below, as applicable, any Subsidiary may merge or consolidate with the Company or any one or more Wholly-owned Restricted Subsidiaries;

(ii) subject to the provisions of clause (iv) below, as applicable, any Restricted Subsidiary or the Company may sell, lease, transfer or otherwise dispose of any of its assets to the Company or to any Wholly-owned Restricted Subsidiary, whether by dissolution, liquidation or otherwise;

(iii) any Restricted Subsidiary may merge or consolidate with, or sell, lease, transfer or otherwise dispose of all or substantially all of its assets to, any other Person subject to the provisions of paragraph 6F and paragraph 6G; and

(iv) the Company may merge or consolidate or amalgamate with any other corporation, or enter into a plan of arrangement, or sell, transfer, or otherwise dispose of all or substantially all of its assets, provided that the Company shall be the continuing or surviving corporation, or the continuing, surviving or acquiring corporation shall be a corporation organized under the laws of any State of the United States, the District of Columbia or Canada or a province thereof or, subject to written consent by each holder of a Note that is subject to limitations on foreign investments, under the laws of another foreign jurisdiction or any local governmental authority which shall expressly assume in

writing (in an instrument satisfactory in form and substance to the Required Holder(s)) all of the obligations of the Company under this Agreement and the Notes;

provided, that at the time of such merger, consolidation, sale, transfer or disposition and after giving effect thereto there shall exist no Default or Event of Default; and provided, further, that in the case of the transactions described in clause (iv) above, (a) the Company or the continuing, surviving or acquiring corporation, as the case may be, could incur an additional \$1 of Funded Debt pursuant to the provisions of paragraph 6C(iv), (b) if such continuing, surviving or acquiring corporation is a corporation organized under the laws of Canada, the United Kingdom, Switzerland or any local governmental authority of any of the aforesaid jurisdictions, provision satisfactory to the Required Holder(s) shall be made in respect of any tax issues arising out of such transaction, and (c) the Company shall have delivered to the holders of the Notes an opinion of counsel satisfactory to the Required Holder(s) and an Officer's Certificate each to the effect that the foregoing provisions have been complied with.

6F. SALES OF ASSETS. The Company covenants that it will not, and will not permit any of its Restricted Subsidiaries to, Dispose of its Property (including, without limitation, subject to compliance with paragraphs 6G and 6I as applicable, shares of capital stock of a Restricted Subsidiary and Property Disposed of pursuant to a Sale and Lease-back Transaction) except:

(i) sales of inventory in the ordinary course of business;

(ii) if no Default or Event of Default exists following such Disposition

(a) Dispositions from any Restricted Subsidiary to the Company or any other Restricted Subsidiary; and

(b) Dispositions of Property with an Asset Percentage Value, when combined with the Asset Percentage Value of any other Property Disposed pursuant to this clause (b) during the preceding four consecutive fiscal quarters of the Company, of not more than 10% and for consideration representing the fair market value of such Property at the time of such Disposition, provided, that, any such Disposition or portion thereof shall be excluded from the aforesaid Asset Percentage Value test if either (x) the Disposition Proceeds arising from such Disposition are applied immediately after receipt thereof to one or more of the Designated Applications, or (y) an amount equal to the Disposition Proceeds shall be available to the Company from binding commitments (subject to no conditions which the Company is unable to meet) from responsible financial institutions pending application within a period of not more than 180 days to one or more of the Designated Applications; and provided, further that to the extent that the entire Disposition Proceeds in respect of any Disposition are applied only partially to the foregoing purposes, such Disposition shall be disregarded for purposes of determining such Asset Percentage Value to the extent of such application; and

(iii) any transaction involving the Company described in and permitted pursuant to the provisions of paragraph 6E.

6G. DISPOSITION OF SUBSIDIARY STOCK. The Company covenants that it will not, and will not permit any of its Restricted Subsidiaries to, issue, sell or otherwise dispose of, or part with control of, any shares of capital stock of any class of any Restricted Subsidiary, except to the Company or a Wholly-owned Restricted Subsidiary (other than director's qualifying shares required by law), and except that, subject in all events to the provisions of paragraph 6F, all shares of capital stock of any Restricted Subsidiary at the time owned by the Company and all Restricted Subsidiaries may be sold as an entirety for a consideration which represents the fair value (as determined in good faith by the Board of Directors) at the time of sale of the shares of capital stock so sold, provided that at the time of such sale, such Restricted Subsidiary shall not own, directly or indirectly, any shares of capital stock of any other Restricted Subsidiary (unless all of the shares of stock of such other Restricted Subsidiary owned, directly or indirectly, by the Company and all Restricted Subsidiaries are simultaneously being sold as permitted by this paragraph 6G).

6H. LIMITATION ON RESTRICTIONS ON SUBSIDIARY DIVIDENDS AND OTHER DISTRIBUTIONS. The Company shall not permit any of its Restricted Subsidiaries, directly or indirectly, to create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any of such Restricted Subsidiaries (in any way which is material to the Company and its Restricted Subsidiaries considered as a whole) to (i) pay dividends or make any other distributions on its capital stock or any other interest or participation in its profits owned by the Company or any of its Restricted Subsidiaries, or pay any Debt owed by any of the Company's Restricted Subsidiaries to the Company or to any other Restricted Subsidiary, (ii) make loans or advances to the Company or to any other Restricted Subsidiary or (iii) transfer any of its properties or assets to the Company or to any other Restricted Subsidiary, except for such encumbrances or restrictions existing under or by reason of applicable law, this Agreement, and those encumbrances or restrictions identified in Schedule 6H.

6I. SALE AND LEASE-BACK TRANSACTIONS. The Company covenants that it will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Lease-Back Transaction with respect to any Property of the Company or any Restricted Subsidiary ("SUBJECT PROPERTY"), whether such Subject Property is now owned or hereafter acquired, unless no Default or Event of Default is then existing, the Disposition Proceeds are received in cash and

(i) if the lease resulting from such Sale and Lease-back Transaction is not a Capitalized Lease, such Disposition is permitted under the terms of paragraph 6F, or

(ii) if the lease resulting from such Sale and Lease-back Transaction is a Capitalized Lease, the terms of paragraphs 6C and 6D (substituting solely for purposes of this clause (ii) the term "Adjusted Priority Debt" for "Priority Debt" in paragraph 6D) are satisfied.

6J. TRANSACTIONS WITH AFFILIATES. Other than between or among the Company and its Wholly-owned Restricted Subsidiaries, the Company covenants that it will not, and will not permit any Restricted Subsidiary to, directly or indirectly,

- (i) Dispose of any Property to any Affiliate,
- (ii) merge or consolidate with, or purchase, acquire or lease any Property from any Affiliate, or
- (iii) otherwise deal with, in the ordinary course of business or otherwise, any Affiliate, except (1) any Affiliate who is a natural person may serve as an employee or director of the Company or any Restricted Subsidiary and receive reasonable compensation for his or her services in such capacity, (2) in transactions (other than those identified in clause (iii) above) which are pursuant to the reasonable requirements of the Company's Core Business and which are on no less favorable terms to the Company or such Restricted Subsidiary than would be the case with a similar transaction with an unaffiliated Person negotiated at arm's length and (3) those transactions described in Schedule 6J.

6K. SUBSIDIARIES. The Company may designate any Unrestricted Subsidiary as a Restricted Subsidiary by furnishing to each holder of a Note an Officer's Certificate as provided in paragraph 5A; provided that no such designation shall be made if, after giving effect thereto, a Default or Event of Default shall exist and the Company could not incur an additional \$1 of Funded Debt pursuant to the provisions of paragraph 6C(iv). No Unrestricted Subsidiary shall own any shares of capital stock of any Restricted Subsidiary. All Investments, Debt, Liens, Guarantees and other obligations which any Unrestricted Subsidiary (the "SUBJECT SUBSIDIARY") may have, or be liable for, shall be deemed made or incurred immediately after the time the Subject Subsidiary shall become a Restricted Subsidiary of the Company. Dispositions by the Company or a Restricted Subsidiary of any Debt of the Company or of any other Restricted Subsidiary to any Person other than the Company or a Restricted Subsidiary shall be deemed an incurrence of such Debt at the date of disposition thereof.

6L. INTEREST COVERAGE RATIO. The Company will not permit the Interest Coverage Ratio as of the last day of any fiscal quarter or the end of any fiscal year to be less than 2.50 to 1.00.

7. DEFAULTS; REMEDIES.

7A. EVENTS OF DEFAULT. If any of the following events shall occur and be continuing for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise):

- (i) the Company defaults (x) in the payment of any principal of or Yield-Maintenance Amount in respect of any Note when the same shall become due, either by the terms thereof or otherwise as herein provided, or (y) in the performance of its obligation to purchase any Note as provided in paragraph 4F; or

- (ii) the Company defaults in the payment of any interest on any Note for a period of 5 Business Days after the same shall become due; or

- (iii) the Company or any Restricted Subsidiary defaults (whether as primary obligor or as guarantor or as surety) in any payment of principal of or

interest on any other Debt Obligation for money borrowed, any Capitalized Lease Obligation, any Debt Obligation under a conditional sale or other title retention agreement, any Debt Obligation issued or assumed as full or partial payment for property whether or not secured by a purchase money mortgage, or any Debt Obligation under notes payable or drafts accepted representing extensions of credit (any of the foregoing being herein called a "PAYMENT DEFAULT") beyond any period of grace provided with respect thereto; or the Company or any Restricted Subsidiary fails to perform or observe any other agreement, term or condition contained in any agreement under which any such Debt Obligation is created (or if any other event thereunder or under any such agreement shall occur and be continuing) and the effect of such failure or other event is to cause, or to permit the holder or holders of such Debt Obligation (or a trustee or agent on behalf of such holder or holders) at such time to cause, such Debt Obligation to become due (or to be purchased by the Company or any Restricted Subsidiary) prior to any stated maturity; provided, that the aggregate amount of all Debt Obligations as to which such a Payment Default shall occur and be continuing or such a failure or other event causing or permitting acceleration (or repurchase by the Company or any Restricted Subsidiary) shall occur and be continuing exceeds \$5,000,000 (or the equivalent amount in any foreign currency); or

(iv) any representation or warranty made by the Company herein or by the Company or any of its officers in any writing furnished in connection with or pursuant to this Agreement shall be false in any material respect on the date as of which made; or

(v) the Company fails to perform or observe any agreement contained in the last sentence of paragraph 5A, in paragraph 5I with respect to the Company's corporate existence or in paragraph 6 and, in the case of paragraph 6, if such failure is capable of remedy within 30 days, such failure shall continue unremedied for a period of 30 days after the earlier of (x) notice thereof from the holder of any Note and (y) the date any Responsible Officer obtains actual knowledge thereof; or

(vi) the Company fails to perform or observe any other agreement, term or condition contained herein, and any such failure described in this clause (vi) shall continue unremedied for a period of 30 days after the earlier of (x) notice thereof from the holder of any Note and (y) the date any Responsible Officer obtains actual knowledge thereof; or

(vii) the Company or any Significant Subsidiary Group makes a general assignment for the benefit of creditors or admits in writing its inability to pay its debts as such debts become due or ceases or threatens to cease carrying on its business permanently; or

(viii) any decree or order for relief in respect of the Company or any Significant Subsidiary Group is entered under any bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt, composition,

dissolution, winding up or liquidation or other similar law, whether now or hereafter in effect (herein called the "BANKRUPTCY LAW"), of any jurisdiction; or

(ix) the Company or any member of a Significant Subsidiary Group petitions or applies to any tribunal for, or consents to, the appointment of, or taking possession by, a trustee, receiver, custodian, liquidator or similar official of the Company or any Significant Subsidiary Group, or of any substantial part of the assets of the Company or any Significant Subsidiary Group, or commences a voluntary case under the Bankruptcy Law of the United States or any proceedings (other than proceedings for the voluntary liquidation and dissolution of a Subsidiary) relating to the Company or any Significant Subsidiary Group under the Bankruptcy Law of any other jurisdiction or takes any corporate action to authorize any of the actions described in this clause (ix); or

(x) any such petition or application is filed, or any such proceedings are commenced, against the Company or any Significant Subsidiary Group and the Company or any Subsidiary by any act indicates its or their approval thereof, consent thereto or acquiescence therein, or an order, judgment or decree is entered appointing any such trustee, receiver, custodian, liquidator or similar official, or approving the petition in any such proceedings, and such order, judgment or decree remains unstayed and in effect for more than 30 days; or

(xi) any order, judgment or decree is entered in any proceedings against the Company decreeing the dissolution of the Company and such order, judgment or decree remains unstayed and in effect for more than 60 days; or an encumbrancer takes possession of, or a receiver or receiver manager is appointed over, all or substantially all of the assets and the revenues of the Company; or

(xii) any order, judgment or decree is entered in any proceedings against the Company or any Restricted Subsidiary decreeing a split-up of the Company or such Restricted Subsidiary which requires the divestiture of assets representing a substantial part, or the divestiture of the stock of a Restricted Subsidiary whose assets represent a substantial part, of the consolidated assets of the Company and its Restricted Subsidiaries (determined in accordance with generally accepted accounting principles) or which requires the divestiture of assets, or stock of a Restricted Subsidiary, which shall have contributed a substantial part of the Consolidated Net Income of the Company and its Restricted Subsidiaries (determined in accordance with generally accepted accounting principles) for any of the three fiscal years then most recently ended, and such order, judgment or decree remains unstayed and in effect for more than 90 days; or

(xiii) a final judgment or judgments for the payment of money aggregating in excess of \$1,500,000 (or the equivalent amount in any foreign currency) are rendered against one or more of the Company and its Restricted Subsidiaries and which judgments are not, within 90 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 90 days after the expiration of any such stay; or

(xiv) any "reportable event" as such term is defined in section 4043 of ERISA occurs in connection with any Plan or trust created thereunder for which the thirty day notice requirement has not been waived under applicable regulations, or any event occurs requiring the Company or any ERISA Affiliate to provide security to a Plan under section 401(a)(29) of the Code; any "prohibited transaction" occurs, as such term is defined in section 4975 of the Code or in section 406 of ERISA, in connection with any Plan or any trust created thereunder; any notice of intent to terminate a Plan or Plans is filed under section 4041(c) of ERISA by the Company or any ERISA Affiliate, any Plan administrator or any combination of the foregoing; any proceedings are instituted by the PBGC to terminate or to cause a trustee to be appointed to administer any Plan; any partial or complete withdrawal is made by the Company or an ERISA Affiliate from any Multiemployer Plan; any proceedings are instituted by a fiduciary of any Plan against the Company or any Code Affiliate to enforce section 515 of ERISA and such proceeding shall not have been dismissed within 30 days thereafter; the Company or a Code Affiliate fails to make a required installment under section 412(m) of the Code or to pay any amount to the PBGC or to a Plan under Title IV of ERISA on or before the due date; any application is filed by the Company or a Code Affiliate for a waiver of the minimum funding standard under section 412 of the Code or section 302 of ERISA; or any "reorganization" (as defined in section 418 of the Code or Title IV ERISA) of any Plan which is a Multiemployer Plan occurs; and each such instance individually, or any two or more such instances in the aggregate, would result in liability of the Company or any Code Affiliate or ERISA Affiliate to the IRS, the PBGC or a Plan in an aggregate amount exceeding \$1,000,000; or

(xv) any Subsidiary Guaranty shall at any time after its execution and delivery and for any reason cease to be in full force and effect or shall be declared null and void, or the validity or enforceability thereof shall be contested by any Subsidiary Guarantor or any Subsidiary Guarantor shall deny it has any further liability or obligation under its Subsidiary Guaranty or shall fail to perform its obligations thereunder; or

(xvi) the Company or any Subsidiary Guarantor shall make, or irrevocably or unconditionally agree to make, any accelerated or non-scheduled payment or payments of all or a majority of Debt Obligations outstanding under the Credit Agreement in connection with any transaction or series of transactions that are anticipated (or would be reasonably expected) to result in a reduction of the capital stock of the Company owned by (a) Gedalio Grinberg, his spouse, each of their estates and their issue, (b) Efraim Grinberg, his spouse, each of their estates and their issue and (c) every Person (other than an individual) "controlled" (as defined in the definition of the term Affiliate set forth in paragraph 10B below) by any of the foregoing, to less than 25% of the voting power of (i) all outstanding capital stock of the Company and (ii) all outstanding securities and rights that are then convertible into or exchangeable for capital stock of the Company or upon the exercise of which capital stock of the Company will be issued in respect of such securities or rights;

then (a) if such event is an Event of Default specified in clauses (viii), (ix) or (x) of this paragraph 7A with respect to the Company, all of the Notes at the time outstanding shall automatically become immediately due and payable at the principal amount thereof together with interest accrued thereon without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Company and (b) if such event is any other Event of Default, the Required Holder(s) of the Notes of any Series may, at its or their option and in addition to any right, power or remedy permitted by law or equity, by notice in writing to the Company, declare all of the Notes of such Series to be, and all of the Notes of such Series shall thereupon be and become, immediately due and payable at the principal amount thereof, together with interest accrued thereon and together with the Yield-Maintenance Amount, if any, with respect to each Note of such Series, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company; provided, that the Yield Maintenance Amount, if any, with respect to each Note shall be due and payable upon any such declaration only if (x) such event is an Event of Default specified in any of clauses (i) to (vi), inclusive, or clauses (xi) to (xiv), inclusive, of this paragraph 7A, (y) the holder or holders referred to in clause (b) of this paragraph 7A shall have given to the Company, at least 10 Business Days before such declaration, written notice stating its or their intention so to declare such Notes to be immediately due and payable and identifying one or more such Events of Default whose occurrence on or before the date of such notice permits such declaration and (z) one or more of the Events of Default so identified shall be continuing at the time of such declaration.

7B. RESCISSION OF ACCELERATION. At any time after any or all of the Notes of any Series shall have been declared immediately due and payable pursuant to paragraph 7A, the Required Holder(s) of the Notes of such Series may, by notice in writing to the Company, rescind and annul such declaration and its consequences if (i) the Company shall have paid all overdue interest on the Notes of such Series, the principal of and Yield-Maintenance Amount, if any, payable with respect to any Notes of such Series which have become due otherwise than by reason of such declaration, and interest on such overdue interest and overdue principal and Yield-Maintenance Amount at the rate specified in the Notes of such Series, (ii) the Company shall not have paid any amounts which have become due solely by reason of such declaration, (iii) all Events of Default and Defaults, other than non-payment of amounts which have become due solely by reason of such declaration, shall have been cured or waived pursuant to paragraph 11C, and (iv) no judgment or decree shall have been entered for the payment of any amounts due as a consequence of such declaration. No such rescission or annulment shall extend to or affect any subsequent Event of Default or Default or impair any right arising therefrom.

7C. NOTICE OF ACCELERATION OR RESCISSION. Whenever any Note of any Series shall be declared immediately due and payable pursuant to paragraph 7A or any such declaration shall be rescinded and annulled pursuant to paragraph 7B, the Company shall forthwith give written notice thereof to the holder of each Note of such Series at the time outstanding.

7D. OTHER REMEDIES. If any Event of Default or Default shall occur and be continuing, the holder of any Note may proceed to protect and enforce its rights under this Agreement and such Note by exercising such remedies as are available to such holder in respect thereof under applicable law, either by suit in equity or by action at law, or both, whether for specific performance of any covenant or other agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement. No remedy conferred in this

Agreement upon the holder of any Note is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy conferred herein or now or hereafter existing at law or in equity or by statute or otherwise.

8. REPRESENTATIONS, COVENANTS AND WARRANTIES. The Company represents, covenants and warrants as follows:

8A. ORGANIZATION; AUTHORITY; ENFORCEABILITY. Each of the Company and its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to own and operate its properties and to carry on its business and, in the case of the Company, to enter into and perform all of its obligations under this Agreement and the Notes and to issue and sell the Notes and, in the case of each Subsidiary Guarantor, to enter into and perform all of its obligations under its Subsidiary Guarantee. Each of the Company and its Subsidiaries is duly licensed or qualified to do business as a foreign corporation in each state where the failure to be so licensed or qualified would have a material adverse effect on the business, financial condition or operations of the Company and its Subsidiaries taken as a whole and has all corporate power, licenses, franchises and other governmental authorizations and approvals necessary to carry on its present business, with respect to which the failure to possess would have a material adverse effect on the business, financial condition or operations of the Company and its Subsidiaries taken as a whole. Schedule 8A includes a correct list as to each of the Company's Subsidiaries on the date hereof (i) its name, (ii) the jurisdiction of its incorporation, (iii) its capital stock issued and outstanding and the holders by percentage of that stock and (v) whether it is a Domestic or Foreign Subsidiary. This Agreement and each Subsidiary Guarantee are, and the Notes when issued and delivered hereunder will be, legal, valid, binding and enforceable obligations of the Company or such Subsidiary Guarantor, as the case may be, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors, rights generally and by general equitable principles (regardless of whether enforcement is sought in equity or at law).

8B. BUSINESS; FINANCIAL STATEMENTS. The Company has furnished each Purchaser of any Notes with the audited consolidated and consolidating balance sheets of the Company and Subsidiaries at January 31, 1999 and 2000 and the related consolidated and consolidating statements of income and cash flows and changes in shareholders' equity for each of the years in the three year period ended January 31, 2000, all reported on by Price Waterhouse LLP or its successor, PriceWaterhouseCooper; and the unaudited consolidated balance sheets of the Company and Subsidiaries at October 31, 2000 and the related consolidated and consolidating statements of income and cash flows and changes in shareholders' equity for the nine months ended October 31, 2000 and 1999. The financial statements referred to in this subparagraph (i) are herein collectively referred to as the "HISTORICAL FINANCIAL STATEMENTS."

The Historical Financial Statements (including any related schedules and/or notes) are true and correct in all material respects (subject, as to interim statements, to changes resulting from audits and year-end adjustments) and fairly present the consolidated financial position and the consolidated results of the operations and consolidated cash flows of the corporations described therein at the dates and for the periods shown, all in conformity with generally accepted accounting principles applied on a consistent basis (except as otherwise

stated therein or in the notes thereto stated) throughout the periods involved. None of the Company and its Subsidiaries has any contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments which are substantial and material in amount in relation to the consolidated financial condition of the Company, except as referred to or reflected or provided for in the Historical Financial Statements. Since January 31, 2000, (i) there has been no change in the assets, liabilities or condition (financial or otherwise) of the Company or any of its Subsidiaries, other than changes which have not been, either in any case or in the aggregate, materially adverse to the Company and its Subsidiaries taken as a whole and (ii) neither the business, operations, affairs nor any of the Properties or assets of the Company or any of its Subsidiaries have been affected by any occurrence or development (whether or not insured against) which has been, either in any case or in the aggregate, materially adverse to the Company and its Subsidiaries taken as a whole.

8C. ACTIONS PENDING. There is no action or proceeding pending or (to the best knowledge of the Company) threatened or (to the best knowledge of the Company) investigation pending or threatened which questions the validity or legality of or seeks damages in connection with this Agreement or any Subsidiary Guarantee or any action taken or to be taken pursuant to this Agreement or any Subsidiary Guarantee, and, except as set forth in Schedule 8C, there is no action or proceeding pending or (to the best knowledge of the Company) threatened or (to the best knowledge of the Company) investigation pending or threatened which could reasonably be expected to result in any material adverse change in the business, financial condition or operations of the Company and its Subsidiaries taken as a whole.

8D. OUTSTANDING DEBT. Neither the Company nor any of its Subsidiaries has outstanding any Debt except as permitted by paragraphs 6C and 6D. Schedule 8D correctly describes all secured and unsecured Debt of the Company and its Subsidiaries outstanding, or for which the Company or any of its Subsidiaries have commitments, on the date of this Agreement, and identifies the collateral, if any, securing such Debt. There exists no default or temporary waiver of default under the provisions of any instrument evidencing such Debt or of any agreement relating thereto.

8E. CONFLICTING AGREEMENTS AND OTHER MATTERS. Neither the Company nor its Subsidiaries is a party to any contract or agreement or subject to any charter or other corporate restriction which materially and adversely affects the business, operations or financial condition of the Company and its Subsidiaries taken as a whole. Neither the execution nor delivery of this Agreement, each Subsidiary Guarantee or the Notes hereunder, nor the offering, issuance and sale of the Notes hereunder, nor fulfillment or any compliance with the terms and provisions hereof and thereof will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any Lien upon any of the properties or assets of the Company or any of its Subsidiaries pursuant to, the charter or by-laws of the Company or any of its Subsidiaries, as the case may be, any agreement (including any agreement with shareholders), instrument, order, judgment, decree or arbitrator's award, or any statute, law, rule or regulation, to which the Company or any of its Subsidiaries or their respective properties is subject. The Company is not a party to, or otherwise subject to, any contract or agreement (including its charter) which limits the amounts of, or otherwise imposes restrictions on the incurring of, indebtedness of the type to be evidenced by the Notes except as set forth in the agreements listed in Schedule 8E, and the

Company has received all consents necessary with respect to such agreements in connection with the consummation of the transactions contemplated hereby.

8F. TITLE TO PROPERTIES. The Company has and each of its Subsidiaries has (all to the extent material to the Company and its Subsidiaries taken as a whole) good and marketable title to its respective real properties (other than properties which it leases) and good title (or leasehold rights) to all of its other respective material properties and assets, including the properties and assets reflected in the consolidated balance sheet as at January 31, 2000 referred to in paragraph 8B (other than properties and assets disposed of in the ordinary course of business or as set forth in Schedule 8F), subject to no Lien of any kind except Liens not prohibited by paragraph 6B. All leases necessary in any material respect for the conduct of the respective businesses of the Company and its Subsidiaries are valid and subsisting and are in full force and effect.

8G. PATENTS, LICENSES, FRANCHISES, ETC. The Company and its Subsidiaries possess all franchises, certificates, licenses, permits and other authorizations from governmental political subdivisions or regulatory authorities and, all patents, trademarks, service marks, trade names, copyrights, licenses and other rights, free from burdensome restrictions, that are necessary in any material respect for the ownership, maintenance and operation of the properties and assets, as presently conducted, of the Company and its Subsidiaries taken as a whole and neither the Company nor any of its Subsidiaries is in violation of any thereof in any material respect. No event has occurred which permits, or after notice or lapse of time (except expiration of the stated term thereof), or both, would permit, the revocation or termination of any such franchise, license, authorization or other right so as to affect adversely in any material respect the business, financial condition or operations of the Company and its Subsidiaries taken as a whole. All such franchises, permits, licenses and other authorizations have been validly issued or granted to the Company or a Subsidiary, and each such franchise, permit, license or other authorization is valid and subsisting, in each case to the extent necessary in any material respect for the conduct of the respective businesses of the Company and its Subsidiaries taken as a whole. The Company and its Subsidiaries are operating their respective businesses in material compliance with the terms and conditions of such franchises, permits, licenses and other authorizations and are in material compliance with all applicable statutes, laws, rules and regulations, all to the extent material to the business of the Company and its Subsidiaries taken as a whole.

8H. TAXES. The Company has and each of its Subsidiaries has filed all federal, state and other income tax returns (and to the best of the Company's knowledge all other tax returns) which are required to be filed, and each has paid all income taxes (and to the best of its knowledge all other material taxes) as shown on such returns and on all assessments received by it to the extent that such taxes have become due, except such taxes as are being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with generally accepted accounting principles, and the Company has no knowledge of any basis for any further material assessment to the Company and its Subsidiaries taken as a whole that has not been adequately so provided for on the books of the Company.

8I. OFFERING OF NOTES. Neither the Company nor any agent acting on its behalf has, directly or indirectly, offered the Notes or any similar security of the Company for sale to, or solicited any offers to buy the Notes or any similar security of the Company from, or

otherwise approached or negotiated with respect thereto with, any Person other than Prudential and not more than 10 other "qualified institutional buyers" as such term is defined in Rule 144A under the Securities Act, and neither the Company nor any agent acting on its behalf has taken or will take any action which would subject the issuance or sale of the Notes hereunder to the provisions of section 5 of the Securities Act or to the registration provisions of any securities or Blue Sky law of any applicable jurisdiction.

8J. REGULATION U, ETC. Neither the Company nor any Subsidiary owns or has any present intention of acquiring any "margin stock" as defined in Regulation U (12 CFR Part 221) of the Board of Governors of the Federal Reserve System (herein called "MARGIN STOCK"), exceeding in value 5% of Consolidated Net Worth. None of the proceeds of the issuance of any Notes will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any margin stock, or for the purpose of maintaining, reducing or retiring any indebtedness which was originally incurred to purchase or carry any stock that is currently a margin stock and in any such case which will constitute this transaction a violation of such Regulation U. Neither the Company nor any agent acting on its behalf has taken or will take any action which might cause this Agreement or the Notes to violate Regulation T, Regulation U, Regulation X or any other regulation of the Board of Governors of the Federal Reserve System or to violate Section 7 of the Exchange Act, in each case as in effect now or as the same may hereafter be in effect.

8K. ERISA. (a) No accumulated funding deficiency (as defined in section 302 of ERISA and section 412 of the Code), whether or not waived, exists with respect to any Plan (other than a Multiemployer Plan). No liability to the PBGC has been or is expected by the Company or any ERISA Affiliate to be incurred with respect to any Plan (other than a Multiemployer Plan) by the Company, any Subsidiary or any ERISA Affiliate which is or would be materially adverse to the business, financial condition or operations of the Company and its Subsidiaries, taken as a whole. Neither the Company, nor any Subsidiary nor any ERISA Affiliate has incurred or presently expects to incur any withdrawal liability under Title IV of ERISA with respect to any Multiemployer Plan which is or would be materially adverse to the business, financial condition or operations of the Company and its Subsidiaries, taken as a whole.

(b) Neither the Company nor any of its Subsidiaries has breached the fiduciary rules of ERISA or engaged in any prohibited transaction in connection with which the Company or any of its Subsidiaries or ERISA Affiliates could be subjected to (in the case of any such breach) a suit for damages or (in the case of any such prohibited transaction) with a civil penalty assessed under section 502(i) of ERISA or a tax imposed by section 4975 of the Code, which suit, penalty or tax, in any case, would be materially adverse to the business, financial condition or operations of the Company and its Subsidiaries, taken as a whole. Assuming the accuracy of each Purchaser's representations in paragraph 9B, the execution and delivery of this Agreement and the issuance and sale of the Notes will be exempt from, or will not involve any transaction which is subject to, the prohibitions of section 406 of ERISA and will not involve any transaction in connection with which a penalty could be imposed under section 502(i) of ERISA or a tax could be imposed pursuant to section 4975 of the Code.

(c) There has been no reportable event (within the meaning of section 4043(b) of ERISA) or any other event or condition with respect to any Plan (other than a Multiemployer Plan) which presents a risk of termination of any such Plan by the PBGC under circumstances which in any case could result in liability which would be materially adverse to the

business, financial condition or operations of the Company and its Subsidiaries, taken as a whole.

(d) Except as described in Schedule 8K, the present value of all vested accrued benefits under all Plans (other than Multiemployer Plans), determined as of the end of the Company's most recently ended fiscal year on the basis of reasonable actuarial assumptions, did not exceed the current value of the assets of such Plans allocable to such vested accrued benefits. The terms "present value", "current value", and "accrued benefit" have the meanings specified in section 3 of ERISA.

(e) Neither the Company nor any of its Subsidiaries is or has ever been obligated to contribute to any Multiemployer Plan.

8L. ENVIRONMENTAL COMPLIANCE. To the best knowledge of any Responsible Environmental Officer, (i) the Company and its Subsidiaries have complied at all times and in all respects with all applicable Environmental Laws and all administrative orders, judgments, rulings and regulations relating to protection of the Environment, except, in any such case, where failure to comply would not result in a material adverse effect on the business, financial condition or operations of the Company and its Subsidiaries, taken as a whole, and (ii) neither the Company nor any of its Subsidiaries nor any other person or entity for whose conduct either the Company or any Subsidiary is responsible, are reasonably expected to have any liability, under any applicable Environmental Laws, which, either in any case or in the aggregate, would be materially adverse to the business, financial condition or operations of the Company and its Subsidiaries, taken as a whole. Without limiting the foregoing, except as described in Schedule 8L, no Responsible Environmental Officer has any knowledge of the Release or Threat of Release of any Hazardous Material on, in, under, or in the vicinity of the any of the properties owned, leased or operated by the Company or any of its Subsidiaries that may be required to be remediated under any applicable Environmental Law. No Lien has been imposed on any of the properties owned or operated by the Company or any of its Subsidiaries by any governmental agency at the federal, state, or local level in connection with the presence on or off such property of any Hazardous Material, except as described in Schedule 8L. Except as described in Schedule 8L, to the best knowledge of any Responsible Environmental Officer, neither the Company nor any Subsidiary nor any other person or entity for whose conduct either the Company or any Subsidiary is responsible, has in the previous five years: (i) entered into or been subject to any consent decree, compliance order, or administrative order under any applicable Environmental Laws with respect to any of the properties owned, leased or operated by the Company or any of its Subsidiaries or any facilities or improvements or any operations or activities thereon, (ii) received notice under the citizen suit provision of any applicable Environmental Law in connection with any of the properties owned, leased or operated by the Company or any of its Subsidiaries or any facilities or improvements or operations or activities thereon; (iii) received any request for information, written notice, demand letter, administrative inquiry, or formal or informal complaint or claim with respect to environmental matters relating to any of the properties owned or operated by the Company or any Subsidiary or any facilities or improvements or operations or activities thereon that required or will require any environmental investigation, environmental site assessment, corrective action or environmental remediation; or (iv) been subject to or threatened with any governmental or citizen enforcement action under any applicable Environmental Laws with respect to any of the properties owned, leased or operated by the Company or any of its Subsidiaries or any facilities or improvements or operations or activities thereon. To the best knowledge of any Responsible Environmental

Officer, except as described in Schedule 8L, neither the Company nor any of its Subsidiaries has any reason to believe that any of the above will be forthcoming, the effect of which would have a material adverse effect on the business, financial condition or operations of the Company and its Subsidiaries, taken as a whole. The Company and its Subsidiaries have all Environmental Permits necessary for all facilities, operations, activities, improvements, and alterations, including past or ongoing improvements or alterations, at the properties owned or operated by the Company or any of its Subsidiaries, except where the failure to have such permits would not have a material adverse effect on the business, financial condition or operations of the Company and its Subsidiaries, taken as a whole.

8M. PROCEEDS OF FINANCING. The proceeds of the issuance of the Shelf Notes will be used for general corporate purposes, refinancing existing Company indebtedness and to finance certain capital expenditures of the Company, as more particularly described in the applicable Request(s) for Purchase.

8N. GOVERNMENTAL CONSENT. Neither the nature of the Company or of any Subsidiary, nor any of their respective businesses or properties, nor any relationship between the Company or any Subsidiary and any other Person, nor any circumstance in connection with the offering, issuance, sale or delivery of the Notes is such as to require any authorization, consent, approval, exemption or other action by or notice to or filing with any court or administrative or governmental body (other than routine filings after the date of closing with the Securities and Exchange Commission and/or state Blue Sky authorities) in connection with the execution and delivery of this Agreement, the offering, issuance, sale or delivery of the Notes or fulfillment of or compliance with the terms and provisions hereof or of the Notes.

8O. COMPLIANCE; DEFAULT. The Company and its Subsidiaries and all of their respective properties and facilities have complied at all times and in all respects with all contractual obligations and all federal, state, local and regional statutes, laws, ordinances and judicial or administrative orders, judgments, rulings and regulations (including those relating to protection of the environment) except where failure to comply, in the aggregate, would not result in a material adverse effect on the business, financial condition or operations of the Company and its Subsidiaries taken as a whole. No Default or Event of Default exists as of the date hereof.

8P. INVESTMENT COMPANY ACT. The Company is not an "investment company," or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

8Q. PUBLIC UTILITY HOLDING COMPANY ACT. Neither the Company nor any of its Subsidiaries is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company" as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

8R. FOREIGN ASSETS CONTROL REGULATIONS. None of the transactions contemplated by this Agreement (including the use of proceeds of the sale of the Notes) will result in a violation of any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended), or any ruling issued thereunder or any enabling legislation or Presidential Executive Order granting authority therefor.

8S. DISCLOSURE. Neither this Agreement nor any other document, certificate or written statement furnished to any Purchaser by or on behalf of the Company in connection herewith (including, without limitation, the Historical Financial Statements, but excluding the financial projections furnished to the Purchasers prior to the date hereof in connection with the transactions contemplated hereby) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which they were made, not misleading. There is no fact peculiar to the Company or any of its Subsidiaries which materially adversely affects or in the future may (so far as the Company can now reasonably foresee) materially adversely affect the business, financial condition or operations of the Company and its Subsidiaries taken as a whole, and which has not been set forth in this Agreement or in the Historical Financial Statements. The financial projections furnished to the Purchasers prior to the date hereof in connection with the transactions contemplated hereby are reasonably based on the assumptions stated therein and the best information available to the officers of the Company.

8T. HOSTILE TENDER OFFERS. None of the proceeds of the sale of any Notes will be used to finance a Hostile Tender Offer.

9. REPRESENTATIONS OF THE PURCHASER. Each Purchaser represents as follows:

9A. NATURE OF PURCHASE. Such Purchaser is not acquiring the Notes to be purchased by it hereunder with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act, provided that the disposition of the Purchaser's property shall at all times be and remain within its control.

9B. SOURCE OF FUNDS. The source of funds being used by such Purchaser to pay the purchase price of the Notes to be purchased by such Purchaser hereunder constitutes assets: (i) allocated to the "insurance company general account" of such Purchaser (as such term is defined under Section V of the United States Department of Labor's Prohibited Transaction Class Exemption ("PTCE") 95-60), and as of the date of the purchase of the Notes such Purchaser satisfies all of the applicable requirements for relief under Sections I and IV of PTCE 95-60, (ii) allocated to a separate account maintained by such Purchaser in which no employee benefit plan, other than employee benefit plans identified on a list which has been furnished by such Purchaser to the Obligors, participates to the extent of 10% or more or (iii) of an investment fund, the assets of which do not include assets of any employee benefit plan within the meaning of ERISA. For the purpose of this Paragraph 9B, the terms "separate account" and "employee benefit plan" shall have the respective meanings specified in section 3 of ERISA.

10. DEFINITIONS AND ACCOUNTING MATTERS. For the purpose of this Agreement, as used herein, the terms defined in paragraphs 10A and 10B (or within the text of any other paragraph) shall have the respective meanings specified therein and all accounting matters shall be subject to determination as provided in paragraph 10C.

10A. YIELD-MAINTENANCE TERMS.

"CALLED PRINCIPAL" shall mean, with respect to any Note, the principal of such Note that is to be prepaid pursuant to paragraph 4B or is declared to be immediately due and

payable pursuant to paragraph 7A, as the context requires.

"DISCOUNTED VALUE" shall mean, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (as converted to reflect the periodic basis on which interest on such Note is payable, if interest is payable on other than a semi-annual basis) equal to the Reinvestment Yield with respect to such Called Principal.

"REINVESTMENT YIELD" shall mean, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City time) on the Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page 678" on Bridge Telerate (or such other display as may replace Page 678 on Bridge Telerate) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, the Treasury Constant Maturity Series yields reported, for the latest day for which such yields shall have been so reported as of the Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield shall be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between yields reported for various maturities. The Reinvestment Yield will be rounded to that number of decimal places as appears in the Notes.

"REMAINING AVERAGE LIFE" shall mean, with respect to the Called Principal of any Note, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) each Remaining Scheduled Payment of such Called Principal (but not of interest thereon) by (b) the number of years (calculated to the nearest one-twelfth year) which will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"REMAINING SCHEDULED PAYMENTS" shall mean, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due on or after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date.

"SETTLEMENT DATE" shall mean, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to paragraph 4B or is declared to be immediately due and payable pursuant to paragraph 7A, as the context requires.

"YIELD-MAINTENANCE AMOUNT" shall mean, with respect to any Note, a premium equal to the excess, if any, of the Discounted Value of the Called Principal of such Note over the sum of (i) such Called Principal plus (ii) interest accrued thereon as of (including interest due on) the Settlement Date with respect to such Called Principal. The Yield-Maintenance Amount shall

in no event be less than zero.

10B. OTHER DEFINED TERMS.

"1993 NOTES" shall mean the \$40,000,000 original principal amount of 6.56% Senior Notes due 2005 issued by the Company to Prudential on November 9, 1993.

"1998 NOTES" shall mean the \$25,000,000 original principal amount of 6.90% Series A Senior Notes due 2010 issued by the Company to Prudential on December 1, 1998.

"ACCEPTANCE" shall have the meaning specified in paragraph 2A(6).

"ACCEPTANCE DAY" shall have the meaning specified in paragraph 2A(6).

"ACCEPTANCE WINDOW" shall have the meaning specified in paragraph 2A(6).

"ACCEPTED NOTE" shall have the meaning specified in paragraph 2A(6).

"ADJUSTED PRIORITY DEBT" shall mean, without duplication, the sum of: (i) all Priority Debt, (ii) all Debt of the Company or a Restricted Subsidiary secured by a Lien permitted by clause (iv) or (vi) of paragraph 6B, and (iii) all Attributable Debt.

"AFFILIATE" shall mean any Person (i) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Company, (ii) which beneficially owns or holds five percent (5%) or more of any class of the Voting Stock of the Company, (iii) five percent (5%) or more of the Voting Stock (or in the case of a person which is not a corporation, five percent (5%) or more of the voting equity interest) or five percent (5%) of the ownership interests (other than limited partnership interests) of which is beneficially owned or held by the Company and/or one or more Subsidiaries or (iv) who is a director or an officer of the Company or a Subsidiary. The term "CONTROL" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"ASSET PERCENTAGE VALUE" of any assets in connection with any Disposition shall mean the percentage that the value of such assets (taken at the higher of book value or the fair market value thereof as determined in good faith by the Board of Directors of the Company) represents of the sum of (i) Consolidated Total Assets and (ii) the excess, if any, of such assets' fair market value over book value, as of the end of the fiscal quarter of the Company immediately preceding the date of such Disposition.

"ASSET SALE ALLOCATION NOTICE" and "ASSET SALE RETIREMENT AMOUNT," shall have the respective meanings specified in the definition of "Designated Applications."

"ATTRIBUTABLE DEBT" shall mean (i) in respect of any Sale and Lease-Back Transaction which involves a Capitalized Lease, as of the time of determination, the greater of (a) the fair market value of the Subject Property and (b) the total obligation (discounted to present value at the rate of interest implicit in the lease included in such transaction) of the lessee for rental payments (other than amounts required to be paid on account of property taxes as well as maintenance, repairs, insurance, assessments, utilities, operating and labor costs and other items which do not constitute payments for property rights) during the remaining portion of

the remaining term (including extensions which are at the option of the lessor) of the lease included in such transaction (in the case of any lease which is terminable by the lessee upon the payment of a penalty, such rental obligation shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated) and (ii) the average amount of Receivables outstanding from time to time that have been sold by the Company or any of its Restricted Subsidiaries under any Asset Securitization Program ("SUBJECT RECEIVABLES") multiplied by the Receivables Fraction. The Receivables Fraction shall be a fraction the denominator of which is 100% and the numerator of which is equal to (x) the percentage of Subject Receivables as to which there is recourse to the Company or a Restricted Subsidiary and/or (y) the percentage interest of the Company and its Restricted Subsidiaries in the Subject Receivables. As used in this definition and in the definition of Attributable Debt, "ASSET SECURITIZATION PROGRAM" shall mean an agreement or a series of agreements entered into by the Company or any of its Restricted Subsidiaries providing for the sale of Receivables of the Company or any of its Restricted Subsidiaries, and "RECEIVABLES" shall mean any accounts, contract rights and other forms of obligation for the payment of money arising from the sale of goods or other rendering of services by the Company or any of its Restricted Subsidiaries, including those outstanding under any Asset Securitization Program of the Company or any of its Restricted Subsidiaries.

"AUTHORIZED OFFICER" shall mean (i) in the case of the Company, its chief executive officer, its chief financial officer, any vice president of the Company designated as an "Authorized Officer" of the Company in the Information Schedule attached hereto or any vice president of the Company designated as an "Authorized Officer" of the Company for the purpose of this Agreement in an Officer's Certificate executed by the Company's chief executive officer or chief financial officer and delivered to Prudential, and (ii) in the case of Prudential, any officer of Prudential designated as its "Authorized Officer" in the Information Schedule or any officer of Prudential designated as its "Authorized Officer" for the purpose of this Agreement in a certificate executed by one of its Authorized Officers. Any action taken under this Agreement on behalf of the Company by any individual who on or after the date of this Agreement shall have been an Authorized Officer of the Company and whom Prudential in good faith believes to be an Authorized Officer of the Company at the time of such action shall be binding on the Company even though such individual shall have ceased to be an Authorized Officer of the Company, and any action taken under this Agreement on behalf of Prudential by any individual who on or after the date of this Agreement shall have been an Authorized Officer of Prudential and whom the Company in good faith believes to be an Authorized Officer of Prudential at the time of such action shall be binding on Prudential even though such individual shall have ceased to be an Authorized Officer of Prudential.

"AVAILABLE FACILITY AMOUNT" shall have the meaning specified in paragraph 2A(1).

"BANKRUPTCY LAW" shall have the meaning specified in clause (viii) of paragraph 7A.

"BUSINESS DAY" shall mean any day other than (i) a Saturday or a Sunday, (ii) a day on which commercial banks in New York City are required or authorized to be closed, and (iii) for purposes of paragraph 2A(3) only, a day on which Prudential is not open for business.

"CANCELLATION DATE" shall have the meaning specified in paragraph 2A(9)(iv).

"CANCELLATION FEE" shall have the meaning specified in paragraph 2A(9)(iv).

"CAPITAL STOCK" shall mean any and all shares of corporate stock of the Company.

"CAPITALIZED LEASE" shall mean any lease under which the obligation to make rental payments thereunder constitutes a Capitalized Lease Obligation.

"CAPITALIZED LEASE OBLIGATION" shall mean any rental obligation which, under generally accepted accounting principles, would be required to be capitalized on the books of the Company or any Restricted Subsidiary, in each case taken at the amount thereof accounted for as indebtedness (net of interest expense) in accordance with such principles.

"CLEAN DOWN PERIOD" shall have the meaning specified in paragraph 6C(iii).

"CLOSING DAY" shall mean, with respect to any Accepted Note, the Business Day specified for the closing of the purchase and sale of such Accepted Note in the Request for Purchase of such Accepted Note, provided that (i) if the Company and the Purchaser which is obligated to purchase such Accepted Note agree on an earlier Business Day for such closing, the "CLOSING DAY" for such Accepted Note shall be such earlier Business Day, and (ii) if the closing of the purchase and sale of such Accepted Note is rescheduled pursuant to paragraph 2A(8), the Closing Day for such Accepted Note, for all purposes of this Agreement except references to "original Closing Day" in paragraph 2A(9)(iii), shall mean the Rescheduled Closing Day with respect to such Accepted Note.

"CODE" shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rulings promulgated thereunder.

"CODE AFFILIATE" shall mean each Person which together with the Company or any of its Subsidiaries is treated as a "single employer" under subsection (b), (c), (m) or (o) of section 414 of the Code.

"CONFIRMATION OF ACCEPTANCE" shall have the meaning specified in paragraph 2A(6).

"CONSOLIDATED CURRENT DEBT" as of any date shall mean the aggregate amount of Current Debt of the Company and its Restricted Subsidiaries (excluding Debt permitted by clause (ii) of paragraph 6C) outstanding on that date.

"CONSOLIDATED FUNDED DEBT" as of any date shall mean the aggregate amount of Funded Debt of the Company and its Restricted Subsidiaries (excluding Debt permitted by clause (ii) of paragraph 6C) outstanding on that date.

"CONSOLIDATED NET INCOME" of the Company for any period means the consolidated net income (loss) of the Company and its Subsidiaries for such period, all determined in accordance with generally accepted accounting principles consistently applied and after provisions for minority interests, but not including in the computation of the foregoing any of the following:

- (i) extraordinary gains or extraordinary losses;

(ii) net income or loss of any Person (other than a Restricted Subsidiary) in which the Company or a Restricted Subsidiary has an ownership interest unless, in the case of net income, such net income has actually been received thereafter in cash by the Company or a Restricted Subsidiary;

(iii) any portion of the net income of any Restricted Subsidiary which for any reason is unavailable to pay dividends to the Company or any Restricted Subsidiary by reason of legal or contractual restrictions;

(iv) any aggregate net gain (in excess of any net losses) exceeding \$200,000 in any fiscal year arising from the sale, exchange or other disposition of capital assets (such term to include all fixed assets, whether tangible or intangible, all inventory sold in conjunction with the disposition of fixed assets, and all securities);

(v) any write-up of any asset;

(vi) any gain or loss arising from the acquisition of any securities of the Company or its Restricted Subsidiaries;

(vii) net income or gain (net of any loss) resulting from discontinuing or disposing of operations, or prior period adjustments; and

(viii) the income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary.

"CONSOLIDATED NET WORTH" as of any date shall mean shareholders' equity of the Company and its Restricted Subsidiaries as computed as of that date in accordance with generally accepted accounting principles, but in any event not including shareholders' equity in respect of Unrestricted Subsidiaries at that date or any "comprehensive income adjustment" as the same would otherwise be reflected therein.

"CONSOLIDATED TOTAL ASSETS" at any date means the consolidated total assets of the Company and its Restricted Subsidiaries as would be shown on a consolidated balance sheet of the Company and its Restricted Subsidiaries prepared as of such date in accordance with generally accepted accounting principles.

"CONSOLIDATED TOTAL CAPITALIZATION" as of any date shall mean the sum of (x) Consolidated Funded Debt as of that date (less any Guarantees of Debt of Persons other than the Company or a Restricted Subsidiary included therein), (y) Consolidated Net Worth as of the end of the immediately preceding fiscal quarter and (z) deferred taxes properly recorded on the books of the Company and its Restricted Subsidiaries as of the end of the immediately preceding fiscal quarter.

"CORE BUSINESS" shall mean the business of designing, manufacturing and distributing watches, jewelry and other accessories, other businesses reasonably related thereto or businesses that in the judgment of the board of directors of the Company are derived from the exploitation by the Company of its trademarks.

"CREDIT AGREEMENT" shall mean the Credit Agreement dated as of June 22, 2000 among the Company, the Lenders signatory thereto, The Chase Manhattan Bank, as

Administrative Agent, Swingline Bank and Issuing Bank thereunder, Fleet Bank, N.A., as Syndication Agent thereunder and The Bank of New York, as Documentation Agent thereunder, as amended, together with any substitute or successor agreement.

"CURRENT DEBT" shall mean without duplication any Debt Obligation (other than Funded Debt) payable on demand or within a period of one year from the date of determination thereof; provided that any obligation shall be treated as Funded Debt regardless of its term, if such obligation is, directly or indirectly, renewable or extendible by the debtor pursuant to the terms thereof or of a revolving credit or similar agreement for a period that lasts beyond the date that is more than one year from the date of determination.

"CURRENT DEBT COMPUTATION PERIOD" shall have the meaning specified in paragraph 6C(iii).

"DEBT" shall mean Funded Debt and/or Current Debt.

"DEBT OBLIGATION" of any Person as of any date shall mean and include without duplication (i) all indebtedness for money borrowed or evidenced by notes, bonds, debentures or similar evidences of indebtedness of such Person, (ii) all monies raised by or on behalf of such Person pursuant to any acceptance credit or any discounted bills of exchange, (iii) Capitalized Lease Obligations of such Person, (iv) indebtedness of such Person representing the deferred and unpaid purchase price of any property or business or services, excluding (A) trade payables constituting current liabilities, (B) current accounts payable and current accrued liabilities incurred in the ordinary course of business and (C) rental obligations arising from a lease that is not a Capitalized Lease, (v) obligations of such Person in respect of reimbursement obligations under letters of credit which have been drawn upon, other than letters of credit issued to support trade payables, (vi) any obligation secured by a Lien on, or payable out of the proceeds of production from, property of such Person, even though such obligation shall not be assumed by such Person, (vii) all Attributable Debt of such Person and (viii) all Guarantees by such Person (x) of obligations of others similar to those listed in clauses (i) through (vii) above or (y) to the transferee of any assets sold or otherwise disposed of that such assets will have a certain minimum value to the transferee. In any case in which the maximum amount of any Guarantee of a Debt Obligation cannot be determined by the provisions of the instrument or agreement creating such Guarantee, the amount thereof at any time shall be determined on the basis of the best available reasonable estimate of the Company at the time as of which the amount thereof is being determined.

"DELAYED DELIVERY FEE" shall have the meaning specified in paragraph 2A(9)(iii).

"DESIGNATED APPLICATIONS" shall mean:

- (i) the purchase of operating assets by the Company for use in the Core Business, and/or
- (ii) the permanent retirement of Funded Borrowings, and/or
- (iii) Permitted Investments so long as the proceeds of such Investments are applied to one or more of the preceding Designated Applications within a period of 180 days after the relevant Disposition.

The Company may allocate any portion of any Disposition Proceeds to the retirement of Funded Borrowings only if it shall give notice of its election to such effect to each holder of Notes (an "ASSET SALE ALLOCATION NOTICE") specifying the amount to be so allocated (the "ASSET SALE RETIREMENT AMOUNT"), provided only that

(i) such Asset Sale Allocation Notice shall constitute, and shall state that it constitutes, a "Purchase EVENT" for the purpose of paragraph 4F, and such Notice shall also contain a reasonably detailed description of the Disposition giving rise to such Asset Sale Allocation Notice and the allocation to the Notes as required by clause (ii) below at the price specified in paragraph 4F;

(ii) each holder of Notes shall be entitled to cause the Company to purchase the Notes held by such holder pursuant to paragraph 4F in the respective principal amounts which bear the same proportion to the Asset Sale Retirement Amount as the principal amount of Notes held by such holder bear to the aggregate principal amount of Funded Borrowings outstanding on the date of the Asset Sale Allocation Notice (the "RETIREMENT FRACTION"); and

(iii) nothing herein shall prohibit the Company from prepaying Notes pursuant to the provisions of paragraph 4B in connection with any such retirement of Funded Borrowings.

No retirement of Funded Borrowings required by the foregoing provisions may be effected by any payment at maturity or pursuant to any mandatory sinking fund or installment payment or any scheduled prepayment or purchase or analogous provision applicable to any Funded Borrowings.

"DISPOSITION" shall mean the sale, lease, transfer or other disposition of Property of the Company or any Restricted Subsidiary, and "DISPOSED OF" and "DISPOSE" shall have meanings correlative to the foregoing.

"DISPOSITION PROCEEDS" shall mean the aggregate proceeds received by the Company or a Restricted Subsidiary upon the Disposition of any Property, after deducting from the amount of such proceeds:

- (i) all costs and expenses of such Disposition,
- (ii) all taxes incurred in respect of the Disposition, and
- (iii) any amount actually paid by the Company or any such Restricted Subsidiary to repay or discharge Debt secured by a Lien on such Property other than Debt incurred in contemplation of the Disposition of such Property.

Any proceeds to be paid subsequent to the consummation of such Disposition shall be valued at the aggregate amount thereof discounted from the respective payment dates therefor at the yield to maturity for such installment obligation. If the amount of proceeds to be paid subsequent to such consummation cannot be determined at the time of consummation or if there is uncertainty as to the collectibility thereof (whether or not the amount of such proceeds can be so determined), the Company shall estimate the amount and time of receipt thereof in

good faith, consistent with the treatment in its financial statement of the payment obligations in respect of such proceeds and the preceding sentence shall then apply to such estimated amount. Any proceeds not consisting of cash or promissory notes or other deferred payment obligations shall, for purposes of this Agreement, be deemed to have been paid in cash in an amount equal to the fair market value thereof in the good faith judgment of the Company.

"DOLLAR" or "\$" shall mean a reference to United States dollars.

"DOMESTIC SUBSIDIARY" shall mean any Subsidiary which is incorporated under the laws of one of the states of the United States or the District of Columbia, and the operating assets of which are located and the principal business of which is carried on within the United States.

"EFFECTIVE DATE" shall have the meaning specified in paragraph 3.

"ENVIRONMENT" shall mean soil, surface waters, ground waters, land stream sediments, surface or subsurface strata, and ambient air.

"ENVIRONMENTAL LAW" shall mean any law, regulation, rule or ordinance at the federal, state or local level related to pollution, protection of the environment or worker health and safety, whether or not previously enforced, and, for purposes of complying in the future with such laws, regulations, rules or ordinances, those that are subsequently enacted.

"ENVIRONMENTAL PERMITS" shall mean all permits, licenses and other authorizations required under any applicable Environmental Law.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA AFFILIATE" shall mean each trade or business (whether or not incorporated) which, together with the Company, would be treated as a single employer under section 4001(b) of ERISA.

"ERISA LIEN" shall mean a Lien created or otherwise imposed under the provisions of ERISA.

"EVENT OF DEFAULT" shall mean any of the events specified in paragraph 7A, provided that there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act, and "DEFAULT" shall mean any of such events, whether or not any such requirement has been satisfied.

"EVENT NOTICE" shall have the meaning specified in paragraph 4F(c).

"EXCESS CURRENT DEBT" as of any date of determination shall mean (x) zero, if there shall have been a Clean Down Period in the Current Debt Computation Period preceding such date and (y) in all other cases, an amount equal to the aggregate principal amount of Consolidated Current Debt exceeding \$20,000,000 which is outstanding on such date.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended.

"FACILITY" shall have the meaning specified in paragraph

2A(1).

"FACILITY FEE" shall have the meaning specified in paragraph

2A(9)(i).

"FOREIGN SUBSIDIARY" shall mean any Subsidiary that is not a Domestic Subsidiary.

"FUNDED BORROWINGS" shall mean and include any Debt Obligation of the Company or a Restricted Subsidiary described in clause (i) of the definition of Funded Debt (excluding Debt permitted by clause (ii) of paragraph 6C and Debt which is subordinated in any manner to the Notes).

"FUNDED DEBT" shall mean and include without duplication, with respect to the Company and its Restricted Subsidiaries consolidated in accordance with generally accepted accounting principles,

(i) any Debt Obligation payable more than one year from the date of incurrence thereof (including current maturities thereof) and any obligation described in the proviso to the definition of Current Debt; and

(ii) outstanding Preferred Stock of any Restricted Subsidiary not owned by the Company directly or indirectly through another Wholly-owned Restricted Subsidiary.

"GUARANTEE" shall mean, with respect to any Person, any direct or indirect liability, contingent or otherwise, of such Person with respect to any indebtedness, lease, dividend or other obligation or asset of another, including, without limitation, any such obligation or asset directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business) or discounted or sold with recourse by such Person, or in respect of which such Person is otherwise directly or indirectly liable, including, without limitation, any such obligation or asset in effect guaranteed by such Person through any agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire such obligation or asset or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain the solvency or any balance sheet or other financial condition of the obligor of such obligation or asset, or to make payment for any products, materials or supplies or for any transportation or services regardless of the non-delivery or non-furnishing thereof, in any such case if the purpose or intent of such agreement is to provide assurance that such obligation will be paid or discharged or the value of any asset maintained, or that any agreements relating thereto will be complied with, or that the holders of such obligation or asset will be protected against loss in respect thereof. The term "Guarantee" used as a verb shall have a correlative meaning. The amount of any Guarantee shall be equal to the outstanding principal amount of the obligation guaranteed, the guaranteed value of the subject asset or such lesser amount to which the maximum exposure of the guarantor shall have been specifically limited.

"HAZARDOUS MATERIAL" shall mean any pollutant, toxic substance, hazardous waste, hazardous material, hazardous substance, or oil as defined in or pursuant to the Resource Conservation and Recovery Act, as amended, the Comprehensive Environmental

Response, Compensation, and Liability Act, as amended, the Federal Clean Water Act, or any other federal, state or local environmental law, regulation, ordinance, rule, or by-law.

"HEDGE TREASURY NOTE(S)" shall mean, with respect to any Accepted Note, the United States Treasury Note or Notes whose duration (as determined by Prudential) most closely matches the duration of such Accepted Note.

"HISTORICAL FINANCIAL STATEMENTS" shall have the meaning specified in paragraph 8B.

"HOSTILE TENDER OFFER" shall mean, with respect to the use of proceeds of any Note, any offer to purchase, or any purchase of, shares of capital stock of any corporation or equity interests in any other entity, or securities convertible into or representing the beneficial ownership of, or rights to acquire, any such shares or equity interests, if such shares, equity interests, securities or rights are of a class which is publicly traded on any securities exchange or in any over-the-counter market, other than purchases of such shares, equity interests, securities or rights representing less than 5% of the equity interests or beneficial ownership of such corporation or other entity for portfolio investment purposes, and such offer or purchase has not been duly approved by the board of directors of such corporation or the equivalent governing body of such other entity prior to the date on which the Company makes the Request for Purchase of such Note.

"INTEREST COVERAGE RATIO" shall mean, as of any date of determination, the ratio of (a) the sum of (i) Consolidated Net Income for the Company and its Restricted Subsidiaries for the applicable period, plus (ii) all amounts deducted in the computation thereof for such period on account of (1) interest expense of the Company and its Restricted Subsidiaries on a consolidated basis and (2) taxes imposed on or measured by income or excess profits paid during such period, to (b) cash interest paid during such period by the Company and its Restricted Subsidiaries on a consolidated basis for such period; provided, that if such an interest payment on the Notes, the 1993 Notes or the 1998 Notes is scheduled to be made on any non-Business Day and is instead actually made on a succeeding day, and if a determination date (as contemplated by paragraph 6L hereof) occurs on such non-Business Day or any subsequent day prior to the date such payment is received, then such interest payment shall be deemed to have been made on such determination date.

"INVESTMENT" shall mean and include all (i) investments in any Person by stock purchase, capital contribution, loan, advance, Guarantee of obligations of (other than any Guarantee of an obligation of the Company or a Restricted Subsidiary) or creation or assumption of any other liability in respect of any indebtedness (other than indebtedness of the Company or any Restricted Subsidiary) of such Person and (ii) investments in any other property.

"IRS" shall mean the Internal Revenue Service and any successor governmental agency.

"ISSUANCE PERIOD" shall have the meaning specified in paragraph 2A(2).

"LIEN" shall mean any mortgage, pledge, security interest, encumbrance, contractual deposit arrangement, lien (statutory or otherwise) or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention

agreement, any lease in the nature thereof, any bankers right of set-off, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction) or any other type of preferential arrangement for the purpose, or having the effect, of protecting a creditor against loss or securing the payment or performance of an obligation.

"MOVADO LLC" shall have the meaning specified in paragraph 3G.

"MULTIEMPLOYER PLAN" shall mean any Plan which is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"NOTES" shall have the meaning specified in paragraph 1A.

"OFFICER'S CERTIFICATE" shall mean a certificate signed in the name of the Company by an Authorized Officer of the Company.

"OTHER HOLDER NOTICE" shall have the meaning specified in paragraph 4F(b).

"PBGC" shall mean the Pension Benefit Guaranty Corporation and any successor corporation or governmental agency.

"PERMITTED INVESTMENTS" shall mean:

(i) Investments in direct obligations of the United States of America, or obligations of any instrumentality or agency thereof, or obligations the payment of which is unconditionally guaranteed by the United States of America or any instrumentality or agency thereof (all of which Investments shall mature within five years from the time of acquisition thereof);

(ii) Investments maturing within three years from the time of acquisition thereof in obligations of any State or municipal government or obligations of any instrumentality or agency thereof or obligations of any corporate issuer which, at the time of acquisition, are rated A or better by Standard & Poor's Corporation ("S&P") or A2 or better by Moody's Investors Service, Inc. ("Moody's") (or if neither S&P nor Moody's shall rate such obligations, an equivalent rating of any other national rating agency of established reputation in the United States); and

(iii) Investments in readily marketable commercial paper which, at the time of acquisition, are rated A-2 or better by S&P or Prime-2 or better by NCO/Moody's Commercial Paper Division of Moody's and maturing within 270 days from the time of acquisition thereof (or if neither S&P nor Moody's shall rate such obligations, an equivalent rating of any other national rating agency of established reputation in the United States).

"PERSON" shall mean and include an individual, a partnership, a joint venture, a corporation, limited liability company, a trust, an unincorporated organization and a government or any department or agency thereof.

"PLAN" shall mean any "employee pension benefit plan" (as such term is defined in section 3 of ERISA) which is or has been established or maintained, or to which contributions

are or have been made, by the Company or any ERISA Affiliate.

"PREFERRED STOCK" shall mean any class of capital shares of the Company or any of its Restricted Subsidiaries which is redeemable (other than shares of Class A Common Stock, par value \$0.01 per share, of the Company) or which has a preference upon liquidation or in the payment of dividends over the respective common shares of the Company or any of its Subsidiaries.

"PRIORITY DEBT" shall mean, without duplication, the sum of (i) all Debt of Restricted Subsidiaries, other than (a) Debt owed to the Company, (b) Guarantees of the Notes, the 1993 Notes and the 1998 Notes and (c) Guarantees of the obligations of the Company under the Credit Agreement to the extent the Notes share in such Guarantee, (ii) all Debt of the Company or any of its Restricted Subsidiaries secured by a Lien (including Capitalized Leases), other than (a) a Lien existing on Property at the time of acquisition thereof and which meets the terms of clause (iv) of paragraph 6B, and (b) Liens described in clause (iii) of paragraph 6B, and (iii) all Preferred Stock of Restricted Subsidiaries not owned by the Company directly or indirectly through a Wholly-owned Restricted Subsidiary.

"PROPERTY" shall mean and include all interests in property and assets, whether tangible or intangible and whether real, personal or mixed.

"PRUDENTIAL" shall mean The Prudential Insurance Company of America.

"PRUDENTIAL AFFILIATE" shall mean (i) any Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, Prudential, or (ii) any investment fund, account or other vehicle for which Prudential (or any Prudential Affiliate) acts as investment advisor or portfolio manager. As used in the preceding clause (i), the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"PURCHASE DATE" shall have the meaning specified in paragraph 4F(b).

"PURCHASE EVENT" shall mean the election by the Company to retire Funded Borrowings in connection with a Disposition pursuant to paragraph 6F.

"PURCHASE NOTICE" shall have the meaning specified in paragraph 4F(a).

"PURCHASERS" shall mean, with respect to any Accepted Notes, Prudential and/or the Prudential Affiliate(s) which are purchasing such Accepted Notes.

"RELEASE" shall mean any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing, or dumping into the Environment.

"REQUEST FOR PURCHASE" shall have the meaning specified in paragraph 2A(4).

"REQUIRED HOLDER(S)" shall mean at any particular time the holder or holders of at least 51% of the aggregate principal amount of the Notes or of a Series of Notes, as the context may require, from time to time outstanding.

"RESCHEDULED CLOSING DAY" shall have the meaning specified in paragraph 2A(8).

"RESPONSIBLE ENVIRONMENTAL OFFICER" shall mean with respect to the Company or any of its Subsidiaries, any Responsible Officer and any other officer of the Company or such Subsidiary principally responsible for the supervision and administration of environmental compliance or the supervision and administration of the handling of Hazardous Material, including, without limitation, all officers holding the titles set forth in Schedule 8L and any Person who, regardless of title, is performing the duties of any such officers.

"RESPONSIBLE OFFICER" shall mean with respect to any certificate, report, notice or information to be delivered or given hereunder or knowledge of any Default or Event of Default hereunder, unless the context otherwise requires, the president, chief executive officer, chief financial officer, principal legal officer, principal accounting officer or treasurer of the Company or other senior legal, accounting or financial officer of the Company who in the normal performance of his or her operational duties would have knowledge of the subject matter relating to such certificate, report, notice, Default or Event of Default.

"RESTRICTED SUBSIDIARY" shall mean (x) any Domestic Subsidiary and (y) any Foreign Subsidiary which is listed in Schedule 8A or which shall be designated as a Restricted Subsidiary by the Board of Directors at a subsequent date as provided in paragraph 6K.

"RETIREMENT FRACTION" shall have the meaning specified in the definition of Designated Applications.

"SALE AND LEASE-BACK TRANSACTION" of a Person (a "TRANSFEROR") shall mean any arrangement (other than between the Company and a Wholly-owned Restricted Subsidiary or between Wholly-owned Restricted Subsidiaries) whereby (a) Property has been or is to be Disposed of by such Transferor to any other Person with the intention on the part of such Transferor of taking back a lease of such Property pursuant to which the rental payments are calculated to amortize the purchase price of such Property substantially over the useful life of such Property, and (b) such property is in fact so leased by such Transferor or an Affiliate of such Transferor.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended.

"SERIES" shall have the meaning specified in paragraph 1A.

"SHELF NOTES" shall have the meaning specified in paragraph 1A.

"SIGNIFICANT HOLDER" shall mean (x) Prudential, so long as Prudential or any Prudential Affiliate shall hold (or be committed under this Agreement to purchase) any Note and (y) any other holder of Notes holding by itself or together with one or more of its affiliates Notes having an aggregate principal amount of not less than 10% of the aggregate principal amount of the Notes of any Series at the time outstanding.

"SIGNIFICANT SUBSIDIARY GROUP" shall mean any Subsidiary which is, or any group of Subsidiaries all of which are, at any time of determination, subject to one or more of the proceedings or conditions described in paragraph 7A(vii), (viii), (ix) or (x) and which Subsidiary or group of Subsidiaries, (x) generated total revenues (or in the case of a recently formed or

acquired Subsidiary would have generated revenues on a pro forma basis) equal in amount to more than 10% of the total consolidated revenues of the Company and its Restricted Subsidiaries for the fiscal year most recently ended or (y) had total assets equal in amount to more than 10% of Consolidated Total Assets as of the end of the most recently ended fiscal quarter.

"SUBSIDIARY" shall mean any Person a majority of the total combined voting power of all classes of Voting Stock of which shall, at the time as of which any determination is being made, be owned or controlled by the Company either directly or through Subsidiaries.

"SUBSIDIARY GUARANTEE" means a Guarantee substantially in the form of Exhibit D granted by a Subsidiary of the Company in favor of the Purchasers, guaranteeing the Company's performance of its obligations under this Agreement and the Notes including, without limitation, the Guarantees executed and delivered by Swissam and Movado LLC.

"SUBSIDIARY GUARANTOR" shall mean any Subsidiary of the Company which has duly executed and delivered to the Purchasers a Subsidiary Guarantee.

"SWISSAM" shall have the meaning specified in paragraph 3G.

"THREAT OF RELEASE" shall mean a substantial likelihood of a Release which requires action to prevent or mitigate damage to the Environment which may result from such Release.

"TRANSFEREE" shall mean any direct or indirect transferee of all or any part of any Note purchased by the Purchaser under this Agreement.

"UNRESTRICTED SUBSIDIARY" shall mean any Foreign Subsidiary not identified on Schedule 8A and any other Foreign Subsidiary until designated as a Restricted Subsidiary in accordance with the provision of paragraph 6K.

"VOTING STOCK" shall mean, with respect to any Person, any shares of stock of or other ownership interest in such Person whose holders are entitled under ordinary circumstances to vote for the election of directors or similar body of such Person (irrespective of whether at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"WHOLLY-OWNED RESTRICTED SUBSIDIARY" shall mean any Restricted Subsidiary all of the outstanding Capital Stock (or other equity interests) of which (other than directors, qualifying shares, if any) is owned by the Company either directly or indirectly through other Wholly-owned Restricted Subsidiaries.

10C. ACCOUNTING TERMS AND DETERMINATIONS. (a) All references in this agreement to "generally accepted accounting principles" shall mean generally accepted accounting principles in effect in the United States at the time of application thereof. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all determinations with respect to accounting matters hereunder shall be made, and all financial statements and certificates and reports as to financial matters required to be furnished hereunder shall be prepared, in accordance with generally accepted accounting principles, applied on a basis consistent with the most recent audited consolidated financial statements of

the Company and its Subsidiaries (except as otherwise stated therein or in the notes thereto) delivered pursuant to paragraph 5A(ii), or, if no such statements have been so delivered, the most recent audited financial statements referred to in paragraph 8B.

(b) All references herein to "the Company and its Restricted Subsidiaries" for the purposes of computing the consolidated financial position, results of operations or other balance sheet or financial statement items shall be deemed to include only the Company and its Restricted Subsidiaries as separate legal entities and, unless otherwise provided herein, shall not include the position, operations, cash flows or other such items of any other Person, whether by way of the equity method of accounting or otherwise (whether or not, in any particular instance, such accounting treatment would be in accordance with generally accepted accounting principles).

11. MISCELLANEOUS.

11A. NOTE PAYMENTS. The Company agrees that, so long as any Purchaser shall hold any Note, it will make payments of principal of, interest on and any Yield-Maintenance Amount payable with respect to such Note, which comply with the terms of this Agreement, by wire transfer of immediately available funds for credit (not later than 12:00 noon, New York City time, on the date due) to (i) the account or accounts of such Purchaser specified in the Confirmation of Acceptance with respect to such Note or (ii) such other account or accounts in the United States as such Purchaser may designate in writing, notwithstanding any contrary provision herein or in any Note with respect to the place of payment. Each Purchaser agrees that, before disposing of any Note, it will make a notation thereon (or on a schedule attached thereto) of all principal payments previously made thereon and of the date to which interest thereon has been paid. The Company agrees to afford the benefits of this paragraph 11A to any Transferee which shall have made the same agreement as the Purchaser has made in this paragraph 11A.

11B. EXPENSES. The Company agrees, whether or not the transactions contemplated hereby shall be consummated, to pay, and save Prudential, each Purchaser and any Transferee harmless against liability for the payment of, all out-of-pocket expenses arising in connection with such transactions (other than a transaction in which a Person becomes a Transferee), including (i) all document production and duplication charges and the fees and expenses of any special counsel engaged by the Purchaser or such Transferee in connection with any subsequent proposed modification of, or proposed consent under, this Agreement, whether or not such proposed modification shall be effected or proposed consent granted (which shall be a single counsel representing all the holders of the Notes and any local counsel retained by them, unless there shall be a conflict in any such representation of all the holders), and (ii) the costs and expenses, including attorneys' fees, incurred by any Purchaser or such Transferee in enforcing (or determining whether or how to enforce) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the transactions contemplated hereby or by reason of any Purchaser's or such Transferee's having acquired any Note, including without limitation costs and expenses incurred in any bankruptcy case. The obligations of the Company under this paragraph 11B shall survive the transfer of any Note or portion thereof or interest therein by any Purchaser or any Transferee and the payment of any Note.

11C. CONSENT TO AMENDMENTS. This Agreement may be amended, and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, if the Company shall obtain the written consent to such amendment, action or omission to act, of the Required Holder(s) of the Notes of each Series except that, (i) with the written consent of the holders of all Notes of a particular Series, and if an Event of Default shall have occurred and be continuing, of the holders of all Notes of all Series, at the time outstanding (and not without such written consents), the Notes of such Series may be amended or the provisions thereof waived to change the maturity thereof, to change or affect the principal thereof, or to change or affect the rate or time of payment of interest on or any Yield-Maintenance Amount payable with respect to the Notes of such Series, (ii) without the written consent of the holder or holders of all Notes at the time outstanding, no amendment to or waiver of the provisions of this Agreement shall change or affect the provisions of paragraph 7A or this paragraph 11C insofar as such provisions relate to proportions of the principal amount of the Notes of any Series, or the rights of any individual holder of Notes, required with respect to any declaration of Notes to be due and payable or with respect to any consent, amendment, waiver or declaration, (iii) with the written consent of Prudential (and not without the written consent of Prudential) the provisions of paragraph 2A may be amended or waived (except insofar as any such amendment or waiver would affect any rights or obligations with respect to the purchase and sale of Notes which shall have become Accepted Notes prior to such amendment or waiver), and (iv) with the written consent of all of the Purchasers which shall have become obligated to purchase Accepted Notes of any Series (and not without the written consent of all such Purchasers), any of the provisions of paragraphs 2A and 3 may be amended or waived insofar as such amendment or waiver would affect only rights or obligations with respect to the purchase and sale of the Accepted Notes of such Series or the terms and provisions of such Accepted Notes. Each holder of any Note at the time or thereafter outstanding shall be bound by any consent authorized by this paragraph 11C, whether or not such Note shall have been marked to indicate such consent, but any Notes issued thereafter may bear a notation referring to any such consent. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein and in the Notes, the term "THIS AGREEMENT" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. The Company will not, directly or indirectly, solicit, request or obtain any proposed waiver or amendment of or consent in respect of any of the provisions of this Agreement or the Notes unless each holder shall be informed thereof by the Company and shall be afforded an opportunity of considering the same information supplied by the Company to any other holder of Notes. The Company will not, directly or indirectly, pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any holder of Notes as consideration for or as an inducement to the entering into by such holder of Notes of any waiver or amendment of, or giving a consent in respect of, any of the terms and provisions of this Agreement or any Note unless such remuneration is concurrently paid, on the same terms, ratably to all such holders of Notes of the same Series, whether or not any such holder shall have entered into any such waiver or amendment or given any such consent. The Company will give prompt written notice of the receipt and effect of each such waiver, amendment or consent to all holders of the Notes. As used herein and in the Notes, the term "THIS AGREEMENT" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

11D. FORM, REGISTRATION, TRANSFER AND EXCHANGE OF NOTES;
LOST NOTES.

The Notes are issuable as registered notes without coupons in denominations of at least \$2,500,000 and otherwise in integral multiples of \$100,000. The Company shall keep at its principal office a register in which the Company shall provide for the registration of Notes and of transfers of Notes. Upon surrender for registration of transfer of any Note at the principal office of the Company, the Company shall, at its expense, execute and deliver one or more new Notes of like tenor and of a like aggregate principal amount, registered in the name of such Transferee or Transferees. At the option of the holder of any Note, such Note may be exchanged for other Notes of like tenor and of any authorized denominations, of a like aggregate principal amount, upon surrender of the Note to be exchanged at the principal office of the Company. Whenever any Notes are so surrendered for exchange, the Company shall, at its expense, execute and deliver the Notes which the holder making the exchange is entitled to receive. Every Note surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer duly executed, by the holder of such Note or such holder's attorney duly authorized in writing. Any Note or Notes issued in exchange for any Note or upon transfer thereof shall carry the rights to unpaid interest and interest to accrue which were carried by the Note so exchanged or transferred, so that neither gain nor loss of interest shall result from any such transfer or exchange. Upon receipt of written notice from the holder of any Note of the loss, theft, destruction or mutilation of such Note and, in the case of any such loss, theft or destruction, upon receipt of such holder's unsecured indemnity agreement, or in the case of any such mutilation upon surrender and cancellation of such Note, the Company will make and deliver a new Note, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Note.

11E. PERSONS DEEMED OWNERS; PARTICIPATIONS. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name any Note is registered as the owner and holder of such Note for the purpose of receiving payment of principal of, interest on and any Yield-Maintenance Amount payable with respect to such Note and for all other purposes whatsoever, whether or not such Note shall be overdue, and the Company shall not be affected by notice to the contrary. Subject to the preceding sentence, the holder of any Note may from time to time grant participations in such Note to any Person on such terms and conditions as may be determined by such holder in its sole and absolute discretion, provided that any such participation shall be in a principal amount of at least \$500,000.

11F. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT. All representations and warranties contained herein or made in writing by or on behalf of the Company in connection herewith shall survive the execution and delivery of this Agreement and the Notes, the transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any Transferee, regardless of any investigation made at any time by or on behalf of any Purchaser or any Transferee. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between the Purchasers and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

11G. SUCCESSORS AND ASSIGNS. All covenants and other agreements in this Agreement contained by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto (including, without limitation, any Transferee) whether so expressed or not.

11H. INDEPENDENCE OF COVENANTS. All covenants hereunder shall be given independent effect so that if a particular action or condition is prohibited by any one of such covenants, the fact that it would be permitted by an exception to, or otherwise be in compliance within the limitations of, another covenant shall not avoid the occurrence of a Default or Event of Default if such action is taken or such condition exists.

11I. NOTICES. All written communications provided for hereunder (other than communications provided for under paragraph 2) shall be sent by first class mail or nationwide overnight delivery service (with charges prepaid) and (i) if to any Purchaser, addressed as specified for such communications in the Purchaser Schedule attached hereto (in the case of Prudential) or the Purchaser Schedule attached to the applicable Confirmation of Acceptance (in the case of any Prudential Affiliate) or at such other address as any such Purchaser shall have specified to the Company in writing, (ii) if to any other holder of any Note, addressed to it at such address as it shall have specified in writing to the Company or, if any such holder shall not have so specified an address, then addressed to such holder in care of the last holder of such Note which shall have so specified an address to the Company and (iii) if to the Company, addressed to it at Movado Group, Inc., 300 Tice Boulevard, Woodcliff Lake, New Jersey 07675, Attention: Richard J. Cote, Executive Vice President Finance and Administration, phone number (201) 460-3863, fax number (201) 460-4880, with a copy to Movado Group, Inc., 125 Chubb Avenue, Lyndhurst, NJ 07071, Attention: Timothy F. Michno, General Counsel, phone number (201) 460-3792, fax number (201) 460-4857, provided, however, that any such communication to the Company may also, at the option of the Person sending such communication, be delivered by any other means either to the Company at its address specified above or to any Authorized Officer of the Company. Any communication pursuant to paragraph 2 shall be made by the method specified for such communication in paragraph 2, and shall be effective to create any rights or obligations under this Agreement only if, in the case of a telephone communication, an Authorized Officer of the party conveying the information and of the party receiving the information are parties to the telephone call, and in the case of a telecopier communication, the communication is signed by an Authorized Officer of the party conveying the information, addressed to the attention of an Authorized Officer of the party receiving the information, and in fact received at the telecopier terminal the number of which is listed for the party receiving the communication in the Information Schedule or at such other telecopier terminal as the party receiving the information shall have specified in writing to the party sending such information.

11J. PAYMENTS DUE ON NON-BUSINESS DAYS. Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day. If the date for any payment is extended to the next succeeding Business Day by reason of the preceding sentence, the period of such extension shall not be included in the computation of the interest payable on such Business Day.

11K. SATISFACTION REQUIREMENT. If any agreement, certificate or other writing, or any action taken or to be taken, is by the terms of this Agreement required to be satisfactory to any Purchaser or to the Required Holder(s), the determination of such satisfaction shall be made by such Purchaser or the Required Holder(s), as the case may be, in the sole and exclusive judgment (exercised in good faith) of the Person or Persons making such determination.

11L. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED AND

ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES.

11M. SEVERABILITY. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11N. DESCRIPTIVE HEADINGS. The descriptive headings of the several paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

11O. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument.

11P. CONFIDENTIALITY. For the purposes of this paragraph, "Confidential Information" means information delivered to the Purchaser by or on behalf of the Company or any of its Subsidiaries in connection with the transactions contemplated by or otherwise pursuant to this Agreement which is proprietary in nature and which was clearly marked or labeled when received by the Purchaser as being confidential information of the Company, provided that such term does not include information (a) which was publicly known or otherwise known to the Purchaser prior to the time of such disclosure, (b) which subsequently becomes publicly known through no act or omission by the Purchaser or any Person acting on its behalf or (c) which otherwise becomes known to the Purchaser other than through disclosure by the Company or any of its Subsidiaries. The Purchaser will use its best efforts hold in confidence and not to disclose any Confidential Information, provided that the Purchaser may deliver or disclose Confidential Information to (i) its and its Subsidiaries, directors, officers, employees, agents, attorneys, financial advisors and other professional advisors (to the extent such disclosure reasonably relates to the administration of the investment represented by the Notes), (ii) any other holder of any Note, (iii) any Person to which the Purchaser sells or offers to sell such Note or any part thereof (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this paragraph 11P, (iv) any Person to which the Purchaser sells or offers to sell a participation in all or any part of such Note (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this paragraph 11P, (v) any Person from which the Purchaser offers to purchase any security of the Company, (vi) any federal or state regulatory authority having jurisdiction over the Purchaser, (vii) the National Association of Insurance Commissioners (the "NAIC") or any similar organization or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to the Purchaser (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which the Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent the Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement of the rights and remedies under the Notes and this Agreement. Any person entering into an agreement referred to in clause (iii) or (iv) of this paragraph 11P is entitled to all the benefits of this paragraph 11P.

[SIGNATURE BLOCKS FOLLOW]

If you are in agreement with the foregoing, please sign the form of acceptance on the enclosed counterparts of this letter and return the same to the Company, whereupon this letter shall become a binding agreement among the Company and the Purchaser.

Very truly yours,

MOVADO GROUP, INC.

By _____

Name:

Title:

The foregoing Agreement is hereby accepted as of the date first above written.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By _____

Name:

Title:

[FORM OF SHELF NOTE]

MOVADO GROUP, INC.

SENIOR SERIES ___ NOTE

No. ___
 ORIGINAL PRINCIPAL AMOUNT:
 ORIGINAL ISSUE DATE:
 INTEREST RATE:
 INTEREST PAYMENT DATES:
 FINAL MATURITY DATE:
 PRINCIPAL PREPAYMENT DATES AND AMOUNTS:

FOR VALUE RECEIVED, the undersigned, MOVADO GROUP, INC. (herein called the "Company"), a corporation organized and existing under the laws of the State of New York, hereby promises to pay to _____, or registered assigns, the principal sum of DOLLARS [on the Final Maturity Date specified above] [, payable on the Principal Prepayment Dates and in the amounts specified above, and on the Final Maturity Date specified above in an amount equal to the unpaid balance of the principal hereof,] with interest (computed on the basis of a 360-day year--30-day month) (a) on the unpaid balance thereof at the Interest Rate per annum specified above, payable on each Interest Payment Date specified above and on the Final Maturity Date specified above, commencing with the Interest Payment Date next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) on any overdue payment (including any overdue prepayment) of principal, any overdue payment of Yield Maintenance Amount and any overdue payment of interest, payable on each Interest Payment Date as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 2% over the Interest Rate specified above or (ii) 2% over the rate of interest publicly announced by Bank of New York from time to time in New York City as its Prime Rate.

Payments of principal, Yield Maintenance Amount, if any, and interest are to be made at the main office of Bank of New York in New York City or at such other place as the holder hereof shall designate to the Company in writing, in lawful money of the United States of America.

This Note is one of a series of Senior Notes (herein called the "Notes") issued pursuant to a Note Purchase and Private Shelf Agreement, dated as of March __, 2001 (herein called the "Agreement"), between the Company, on the one hand, and The Prudential Insurance Company of America and each Prudential Affiliate (as defined in the Agreement) which becomes party thereto, on the other hand, and is entitled to the benefits thereof.

This Note is subject to optional prepayment, in whole or from time to time in part, on the terms specified in the Agreement.

This Note is a registered Note and, as provided in the Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for the then outstanding principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company shall not be affected by any notice to the contrary.

In case an Event of Default shall occur and be continuing, the principal of this Note may be declared or otherwise become due and payable in the manner and with the effect provided in the Agreement.

Capitalized terms used and not otherwise defined herein shall have the meanings (if any) provided in the Agreement.

This Note is intended to be performed in the State of New York and shall be construed and enforced in accordance with the internal law of such State.

MOVADO GROUP, INC.

By: _____
Title: _____

[FORM OF REQUEST FOR PURCHASE]

MOVADO GROUP, INC.

Reference is made to the Note Purchase and Private Shelf Agreement (the "Agreement"), dated as of March __, 2001 between Movado Group, Inc. (the "Company"), on the one hand, and The Prudential Insurance Company of America ("Prudential") and each Prudential Affiliate which becomes party thereto, on the other hand. Capitalized terms used and not otherwise defined herein shall have the respective meanings specified in the Agreement.

Pursuant to Paragraph 2A(4) of the Agreement, the Company hereby makes the following Request for Purchase:

1. Aggregate principal amount of the Notes covered hereby (the "Notes") : \$_____
2. Individual specifications of the Notes:

Principal Amount(1)	Final Maturity Date	Principal Prepayment Dates and Amounts	Interest Payment Period(2)
-----	-----	-----	-----

3. Use of proceeds of the Notes:
4. Proposed day for the closing of the purchase and sale of the Notes:

(1) Minimum principal amount of \$5,000,000.

(2) Specify quarterly or semi-annually.

5. The purchase price of the Notes is to be transferred to:

Name, Address and ABA Routing Number of Bank -----	Number of Account -----
-------------------------------------------------------------	-------------------------------

- 6. The Company certifies (a) that the representations and warranties contained in paragraph 8 of the Agreement are true on and as of the date of this Request for Purchase except to the extent of changes caused by the transactions contemplated in the Agreement and (b) that there exists on the date of this Request for Purchase no Event of Default or Default.
- 7. The Issuance Fee to be paid pursuant to the Agreement will be paid by the Company on the closing date.

Dated: _____

MOVADO GROUP, INC.

By: _____
Authorized Officer

[FORM OF CONFIRMATION OF ACCEPTANCE]

MOVADO GROUP, INC.

Reference is made to the Note Purchase and Private Shelf Agreement (the "Agreement"), dated as of March __, 2001 between Movado Group, Inc. (the "Company"), on the one hand, and The Prudential Insurance Company of America ("Prudential") and each Prudential Affiliate which becomes party thereto, on the other hand. All terms used herein that are defined in the Agreement have the respective meanings specified in the Agreement.

Prudential or the Prudential Affiliate which is named below as a Purchaser of Notes hereby confirms the representations as to such Notes set forth in paragraph 9 of the Agreement, and agrees to be bound by the provisions of paragraphs 2A(6) and 2A(8) of the Agreement relating to the purchase and sale of such Notes and by the provisions of the penultimate sentence of paragraph 11A of the Agreement.

Pursuant to paragraph 2A(6) of the Agreement, an Acceptance with respect to the following Accepted Notes is hereby confirmed:

I. Accepted Notes: Aggregate principal amount \$_____

- (A)
 - (a) Name of Purchaser:
 - (b) Principal amount:
 - (c) Final maturity date:
 - (d) Principal prepayment dates and amounts:
 - (e) Interest rate:
 - (f) Interest payment period:
 - (g) Payment and notice instructions: As set forth on attached Purchaser Schedule

- (B)
 - (a) Name of Purchaser:
 - (b) Principal amount:
 - (c) Final maturity date:
 - (d) Principal prepayment dates and amounts:
 - (e) Interest rate:
 - (f) Interest payment period:
 - (g) Payment and notice instructions: As set forth on attached Purchaser Schedule

[(C), (D)..... same information as above.]

II. Closing Day:

Dated: _____

MOVADO GROUP, INC.

By: _____
Title: _____

THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA

By: _____
Vice President

[PRUDENTIAL AFFILIATE]

By: _____
Title: _____

FORM OF GUARANTEE

REFERENCE IS HEREBY MADE to the Note Purchase and Private Shelf Agreement dated as of March __, 2001 (which, as the same has heretofore been or may hereafter be amended from time to time, will be called herein the "Note Purchase Agreement") between Movado Group, Inc., a New York corporation (the "Company"), The Prudential Insurance Company of America ("Prudential") and each Prudential Affiliate (as defined therein) which becomes a party to the Note Purchase Agreement (collectively, the "Purchasers"). All capitalized terms used herein and not defined shall have the respective meanings ascribed to them in the Note Purchase Agreement.

WHEREAS, pursuant to the terms and conditions of the Note Purchase Agreement, the Purchasers have provided the Company with the Facility pursuant to which the Purchasers may purchase up to \$40,000,000 of Notes; and

WHEREAS, all the obligations and liabilities (whether now existing or hereafter arising) of the Company under the Note Purchase Agreement (whether for principal, interest, fees, Yield-Maintenance Amount, costs of enforcement or otherwise) will be called herein the "Obligations"; and

WHEREAS, the Guarantor [is a Subsidiary of the Company and] has obtained and expects to obtain substantial economic benefit from the issuance of the Notes under the Note Purchase Agreement; and

WHEREAS, the execution and delivery of this guaranty by the Guarantor is required pursuant to the terms of the Note Purchase Agreement;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Guarantor hereby agrees with the Purchasers as follows:

1. The Guarantor hereby unconditionally guarantees to the Purchasers that the Company will promptly pay, perform and observe all the Obligations, and that all sums stated to be payable in, or which become payable under, the Note Purchase Agreement by the Company will be promptly paid in full when due, whether at stated maturity or earlier by reason of acceleration or otherwise, and, in the case of one or more extensions of time of payment or performance of any Obligation, that the same will be promptly paid or performed (as the case may be) when due according to such extension, whether at stated maturity or earlier by reason of acceleration or otherwise, irrespective of the validity, regularity, or enforceability of the Note Purchase Agreement and irrespective of any present or future law or order of any government (whether of right or in fact and whether the Purchasers shall have consented thereto) or of any agency thereof purporting to reduce, amend, restructure or otherwise affect any Obligation of the Company or other obligor or to vary the terms of payment; provided, however, that the liability of the Guarantor hereunder with respect to the Obligations shall not exceed at any time 90% of Adjusted Net Worth (as hereinafter defined). The term "Adjusted Net Worth" means the

current Net Worth of the Guarantor, plus (as and when Net Worth increases) any increase in such amount of Net Worth after the date hereof (without any decrease for any reduction after the date hereof in current Net Worth as so increased). The term "Net Worth" means the amount of all assets of the Guarantor, at a fair valuation, less the total liabilities of the Guarantor (including contingent liabilities other than the liabilities of the Guarantor under this guaranty).

2. The Guarantor agrees that, as among the Guarantors and the Purchasers, the Obligations may be declared to be due and payable for purposes of this guaranty notwithstanding any stay, injunction or other prohibition which may prevent, delay or vitiate any such declaration as against the Company and that, in the event of any such declaration (or attempted declaration), such Obligations (whether or not due and payable by the Company) shall forthwith become due and payable by the Guarantor for purposes of this guaranty. The Guarantor further guarantees that all payments made by the Company to the Purchasers of any Obligation will, when made, be final and agrees that if any such payment is recovered from, or repaid by, any Purchaser in whole or in part in any bankruptcy, insolvency or similar proceeding instituted by or against the Company, this guaranty shall continue to be fully applicable to such Obligation to the same extent as though the payment so recovered or repaid had never been originally made on such Obligation.

3. This is a guaranty of payment and not of collection only.

4. The Guarantor hereby consents that from time to time, without notice to or further consent of the Guarantor, the payment, performance or observance of any or all of the Obligations may be waived or the time of payment or performance thereof extended or accelerated, in whole or in part, or the terms of the Note Purchase Agreement or any part thereof may be changed and any collateral therefor may be exchanged, surrendered or otherwise dealt with as the Required Holders may determine, and any of the acts mentioned in the Note Purchase Agreement may be done, all without affecting the liability of the Guarantor hereunder. The Guarantor hereby waives presentment of any instrument, demand of payment, protest and notice of non-payment or protest thereof or of any exchange, sale, surrender or other handling or disposition of such collateral, and any requirement that any Purchaser exhaust any right, power or remedy or proceed against the Company under the Note Purchase Agreement or against any other person, under any other guaranty of, or security for, any of the Obligations. The Guarantor hereby further waives any defense whatsoever which might constitute a defense available to, or discharge of, the Company or a guarantor. No payment by the Guarantor pursuant to any provision hereunder shall entitle the Guarantor, by subrogation to the rights of any Purchaser or otherwise, to any payment by the Company (or out of the property of the Company) except after payment in full of all sums (including interest, Yield-Maintenance Amount, costs and expenses) which may be or become payable by the Company to the Purchasers at any time or from time to time.

5. This guaranty shall be a continuing guaranty, and any other guarantor, and any other party liable upon or in respect of any Obligation hereby guaranteed may be released without affecting the liability of any Guarantor. The liability of the Guarantor hereunder shall be joint and several with the liability of any other guarantor or other party upon or in respect of the Obligations.

6. Any Purchaser may assign its rights and powers hereunder, with all or any of the Obligations, and, in the event of such assignment, the assignee hereof or of such rights and powers, shall have the same rights and remedies as if originally named herein.

7. Notice of acceptance of this guaranty and of the incurring of any and all of the Obligations of the Company pursuant to the Note Purchase Agreement is hereby waived. This guaranty and all rights, obligations and liabilities arising hereunder shall be governed by and construed according to the laws of the State of New York. Unless the context otherwise requires, all terms used herein which are defined in the Uniform Commercial Code shall have the meanings therein stated.

8. No provision of this guaranty may be modified or waived without the prior written consent of the Required Holders.

9. Without limiting the rights of any Purchaser under any other agreement, any financial accommodation (including, without limitation, interest accruing at the agreed to contract rate after the commencement of any bankruptcy, reorganization or similar proceeding) extended by the Guarantor to or for the account of the Company, or in respect of which the Company may be liable to the Guarantor in any capacity, is hereby subordinated to all the Obligations, and such financial accommodation of the Guarantor to the Company, if the Required Holders so request, shall be collected, enforced and received by the Guarantor as trustee for the Purchasers and be paid over to the Purchasers on account of the Obligations but without reducing or affecting in any manner the liability of such Guarantor, or any other Guarantor, under the other provisions of this guaranty.

10. The Guarantor hereby irrevocably submits to the jurisdiction of any New York State or Federal court sitting in New York City in any action or proceeding arising out of or relating to this guaranty, and the Guarantor hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State or Federal court. The Guarantor irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to the Guarantor at its address specified on the signature page hereof. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this paragraph shall affect the rights of the Purchasers to serve legal process in any other manner permitted by law or affect the rights of the Purchasers to bring any action or proceeding against the Guarantor or any of its property in the courts of any other jurisdiction. To the extent that the Guarantor has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether from service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Guarantor hereby irrevocably waives such immunity in respect of its Obligations under this guaranty. The Guarantor hereby expressly waives any and every right to a trial by jury in any action on or related to this guaranty, the Obligations or the enforcement of either or all of the same, and does further expressly waive any and every right to interpose any counterclaim in any such action or proceeding. The Guarantor agrees to reimburse the Purchasers on demand for all reasonable costs, expenses, and charges (including, without limitation, reasonable attorneys' fees) incurred by the Purchasers in connection with any enforcement of this guaranty.

11. The rights, powers and remedies granted to the Purchasers herein shall be cumulative and in addition to any rights, powers and remedies to which the Purchasers may be entitled either by operation of law or pursuant to the Note Purchase Agreement or any other document or instrument delivered or from time to time to be delivered to any Purchaser in connection with the Note Purchase Agreement.

IN WITNESS WHEREOF, the Guarantor has caused this instrument to be duly executed by its proper officer(s) this ____ day of _____, 200__.

WITNESS:

[NAME OF GUARANTOR]

Name: _____

By: _____
Name: _____
Title: _____

Address of Guarantor:

[FORM OF OPINION OF COMPANY'S/SUBSIDIARY
GUARANTORS' COUNSEL, EFFECTIVE DATE]

[Effective Date]

The Prudential Insurance Company of America
c/o Prudential Capital Group
1114 Avenue of the Americas, 30th Floor
New York, NY 10036

Ladies and Gentlemen:

As General Counsel of Movado Group, Inc., a New York corporation (the "Company"), SwissAm, Inc., a New Jersey corporation and a Subsidiary of the Company ("SwisAm"), and Movado Corporation, a Delaware corporation and a Subsidiary of the Company ("Movado Corp", and together with SwissAm, the "Subsidiary Guarantors"; such Subsidiary Guarantors, collectively with the Company, are referred to herein as the "Covered Parties"), I am familiar with the Note Purchase and Private Shelf Agreement, dated as of March [], 2001 (the "Agreement"), between the Company, on the one hand, and The Prudential Insurance Company of America and each Prudential Affiliate which becomes a party thereto, on the other hand, and the Subsidiary Guarantees to be executed and delivered by the Subsidiary Guarantors on the Effective Date pursuant to the terms of the Agreement (the "Covered Guarantees"), and have acted as counsel to each of the Covered Parties in connection with the transactions contemplated by the Agreement and such Covered Guarantees. Capitalized terms used and not otherwise defined herein shall have the meanings provided in the Agreement. This letter is being delivered to you in satisfaction of the conditions set forth in paragraphs 3A(v) and 3G(v) of the Agreement, and with the understanding you are entering into the Agreement in reliance on the opinions expressed herein.

In this connection, I have examined such certificates of public officials, certificates of officers of the Covered Parties and copies certified to my satisfaction of corporate documents and records of the Covered Parties and of other papers, and have made such other investigations, as I have deemed relevant and necessary as a basis for my opinions hereinafter set forth. I have relied upon such certificates of public officials and of officers of the Covered Parties with respect to the accuracy of material factual matters contained therein which were not independently established. With respect to the opinion expressed in paragraph 4 below, I have also relied upon the representation made by you in paragraph 9A of the Agreement.

Based on the foregoing, it is my opinion that:

1. The Company is a corporation duly organized and validly existing in good standing under the laws of the State of New York. Each Subsidiary Guarantor is a corporation duly organized and validly existing in good standing under the laws of its jurisdiction of incorporation. Each Covered Party has the corporate power to carry on their respective businesses as now being conducted. Each Covered Party is duly qualified as a foreign corporation and in good standing under the laws of each other jurisdiction in which the failure to be so qualified would have a material adverse effect on the business, financial condition or operations of the Company and its Subsidiaries taken as a whole.

2. The Agreement has been duly authorized by all requisite corporate action and duly executed and delivered by authorized officers of the Company, and constitutes valid obligations of the Company, legally binding upon and enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

3. Each of the Covered Guarantees has been duly authorized by all requisite corporate action and duly executed and delivered by authorized officers of the Subsidiary Guarantor party thereto, and are valid obligations of the Subsidiary Guarantor party thereto, legally binding upon and enforceable against such Subsidiary Guarantor in accordance with their respective terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4. The execution and delivery of the Agreement and the Covered Guarantees, the proposed offering, issuance and sale of Notes pursuant to the Agreement, and fulfillment of and compliance with the respective provisions of the Agreement and the Covered Guarantees do not conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any Lien upon any of the properties or assets of the Company or any of its Subsidiaries pursuant to, or require any authorization, consent, approval, exemption, or other action by or notice to or filing with any court, administrative or governmental body or other Person (other than routine filings after the date of issuance of any Notes under the Agreement with the Securities and Exchange Commission and/or state Blue Sky authorities) pursuant to, the charter or by-laws of the Company or any of its Subsidiaries, any applicable law (including any securities or Blue Sky law), statute, rule or regulation or (insofar as is known to me after having made due inquiry with respect thereto) any agreement (including, without limitation, any agreement listed in Schedule 8E to the Agreement), instrument, order, judgment or decree to which the Company or any of its Subsidiaries is a party or otherwise subject.

Very truly yours,

E-1-2

[FORM OF OPINION OF COMPANY'S COUNSEL,
SHELF NOTE CLOSING DAY]

[Date of Closing]

[Name(s) and address(es) of
purchaser(s)]

Ladies and Gentlemen:

As General Counsel of Movado Group, Inc. (the "Company"), I am familiar with the Note Purchase and Private Shelf Agreement, dated as of March [], 2001 (the "Agreement") between the Company, on the one hand, and The Prudential Insurance Company of America and each Prudential Affiliate which becomes a party thereto, on the other hand, pursuant to which the Company has issued to you today Senior Series [____] Notes of the Company in the aggregate principal amount of \$ (the "Notes"). Capitalized terms used and not otherwise defined herein shall have the meanings provided in the Agreement. This letter is being delivered to you in satisfaction of the condition set forth in paragraph 3A(v) of the Agreement and with the understanding that you are purchasing the Notes in reliance on the opinions expressed herein.

In this connection, I have examined such certificates of public officials, certificates of officers of the Company and copies certified to my satisfaction of corporate documents and records of the Company and of other papers, and have made such other investigations, as I have deemed relevant and necessary as a basis for my opinions hereinafter set forth. I have relied upon such certificates of public officials and of officers of the Company with respect to the accuracy of material factual matters contained therein which were not independently established. With respect to the opinion expressed in paragraph 3 below, I have also relied upon the representation made by [each of you] in paragraph 9A of the Agreement.

Based on the foregoing, it is my opinion that:

1. The Company is a corporation duly organized and validly existing in good standing under the laws of the State of New York. Each Subsidiary Guarantor is a corporation duly organized and validly existing in good standing under the laws of its jurisdiction of incorporation. The Company and the Subsidiary Guarantors have the corporate power to carry on their respective businesses as now being conducted. The Company and each Subsidiary Guarantor is duly qualified as a foreign corporation and in good standing under the laws of each other jurisdiction in which the failure to be so qualified would have a material adverse effect on the business, financial condition or operations of the Company and its Subsidiaries taken as a whole.

2. The Agreement and the Notes have been duly authorized by all requisite corporate action and duly executed and delivered by authorized officers of the Company, and are valid obligations of the Company, legally binding upon and enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

3. The execution and delivery of the Agreement and the Notes, the offering, issuance and sale of the Notes and fulfillment of and compliance with the respective provisions of the Agreement and the Notes do not conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any Lien upon any of the properties or assets of the Company or any of its Subsidiaries pursuant to, or require any authorization, consent, approval, exemption, or other action by or notice to or filing with any court, administrative or governmental body or other Person (other than routine filings after the date hereof with the Securities and Exchange Commission and/or state Blue Sky authorities) pursuant to, the charter or by-laws of the Company or any of its Subsidiaries, any applicable law (including any securities or Blue Sky law), statute, rule or regulation or (insofar as is known to me after having made due inquiry with respect thereto) any agreement (including, without limitation, any agreement listed in Schedule 8E to the Agreement), instrument, order, judgment or decree to which the Company or any of its Subsidiaries is a party or otherwise subject.

Very truly yours,

E-2(A)-2

[FORM OF OPINION OF COMPANY'S OUTSIDE COUNSEL,
SHELF NOTE CLOSING DAY]

[Letterhead of _____]

[Date of Closing]

[Name(s) and address(es) of
purchaser(s)]

Ladies and Gentlemen:

We have acted as counsel for Movado Group, Inc. (the "Company") in connection with the Note Purchase and Private Shelf Agreement, dated as of March [], 2001 (the "Agreement") between the Company, on the one hand, and The Prudential Insurance Company of America and each Prudential Affiliate which becomes a party thereto, on the other hand, pursuant to which the Company has issued to you today Senior Series [] Notes of the Company in the aggregate principal amount of \$ (the "Notes"). Capitalized terms used and not otherwise defined herein shall have the meanings provided in the Agreement. This letter is being delivered to you in satisfaction of the condition set forth in paragraph 3A(v) of the Agreement and with the understanding that you are purchasing the Notes in reliance on the opinions expressed herein.

In this connection, we have examined such certificates of public officials, certificates of officers of the Company and copies certified to our satisfaction of corporate documents and records of the Company and of other papers, and have made such other investigations, as we have deemed relevant and necessary as a basis for our opinion hereinafter set forth. We have relied upon such certificates of public officials and of officers of the Company with respect to the accuracy of material factual matters contained therein which were not independently established. With respect to the opinion expressed in paragraph 3 below, we have also relied upon the representation made by [each of] you in paragraph 9A of the Agreement.

Based on the foregoing, it is our opinion that:

1. The Company is a corporation duly organized and validly existing in good standing under the laws of the State of New York. Each Subsidiary Guarantor is a corporation duly organized and validly existing in good standing under the laws of its jurisdiction of incorporation. The Company and the Subsidiary Guarantors have the corporate power to carry on their respective businesses as now being conducted.

E-2(B)-1

2. The Agreement and the Notes have been duly authorized by all requisite corporate action and duly executed and delivered by authorized officers of the Company, and are valid obligations of the Company, legally binding upon and enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

3. It is not necessary in connection with the offering, issuance, sale and delivery of the Notes under the circumstances contemplated by the Agreement to register the Notes or the Subsidiary Guarantees under the Securities Act or to qualify an indenture in respect of the Notes or the Subsidiary Guarantees under the Trust Indenture Act of 1939, as amended.

4. The extension, arranging and obtaining of the credit represented by the Notes do not result in any violation of regulation U, T or X of the Board of Governors of the Federal Reserve System.

5. The execution and delivery of the Agreement and the Notes, the offering, issuance and sale of the Notes and fulfillment of and compliance with the respective provisions of the Agreement and the Notes do not require any authorization, consent, approval, exemption, or other action by or notice to or filing with any court, administrative or governmental body (other than routine filings after the date hereof with the Securities and Exchange Commission and/or state Blue Sky authorities) pursuant to, any applicable law (including any securities or Blue Sky law), statute, rule or regulation or (insofar as is known to us after having made due inquiry with respect thereto) any order, judgment or decree to which the Company or any of its Subsidiaries is a party or otherwise subject.

Very truly yours,

E-2(B)-2

LEASE

FROM:

MACK-CALI REALTY, L.P.

LESSOR

TO:

LESSEE

MOVADO GROUP, INC.

BUILDING:

MACK CENTRE II
ONE MACK DRIVE
PARAMUS, NEW JERSEY

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LEASE, is made the 21 day of December, 2000 between MACK-CALI REALTY, L.P. ("Lessor") whose address is c/o Mack-Cali Realty Corporation, 11 Commerce Drive, Cranford, New Jersey 07016 and MOVADO GROUP, INC. ("Lessee") whose address is 125 Chubb Avenue, Lyndhurst, New Jersey 07071.

PREAMBLE

BASIC LEASE PROVISIONS AND DEFINITIONS

In addition to other terms elsewhere defined in this Lease, the following terms whenever used in this Lease shall have only the meanings set forth in this section, unless such meanings are expressly modified, limited or expanded elsewhere herein.

1. ADDITIONAL RENT shall mean all sums in addition to Fixed Basic Rent payable by Lessee to Lessor pursuant to the provisions of the Lease.
2. BASE PERIOD COSTS shall mean the following:
 - A. Base Operating Costs: Those Operating Costs incurred during the period from July 1, 2001 to June 30, 2002.
 - B. Base Real Estate Taxes: Those Real Estate Taxes incurred during the period from July 1, 2001 to June 30, 2002.
 - C. Base Utility and Energy Costs: Those Utility and Energy Costs incurred during the period from July 1, 2001 to June 30, 2002.

Notwithstanding the foregoing Base Period Costs, Lessee shall have no obligation to pay Lessee's Percentage (as hereinafter defined) of the increased cost to Lessor over the Base Period Costs, during the first lease year of the Term.

3. BUILDING shall mean Mack-Cali Centre II, located One Mack Drive, Paramus, New Jersey.
4. BUILDING HOLIDAYS shall be those shown on Exhibit E.
5. BUILDING HOURS shall be Monday through Friday, 8:00 a.m. to 6:00 p.m., and on Saturdays from 8:00 a.m. to 1:00 p.m., but excluding those holidays as set forth on Exhibit E attached hereto and made a part hereof, except that Common Facilities, lighting in the Building and Office Building Area shall be maintained for such additional hours as, in Lessor's sole judgement, is necessary or desirable to insure proper operating of the Building and Office Building Area, and, further, notwithstanding the foregoing Building Hours, Lessee shall have access to the Building, Office Building Area and the Premises with all Common Facilities, lighting and HVAC for after-hours use, in accordance with Article 51 hereof.
6. COMMENCEMENT DATE is July 1, 2001.
7. DEMISED PREMISES OR PREMISES shall be deemed to be 20,000 gross rentable square feet on the third (3rd) floor as shown on Exhibit A hereto, which includes an allocable share of the Common Facilities as defined in Article 42(b).
8. EXHIBITS shall be the following, attached to this Lease and incorporated herein and made a part hereof.

Rider A	Option to Extend
Rider B	Right of First Offer
Exhibit A	Location of Premises
Exhibit A-1	Office Building Area
Exhibit B	Rules and Regulations
Exhibit C	Lessee's Work
Exhibit C-1	Air Conditioning & Heating Design Standards
Exhibit D	Cleaning Services
Exhibit E	Building Holidays
Exhibit F	Tenant Estoppel Certificate
Exhibit G	Commencement Date Agreement

9. EXPIRATION DATE shall be June 30, 2013.
10. FIXED BASIC RENT shall mean the amounts set forth below, for the Term payable, commencing on the Commencement Date (July 1, 2001), as follows:

Lease Years	Yearly Rate:	Monthly Installment:
1-4	\$495,000.00	\$41,250.00
5-8	\$535,000.00	\$44,583.33
9-12	\$575,000.00	\$47,916.67

11. LESSEE'S BROKER shall mean Alexander Summer LLC.
12. LESSEE'S PERCENTAGE shall be 5.74% subject to adjustment as provided for in Article 42(d).
13. OFFICE BUILDING AREA is as set forth on Exhibit A-1.
14. PARKING SPACES shall mean a total of two hundred twenty-nine (229) spaces, of which twenty-nine (29) spaces shall be assigned (14 in front of the Building and 15 in the rear) and marked as set forth on Exhibit A-1 and two hundred (200) of which shall be unassigned.
15. PERMITTED USE shall be general office use and for no other purpose, provided that Lessee shall also be permitted to maintain a customer service window for drop-off and pick-up of watches and may also use part of the Premises for a "Company store."
16. SECURITY DEPOSIT shall be none.
17. TERM shall mean twelve (12) years from the Commencement Date, unless extended pursuant to any option contained herein.
18. LESSEE'S CONSTRUCTION PERIOD shall be defined as the period of time prior to the Commencement Date in which the Lessee takes possession of the Premises in order to complete Lessee's Construction in accordance with Exhibit C attached hereto and made part hereof. Lessee's Construction Period shall commence on the date of full execution and delivery of this Lease, and end at 11:59 p.m. on June 30, 2001. All terms and conditions contained in the Lease, except for those applicable to the payment of Fixed Basic Rent and Additional Rent, shall apply during Lessee's Construction Period.

W I T N E S S E T H

For and in consideration of the covenants herein contained, and upon the terms and conditions herein set forth, Lessor and Lessee agree as follows:

1. DESCRIPTION:

Lessor hereby leases to Lessee, and Lessee hereby hires from Lessor, the Premises as defined in the Preamble which includes an allocable share of the Common Facilities (together with the non-exclusive right to use the Common Facilities as described below), as shown on the plan or plans, initialed by the parties hereto, marked Exhibit A attached hereto and made part of this Lease in the Building as defined in the Preamble, (hereinafter called the "Building") which is situated on that certain parcel of land (hereinafter called "Office Building Area") as described on Exhibit A-1 attached hereto and made part of this Lease, together with the right to use in common with other lessees of the Building, their invitees, customers and employees, those public areas of the Common Facilities as hereinafter defined. The Premises are a portion of a larger premises, as shown on Exhibit A (the "Larger Premises"), and Lessee shall have the right to use said Larger Premises during the Term. All terms and conditions contained in this Lease, except for those applicable to the payment of Fixed Basic Rent and Additional Rent, shall apply to Lessee's use of the Larger Premises.*

2. TERM:

The Premises are leased for a term to commence on the Commencement Date, and to end at 12:00 midnight on the Expiration Date, all as defined in the Preamble.

3. BASIC RENT:

The Lessee shall pay to the Lessor during the Term, the Fixed Basic Rent as defined in the Preamble (hereinafter called "Fixed Basic Rent") payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. The Fixed Basic Rent shall accrue at the Yearly Rate as defined in the Preamble and shall be payable, in advance, on the first day of each calendar month during the Term at the Monthly Installments as defined in the Preamble, except that a proportionately lesser sum may be paid for the first and last months of the Term of this Lease if the Term commences on a day other than the first day of the month, in accordance with the provisions of this Lease herein set forth. Lessor acknowledges receipt from Lessee of the first monthly installment by check, subject to collection, for Fixed Basic Rent for the first month of the Lease Term. Lessee shall pay Fixed Basic Rent, and any Additional Rent as hereinafter provided, to Lessor at Lessor's above stated address, or at such other place as Lessor may designate in writing, without demand and without counterclaim, deduction or set off, except as otherwise expressly set forth herein.*

4. USE AND OCCUPANCY:

Lessee shall use and occupy the Premises for the Permitted Use as defined in the Preamble.

Lessee hereby acknowledges that it is necessary and reasonable to prevent smoking by Lessee, Lessee's employees, agents and invitees in unauthorized areas of the Building or Common Facilities in violation of relevant fire and safety laws and regulations and to prevent fire hazards within the Premises.*

5. CARE AND REPAIR OF PREMISES/ENVIRONMENTAL:

(a) Lessee shall commit no act of waste and shall take good care of the Premises and the fixtures and appurtenances therein (except for any repairs and maintenance to be performed by Lessor hereunder), and shall, in the use and occupancy of the Premises, conform to all laws, orders and regulations of the federal, state and municipal governments or any of their

departments affecting Lessee's use of the Premises and with any and all environmental laws, orders and regulations resulting from the Lessee's use of the Premises, this covenant to survive the expiration or sooner termination of the Lease. Lessor shall, subject to the same being included in Operating Costs, make all necessary repairs to the Premises, Common Facilities and the structural elements of the Building, the Building Systems and all capital repairs to the Building and to the assigned parking areas, if any, except where the repair has been made necessary by misuse or neglect by Lessee or Lessee's agents, servants, visitors or licensees, in which event Lessor shall nevertheless make the repair but Lessee shall pay to Lessor, as Additional Rent, immediately upon demand, the reasonable costs therefor. All improvements made by Lessee to the Premises (excluding Lessee's improvements described in the next sentence), which are so attached to the Premises, shall become the property of Lessor upon installation. Not later than the last day of the Term, Lessee shall, at Lessee's expense, remove all Lessee's personal property and those improvements made by Lessee which have not become the property of Lessor, including trade fixtures, cabinetwork, movable paneling, partitions and the like; repair all injury done by or in connection with the installation or removal of said property and improvements; and surrender the Premises in good condition, reasonable wear and damage by fire, the elements, casualty or other cause not due to the misuse or neglect by Lessee, Lessee's agents, servants, visitors or licensees excepted. All other property of Lessee remaining on the Premises after the last day of the Term of this Lease shall be conclusively deemed abandoned and may be removed by Lessor, and Lessee shall reimburse Lessor for the reasonable cost of such removal. Lessor may have any such property stored at Lessee's risk and expense.*

ENVIRONMENTAL

- (b) COMPLIANCE WITH ENVIRONMENTAL LAWS. Lessee shall, at Lessee's own expense, promptly comply with each and every federal, state, county and municipal environmental law, ordinance, rule, regulation, order, directive and requirement, now or hereafter existing ("Environmental Laws"), applicable to Lessee, Lessee's operations at the Premises, or all of them.*
- (c) ISRA COMPLIANCE. Lessee shall, at Lessee's own expense, comply with the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq., the regulations promulgated thereunder and any amending and successor legislation and regulations ("ISRA") relating to Lessee's use of the Premises.*
- (d) INFORMATION TO LESSOR. At no expense to Lessor, Lessee shall promptly provide all information and sign all documents reasonably requested by Lessor with respect to compliance with Environmental Laws.*
- (e) LESSOR AUDIT. Lessee shall permit Lessor and its representatives access to the Premises, from time to time, upon at least five (5) days prior written notice, at mutually convenient times, to conduct an environmental assessment, investigation and sampling, all at Lessor's own expense unless the presence of Contaminants or a violation of Environmental Laws is disclosed which is the result of acts or omissions of Lessee or Lessee's Representatives, in which event the environmental assessment, investigation and/or sampling shall be at Lessee's expense.*
- (f) LESSEE REMEDIATION. Should any assessment, investigation or sampling reveal the existence of any spill, discharge or placement of Contaminants in, on, under, or about, or migrating from or onto the Premises, the Building or the Office Building Area, as a result of the action or omission of Lessee or a "Lessee Representative", then, Lessee shall, at Lessee's own expense, in accordance with Environmental Laws, undertake all action reasonably required by Lessor and/or any governmental authority, including, without limitation, promptly obtaining and delivering to Lessor an unconditional No Further Action Letter. For purposes of this Article, the term "Lessee's Representative" shall mean any shareholder, officer, director, member, partner, employee, agent, licensee, assignee, sublessee or invitee of Lessee, or any third party under Lessee's control other than Lessor, and other than another lessee of the Building, or a shareholder, officer, director, member, partner, employee, agent, licensee, assignee, sublessee or invitee of such other lessee. In no event shall any of Lessee's remedial action involve engineering or institutional controls, a groundwater classification exception area or well restriction area, and Lessee's remedial action

shall meet applicable remediation standards for soil, surface water, groundwater and drinking water. Promptly upon completion of all required investigatory and remedial activities, Lessee shall, at Lessee's own expense, to Lessor's reasonable satisfaction, restore the affected areas of the Premises, the Building or the Office Building Area, as the case may be, from any damage or condition caused by the investigatory or remedial work.*

- (g) ENVIRONMENTAL QUESTIONNAIRE. Upon Lessor's request, contemporaneously with the signing and delivery of this Lease, and thereafter upon renewal of the lease, if at all, Lessee shall complete, execute and deliver to Lessor an environmental questionnaire in form and substance reasonably satisfactory to Lessor.*
- (h) ENVIRONMENTAL DOCUMENTS AND CONDITIONS. For purposes of this Article, the term "Environmental Documents" shall mean all environmental documentation concerning the Building or the Office Building Area, of which the Premises is a part, or its environs, in the possession or under the control of Lessee, including, without limitation, plans, reports, correspondence and submissions. During the term of this Lease and subsequently, promptly upon receipt by Lessee or Lessee's Representatives, Lessee shall deliver to Lessor all Environmental Documents delivered to or generated by or on behalf of Lessee, whether currently or hereafter existing. In addition, Lessee shall promptly notify Lessor of any environmental condition of which Lessee has knowledge, which may exist in, on, under, or about, or may be migrating from or onto the Building or the Office Building Area.*
- (i) LESSOR'S RIGHT TO PERFORM LESSEE'S OBLIGATIONS. Notwithstanding anything to the contrary set forth in this Lease, in the event, pursuant to this Lease, Lessee is required to undertake any sampling, assessment, investigation or remediation with respect to the Premises, the Building or the Office Building Area, as the case may be, then, at Lessor's discretion, if Lessee fails to do so within then (10) days after written notice from Lessor, Lessor shall have the right, upon notice to Lessee, to perform such activities at Lessee's expense, and all reasonable sums incurred by Lessor shall be paid by Lessee, as Additional Rent.*
- (j) INDEMNITY. Lessee shall indemnify, defend and hold harmless Lessor, Lessor's officers, directors, shareholders, employees and personal or legal representatives from and against any and all claims, liabilities, losses, damages, penalties and costs, foreseen or unforeseen, including, without limitation, counsel, engineering and other professional or expert fees, which an indemnified party may incur to the extent resulting from Lessee's failure to comply with Lessee's obligations under this Article. Notwithstanding anything to the contrary contained herein, Lessee shall have no liability or responsibility whatsoever for any claims, liabilities, losses, damages, penalties or costs arising out of or in connection with any condition existing on the date hereof or created by the acts or omissions of Lessor or any of its officers, directors, shareholders, employees, contractors or representatives.*
- (k) SURVIVAL. This Article shall survive the expiration or earlier termination of this lease. Lessee's failure to abide by the terms of this Article shall be restrainable or enforceable, as the case may be, by injunction.
- (l) INTERPRETATION. The obligations imposed upon Lessee under subparagraphs (a) through (j) above are in addition to and are not intended to limit, but to expand upon, the obligations imposed upon Lessee under this Article 5. As used in this Article, the term "Contaminants" shall include, without limitation, any regulated substance, toxic substance, hazardous substance, hazardous waste, pollution, pollutant, contaminant, petroleum, asbestos or polychlorinated biphenyls, as defined or referred to in any Environmental Laws. Where a law or regulation defines any of these terms more broadly than another, the broader definition shall apply.
- (m) Lessor represents and warrants that as, of the date hereof, to the best of Lessor's knowledge, neither the Office Building Area, the Building nor the Premises nor any portion thereof contains, and will not contain, as of the date that possession of the Premises is delivered to Lessee, any unlawful quantities of asbestos or Contaminants except as may be set forth in the Phase I Environmental Site Assessment dated

December 10, 1997, prepared by Environmental Waste Management Associates, LLC, a copy of which has been provided to Lessee (the "Phase I"), and that the Office Building Area, the Building and the Premises comply, and as of the date that possession of the Premises is delivered to the Lessee will comply, except as may be set forth in the Phase I, with all Environmental Laws applicable to the Premises, the Building and Office Building Area. Notwithstanding anything to the contrary contained herein, (i) Lessor shall be responsible for all costs, including, but not limited to, those resulting from monitoring, removal, remediation, clean-up or compliance, incurred with respect to any Contaminants existing in, or under the Office Building Area or any part thereof as of the date the Premises are delivered to Lessee, or which are thereafter deposited, released or discharged thereon or therein by Lessor or its agents, employees or contractors, and (ii) Lessor shall indemnify, defend and shall hold harmless Lessee and its officers, directors, employees, agents, representatives and contractors from and against any and all costs, claims, suits, causes of action, losses, injury or damage, including without limitation, personal injury damage (including death), damage to property as well as any and all sums paid for settlement or claims, reasonable attorney's fees, consultant and expert fees, arising out of or associated with such Contaminants so existing or deposited, released or discharged by Lessor, its agents, employees or contractors.*

Lessee shall have no liability or obligation with respect to any violation of any Environmental Laws existing on the date hereof or the date possession of the Premises is delivered to Lessee or which thereafter arises by reason of the acts or omissions of Lessor, or its agents, employees or contractors.*

6. ALTERATIONS, ADDITIONS OR IMPROVEMENTS:

Lessee shall not, without first obtaining the written consent of Lessor, make any structural or Building Systems alterations, additions or improvements in, to or about the Premises. Building Systems shall mean any structural, life safety, plumbing, electrical, heating, ventilation or air conditioning system or its components. Lessee shall not, without first obtaining the written consent of Lessor, which shall not be unreasonably withheld or delayed, make any non-Building Systems alterations, additions or improvements or other alterations, additions or improvements which require a building permit, in, to or about the Premises. Notwithstanding anything hereinabove to the contrary, Lessee may, upon notification to Lessor, perform any non-Building Systems alterations, additions or improvements or other alterations, additions or improvements for which a building permit is not required, provided the aggregate cost of same is less than fifty thousand dollars (\$50,000.00), without prior consent of Lessor.*

7. ACTIVITIES INCREASING FIRE INSURANCE RATES:

Lessee shall not do or suffer anything to be done on the Premises which will increase the rate of fire insurance on the Building.

8. ASSIGNMENT AND SUBLEASE:

Provided Lessee is not in default of any provisions of this Lease beyond applicable notice and cure periods, Lessee may assign this lease or sublease all or any portion of the Premises to any party subject to the following:*

1. a. In the event Lessee desires to assign this Lease or sublease all or part of the Premises to any other party, the terms and conditions of such assignment or sublease shall be communicated to the Lessor in writing no less than thirty (30) days prior to the effective date of any such sublease or assignment, and, prior to such effective date, the Lessor shall have the option, exercisable in writing to the Lessee, to: (i) sublease such space from Lessee at the lower rate of (a) the rental rate per rentable square foot of Fixed Basic Rent and Additional Rent then payable pursuant to this

Lease or (b) the terms set forth in the proposed sublease, (ii) recapture in the case of subletting, that portion of the Premises to be sublet or all of the Premises in the case of an assignment ("Recapture Space") so that such prospective sublessee or assignee shall then become the sole Lessee of Lessor hereunder, or (iii) recapture the Recapture Space for Lessor's own use and the within Lessee shall be fully released from any and all obligations hereunder with respect to the Recapture Space. Lessor shall not have the right to recapture Recapture Space in the case of a sublease for less than 10,000 square feet for a sublease term which expires prior to the last three years of the Term of this lease, and Lessee shall not have the right to extend the term of any sublease to end during the last three years of the Term of this lease (or enter into a new sublease with the sublessee or an affiliate of the sublessee which shall expire during the last three years of the Term) which was not subject to Lessor's recapture right.*

- b. In the event that the Lessor elects not to recapture the Lease or relet the Premises as hereinabove provided, the Lessee may nevertheless assign this Lease or sublet the whole or any portion of the Premises, subject to the Lessor's prior written consent, which consent shall not be unreasonably withheld, delayed or conditioned, on the basis of the following terms and conditions:*
- i. The Lessee shall provide to the Lessor the name and address of the assignee or sublessee.
 - ii. The assignee or sublessee shall assume, by written instrument, all of the obligations of this Lease accruing from and after the date of the assignment or sublease, and a copy of such assumption agreement shall be furnished to the Lessor within ten (10) days of its execution. Any sublease shall expressly acknowledge that said sublessee's rights against Lessor shall be no greater than those of Lessee. Lessee further agrees that notwithstanding any such subletting, no other and further subletting of the Premises by Lessee or any person claiming through or under Lessee shall or will be made except upon compliance with and subject to the provisions of this Article 8.
 - iii. Each sublease shall provide that it is subject and subordinate to this Lease and to the matters to which this Lease is or shall be subordinate, and that in the event of default by Lessee under this Lease, Lessor may, at its option, take over all of the right, title and interest of Lessee, as sublessor, under such sublease, and such sublessee shall, at Lessor's option, attorn to Lessor pursuant to the then executory provisions of such sublease, except that Lessor shall not (i) be liable for any previous act or omission of Lessee under such sublease or, (ii) be subject to any offset not expressly provided in such sublease which theretofore accrued to such sublease to which Lessor has not specifically consented in writing or by any previous prepayment of more than one month's rent.
 - iv. The Lessee and each assignee shall be and remain liable for the observance of all the covenants and provisions of this Lease, including, but not limited to, the payment of Fixed Basic Rent and Additional Rent reserved herein, through the entire Term of this Lease, as the same may be renewed, extended or otherwise modified.
 - v. The Lessee and any assignee shall promptly pay to Lessor fifty percent (50%) of any consideration received for any assignment and/or fifty percent (50%) of all of the rent, as and when received, in excess of the Rent required to be paid by Lessee for the area sublet computed on the basis of an average square foot rent for the gross square footage Lessee has leased, but net of brokerage commission and tenant improvements incurred by Lessee in connection with such assignment and/or subletting.*
 - vi. In any event, the acceptance by the Lessor of any rent from the assignee or from any of the subtenants or the failure of the Lessor to insist upon a strict performance of any of the terms, conditions and covenants herein shall not

release the Lessee herein, nor any assignee assuming this Lease, from any and all of the obligations herein during and for the entire Term of this Lease.

- vii. In Lessor's reasonable judgment, the proposed assignee or subtenant is engaged in a business or activity, and the Premises, or the relevant part thereof, will be used in a manner, which (a) is in keeping with the then standard of the Building and (b) is limited to the use of the Premises as general offices.
- viii. Provided Lessor has comparable space available in the Building, the proposed assignee or subtenant shall be an entity which is not then an occupant of any part of the Building.*
- ix. Provided Lessor has comparable space available in the Building, the proposed assignee or subtenant is not an entity or a person with whom Lessor is or has been, within the preceding nine (9) month period, negotiating to lease space in the Building.*
- x. There shall not be more than five (5) occupants in the Premises (i.e. Lessee and 4 subtenants or 5 subtenants).*
- xi. Lessee shall not publicly advertise the subtenancy for less than the then current market rent per rentable square foot for the Premises as though the Premises were vacant.*
- xii. Lessee shall not have (a) publicly advertised the availability of the Premises without prior notice to and approval by Lessor, which approval shall not be unreasonably withheld or delayed, nor shall any advertisement state the name (as distinguished from the address) of the Building.
- xiii. The proposed occupancy shall not, in Lessor's reasonable opinion, increase the density of population using the Demised Premises to exceed one (1) person per 250 gross rentable square feet of space or exceed the parking allocation presently provided for in this Lease;
- xiv. The proposed assignee or subtenant shall only use the Premises for the Permitted Use and shall not be engaged in any of the following:
 - (a) educational, including but not limited to, instructional facilities and correspondence schools;
 - (b) employment agencies;
 - (c) model agencies;
 - (d) photographic studios or laboratories;
 - (e) spas, health, physical fitness or exercise salons;
 - (f) small loan offices;
 - (g) real estate brokerage or real estate sales offices open to the general public or construction offices;
 - (h) medical or dental facilities, including professional offices, treatment facilities, dispensaries or laboratories;
 - (i) federal, state or local government offices;
 - (j) so-called boiler room operations;
 - (k) retail stock brokerage offices which are open to the general public; and
 - (l) religious organizations making facilities available to congregations for uses other than business purposes.*
- xv. The proposed assignee or subtenant shall not be entitled, directly or indirectly, to diplomatic or sovereign immunity and shall be subject to the service of process in, and the jurisdiction of, the state courts of New Jersey.
- xvi. Lessee acknowledges that its sole remedy with respect to any assertion that Lessor's failure to consent to any sublet or assignment is unreasonable shall be the remedy of specific performance and Lessee shall have no other claim or cause of action against Lessor as a result of

consent thereto.*

c. If Lessee is a corporation other than a corporation whose stock is listed and traded on a nationally recognized stock exchange, the provisions of Sub-section a. shall apply to a transfer (however accomplished, whether in a single transaction or in a series of related or unrelated transactions) of stock (or any other mechanism such as, by way of example, the issuance of additional stock, a stock voting agreement or change in class(es) of stock) which results in a change of control of Lessee as if such transfer of stock (or other mechanism) which results in a change of control of Lessee were an assignment of this Lease, and if Lessee is a partnership or joint venture, said provisions shall apply with respect to a transfer (by one or more transfers) of an interest in the distributions of profits and losses of such partnership or joint venture (or other mechanism, such as, by way of example, the creation of additional general partnership or limited partnership interests) which results in a change of control of such a partnership or joint venture, as if such transfer of an interest in the distributions of profits and losses of such partnership or joint venture which results in a change of control of such partnership or joint venture were an assignment of this Lease; but said provisions shall not apply to, and Lessor's consent shall not be required for transactions with an entity into or with which Lessee is merged or consolidated or to which all or substantially all of Lessee's assets are transferred or to any corporation which controls or is controlled by Lessee or is under common control with Lessee or to any transfer of stock (however and by any mechanism accomplished) of Lessee where Lessee is a corporation whose stock is publicly traded, provided that in the event of such merger, consolidation or transfer of all or substantially all of Lessee's assets (i) the successor to Lessee has a net worth computed in accordance with generally accepted accounting principles at least equal to the net worth of Lessee immediately prior to such merger, consolidation or transfer, and (ii) proof reasonably satisfactory to Lessor of such net worth shall have been delivered to Lessor at least 10 days prior to the effective date of any such transaction. *

d. In the event that any or all of Lessee's interest in the Premises and/or this Lease is transferred by operation of law to any trustee, receiver, or other representative or agent of Lessee, or to Lessee as a debtor in possession, and subsequently any or all of Lessee's interest in the Premises and/or this Lease is offered or to be offered by Lessee or any trustee, receiver, or other representative or agent of Lessee as to its estate or property (such person, firm or entity being hereinafter referred to as the "Grantor"), for assignment, conveyance, lease, or other disposition to a person, firm or entity other than Lessor (each such transaction being hereinafter referred to as a "Disposition"), it is agreed that Lessor has and shall have a right of first refusal to purchase, take, or otherwise acquire, the same upon the same terms and conditions as the Grantor thereof shall accept upon such Disposition to such other person, firm, or entity; and as to each such Disposition the Grantor shall give written notice to Lessor in reasonable detail of all of the terms and conditions of such Disposition within twenty (20) days next following its determination to accept the same but prior to accepting the same, and Grantor shall not make the Disposition until and unless Lessor has failed or refused to accept such right of first refusal as to the Disposition, as set forth herein.

Lessor shall have sixty (60) days next following its receipt of the written notice as to such Disposition in which to exercise the option to acquire Lessee's interest by such Disposition, and the exercise of the option by Lessor shall be effected by notice to that effect sent to the Grantor; but nothing herein shall require Lessor to accept a particular Disposition or any Disposition, nor does the rejection of any one such offer of first refusal constitute a waiver or release of the obligation of the Grantor to submit other offers hereunder to Lessor. In the event Lessor accept such offer of first refusal, the transaction shall be consummated pursuant to the terms and conditions of the Disposition described in the notice to Lessor. In the event Lessor rejects such offer of first refusal, Grantor may consummate the Disposition with such other person, firm, or entity; but any decrease in price of more than two percent (2%) of the price sought from Lessor or any change in the terms of payment for such Disposition shall constitute a new transaction requiring a further option of first refusal to be given to Lessor hereunder.

- e. Without limiting any of the provisions of Articles 12 and 13, if pursuant to the Federal Bankruptcy Code (herein referred to as the "Code"), or any similar law hereafter enacted having the same general purpose, Lessee is permitted to assign this Lease notwithstanding the restrictions contained in this Lease, adequate assurance of future performance by an assignee expressly permitted under such Code shall be deemed to mean the deposit of cash security in an amount equal to the sum of one year's Fixed Basic Rent plus an amount equal to the Additional Rent for the calendar year preceding the year in which such assignment is intended to become effective, which deposit shall be held by Lessor for the balance of the Term, without interest, as security for the full performance of all of Lessee's obligations under this Lease, to be held and applied in the manner specified for security in Article 16.
- f. Except as specifically set forth above, no portion of the Premises or of Lessee's interest in this Lease may be acquired by any other person or entity, whether by assignment, mortgage, sublease, transfer, operation of law or act of the Lessee, nor shall Lessee pledge its interest in this Lease or in any security deposit required hereunder.

9. COMPLIANCE WITH RULES AND REGULATIONS:

Lessee shall observe and comply with the rules and regulations hereinafter set forth in Exhibit B attached hereto and made a part hereof and with such further reasonable rules and regulations as Lessor may prescribe, on written notice to the Lessee, for the safety, care and cleanliness of the Building and the comfort, quiet and convenience of other occupants of the Building. Lessor shall enforce the Rules and Regulations consistently and in a nondiscriminatory manner against all lessees in the Building. Lessee shall not place a load upon any floor of the Premises exceeding the floor load per square foot area which it was designed to carry and which is allowed by law. Lessor reserves the right to prescribe the weight and position of all safes, business machines and mechanical equipment. Such installations shall be placed and maintained by Lessee, at Lessee's expense, in settings sufficient, in Lessor's judgement, to absorb and prevent vibration, noise and annoyance.*

10. DAMAGES TO BUILDING:

If the Building is damaged by fire or any other cause to such extent the cost of restoration, as reasonably estimated by Lessor, will equal or exceed twenty-five percent (25%) of the replacement value of the Building (exclusive of foundations) just prior to the occurrence of the damage, then Lessor may, no later than the sixtieth (60th) day following the date of damage, give Lessee a notice of election to terminate this Lease, provided Lessor similarly gives such notice to the other tenants occupying collectively no less than fifty (50%) percent of the space of the Building, or if the Premises shall not be reasonably usable for the purpose for which they are leased hereunder for a period in excess of seven (7) months from the date of the damage, then Lessee may, no later than the sixtieth (60th) day following the date of damage, give Lessor a notice of election to terminate this Lease. In either said event of election, this Lease shall be deemed to terminate on the thirtieth (30th) day after the giving of said notice, and Lessee shall surrender possession of the Premises within a reasonable time thereafter, and the Fixed Basic Rent, and any Additional Rent, shall be apportioned as of the date of said surrender and any Fixed Basic Rent or Additional Rent paid for any period beyond said date, or such earlier date as of which the Premises became unusable by reason of such casualty, shall be repaid to Lessee. If the cost of restoration shall not entitle Lessor to terminate this Lease, or if, despite the cost, Lessor does not elect to terminate this Lease, Lessor shall restore the Building and the Premises with reasonable promptness within seven (7) months after the date of the damage, subject to Force Majeure, and, provided Lessor delivers an architect's or engineer's certificate that restoration can be completed within seven (7) months and, in fact, Lessor completes restoration within seven (7) months from the date of the damage, Lessee shall have no right to terminate this Lease. Lessor need not restore fixtures and improvements owned by Lessee.*

In any case in which use of the Premises is affected by any damage to the Building, there shall be either an abatement or an equitable reduction in Fixed Basic Rent, depending on

the period for which and the extent to which the Premises are not reasonably usable for the purpose for which they are leased hereunder. The words "restoration" and "restore" as used in this Article 10 shall include repairs. If the damage results from the gross negligence or intentional misconduct of the Lessee, Lessee's agents, servants, visitors or licensees, Lessee shall not be entitled to any abatement or reduction in Fixed Basic Rent, except to the extent of any rent insurance received by Lessor.*

11. EMINENT DOMAIN:

If Lessee's use of the Premises or parking (unless alternate parking is provided) is materially affected due to the taking by eminent domain of (a) the Premises or any part thereof or any estate therein; or (b) any other part of the Building; then, in either event, this Lease shall terminate on the date when title vests pursuant to such taking. The Fixed Basic Rent, and any Additional Rent, shall be apportioned as of said termination date and any Fixed Basic Rent or Additional Rent paid for any period beyond said date, shall be repaid to Lessee. Lessee shall not be entitled to any part of the award for such taking or any payment in lieu thereof, but Lessee may file a separate claim for any taking of fixtures and improvements owned by Lessee which have not become the Lessor's property, and for moving expenses, provided the same shall, in no way, affect or diminish Lessor's award. In the event of a partial taking which does not effect a termination of this Lease but does deprive Lessee of the use of a portion of the Premises, there shall either be an abatement or an equitable reduction of the Fixed Basic Rent, and an equitable adjustment reducing the Base Period Costs as hereinafter defined depending on the period for which and the extent to which the Premises so taken are not reasonably usable for the purpose for which they are leased hereunder.*

12. INSOLVENCY OF LESSEE:

Either (a) the appointment of a receiver to take possession of all or substantially all of the assets of Lessee, or, (b) a general assignment by Lessee for the benefit of creditors, or, (c) any action taken by Lessee or by a third party and not dismissed within sixty (60) days under any insolvency or bankruptcy act, shall constitute a default of this Lease by Lessee, and Lessor may terminate this Lease forthwith and upon notice of such termination Lessee's right to possession of the Premises shall cease, and Lessee shall then quit and surrender the Premises to Lessor but Lessee shall remain liable as hereinafter provided in Article 14 hereof.*

13. LESSOR'S REMEDIES ON DEFAULT:

If Lessee defaults in the payment of Fixed Basic Rent, or any Additional Rent hereunder, or defaults in the performance of any of the other covenants and conditions hereof or permits the Premises to become deserted, abandoned or vacated, Lessor may give Lessee notice of such default, and if Lessee does not cure any Fixed Basic Rent or Additional Rent default within ten (10) days or other default within twenty (20) days after giving of such notice (or if such other default is of such nature that it cannot be completely cured within such period, if Lessee does not commence such curing within such twenty (20) days and thereafter proceed with reasonable diligence and in good faith to cure such default), then Lessor may terminate this Lease on not less than ten (10) days notice to Lessee, and on the date specified in said notice, Lessee's right to possession of the Premises shall cease but Lessee shall remain liable as hereinafter provided. If this Lease shall have been so terminated by Lessor pursuant to Articles 12 or 13 hereof, Lessor may at any time thereafter resume possession of the Premises by any lawful means and remove Lessee or other occupants and their effects. Lessee shall pay to Lessor, on demand, such expenses as Lessor may incur, including, without limitation, court costs and reasonable attorney's fees and disbursements, in enforcing the performance of any obligation of Lessee under this Lease.*

14. DEFICIENCY:

(a) In any case where Lessor has recovered possession of the Premises by reason of Lessee's default, Lessor may, at Lessor's option, occupy the Premises or cause the Premises to be redecorated, altered, divided, consolidated with other adjoining premises or otherwise changed or prepared for reletting, and may relet the Premises or any part thereof, as agent of Lessee or otherwise, for a term or terms to expire prior to, at the same time as or subsequent to, the original Expiration Date of this Lease, at Lessor's option and receive the rent therefor. Rent so received shall be applied first to the payment of such expenses as Lessor may have incurred in connection with the recovery of possession, redecorating, altering, dividing, consolidating with other adjoining premises, or otherwise changing or preparing for reletting, and the reletting, including brokerage and reasonable attorney's fees, and then to the payment of damages in amounts equal to the Fixed Basic Rent and Additional Rent hereunder and to the costs and expenses of performance of the other covenants of Lessee as herein provided. Lessee agrees, in any such case, whether or not Lessor has relet, to pay to Lessor damages equal to the Fixed Basic Rent and Additional Rent from the date of such default to the date of expiration of the term demised and other sums herein agreed to be paid by Lessee, less the net proceeds of the reletting, if any, received by Lessor during the remainder of the unexpired term hereof, as ascertained from time to time, but any such surplus shall reduce the amount recoverable from Lessee as damages, and the same shall be payable by Lessee on the several rent days above specified. Lessee shall not be entitled to any surplus accruing as a result of any such reletting. In reletting the Premises as aforesaid, Lessor may grant rent concessions, and Lessee shall not be credited therewith. No such reletting shall constitute a surrender and acceptance or be deemed evidence thereof. If Lessor elects, pursuant hereto, actually to occupy and use the Premises or any part thereof during any part of the balance of the Term as originally fixed or since extended, there shall be allowed against Lessee's obligation for rent or damages as herein defined, during the period of Lessor's occupancy, the reasonable value of such occupancy, not to exceed, in any event, the Fixed Basic Rent and Additional Rent herein reserved and such occupancy shall not be construed as a release of Lessee's liability hereunder.*

(b) Alternatively, in lieu of the remedy provided in subparagraph (a) above, in any case where Lessor has recovered possession of the Premises by reason of Lessee's default, Lessor may at Lessor's option, and at any time thereafter, and without notice or other action by Lessor, and without prejudice to any other rights or remedies it might have hereunder or at law or equity, become entitled to recover from Lessee, as Damages for such breach, in addition to such other sums herein agreed to be paid by Lessee, to the date of re-entry, expiration and/or dispossession, an amount equal to the difference between the Fixed Basic Rent and Additional Rent reserved in this Lease from the date of such default to the date of Expiration of the original Term demised and the then fair and reasonable rental value of the Premises for the same period. Said Damages shall become due and payable to Lessor immediately upon such breach of this Lease and without regard to whether this Lease be terminated or not, and if this Lease be terminated, without regard to the manner in which it is terminated. In the computation of such Damages, the difference between an installment of Fixed Basic Rent and Additional Rent thereafter becoming due and the fair and reasonable rental value of the Premises for the period for which such installment was payable shall be discounted to the date of such default at the rate of not more than six percent (6%) per annum.

Lessee hereby waives all right of redemption to which Lessee or any person under Lessee might be entitled by any law now or hereafter in force.

Lessor's remedies hereunder are in addition to any remedy allowed by law.

Lessor will use reasonable commercial efforts to mitigate its damages in the event of Lessee's default, which for purposes of this section shall mean the Premises shall be listed as available for leasing.*

15. SUBORDINATION OF LEASE:

This Lease shall, at Lessor's option, or at the option of any holder of any underlying lease or holder of any mortgages or trust deed, be subject and subordinate to any such underlying

leases and to any such mortgages or trust deed which may now or hereafter affect the real property of which the Premises form a part, and also to all renewals, modifications, consolidations and replacements of said underlying leases and said mortgages or trust deed provided, that Lessor shall obtain a nondisturbance agreement from the current holder of any such underlying lease, mortgage or trust deed and shall use commercially reasonable efforts to obtain a non-disturbance agreement from any future holder of any such underlying lease, mortgage or trust deed. Any expenses charged by the mortgagee in connection with the obtaining of the aforesaid agreement shall be paid by Lessee. Although no instrument or act on the part of Lessee shall be necessary to effectuate such subordination, Lessee will, nevertheless, execute and deliver such further reasonable and customary instruments confirming such subordination of this Lease as may be desired by the holders of said mortgages or trust deed or by any of the lessor's under such underlying leases. Lessee hereby appoints Lessor attorney-in-fact, irrevocably, to execute and deliver any such instrument for Lessee if Lessee fails to do so within ten (10) days after Lessor's demand. If any underlying lease to which this Lease is subject terminates, Lessee shall, on timely request, attorn to the owner of the reversion.*

16. INTENTIONALLY OMITTED.

17. RIGHT TO CURE LESSEE'S BREACH:

If Lessee breaches any covenant or condition of this Lease following any required notice and the applicable cure period, if any, Lessor may, on reasonable notice to Lessee (except that no notice need be given in case of emergency), cure such breach at the expense of Lessee and the reasonable amount of all expenses, including attorney's fees, incurred by Lessor in so doing (whether paid by Lessor or not) shall be deemed Additional Rent payable on demand.*

18. MECHANIC'S LIENS:

Lessee shall, within thirty (30) days after notice from Lessor, discharge or satisfy by bonding or otherwise any mechanic liens for materials or labor claimed to have been furnished to the Premises on Lessee's behalf.*

19. RIGHT TO INSPECT AND REPAIR:

Lessor may enter the Premises but shall not be obligated to do so (except as required by any specific provision of this Lease) at any reasonable time on reasonable prior notice to Lessee, accompanied by a representative of Lessee (except that no prior notice need be given in case of emergency, in which event, however, Lessor will use reasonable efforts to contact Lessee's director of security (or other designated Lessee personnel) by telephone or pager as soon as reasonably practicable under the circumstances at such numbers as Lessee shall have provided to Lessor) for the purpose of inspection or the making of such repairs, replacement or additions in, to, on and about the Premises or the Building, as Lessor deems necessary or desirable. Lessee shall have no claims or cause of action against Lessor by reason thereof. In no event shall Lessee have any claim against Lessor for interruption of Lessee's business, however occurring, including but not limited to that arising from the negligence of Lessor, its agents, servants or invitees, or from defects, errors or omissions in the construction or design of the Premises and/or the Building, including the structural and non-structural portions thereof. Lessor shall use reasonable efforts to minimize interference with the conduct of Lessee's business at the Premises.*

20. SERVICES TO BE PROVIDED BY LESSOR/LESSOR'S EXCULPATION:

Subject to intervening laws, ordinances, regulations and executive orders, Lessor agrees to furnish, except on holidays, as set forth on Exhibit E attached hereto and made a part hereof:*

- a. The cleaning services, as set forth on Exhibit D attached hereto and made a part hereof, and subject to the conditions therein stated. Except as set forth on Exhibit D, Lessee shall pay the cost of all other cleaning services required by Lessee.
- b. Heating, ventilating and air conditioning (herein "HVAC") as appropriate for the season, and as set forth on Exhibit C-1, attached hereto and made a part hereof, together with Common Facilities lighting and electric energy all during Building Hours, as defined in the Preamble.
- c. Cold and hot water for drinking and lavatory purposes.
- d. Elevator service during Building Hours (if the Building contains an elevator or elevators for the use of the occupants thereof) plus at least one (1) elevator available seven days a week, twenty-four hours a day (including holidays).*
- e. Restroom supplies and exterior window cleaning when reasonably required.
- f. Notwithstanding the requirements of Exhibit C-1 (as to HVAC) or D or any other provision of this Lease, Lessor shall not be liable for failure to furnish any of the aforesaid services when such failure is due to Force Majeure, as hereinafter defined. Lessor shall not be liable, under any circumstances, including, but not limited to, that arising from the negligence of Lessor, its agents, servants or invitees, or from defects, errors or omissions in the construction or design of the Premises and/or the Building, including the structural and non-structural portions thereof, for loss of or injury to Lessee or to property, however occurring, through or in connection with or incidental to the furnishings of, or failure to furnish, any of the aforesaid services or for any interruption to Lessee's business, however occurring.

21. INTERRUPTION OF SERVICES OR USE:

Interruption or curtailment of any service maintained in the Building or at the Office Building Area, if caused by Force Majeure, as hereinafter defined, or the presence of Contaminants or a violation of Environmental Law shall not entitle Lessee to any claim against Lessor or to any abatement in rent, and shall not constitute a constructive or partial eviction, unless Lessor fails to take measures as may be reasonable under the circumstances to restore the service without undue delay. If the Premises are rendered untenable in whole or in part, for a period of five (5) consecutive business days, other than caused by misuse or neglect by Lessee, or Lessee's agents, servants, visitors or licensees, there shall be a proportionate abatement of Rent from and after said fifth (5th) consecutive business day and continuing for the period of such untenability. In no event, shall Lessee be entitled to claim a constructive eviction from the Premises unless Lessee shall first have notified Lessor in writing of the condition or conditions giving rise thereto, and if the complaints be justified, unless Lessor shall have failed, within a reasonable time after receipt of such notice, to remedy, or commence and proceed with due diligence to remedy such condition or conditions, all subject to Force Majeure as hereinafter defined.*

22. BUILDING STANDARD OFFICE ELECTRICAL SERVICE:

The cost of electric current which is supplied by the Lessor for use by the Lessee in the Premises (including the cost of electric current which is supplied to the Larger Premises), other than for heating or air conditioning purposes, shall be reimbursed to the Lessor, as set forth in this Article 22, which the parties intend as equivalent to the terms, classification and rates normally charged by the public utilities corporation serving that part of the municipality where the subject Premises are located, provided, however, that Lessee shall have the right, at its sole expense to install an electric submeter in the Premises to measure Lessee's use of electric current, in which event electricity shall be supplied to the Premises in accordance with subparagraphs h through p of this Article .*

- a. From and after the Commencement Date, Lessee agrees to pay as Additional Rent an estimated electrical charge of \$.10 per square foot per month, payable on the first day of each and every month, until such time as an electrical survey can be performed pursuant to Article 22(b) below.
- b. Lessee agrees that an independent electrical engineering consultant shall make a survey of electric power demand of the electric lighting fixtures and the electric equipment of Lessee used in the Premises (and Larger Premises) to determine the average monthly electric consumption thereof, and the costs of said survey shall be borne by Lessee. The findings of said consultant as to the average monthly electric consumption of Lessee shall, unless objected to by Lessee within forty-five (45) days after Lessee's receipt of same, be conclusive and binding on Lessor and Lessee. After Lessor's consultant has submitted its report, Lessee shall pay to Lessor, within ten (10) days after demand therefor by Lessor, the amount (based on the monthly consumption found by such consultant) as owing from the Lease Term's Commencement Date, and the then expired months, to include the then current month adjusted for the estimated electrical charges already paid pursuant to Article 22(a). On the first day of every month thereafter, Lessee shall pay, in advance, the amount set forth as the monthly consumption in said report. Said amounts shall be treated as Additional Rent due hereunder. Proportionate sums shall be payable for periods of less than a full month if the Term commences or ends on any other than the first or last day of the month. If Lessee objects to said findings, Lessee shall nevertheless pay and continue to pay the amount determined by Lessor's consultant until the issue is finally resolved, but Lessee may, at its expense, seek the services of an independent electrical consultant who shall make a survey as provided above. If Lessor's and Lessee's consultant cannot agree as to Lessee's consumption within thirty (30) days of Lessee's consultant's findings either Lessor or Lessee may request the American Arbitration Association in Somerset, New Jersey to appoint an electrical engineering consultant whose decision shall be final and binding on Lessor and Lessee, and whose cost shall be shared equally. Upon the issue being finally resolved, any overpayment made by Lessee shall be promptly refunded, and, in the event Lessee's average monthly consumption, as finally determined, is less than eighty (80%) percent of the amount originally estimated by Lessor's consultant, then Lessor shall pay the cost for both consultants and reimburse Lessee its reasonable out of pocket expenses incurred in connection with such objection.*
- c. In the event that there shall be an increase or decrease in the rate schedule (including surcharges or demand adjustments), of the public utility for the supply of Building Standard Office Electrical Service, or the imposition of any tax with respect to such service or increase in any such tax following the Lease Term's commencement, the Additional Rent payable hereunder shall be adjusted equitably to reflect the increase or decrease in rate or imposition or increase in the aforesaid tax. All computations shall be made on the basis of Lessee's surveyed usage as if a meter exclusively measuring such usage to the Premises (and Larger Premises) was in place.
- d. Lessee covenants that it shall notify Lessor promptly upon the introduction of any office equipment or lighting different from that on the Premises (or Larger Premises) as of Lessor's electrical survey or in addition to the aforesaid equipment or lighting on the Premises (or Larger Premises) as of said survey the use of which, in any event, should be reasonably expected to materially increase Lessee's electricity consumption in excess of the amount estimated as provided in Section 22(b) hereof. Lessee shall also notify Lessor if it occupies any portion of the Larger Premises in addition to that occupied by Lessee as of Lessor's electrical survey. The introduction of any such new or different equipment or lighting or the occupancy of any additional portion of the Larger Premises shall be cause for, at Lessor's election, a resurveying of the Premises at Lessee's expense. Lessor reserves the right, upon prior written notice to Lessee, at mutually convenient times, to inspect the Premises to insure compliance with this provision.*
- e. Lessor shall not be liable in any way to Lessee for any loss, damage or expense which Lessee may sustain or incur as a result of any failure, defect or change in the quantity or character of electrical energy available for redistribution to the Premises pursuant to this Article 22 nor for any interruption in the supply, and Lessee agrees that such

supply may be interrupted on prior written notice to Lessee for inspection, repairs and replacement and, with such notice as may be practicable under the circumstances, in emergencies. In any event, the full measure of Lessor's liability for any interruption in the supply due to Lessor's acts or omissions shall be an abatement of Fixed Basic Rent and Additional Rent, unless Lessor fails to take such measures as may be reasonable under the circumstances to restore such service without undue delay. In no event shall Lessor be liable for any business interruption suffered by Lessee.*

- f. Lessor, at Lessee's expense, shall furnish and install all replacement lighting tubes, lamps, ballasts and bulbs required in the Premises. Lessee, however, shall have the right to furnish and/or install any or all of the items mentioned in this Article 22(f).
- g. Lessee's use of electrical service as contemplated herein shall be during Building Hours, and any use in excess of said Building Hours shall result in an adjustment as set forth in Article 22(a) hereof to reflect such additional consumption.
- h. If Lessee elects to install a submeter(s) to measure Lessee's use of electricity in the Premises during the Term, in accordance with the provisions of paragraph a. of this Article, the following shall be applicable:
- (i) The term "Electric Rate" shall mean the Service Classification pursuant to which Lessor purchases electricity from the utility company servicing the Building, provided, however, at no time shall the amount payable by Lessee for electricity be less than Lessor's Cost per Kilowatt and Cost per Kilowatt Hour (as such terms are hereinafter defined), and provided further that in any event, the Electric Rate shall include all applicable surcharges, and demand, energy, fuel adjustment and time of day charges (if any), taxes and other sums payable in respect thereof.
- (ii) The term "Cost per Kilowatt Hour" shall mean the total cost for electricity incurred by Lessor to service the Building during a particular time period (including all applicable surcharges, and energy, fuel adjustment and time of day charges (if any), taxes and other sums payable in respect thereof) divided by the total kilowatt hours purchased by Lessor during such period.
- (iii) The term "Cost per Kilowatt" shall mean the total cost for demand incurred by Lessor to service the Building during a particular time period (including all applicable surcharges, demand, and time of day charges (if any), taxes and other sums payable in respect to thereof) divided by the total kilowatts purchased by Lessor during such period.
- i. (i) Lessor shall supply electricity to service the Premises on a submetered basis, and Lessee shall pay to Lessor, as additional rent, the sum of (y) an amount determined by applying the Electric Rate or, at Lessor's election, the Cost per Kilowatt Hour and Cost per Kilowatt, to Lessee's consumption of and demand for electricity within the Premises as recorded on the submeter or submeters servicing the Premises, and (z) Lessor's administrative charge of 7% of the amount referred to in clause (y) above, if and to the extent same is permitted by legal requirements (such combined sum being hereinafter called "Submeter Electric Rent"). Except as set forth in the foregoing clause (z), Lessor will not charge Lessee more than the Electric Rate or, at Lessor's election, the Cost per Kilowatt and Cost per Kilowatt Hour for the electricity provided pursuant to this paragraph.
- (ii) Where more than one submeter measures the electric service to Lessee, the electric service rendered through each submeter shall be computed and billed separately in accordance with the provisions hereinabove set forth.
- (iii) Lessee shall pay to Lessor, on account of the Submeter Electric Rent payable pursuant to this paragraph (c), the annual sum of \$1.20 per square foot of gross rentable square feet ("Estimated Submeter Electric Rent"), subject to the adjustments on the first day of each and every calendar month of the term (except that if the first day of the term is other than the first day of a calendar month, the first monthly installment, prorated to the end of said calendar month, shall be payable on the first day of the first full calendar month).

(iv) From time to time during the term, the Estimated Submeter Electric Rent may be adjusted by Lessor on the basis of either Lessor's reasonable estimate of Lessee's electric consumption and demand (if at any time the submeter(s) servicing the Premises are inoperative) or Lessee's actual consumption of and demand for electricity as recorded on the submeter(s) servicing the Premises, and, in either event, the Electric Rate or Cost per Kilowatt and Cost per Kilowatt Hour then in effect.

(v) Subsequent to the end of each calendar year during the Term of this lease, or more frequently if Lessor shall elect, Lessor shall submit to Lessee a statement of the Electric Submeter Rent for such year or shorter period together with the components thereof, as set forth in clause (i) of this paragraph (c) ("Submetered Electric Statement"). To the extent that the Estimated Submeter Electric Rent paid by Lessee for the period covered by the Submetered Electric Statement shall be less than the Submeter Electric Rent as set forth on such Submeter Electric Statement, Lessee shall pay Lessor the difference within 30 days after receipt of the Submeter Electric Statement. If the Estimated Submeter Electric Rent paid by Lessee for the period covered by the Submeter Electric Statement shall be greater than the Submeter Electric Rent as set forth on the Submeter Electric Statement, such difference shall be credited against the next required payment(s) of Estimated Submeter Electric Rent. If no Estimated Submeter Electric Rent payment(s) shall thereafter be due, Lessor shall pay such difference to Lessee.

(vi) For any period during which the submeter(s) servicing the Premises are inoperative, the Submeter Electric Rent shall be determined by Lessor, based upon its reasonable estimate of Lessee's actual consumption of and demand for electricity, and the Electric Rate or Cost per Kilowatt and Cost per Kilowatt Hour then in effect.

- j. If Lessor discontinues furnishing electricity to the Premises pursuant to paragraph h of this Article, Lessee shall make its own arrangements to obtain electricity directly from the utility company furnishing electricity to the Building (and Lessor shall not discontinue furnishing electricity until Lessee has had ample opportunity to make such arrangements). The cost of such service shall be paid by Lessee directly to such utility company. Lessor shall permit its electric feeders, risers and wiring serving the Premises to be used by Lessee, to the extent available, safe and capable of being used for such purpose. All meters and all additional panel boards, feeders, risers, wiring and other conductors and equipment which may be required to enable Lessee to obtain electricity of substantially the same quality and character, shall be installed by Lessor at Lessee's cost and expense.*
- k. Bills for electricity supplied pursuant to subparagraph i of this Article shall be rendered to Lessee at such times as Lessor may elect but not less frequently than quarterly. Lessee's payments for electricity supplied in accordance with subparagraph i of this Article shall be due and payable within 30 days after delivery of a statement therefor, by Lessor to Lessee. If any tax is imposed upon Lessor's receipts from the sale of electricity to Lessee by legal requirements, Lessee agrees that, unless prohibited by such legal requirements, Lessee's Percentage of such taxes shall be included in the bills of, and paid by Lessee to Lessor, as additional rent.*
- l. Lessor's failure during the term to prepare and deliver any statements or bills under this Article, or Lessor's failure to make a demand under this Article, shall not in any way be deemed to be a waiver of, or cause Lessor to forfeit or surrender, its rights to collect any amount of additional rent which may become due pursuant to this Article. Lessee's liability for any amounts due under this Article shall survive the expiration or sooner termination of the term.
- m. Lessee's failure or refusal, for any reason, to utilize the electrical energy provided by Lessor, shall not entitle Lessee to any abatement or diminution of Fixed Basic Rent or additional rent, or otherwise relieve Lessee from any of its obligations under this lease.
- n. If either the quantity or character of the electrical service is changed by the utility company supplying electrical service to the Building or is no longer available or suitable for Lessee's requirements, or if there shall be a change, interruption or termination of electrical service due to a failure or defect on the part of the utility

company, no such change, unavailability, unsuitability, failure or defect shall constitute an actual or constructive eviction, in whole or in part, or entitle Lessee to any payment from Lessor for any loss, damage or expense, or to abatement or diminution of Fixed Basic Rent or additional rent, or otherwise relieve Lessee from any of its obligations under this lease, or impose any obligation upon Lessor or its agents. Lessor will use reasonable efforts to insure that there is no interruption in electrical service to Lessee, but in no event shall Lessor be responsible for any failures of the utility providing such service or the negligence or other acts of third parties causing any such interruption.

- o. Lessee shall not make any electrical installations, alterations, additions or changes to the electrical equipment or appliances in the Premises without prior written consent of Lessor in each such instance, which consent shall not be unreasonably withheld or delayed. Lessee shall comply with the rules and regulations applicable to the service, equipment, wiring and requirements of Lessor and of the utility company supplying electricity to the Building. Lessee agrees that its use of electricity in the Premises will not exceed the capacity of existing feeders to the Building or the risers or wiring installations therein and Lessee shall not use any electrical equipment which, in Lessor's judgment, will overload such installations or interfere with the use thereof by other Lessees in the Building. If, in Lessor's judgment, after consultation with an electrical consultant, Lessee's electrical requirements necessitate installation of an additional riser, risers or other proper and necessary equipment or services, including additional ventilating or air-conditioning, the same shall be provided or installed by Lessor at Lessee's expense, which shall be chargeable and collectible as additional rent and paid within 30 days after the rendition to Lessee of a bill therefor.*
- p. If, after Lessee's initial installation work, (i) Lessee shall request the installation of additional risers, feeders or other equipment or service to supply its electrical requirements and Lessor shall determine that the same are necessary and will not cause damage or injury to the Building or the Premises or cause or create a dangerous or hazardous condition or entail excessive or unreasonable alterations, repairs or expense or interfere with or disturb other Lessees or occupants of the Building, or (ii) Lessor shall determine that the installation of additional risers, feeders or other equipment or service to supply Lessee's electrical requirements is necessary, then and in either of such events Lessor shall cause such installations to be made, at Lessee's sole cost and expense and Lessee shall pay Lessor for such installations, as additional rent, within 30 days after submission of a statement therefor.

23. ADDITIONAL RENT:

It is expressly agreed that Lessee will pay in addition to the Fixed Basic Rent provided in Article 3 hereof, an Additional Rent to cover Lessee's Percentage as defined in the Preamble, of the increased cost to Lessor, for each of the categories enumerated herein, over the "Base Period Costs", as defined in the Preamble for said categories.

- a. OPERATING COST ESCALATION -- If the Operating Costs incurred by Lessor for the Building in which the Premises are located and Office Building Area for any Lease Year or Partial Lease Year during the Lease Term shall be greater than the Base Operating Costs (adjusted proportionately for periods less than a Lease Year), then Lessee shall pay to Lessor, as Additional Rent, Lessee's Percentage of all such excess Operating Costs. Operating Costs shall include, by way of illustration and not of limitation the following costs incurred by Lessor for the Building and the Office Building Area: personal property taxes; management fees consistent with those charged by owners of comparable buildings in the Borough of Paramus; labor directly attributable to the Building, including all wages and salaries; social security taxes, and other taxes which may be levied against Lessor upon such wages and salaries; supplies; repairs and maintenance; maintenance and service contracts; painting; wall and window washing; laundry and towel service; tools and equipment (which are not required to be capitalized for federal income tax purposes); fire and other insurance; trash removal; lawn care; snow removal and all other items properly constituting direct operating costs according to standard accounting practices (hereinafter

collectively referred to as the "Operating Costs"), but not including depreciation of Building or equipment; interest; income or excess profits taxes; costs of maintaining the Lessor's corporate existence; franchise taxes; any expenditures required to be capitalized for federal income tax purposes, unless said expenditures are for the purpose of reducing Operating Costs within the Building and Office Building Area, or those which under generally applied real estate practice are expensed or regarded as deferred expenses or are required under any governmental or quasi-governmental law, statute, ordinance, rule, order, requirements or regulation, in which event the costs thereof amortized over their useful life shall be included. The Base Operating Costs shall as be as defined in the Preamble. Notwithstanding anything hereinabove to the contrary, the following items shall be excluded from Operating Costs: (1) cost of improvements and services paid for or made for new or existing lessees or occupants of the Building (including Lessee) and/or any credits granted in lieu thereof and in addition therefor; (2) cost of any repairs made by Lessor to remedy damage to the extent caused by or resulting from the acts or omissions of Lessor, its agents, contractors, licensees or employees or of other lessees in the Building; (3) legal or brokerage or finder's or appraisal fees or other fees, leasing commissions, advertising and promotional expenses and other costs incurred in leasing or attempting to lease any portion of the Building or in connection with defaults by present or prior lessees or occupants or in connection with placing or refinancing any mortgages or underlying leases on the Building or Office Building Area; (4) funds given to any lessees in cash, by credit or offset or otherwise, and the cost of any work done for any lessees in connection with the leasing of space in the Building; (5) cost of any items to the extent Lessor is or is entitled to be reimbursed by insurance (or would have been reimbursable had a reasonably prudent Lessor maintained insurance coverage), or otherwise compensated, including direct reimbursement by any Lessee for specific services performed for such Lessee (other than under operating expense escalation provisions of its lease); (6) that portion of any salary, fee or cost paid to an individual having a familial relationship including by marriage or to a corporation or other entity affiliated with Lessor (i.e., controlling, controlled by or under common control with Lessor) that is in excess of the amount which would be paid in the absence of such relationship; (7) financing and refinancing costs with respect to any indebtedness of Lessor, whether secured or unsecured, including legal and accounting fees and expenses, prepayment penalties and interest and amortization payments in connection therewith; (8) rent and additional rent under any ground or underlying lease (except to the extent that any additional rent thereunder would otherwise qualify as an Operating Cost hereunder); (9) franchise, gross receipts, rent, unincorporated business, estate, transfer, mortgage, inheritance and income taxes imposed upon Lessor and any present or future taxes similar to the foregoing excluded items (other than sales taxes on items or services otherwise includible in Operating Expenses); (10) costs incurred in connection with the transfer or disposition of direct or indirect ownership interests in the Building, Land or Lessor including, without limitation, attorneys' fees and expenses; (11) costs of repairs or restoration necessitated by condemnation; (12) costs incurred in connection with the making or enforcement of leases or resolution of disputes with lessees, including, without limitation, court costs, attorneys' fees and disbursements in connection with any summary proceedings to dispossess any lessee; (13) fines, judgments or awards against Lessor; (14) costs resulting from Lessor's default under any lease or mortgage or other agreement; (15) items to the extent actually reimbursed to Lessor or to which Lessor is entitled to be reimbursed pursuant to any warranties or guarantees or any other source; (16) wages, salaries and other compensation paid to employees of the Building above the grade of building manager; (17) lease takeover or take-back costs incurred by Lessor in connection with leases in the Building; (18) to the extent any costs includible in Operating Costs are incurred with respect to both the Building and other properties (including, without limitation, salaries, fringe benefits and other compensation of Lessor's personnel who provide services to both the Building and other properties), there shall be excluded from Operating Costs a fair and reasonable percentage thereof which is properly allocable to such other properties; (19) cost of any judgment, settlement, or arbitration award resulting from any liability of Lessor that is the result of negligence, willful misconduct, default or fraud and all expenses incurred in connection therewith; (20) the cost of providing any service provided by managing agents of comparable office buildings in Bergen County, New Jersey that is customarily included in management fees and management fees in excess of those

normally incurred for comparable buildings; (21) the cost of acquiring or replacing any separate electrical meter Lessor may provide to any of the lessees in the Building; (22) costs relating to withdrawal liability or unfunded pension liability; (23) cost of installing, operating, maintaining and repairing any specialty facility such as an observatory, broadcasting facilities, luncheon club, athletic or recreational club, child care facility, auditorium, cafeteria or dining facility, conference center or similar facilities; (24) interest, fine, penalty or other late charges payable by Lessor and incurred as a result of late payments, except to the extent the same was incurred with respect to a payment part or all of which was the responsibility of Lessee hereunder and with respect to which Lessee did not make a payment in a timely fashion or did not make the same at all; (25) compensation paid to clerks, attendants or other persons in commercial concessions operated by Lessor; (26) costs of acquiring, leasing, insuring, restoring, removing or replacing (i) sculptures, (ii) paintings, and (iii) other objects of art located within or outside the Building, except for the cost of routine maintenance of such objects in the public areas in the Building; (27) costs incurred in connection with physically adding space to, or building additional stories on, the Building or its plazas, or adding buildings or other structures adjoining the Building, or connecting the Building to other structures adjoining the Building; (28) costs incurred in connection with the acquisition or sale of air rights or transferable development rights; (29) costs paid or incurred in connection with the removal, replacement, enclosure, encapsulation or other treatment of any hazardous materials or substances; (30) cost of electricity and overtime HVAC furnished to the Premises or any other leasable space in the Building whether or not leased to lessees; (31) costs (including, without limitation, any taxes or assessments) of any revenue generating signs or displays; (32) costs incurred in connection with any concourse or any plaza connecting the Building to any other building in excess of those costs equitably allocable to the Building; (33) expenditures for repairing and/or replacing any defect in any work performed by Lessor, its agents, contractors or employees in or to the Building or its appurtenances (including any sidewalks and parking areas); (34) the cost of any work or services in excess of those Lessor is required to furnish, without charge, to Lessee; (35) any payments or credits actually received by Lessor for recyclable materials and waste paper for a particular year within the Term shall be deducted from Operating Costs for such year; (36) bad debt losses.*

- b. FUEL, UTILITIES AND ELECTRIC COST ESCALATION (hereinafter referred to as "Utility and Energy Costs") -- If the Utility and Energy Costs, including any fuel surcharges or adjustments with respect thereto, incurred for water, sewer, gas, electric, other utilities and heating, ventilating and air conditioning for the Building, to include all leased and leasable areas (not separately billed or metered within the Building) and Common Facilities electric, lighting, water, sewer and other utilities for the Building and Office Building Area, for any Lease Year or Partial Lease Year, during the Term, shall be greater than the Base Utility and Energy Costs (adjusted proportionately for periods less than a Lease Year), then Lessee shall pay to Lessor as Additional Rent, Lessee's Percentage as hereinafter defined, of all such excess Utility and Energy Costs. As used in this Article 23, the Base Utility and Energy Costs shall be as defined in the Preamble.
- c. TAX ESCALATION -- If the Real Estate Taxes for the Building and Office Building Area at which the Premises are located for any Lease Year or Partial Lease Year, during the Lease Term, shall be greater than the Base Real Estate Taxes (adjusted proportionately for periods less than a Lease Year), then Lessee shall pay to Lessor as Additional Rent, Lessee's Percentage as hereinafter defined, of all such excess Real Estate Taxes. Lessor represents that to the best of its knowledge the Building is fully assessed.*

As used in this Article 23(c), the words and terms which follow mean and include the following:

- i. "Base Real Estate Taxes" shall be as defined in the Preamble.
- ii. "Real Estate Taxes" shall mean the property taxes and assessments imposed upon the Building and Office Building Area, or upon the rent, as such,

payable to the Lessor by tenants occupying any space in the Office Building Area, including, but not limited to, real estate, city, county, village, school and transit taxes, or taxes, assessments, or charges levied, imposed or assessed against the Building and Office Building Area by any other taxing authority, whether general or specific, ordinary or extraordinary, foreseen or unforeseen. If due to a future change in the method of taxation, any franchise, income or profit tax shall be levied against Lessor in substitution for, or in lieu of, or in addition to, any tax which would otherwise constitute a Real Estate Tax, such franchise, income or profit tax shall be deemed to be a Real Estate Tax for the purposes hereof; conversely, any additional real estate tax hereafter imposed in substitution for, or in lieu of, any franchise, income or profit tax (which is not in substitution for, or in lieu of, or in addition to, a Real Estate Tax as hereinbefore provided) shall not be deemed a Real Estate Tax for the purposes hereof.

- d. LEASE YEAR -- As used in this Article 23, Lease Year shall mean a calendar year. Any portion of the Term which is less than a Lease Year as hereinbefore defined, that is, from the Commencement Date through the following December 31, and from the last January 1, falling within the Term to the end of the Term, shall be deemed a "Partial Lease Year". Any reference in this Lease to a Lease Year shall, unless the context clearly indicates otherwise, be deemed to be a reference to a Partial Lease Year if the period in question involves a Partial Lease Year.
- e. PAYMENT -- At any time, and from time to time, after the establishment of the Base Period Costs for each of the categories referred to above, Lessor shall advise Lessee in writing of Lessee's Percentage share with respect to each of the categories as estimated for the next twelve (12) month period (or proportionate part thereof if the last period prior to the Lease's expiration is less than twelve (12) months) as then known to the Lessor, and thereafter, the Lessee shall pay as Additional Rent, Lessee's Percentage share of these costs for the then current period affected by such advice (as the same may be periodically revised by Lessor as additional costs are incurred) in equal monthly installments, such new rates being applied to any months, for which the Fixed Basic Rent shall have already been paid which are affected by the Operating Cost Escalation and/or Utility and Energy Cost Escalation and/or Tax Escalation Costs above referred to, as well as the unexpired months of the current period, the adjustment for the then expired months to be made at the payment of the next succeeding monthly rental, all subject to final adjustment at the expiration of each Lease Year as defined in Article 23(d) hereof (or Partial Lease Year if the last period prior to the Lease's termination is less than twelve (12) months). However, Lessor shall be reimbursed by Lessee monthly during the first year of the Term for additional Utility and Energy Cost Escalations resulting from an increase in the monthly rate over the Base Utility Rate.

In the event the last period prior to the Lease's termination is less than twelve (12) months, the Base Period Costs during said period shall be proportionately reduced to correspond to the duration of said final period.

- f. BOOKS AND REPORTS -- For the protection of Lessee, Lessor shall maintain books of account which shall be open to Lessee and its representatives at all reasonable times so that Lessee can determine that such Operating, Utility and Energy and Real Estate Tax Costs have, in fact, been paid or incurred. Lessee's representatives shall mean only (i) Lessee's employees or (ii) a Certified Public Accounting firm, and neither Lessee's employees nor any Certified Public Accounting firm shall not be permitted to (i) perform such inspection and/or audit on a contingency basis, or (ii) perform such an inspection and/or audit for any other tenant in the Building. Nothing hereinabove shall preclude Lessee from using its usual Certified Public Accounting firm. At Lessor's request, Lessee shall execute a confidentiality agreement reasonably acceptable to Lessor prior to any examination of Lessor's books and records. In the event Lessee disputes any one or more of said charges, Lessee shall attempt to resolve such dispute with Lessor, provided that if such dispute shall not be satisfactorily settled between Lessor and Lessee, the dispute shall be referred by either party to an independent certified public accountant to be mutually agreed upon, and if such an accountant cannot be agreed upon, The American Arbitration

Association may be asked by either party to select an arbitrator, whose decision on the dispute will be final and binding upon both parties, who shall jointly share any cost of such arbitration. Pending resolution of said dispute the Lessee shall pay to Lessor the sum so billed by Lessor subject to its ultimate resolution as aforesaid.*

- g. RIGHT OF REVIEW -- Once Lessor shall have finally determined said Operating, Utility and Energy or Real Estate Tax Costs at the expiration of a Lease Year, then as to the item so established, Lessee shall only be entitled to dispute said charge as finally established for a period of nine (9) months after such charge is finally established, and Lessee specifically waives any right to dispute any such charge at the expiration of said nine (9) month period.*
- h. OCCUPANCY ADJUSTMENT -- If, with respect to Operating Cost Escalation, as established in Article 23(a) hereof, and Utility and Energy Cost Escalation, as established in Article 23(b) hereof, the Building is less than ninety-five percent (95%) occupied during the establishment of the respective Base Periods, then the Base Costs incurred with respect to said Operating Cost or Utility and Energy Cost shall be adjusted during any such period within the Base Period so as to reflect ninety-five percent (95%) occupancy. Similarly, if during any Lease Year or Partial Lease Year, subsequent to the Base Period the Building is less than ninety-five percent (95%) occupied, then the actual costs incurred for Operating Cost and Utility and Energy Cost shall be increased during any such period to reflect ninety-five percent (95%) occupancy so that at all times after the Base Period the Operating Cost or Utility and Energy Cost shall be actual costs, but in the event less than ninety-five percent (95%) of the Building is occupied during all or part of the Lease Year involved, the Operating Cost or Utility and Energy Cost shall not be less than that which would have been incurred had ninety-five percent (95%) of the Building been occupied. The aforesaid adjustment shall only be made with respect to those items that are in fact affected by variations in occupancy levels.*

24. LESSEE'S ESTOPPEL:

Lessee shall, from time to time, on not less than twenty (20) days prior written request by Lessor, execute, acknowledge and deliver to Lessor a written statement certifying that the Lease is unmodified and in full force and effect, or that the Lease is in full force and effect as modified and listing the instruments of modification; the dates to which the rents and charges have been paid; and, to the best of Lessee's knowledge, whether or not Lessor is in default hereunder, and if so, specifying the nature of the default. It is intended that any such statement delivered pursuant to this Article 24 may be relied on by a prospective purchaser of Lessor's interest or mortgagee of Lessor's interest or assignee of any mortgage of Lessor's interest. Lessee shall also execute and deliver the form "Lessee Estoppel Certificate" attached hereto as Exhibit F.

25. HOLDOVER TENANCY:

If Lessee holds possession of the Premises after the Expiration Date of this Lease, Lessee shall (i) become a tenant from month to month under the provisions herein provided, but at one hundred fifty percent (150%) of the monthly fixed basic rental for the last month of the term plus the Additional Rent for the first month and two hundred percent (200%) of the monthly fixed basic rental for the last month of the term plus the Additional Rent thereafter which shall continue as provided in the Lease which sum shall be payable in advance on the first day of each month, and without the requirement for demand or notice by Lessor to Lessee demanding delivery of possession of said Premises, and such tenancy shall continue until terminated by Lessor, or until Lessee shall have given to Lessor, at least thirty (30) days prior to the intended date of termination, a written notice of intent to terminate such tenancy, which termination date must be as of the end of a calendar month; and (ii) indemnify Lessor against actual damages incurred by Lessor resulting from the delay by Lessee in so surrendering the Premises including, without limitation, any actual damages incurred by Lessor resulting from claims made by any succeeding occupant of whom Lessor gives Lessee notice founded on such delay. Lessee's obligations under this Section shall survive the

expiration or sooner termination of the Lease. The time limitations described in this Article 25 shall not be subject to extension for Force Majeure.*

26. RIGHT TO SHOW PREMISES:

Lessor may show the Premises to prospective purchasers and mortgagees; and during the twelve (12) months prior to termination of this Lease, to prospective tenants, during Building Hours on reasonable notice to Lessee. Lessee shall have the right to have a Lessee representative accompany Lessor.*

27. LESSEE'S WORK:

Except as expressly provided herein to the contrary, Lessee shall accept the Premises "as is". Such term shall mean in the same condition and repair in which the prior tenant vacated such space. Lessee shall be responsible for all work as may be necessary to convert the Premises (and Larger Premises) to Lessee's requirements. Lessor shall not be responsible for performing any work with respect to such space. Any work, changes or improvements made to such space shall be performed at Lessee's expense in accordance with the terms of this Lease.*

Notwithstanding anything hereinabove to the contrary, Lessor shall, at its sole cost and expense, perform the following work in the Building and Office Building Area: (i) provide a Code compliant connection to the Building's fire panel on the third floor, (ii) refurbish the Building's elevator cabs to a first class standard using building standard material, (iii) touch-up the Building's lobby and common areas, (iv) upgrade the outside landscaping, and (v) install a ground mounted sign (the location, size and design of which shall be determined by Lessor) for Lessee and other tenants of the Building, and Lessee shall reimburse Lessor one-third of the cost thereof.*

Notwithstanding anything hereinabove to the contrary, Lessee (a) shall have the right, at Lessee's cost and expense, as part of Lessee's work, subject to Lessor's approval of the plans therefor and compliance with all applicable laws and codes, to build a lobby area surrounding the elevator that opens solely into the Premises in the south lobby of the Building and Lessee shall have the exclusive right to use such south lobby area and restrooms therein, and (b) shall have the obligation, at Lessee's cost and expense, as part of Lessee's work, subject to Lessor's approval of the plans therefor and compliance with all applicable laws and codes, to refurbish all third floor bathrooms (including common bathrooms) to be Code compliant including compliant with the Americans with Disabilities Act.*

28. WAIVER OF TRIAL BY JURY:

To the extent such waiver is permitted by law, the parties waive trial by jury in any action or proceeding brought in connection with this Lease or the Premises.

29. LATE CHARGE:

Anything in this Lease to the contrary notwithstanding, at Lessor's option, Lessee shall pay a "Late Charge" of five percent (5%) of any installment of Fixed Basic Rent or Additional Rent not paid at all, or paid more than seven (7) days after the due date thereof, to cover the extra expense involved in handling delinquent payments, said Late Charge to be considered Additional Rent. The amount of the Late Charge to be paid by Lessee shall be reassessed and added to Lessee's obligations for each successive monthly period until paid. Notwithstanding anything in this Article to the contrary, Lessor shall waive a Late Charge one time during each Lease Year provided, however, the installment of Fixed Basic Rent or Additional Rent so due is paid by the fifteenth (15th) day of the month. Payment received subsequent to the fifteenth (15th) of the month during these grace periods shall require a Late Charge to be reassessed and added to Lessee's obligations hereunder.*

30. LESSEE'S INSURANCE:

- a. Lessee covenants to provide at Lessee's cost and expense on or before the earlier of (i) the Commencement Date, or (ii) Lessee's taking actual possession for the purpose of completing any improvement work, and to keep in full force and effect during the entire Term and so long thereafter as Lessee, or anyone claiming by, through or under Lessee, shall occupy the Premises, insurance coverage as follows:
- i. Commercial General Liability insurance with contractual liability endorsements with respect to the business of Lessee in which Lessee shall be adequately covered under limits of liability of not less than FIVE MILLION AND 00/100 DOLLARS (\$5,000,000.00) combined single limit per occurrence for bodily or personal injury (including death) and property damage. Such insurance may be carried (x) under a blanket policy covering the Premises and other locations of Lessee, and (y) under a primary liability policy of not less than ONE MILLION AND 00/100 DOLLARS (\$1,000,000.00) and the balance under an umbrella policy. Notwithstanding anything to the contrary contained in this Lease, the carrying of insurance by Lessee in compliance with this Article 30 shall not modify, reduce, limit or impair Lessee's obligations and liability under Article 33 hereof.*
 - ii. Fire and Extended Coverage, Vandalism, Malicious Mischief, Sprinkler Leakage and Special Extended Coverage Insurance in an amount adequate to cover the cost of replacement of all personal property, decoration, trade fixtures, furnishings, equipment in the Premises and all contents therein. Lessor shall not be liable for any damage to such property of Lessee by fire or other peril includable in the coverage afforded by the standard form of fire insurance policy with extended coverage endorsement attached (whether or not such coverage is in effect), no matter how caused, it being understood that the Lessee will look solely to its insurer for reimbursement.
 - iii. Worker's Compensation Insurance in the minimum statutory amount covering all persons employed by Lessee.
 - iv. Said limits shall be subject to periodic review and Lessor reserves the right to increase said coverage limits if, in the reasonable opinion of Lessor, said coverage becomes inadequate and is less than that commonly maintained by tenants in similar buildings in the area by tenants making similar uses. On or before the Commencement Date, and thereafter at Lessor's request, Lessee shall provide Lessor evidence of the insurance coverage required herein in the form of a duplicate original insurance policy, an insurance binder (countersigned by the insurer), or Evidence of Insurance (in form ACORD 27 with respect to property insurance and ACORD 25-S with respect to liability insurance) for each of the insurance policies Lessee is required to carry in compliance with its obligations under this Lease.
- b. All of the aforesaid insurance shall (i) name Lessor as an additional insured; (ii) be written by one or more responsible insurance companies licensed in the State of New Jersey reasonably satisfactory to Lessor and in form reasonably satisfactory to Lessor; (iii) contain endorsements substantially as follows: "It is understood and agreed that the insurer will give to Lessor, or any successor lessor, c/o Mack-Cali Realty Corporation, 11 Commerce Drive, Cranford, New Jersey, thirty (30) days prior written notice of any cancellation of this policy."; (iv) shall be written on an "occurrence" basis and not on a "claims made" basis.*
- c. Lessee shall be solely responsible for payment of premium and Lessor (or its designee) shall not be required to pay any premium for such insurance. Lessee shall deliver to Lessor at least fifteen (15) days prior to the expiration of such policy, either a duplicate original or a certificate it being the intention of the parties hereto that the insurance required under the terms hereof shall be continuous during the entire Term of this Lease and any other period of time during which pursuant to the Term hereof, said insurance is required. Any insurance carried by Lessee shall be in excess of and

will not contribute with the insurance carried by Lessor for injuries or damage arising out of the Premises.

- d. Lessee agrees, at its own cost and expense, to comply with all rules and regulations of the National Fire Protection Association (NFPA) National Fire Code. If, at any time or from time to time, as a result of or in connection with any failure by Lessee to comply with the foregoing sentence or any act or omission or commission by Lessee, its employees, agents, contractors or licensees, or a result of or in connection with the use to which the Premises are put (notwithstanding that such use may be for the purposes hereinbefore permitted or that such use may have been consented to by Lessor), the fire insurance rate(s) applicable to the Premises shall be higher than that which would be applicable for a business office legally permitted therein, Lessee agrees that it will pay to Lessor as Additional Rent, such portion of the premiums for all Lessor's fire insurance policies in force with respect to the building and the contents of any occupant thereof as shall be attributable to such higher rate(s).
- e. Lessor makes no representation that the limits of liability specified to be carried by Lessee or Lessor under the terms of this Lease are adequate to protect Lessee against Lessee's undertaking under this Article 30, and in the event Lessee believes that any such insurance coverage called for under this Lease is insufficient, Lessee shall provide, at its own expense, such additional insurance as Lessee deems adequate.
- f. In the event the Building or Premises or its contents are damaged or destroyed by fire or other insured casualty, (i) Lessor, to the extent of the coverage of Lessor's policies of fire insurance, hereby waives its rights, if any, against Lessee with respect to such damage or destruction, even if said fire or other casualty shall have been caused, in whole or in part, by the negligence of Lessee, and (ii) Lessee, to the extent of the coverage of Lessee's policies of fire insurance with extended coverage, hereby waives its rights, if any, against Lessor with respect to such damage, or destruction, even if said fire or other casualty shall have been caused, in whole or in part, by the negligence of Lessor; provided, however, such waivers of subrogation shall only be effective with respect to loss or damage occurring during such time as Lessor's or Lessee's policies of fire insurance (as the case may be) shall contain a clause or endorsement providing in substance that the aforesaid waiver of subrogation shall not prejudice the type and amount of coverage under such policies or the right of Lessor or Lessee (as the case may be) to recover thereunder. If, at any time, Lessor's or Lessee's insurance carrier refuses to write insurance which contains a consent to the foregoing waiver of subrogation, Lessor or Lessee, as the case may be, shall notify the party thereof in writing, and upon the giving of such notice, the provisions of this Section shall be null and void as to any casualty which occurs after such notice. If Lessor's or Lessee's insurance carrier shall make a charge for the incorporation of the aforesaid waiver of subrogation in its policies, then the party requesting the waiver shall promptly pay such charge to the other party upon demand. In the event the party requesting their waiver fails to pay such charge upon demand, the other party shall be released of its obligation to supply such waiver.
- g. Should Lessee fail to maintain the insurance coverage as set forth in this Article 30, then Lessee shall be in default hereunder and shall be deemed to have breached its covenants as set forth herein.

31. NO OTHER REPRESENTATIONS:

No representations or promises shall be binding on the parties hereto except those representations and promises contained herein or in some future writing signed by the party making such representation(s) or promise(s).

32. QUIET ENJOYMENT:

Lessor covenants that if, and so long as, Lessee pays Fixed Basic Rent, and any Additional Rent as herein provided, and performs Lessee's covenants hereof, Lessor shall do nothing to

affect Lessee's right to peaceably and quietly have, hold and enjoy the Premises for the Term herein mentioned, subject to the provisions of this Lease.

33. INDEMNITY:

Lessee shall defend, indemnify and save harmless Lessor and its agents against and from; (a) any and all claims (i) arising from (x) the conduct or management by Lessee, its subtenants, licensees, its or their employees, agents, contractors or invitees on the Premises or of any business therein, or (y) any work or thing whatsoever done, or any condition created (other than by Lessor for Lessor's or Lessee's account) in or about the Premises during the Term of this Lease, or during the period of time, if any, prior to the Commencement Date that Lessee may have been given access to the Premises, (z) any default by Lessee under the terms, covenants and conditions of this Lease or (ii) arising from any negligent or otherwise wrongful act or omission of Lessee or any of its subtenants or licensees or its or their employees, agents, contractors or invitees, and (b) all costs, expenses and liabilities including attorneys fees and disbursements incurred in or in connection with each such claim, action or proceeding brought thereon. In case any action or proceeding be brought against Lessor by reason of any such claim, Lessee, upon notice from Lessor, shall resist and defend such action or proceeding.

Lessor shall indemnify and save harmless Lessee and its agents against and from; (a) any and all claims (i) arising from (x) the conduct or management by Lessor, its employees, agents, contractors or invitees on the Common Facilities or of any business therein, or (y) any work or thing whatsoever done, or any condition created in or about the Common Facilities during the Term of this Lease, or (ii) arising from any negligent or otherwise wrongful act or omission of Lessor or any of its employees, agents, contractors or invitees, or (iii) arising from any default by Lessor under the terms, covenants and conditions of this Lease and (b) all costs, expenses and liabilities incurred in or in connection with each such claim, action or proceeding brought thereon. Wherever either party shall be required under this Lease to indemnify, defend and hold the other party harmless, such obligation shall be subject to the condition that the party to be indemnified provide to the party being called upon to indemnify, defend or hold such party harmless prompt notice of any claim or circumstance coming to the claiming party's attention with respect to which such indemnification, defense or holding harmless may be sought; and shall give the indemnifying party reasonable control of the defense and settlement of any such claim, and reasonable cooperation with regard to such defense.*

34. ARTICLE HEADINGS; ASTERISKS:

The article headings in this Lease and position of its provisions are intended for convenience only and shall not be taken into consideration in any construction or interpretation of this Lease or any of its provisions. The asterisks set forth at various locations in this Lease are set forth for Lessor's internal administrative purposes, and are not intended to refer to any other language or to be used for interpretive purposes.*

35. APPLICABILITY TO HEIRS AND ASSIGNS:

The provisions of this Lease shall apply to, bind and inure to the benefit of Lessor and Lessee, and their respective heirs, successors, legal representatives and assigns. It is understood that the term "Lessor" as used in this Lease means only the owner, a mortgagee in possession or a term lessee of the Building, so that in the event of any sale of the Building or of any lease thereof, or if a mortgagee shall take possession of the Premises, the Lessor herein shall be and hereby is entirely freed and relieved of all covenants and obligations of Lessor hereunder accruing thereafter, and it shall be deemed without further agreement that the purchaser, the ground lessee of the Building, or the mortgagee in possession has assumed and agreed to carry out any and all covenants and obligations of Lessor hereunder.*

36. OUTSIDE PARKING SPACES:

Lessee's occupancy of the Premises shall include the use of the number of outside parking spaces as set forth in the Preamble, all of which will be assigned or unassigned, as set forth in the Preamble. Lessor shall not be responsible for any damage or theft of any vehicle in the parking area and shall not be required to keep parking spaces clear of unauthorized vehicles (but will use reasonable efforts to monitor to minimize such unauthorized use) or to otherwise supervise the use of the parking area. Lessee shall, upon request, promptly furnish to Lessor the license numbers of the cars operated by Lessee and its subtenants, licensees, concessionaires, officers and employees. If any vehicle of the Lessee, or of any subtenant, licensee, concessionaire, or of their respective officers, agents or employees, is parked in any part of the Common Facilities other than the employee parking area(s) designated therefor by Lessor, Lessee shall pay to Lessor such penalty as may be fixed by Lessor from time to time. All amounts due under the provisions of this Article 36 shall be deemed to be Additional Rent. Lessor shall keep the parking area sufficiently lighted, as reasonably determined by Lessor.*

37. LESSOR'S LIABILITY FOR LOSS OF PROPERTY:

Neither party shall be liable for any loss of property from any cause whatsoever, including but not limited to theft or burglary from the Premises, and any such loss arising from the negligence of either party, its agents, servants or invitees, and Lessor shall not be liable for any loss of property from defects, errors or omissions in the construction or design of the Premises and/or the Building, including the structural and non-structural portions thereof, and both parties covenant and agree to make no claim for any such loss at any time.*

38. PARTIAL INVALIDITY:

If any of the provisions of this Lease, or the application thereof to any person or circumstances, shall to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision or provisions to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and every provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

39. LESSEE'S BROKER:

Lessee and Lessor represents and warrants to the other that Lessee's Broker, as defined in the Preamble is the sole broker with whom it has negotiated in bringing about this Lease and Lessee agrees to indemnify and hold Lessor and its mortgagee(s) harmless from any and all claims of other brokers and expenses in connection therewith arising out of or in connection with the negotiation of or the entering into this Lease by Lessor and Lessee. In no event shall Lessor's mortgagee(s) have any obligation to any broker involved in this transaction. In the event that no broker was involved as aforesaid, then Lessee represents and warrants to the Lessor that no broker brought about this transaction, and Lessee agrees to indemnify and hold Lessor harmless from any and all claims of any broker arising out of or in connection with the negotiations of, or entering into of, this Lease by Lessee and Lessor. Based upon Lessee's representation above, Lessor shall pay Lessee's Broker a commission per a separate agreement and Lessor agrees to indemnify and hold harmless Lessee with respect thereto.*

40. PERSONAL LIABILITY:

Notwithstanding anything to the contrary provided in this Lease, it is specifically understood and agreed, such agreement being a primary consideration for the execution of this Lease by Lessor, that there shall be absolutely no personal liability on the part of Lessor's constituent members (to include but not be limited to, officers, directors, partners and trustees) their respective successors, assigns or any mortgagee in possession (for the purposes of this Article, collectively referred to as "Lessor"), with respect to any of the terms, covenants and conditions of this Lease, and that Lessee shall look solely to the equity of Lessor in the

Building (and the proceeds of any sale, insurance award or condemnation award or payment in lieu thereof) for the satisfaction of each and every remedy of Lessee in the event of any breach by Lessor of any of the terms, covenants and conditions of this Lease to be performed by Lessor, such exculpation of liability to be absolute and without any exceptions whatsoever.*

41. NO OPTION:

The submission of this Lease Agreement for examination does not constitute a reservation of, or option for, the Premises, and this Lease Agreement becomes effective as a Lease Agreement only upon execution and delivery thereof by Lessor and Lessee.

42. DEFINITIONS:

- a. AFFILIATE -- Affiliate shall mean any corporation related to Lessee as a parent, subsidiary or brother-sister corporation so that such corporation and such party and other corporations constitute a controlled group as determined under Section 1563 of the Internal Revenue Code of 1986, as amended and as elaborated by the Treasury Regulations promulgated thereunder or any business entity in which Lessee has more than a fifty percent (50%) interest.
- b. COMMON FACILITIES -- Common Facilities shall mean the non-assigned parking areas; lobby; elevator(s); fire stairs; public hallways; public lavatories; all other general Building facilities that service all Building tenants; air conditioning rooms; fan rooms; janitors' closets; electrical closets; telephone closets; elevator shafts and machine rooms; flues; stacks; pipe shafts and vertical ducts with their enclosing walls. Lessor may at any time close temporarily any Common Facilities to make repairs or changes therein or to effect construction, repairs or changes within the Building, or to discourage non-tenant parking, and may do such other acts in and to the Common Facilities as in its reasonable judgement may be desirable to improve the convenience thereof, but shall always in connection therewith, endeavor to minimize any inconvenience to Lessee and, in no event, shall reduce the aggregate number of parking spaces assigned to Lessee. Notwithstanding anything herein to the contrary, Lessor shall not permit a food service kiosk to be located in the lobby of the Building.*
- c. FORCE MAJEURE -- Force Majeure shall mean and include those situations beyond Lessor's control, including by way of example and not by way of limitation, acts of God; accidents; repairs; strikes; shortages of labor, supplies or materials; inclement weather; or, where applicable, the passage of time while waiting for an adjustment or insurance proceeds. Any time limits required to be met by either party hereunder, whether specifically made subject to Force Majeure or not, except those related to the payment of Fixed Basic Rent or Additional Rent, shall, unless specifically stated to the contrary elsewhere in this Lease, be automatically extended by the number of days by which any performance called for is delayed due to Force Majeure.
- d. LESSEE'S PERCENTAGE -- The parties agree that Lessee's Percentage, as defined in the Preamble, reflects and will be continually adjusted to reflect the ratio of the gross square feet of the area rented to Lessee [the numerator] as compared with the total number of gross square feet of the entire Building, which shall be deemed to be 348,510 gross rentable square feet (or additional buildings that may be constructed within the Office Building Area) [the denominator] measured outside wall to outside wall, but excluding therefrom any storage areas. Lessor shall have the right to make changes or revisions in the Common Facilities of the Building so as to provide additional leasing area. Lessor shall also have the right to construct additional buildings in the Office Building Area for such purposes as Lessor may deem appropriate, and subdivide the lands for that purpose if necessary, and upon so doing, the Office Building Area shall become the subdivided lot on which the Building in which the Premises is located. However, if any service provided for in Article 23(a) or any utility provided for in Article 23(b) is separately billed or separately metered within the Building, then the square footage so billed or metered shall be subtracted

from the denominator and the Lessee's proportionate share for such service and/or utility shall be separately computed, and the Base Costs for such item shall not include any charges attributable to said square footage. Lessee understands that as a result of changes in the layout of the Common Facilities from time to time occurring due to, by way of example and not by way of limitation, the rearrangement of corridors, the aggregate of all Building tenant proportionate shares may be equal to, less than or greater than one hundred percent (100%). Notwithstanding anything hereinabove to the contrary, in no event shall Lessee's Percentage exceed Lessee's Percentage as of the date hereof, except to the extent Lessee leases additional space in the Building.*

433. NOTICES:

Any notice by either party to the other shall be in writing and shall be deemed to have been duly given only if (i) delivered personally or (ii) sent by registered mail or certified mail return receipt requested in a postage paid envelope addressed or (iii) sent by nationally recognized overnight delivery service, if to Lessee, at the above described Building; if to Lessor, at Lessor's address as set forth above; or, to either at such other address as Lessee or Lessor, respectively, may designate in writing. Notice shall be deemed to have been duly given, if delivered personally, on delivery thereof, if mailed, upon the third (3rd) day after the mailing thereof or if sent by overnight delivery service, the next business day.

444. ACCORD AND SATISFACTION:

No payment by Lessee or receipt by Lessor of a lesser amount than the rent and additional charges payable hereunder shall be deemed to be other than a payment on account of the earliest stipulated Fixed Basic Rent and Additional Rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment for Fixed Basic Rent or Additional Rent be deemed an accord and satisfaction, and Lessor may accept such check or payment without prejudice to Lessor's right to recover the balance of such Fixed Basic Rent and Additional Rent or pursue any other remedy provided herein or by law.

455. EFFECT OF WAIVERS:

No failure by Lessor to insist upon the strict performance of any covenant, agreement, term or condition of this Lease, or to exercise any right or remedy consequent upon a breach thereof, and no acceptance of full or partial rent during the continuance of any such breach, shall constitute a waiver of any such breach or of such covenant, agreement, term or condition. No consent, or waiver, express or implied, by Lessor to or of any breach of any covenant, condition or duty of Lessee shall be construed as a consent or waiver to or of any other breach of the same or any other covenant, condition or duty, unless in writing signed by Lessor.

466. LEASE CONDITION:

This Lease is expressly conditioned upon Lessor receiving the consent and approval of Lessor's mortgagee to its term and provisions not later than thirty (30) days after its execution by Lessee, and delivery to Lessor. Should said consent not be received within the aforesaid time period, Lessor may, at Lessor's sole option, cancel this Lease and Lessor shall return the first month's Fixed Basic Rent to Lessee, which Lessee has deposited with Lessor upon execution of this Lease, and thereafter the parties shall have no further obligations to each other with respect to this Lease.

477. MORTGAGEE'S NOTICE AND OPPORTUNITY TO CURE:

Lessee agrees to give any mortgagees and/or trust deed holders, by registered or certified mail or overnight courier, a copy of any notice of default served upon Lessor, provided that, prior to such notice, Lessee has been notified in writing (by way of notice of assignment of rents

and leases or otherwise) of the address of such mortgagees and/or trust deed holders. Lessee further agrees that, if Lessor shall have failed to cure such default within the time provided for in this Lease, then the mortgagees and/or trust deed holders shall have an additional thirty (30) days within which to cure such default, or if such default cannot be cured within that time, then such additional time as may be reasonably necessary, if within such thirty (30) days, any mortgagee and/or trust deed holder has commenced and is diligently pursuing the remedies necessary to cure such default (including but not limited to commencement of foreclosure proceedings if necessary to effect such cure), in which event this Lease shall not be terminated while such remedies are being so diligently pursued.*

488. LESSOR'S RESERVED RIGHT:

Lessor and Lessee acknowledge that the Premises are in a Building which is not open to the general public. Access to the Building is restricted to Lessor, Lessee, their agents, employees and contractors and to their invited visitors. In the event of a labor dispute including a strike, picketing, informational or associational activities directed at Lessee or any other tenant, Lessor reserves the right unilaterally, temporarily and reasonably, to alter Lessee's ingress and egress to the Building or make any change in operating conditions to restrict pedestrian, vehicular or delivery ingress and egress to a particular location.*

49. CORPORATE AUTHORITY:

If Lessee is a corporation, Lessee represents and warrants that this Lease has been duly authorized and approved by the corporation's Board of Directors. The undersigned officers and representatives of the corporation represent and warrant that they are officers of the corporation with authority to execute this Lease on behalf of the corporation, and within fifteen (15) days of execution hereof, Lessee will provide Lessor with a corporate resolution confirming the aforesaid.

490. AFTER-HOURS USE:

Lessee shall be entitled to make use of said Standard Electric Service and HVAC beyond the Building Hours, at Lessee's sole cost and expense, provided Lessee shall notify the Lessor by 3:00 p.m. on the day that Lessee shall require said overtime use if said overtime use is required on any weekday, and by 3:00 p.m. on Friday for Saturday and/or Sunday overtime use. It is understood and agreed that Lessee shall pay the sum of FORTY-FIVE AND 00/100 DOLLARS (\$45.00) per hour per zone for air-conditioning service and THIRTY AND 00/100 DOLLARS (\$30.00) per hour per zone for heating services, plus such additional percentage increase of the aforesaid hourly sums computed by measuring the percentage increase between the utility rates (including fuel and electric) in effect (including fuel surcharges or adjustments) and the percentage increase in other component costs of providing such service during the month for which such overtime use is requested and the Base Rate. The Base Rate for purposes hereof shall be the average of the utility rates (including fuel and electric) in effect (including surcharges and/or adjustments) and other component costs of providing such service during Calendar Year 2001.

In no event shall Lessee pay more than SEVENTY-FIVE AND 00/100 DOLLARS (\$75.00) per hour in the aggregate for air-conditioning service (regardless of the number of zones used) or more than FORTY-EIGHT AND 00/100 DOLLARS (\$48.00) per hour in the aggregate for heating services (regardless of the number of zones used), plus such additional percentage increase of the aforesaid hourly sums computed as set forth above. Lessee covenants and agrees to use its best efforts to use the least number of zones possible for overtime services.

In no event shall the Lessee pay less than the sum of FORTY-FIVE AND 00/100 DOLLARS (\$45.00) per hour per zone for such overtime air-conditioning service or less than THIRTY AND 00/100 DOLLARS (\$30.00) per hour per zone for such overtime heating service unless one or more other tenants in the same zone in the Building have requested and are also using such services after hours, in which event such charges to Lessee shall be prorated accordingly.*

501. LESSOR REPRESENTATIONS AND WAIVER:

A. Lessor hereby warrants and represents to Lessee that, as of the date hereof:

a. Lessor has full power and authority to enter into this Lease and the person executing this Lease on behalf of Lessor is authorized to do so.

b. The Building Systems serving the Premises (including the Larger Premises) are in good working order.

c. The use of the Premises (including the Larger Premises) for the Permitted Use is permitted by applicable law and is not inconsistent with the certificate of occupancy for the Building and shall not, in and of itself, subject Lessee or Lessor to any obligations regarding Lessor's fire insurance policies (including, but not limited to, the payment of increased premiums or otherwise).

d. Lessor is the fee owner of the Building and there are no ground leases and/or mortgages which in any way prohibit or interfere with the use of the Premises (including the Larger Premises) by Lessee for the Permitted Use during the Term of this Lease, and Lessor shall not permit or suffer any such ground lease or mortgage to be placed against the Building which would prohibit or interfere with such Permitted Use during the Term of this Lease.

e. Lessor has received no notice of any violations affecting the Premises (including the Larger Premises) or the Building, and Lessor has no knowledge of any condition which, with the giving of notice and the passage of time, would constitute a violation. Lessee shall not be responsible for any violations against the Premises (including the Larger Premises), nor against the Building existing as of the commencement of the term of this Lease, whether or not of record.

f. No other lessee or occupant of the Building has been granted a right by Lessor which would prohibit or limit Lessee's Permitted Use and rights under this Lease.

g. This Lease does not violate the provisions of any instrument heretofore executed and binding on Lessor.

h. Lessor has obtained all required consents and approvals in order to enter into this Lease (excluding that required from any mortgagee).

i. Lessor has no knowledge of any pending or future assessments or special real estate taxes.

B. Lessor hereby waives any statutory or common law lien (or similar right such as distraint) it may have on Lessee's property.

EACH PARTY AGREES that it will not raise or assert as a defense to any obligation under the Lease or this Agreement or make any claim that the Lease or this Agreement is invalid or unenforceable due to any failure of this document to comply with ministerial requirements including, but not limited to, requirements for corporate seals, attestations, witnesses, notarizations, or other similar requirements, and each party hereby waives the right to assert any such defense or make any claim of invalidity or unenforceability due to any of the foregoing.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals the day and year first above written.

MACK-CALI REALTY, L.P.

MOVADO GROUP, INC.

By: Mack-Cali Realty Corporation,
its general partner

By: /s/ Michael A Grossman

Michael A. Grossman
Executive Vice President

By: /s/ Rick Cote

Name:
Title:

RIDER A

OPTION TO EXTEND.

(a) If the term of this lease shall then be in full force and effect and Lessee is not in default of its obligations hereunder, beyond any applicable cure period after notice. Lessee shall have the option to extend the term of this lease for a period of 5 years (the "Extension Term") commencing on the day immediately following the Expiration Date, provided however that Lessee shall give Lessor notice of its election to extend the term no earlier than eighteen (18) months prior to the Expiration Date nor later than twelve (12) months prior to the Expiration Date of the initial term. TIME SHALL BE OF THE ESSENCE in connection with the exercise of Lessee's option pursuant to this Rider A. *

(b) Such extension of the term of this lease shall be upon the same covenants and conditions, as herein set forth except for the Fixed Basic Rent (which shall be determined in the manner set forth below), and except that Lessee shall have no further right to extend the term of this lease after the exercise of the single option described in paragraph (a) of this Section. If Lessee shall duly give notice of its election to extend the term of this lease, the Extension Term shall be added to and become a part of the term of this lease (but shall not be considered a part of the initial term), and any reference in this lease to the "term of this lease", the "term hereof", or any similar expression shall be deemed to include such Extension Term, and, in addition, the term "Expiration Date" shall thereafter mean the last day of such Extension Term. Lessor shall have no obligation to perform any alteration or preparatory or other work in and to the Premises and Lessee shall continue possession thereof in its "as is" condition.

(c) If Lessee exercises its option for the Extension Term, the Fixed Basic Rent during the Extension Term shall be the fair market rent for the Premises, as hereinafter defined.

(d) Lessor and Lessee shall use their best efforts, within 30 days after Lessor receives Lessee's notice of its election to extend the term of this lease for the Extension Term ("Negotiation Period"), to agree upon the Fixed Basic Rent to be paid by Lessee during the Extension Term. If Lessor and Lessee shall agree upon the Fixed Basic Rent for the Extension Term, the parties shall promptly execute an amendment to this lease stating the Fixed Basic Rent for the Extension Term.

(e) If the parties are unable to agree on the Fixed Basic Rent for the Extension Term during the Negotiation Period, then within 15 days after notice from the other party, given after expiration of the Negotiation Period, each party, at its cost and upon notice to the other party, shall appoint a person to act as an appraiser hereunder, to determine the fair market rent for the premises for the Extension Term. Each such person shall be a real estate broker or appraiser with at least ten years' active commercial real estate appraisal or brokerage experience (involving the leasing of office space as agent for both landlords and tenants) in Bergen County. If a party does not appoint a person to act as an appraiser within said 15 day period, the person appointed by the other party shall be the sole appraiser and shall determine the aforesaid fair market rent. Each notice containing the name of a person to act as appraiser shall contain also the person's address. Before proceeding to establish the fair market rent, the appraisers shall subscribe and swear to an oath fairly and impartially to determine such rent.

If the two appraisers are appointed by the parties as stated in the immediately preceding paragraph, they shall meet promptly and attempt to determine the fair market rent. If they are unable to agree within 45 days after the appointment of the second appraiser, they shall attempt to select a third person meeting the qualifications stated in the immediately preceding paragraph within 15 days after the last day the two appraisers are given to determine the fair market rent. If they are unable to agree on the third person to act as appraiser within said 15 day period, the third person shall be appointed by the American Arbitration Association, upon the application of Lessor or Lessee to the office of the Association nearest the Building. The person appointed to act as appraiser by the Association shall be required to meet the qualifications stated in the immediately preceding paragraph. Each of the parties shall bear 50% of the cost of appointing the third person and of paying the third person's fees. The third person, however selected, shall be required to take an oath similar to that described above.

The three appraisers shall meet and determine the fair market rent. A decision in which two of the three appraisers concur shall be binding and conclusive upon the parties. In deciding the dispute, the appraisers shall act in accordance with the rules then in force of the American Arbitration Association, subject however, to such limitations as may be placed on them by the provisions of this lease.

Notwithstanding the foregoing, in no event shall the Fixed Basic Rent during the Extension

Term be less than the Fixed Basic Rent during the last year of the initial term of this lease.

(f) After the fair market rent for the Extension Term has been determined by the appraiser or appraisers and the appraiser or appraisers shall have notified the parties, at the request of either party, both parties shall execute and deliver to each other an amendment of this lease stating the Fixed Basic Rent for the Extension Term.

(g) If the Fixed Basic Rent for the Extension Term has not been agreed to or established prior to the commencement of the Extension Term, then Lessee shall pay to Lessor an annual rent ("Temporary Rent") which Temporary Rent shall be equal to 125% of the Fixed Basic Rent payable by Lessee for the last year of the initial term. Thereafter, if the parties shall agree upon a Fixed Basic Rent, or the Fixed Basic Rent shall be established upon the determination of the fair market rent by the appraiser or appraisers, at a rate at variance with the Temporary Rent (i) if such Fixed Basic Rent is greater than the Temporary Rent, Lessee shall promptly pay to Lessor the difference between the Fixed Basic Rent determined by agreement or the appraisal process and the Temporary Rent, or (ii) if such Fixed Basic Rent is less than the Temporary Rent, Lessor shall credit to Lessee's subsequent monthly installments of Fixed Basic Rent the difference between the Temporary Rent and the Fixed Basic Rent determined by agreement or the appraisal process.*

(h) In describing the fair market rent during the Extension Term, the appraiser or appraisers shall be required to take into account the rentals at which leases are then being concluded (as of the last day of the initial term) (for 5 year leases without renewal options with the lessor and lessee each acting prudently, with knowledge and for self-interest, and assuming that neither is under undue duress) for comparable space in the Building and in comparable office buildings in the County of Bergen and shall also take into account (i) that the Base period costs (and similar base amounts, if any) during the Extension Term will be lower than the Base Period Costs (and similar base amounts, if any) for a newly executed lease, and (ii) that Lessor will not be providing free rent, construction allowance or performing any Lessor's work.*

(i) The option granted to Lessee under this Rider A may be exercised only by Lessee, its affiliates, permitted successors and assigns, and not by any subLessee or any successor to the interest of Lessee by reason of any action under the Bankruptcy Code, or by any public officer, custodian, receiver, United States Trustee, trustee or liquidator of Lessee or substantially all of Lessee's property. Lessee shall have no right to exercise this option subsequent to the date Lessor shall have given the notice of termination referred to in Article 13 unless Lessee cures the default within the applicable grace period. Notwithstanding the foregoing, Lessee shall have no right to extend the term if, at the time it gives notice of its election, Lessee shall not be in occupancy of at least seventy-five percent (75%) of the Premises.*

RIDER B

RIGHT OF FIRST OFFER:

- a. i. Subject to the provisions of this Rider B, Lessee shall have the option to lease from Lessor any space on the third (3rd) floor as shown on the attached floor plan, ("Additional Space") at the expiration of the existing space lease for such Additional Space, subject to the existing right of the current tenant (or its successor in interest) to renew such lease. If the Term of this Lease shall be in full force and effect on the expiration or termination date of the existing space leases for the Additional Space, subject to the existing right of the current tenant (or its successor in interest) to renew such lease, and the date upon which Lessee shall exercise the option hereinafter referred to, Lessee shall have the option to lease all, but not less than all of the Additional Space on an as-is basis, free of unlawful quantities of asbestos or Contaminants, except such work as may be necessary so that the Building Systems serving the Additional Space are in good working order, provided Lessee gives Lessor written notice of such election within ten (10) business days after Lessee shall receive Lessor's notice that such Additional Space is available for leasing to Lessee. If Lessee fails or refuses to exercise this option within the time period set forth above, TIME BEING OF THE ESSENCE, then and in such event Lessor may lease said Additional Space to others and thereafter, on the expiration or termination date of the space lease for the Additional Space, subject to the existing right of the current tenant (or its successor in interest) to renew such lease, Lessee shall have the rights set forth herein under this Section with respect to such Additional Space. If Lessee shall elect to lease said Additional Space: (v) said Additional Space shall be deemed incorporated within and part of the Premises on the earlier of the date thirty (30) days after Lessor shall notify Lessee that such Additional Space is ready for occupancy by Lessee and the date Lessee occupies the Additional Space, and shall expire on the Expiration Date of this Lease, (x) the Fixed Basic Rent payable under this Lease shall be increased by an amount such that during the balance of the term of this Lease the Fixed Basic Rent for said Additional Space shall be the then fair market rent for the Additional Space, as determined in the manner set forth in clause (ii) below, (y) Lessee's Percentage Share shall be proportionately increased, and (z) all other terms and provisions set forth in this Lease shall apply, except that Lessor shall not be required to perform any work with respect to said Additional Space except as set forth above.*

The parties shall promptly execute an amendment of this Lease confirming Lessee's election to lease said Additional Space and the incorporation of said Additional Space into the Premises.

- ii. Lessor and Lessee shall use their best efforts, within thirty (30) days after Lessor receives Lessee's notice of its election to lease said Additional Space, ("Negotiation Period") to agree upon the Fixed Basic Rent to be paid by Lessee for said Additional Space. If Lessor and Lessee shall agree upon the Fixed Basic Rent, the parties shall promptly execute an amendment to this Lease stating the Fixed Basic Rent for the Additional Space.

If the parties are unable to agree on the Fixed Basic Rent for said Additional Space during the Negotiation Period, then within fifteen (15) days notice from the other party, given after expiration of the Negotiation Period, each party, at its cost and upon notice to the other party, shall appoint a person to act as an appraiser hereunder, to determine the fair market rent for the Additional Space. Each such person shall be a real estate broker or appraiser with at least ten (10) years' active commercial real estate appraisal or brokerage experience (involving the leasing of similar space as agent for both landlords and tenants) in Bergen County. If a party does not appoint a person to act as an appraiser within said fifteen (15) day period, the person appointed by the other party shall be the sole appraiser and shall determine the aforesaid fair market rent. Each notice containing the name of a person to act as appraiser shall contain the

person's address. Before proceeding to establish the fair market rent, the appraisers shall subscribe and swear to an oath fairly and impartially to determine such rent.

If the two appraisers are appointed by the parties as stated in the immediately preceding paragraph, they shall meet promptly and attempt to determine the fair market rent. If they are unable to agree within forty-five (45) days after the appointment of the second appraiser, they shall attempt to select a third person meeting the qualifications stated in the immediately preceding paragraph within fifteen (15) days after the last day the two appraisers are given to determine the fair market rent. If they are unable to agree on the third person to act as appraiser within said fifteen (15) day period, the third person shall be appointed by the American Arbitration Association, upon the application of Lessor or Lessee to the office of the Association nearest the Building. The person appointed to act as appraiser by the Association shall be required to meet the qualifications stated in the immediately preceding paragraph. Each of the parties shall bear fifty percent (50%) of the cost of appointing the third person and of paying the third person's fees. The third person, however selected, shall be required to take an oath similar to that described above.

The three appraisers shall meet and determine the fair market rent. A decision in which two of the three appraisers concur shall be binding and conclusive upon the parties. In deciding the dispute, the appraisers shall act in accordance with the rules then in force of the American Arbitration Association, subject however, to such limitations as may be placed on them by the provisions of this Lease.

After the Fixed Basic Rent for the Additional Space has been determined by the appraiser or appraisers and the appraiser or appraisers shall have notified the parties, at the request of either party, both parties shall execute and deliver to each other an amendment of this Lease stating the Fixed Basic Rent for the Additional Space.

If the Fixed Basic Rent for said Additional Space has not been agreed to or established prior to the incorporation of said Additional Space in the Premises, then Lessee shall pay to Lessor an annual rent ("Temporary Rent") which Temporary Rent on a per square foot basis shall be equal to the Fixed Basic Rent, on a per square foot basis, including step-ups in said Fixed Basic Rent as set forth in the Preamble, then being paid by Lessee for the Premises.

Thereafter, if the parties shall agree upon a Fixed Basic Rent, or the Fixed Basic Rent shall be established upon the determination of the fair market rent by the appraiser or appraisers, at a rate at variance with the Temporary Rent (i) if such Fixed Basic Rent is greater than the Temporary Rent, Lessee shall promptly pay to Lessor the difference between the Fixed Basic Rent determined by agreement or the appraisal process and the Temporary Rent, or (ii) if such Fixed Basic Rent is less than the Temporary Rent, Lessor shall credit to Lessee's subsequent monthly installments of Fixed Basic Rent the difference between the Temporary Rent and the Fixed Basic Rent determined by agreement or the appraisal process.

In determining the fair market rent for said Additional Space, the appraiser or appraisers shall be required to take into account the rentals at which leases are then being concluded for comparable space in the Building and in comparable buildings in the County of Bergen, New Jersey and shall also take into account (i) that the Base period costs (and similar base amounts, if any) for the Additional Space will be lower than the Base Period Costs (and similar base amounts, if any) for a newly executed lease, and (ii) that Lessor will not be providing free rent, construction allowance or performing any lessor's work for the Additional Space, except as set forth above. In no event shall the Fixed Basic Rent for the Additional Space, on a per square foot basis, be less than the Fixed Basic Rent for the Premises, on a per square foot basis.*

- b. The option granted to Lessee under this Rider B may be exercised only by Lessee, its permitted successors and assigns, and not by any subtenant or any successor to the interest of Lessee by reason of any action under the Bankruptcy Code, or by any public officer, custodian, receiver, United States Trustee, trustee or liquidator of Lessee or substantially all of Lessee's property. Lessee shall have no right to exercise any of such options subsequent to the date Lessor shall have given the notice of termination referred to in Article 13. Notwithstanding the foregoing, Lessee shall have no right to exercise the option granted to Lessee hereunder if, at the time it gives notice of such election (i) Lessee shall not be in occupancy of at least seventy-five (75%) percent of the Premises or (ii) more than twenty-five percent (25%) of the Premises or any part thereof shall be the subject of a sublease. If Lessee shall have elected to exercise its option hereunder, such election shall be deemed withdrawn if, at any time after the giving of notice of such election and prior to the occupancy of the Additional Space, Lessee shall sublease more than twenty-five percent (25%) of the Premises.*

EXHIBIT A-1
OFFICE BUILDING AREA

EXHIBIT B

RULES AND REGULATIONS

1. OBSTRUCTION OF PASSAGEWAYS: The sidewalks, entrance, passages, courts, elevators, vestibules, stairways, corridors and public parts of the Building shall not be obstructed or encumbered by Lessee or used by Lessee for any purpose other than ingress and egress. If the Premises are situated on the ground floor with direct access to the street, then Lessor shall, at Lessor's expense, keep the sidewalks and curbs directly in front of the Premises clean and free from ice, snow and refuse.
2. WINDOWS: Windows in the Premises shall not be covered or obstructed by Lessee except Lessee may install, at its expense, blinds consistent with other blinds in the Building. No bottles, parcels or other articles shall be placed on the windowsills, in the halls, or in any other part of the Building other than the Premises. No article shall be thrown out of the doors or windows of the Premises.*
3. PROJECTIONS FROM BUILDING: No awnings, air-conditioning units, or other fixtures shall be attached to the outside walls or the window sills of the Building or otherwise affixed so as to project from the Building, without prior written consent of Lessor.
4. SIGNS: No sign or lettering shall be affixed by Lessee to any part of the outside of the Premises, or any part of the inside of the Premises so as to be clearly visible from the outside of the Premises, without the prior written consent of Lessor. However, Lessee shall have the right to place its name on any door leading into the Premises the size, color and style thereof to be subject to the Lessor's approval. Lessee shall not have the right to have additional names placed on the Building directory without Lessor's prior written consent.
5. FLOOR COVERING: Lessee shall not lay linoleum or other similar floor covering so that the same shall come in direct contact with the floor of the Premises. If linoleum or other similar floor covering is desired to be used, an interlining of builder's deadening felt shall first be fixed to the floor by a paste or other material that may easily be removed with water, the use of cement or other similar adhesive material being expressly prohibited.
6. INTERFERENCE WITH OCCUPANTS OF BUILDING: Lessee shall not make, or permit to be made, any unseemly or disturbing noises or odors and shall not interfere with other tenants or those having business with them. Lessee will keep all mechanical apparatus in the Premises free of vibration and noise which may be transmitted beyond the limits of the Premises.
7. LOCK KEYS: No additional locks or bolts of any kind shall be placed on any of the doors or windows by Lessee except that Lessee shall be permitted to install a cardkey access system to all entry doors in the Premises and to the fire stairwell doors leading to the Premises. Lessee shall, on the termination of Lessee's tenancy, deliver to Lessor all keys to any space within the Building either furnished to or otherwise procured by Lessee, and in the event of the loss of any keys furnished, Lessee shall pay to Lessor the cost thereof. Lessee, before closing and leaving the Premises, shall ensure that all windows are closed and entrance doors locked. Nothing in this Paragraph 7 shall be deemed to prohibit Lessee from installing a burglar alarm within the Premises, provided: such installation shall not damage the Building; and all costs of installation shall be borne solely by Lessee.*
8. CONTRACTORS: No contract of any kind with any supplier of towels, water, toilet articles, waxing, rug shampooing, venetian blind washing, furniture polishing, lamp servicing, cleaning of electrical fixtures, removal of waste paper, rubbish, garbage, or other like service shall be entered into by Lessee, nor shall any machine of any kind be installed in the Building or the Office Building Area without the prior written consent of the Lessor, which consent shall not be unreasonably withheld or delayed. Lessee shall not employ any persons other than Lessor's janitors for the purpose of cleaning the Premises without prior written consent of Lessor. Lessor shall not be responsible to Lessee for any loss of property from the Premises however occurring, or for any damage to the effects of Lessee by such janitors or any of its employees, or by any other person or any other cause.

9. PROHIBITED ON PREMISES: Lessee shall not conduct, or permit any other person to conduct, any auction upon the Premises, manufacture or store goods, wares or merchandise upon the Premises without the prior written approval of Lessor, except the storage of usual supplies and inventory to be used by Lessee in the conduct of his business, permit the Premises to be used for gambling, make any unusual noises in the Building, permit to be played musical instrument on the Premises, permit any radio to be played, or television, recorded or wired music in such loud manner as to disturb or annoy other tenants, or permit any unusual odors to be produced on the Premises. Lessee shall not permit any portion of the Premises to be occupied as an office for a public stenographer or typewriter, or for the storage, manufacture, or sale of intoxicating beverages, narcotics, tobacco in any form or as a barber or manicure shop. Canvassing, soliciting and peddling in the Building and the Office Building Area are prohibited and Lessee shall cooperate to prevent the same. No bicycles, vehicles or animals of any kind shall be brought into or kept in or about the Premises.
10. PLUMBING, ELECTRIC AND TELEPHONE WORK: Plumbing facilities shall not be used for any purpose other than those for which they were constructed; and no sweepings, rubbish, ashes, newspaper or other substances of any kind shall be thrown into them. Waste and excessive or unusual amounts of electricity or water is prohibited. When electric wiring of any kind is introduced, it must be connected as directed by Lessor, and no stringing or cutting of wires will be allowed, except by prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed and shall be done by contractors approved by Lessor*
11. MOVEMENT OF FURNITURE, FREIGHT OR BULKY MATTER: The carrying in or out of freight, furniture or bulky matter of any description must take place during such hours as Lessor may from time to time reasonably determine and only after advance notice to the superintendent of the Building. The persons employed by Lessee for such work must be reasonably acceptable to the Lessor. Lessee may, subject to these provisions, move freight, furniture, bulky matter, and other material into or out of the Premises on Saturdays between the hours of 9:00 a.m. and 1:00 p.m., provided Lessee pays additional costs, if any, incurred by Lessor for elevator operators or security guards, and for any other expenses occasioned by such activity of Lessee and provided further that notwithstanding anything hereinabove to the contrary, Lessee shall have the right to initially move in to the Premises using the freight elevator only, from noon on a Friday to 9:00 a.m. the following Monday. If, at least three (3) days prior to such activity, Lessor requests that Lessee deposit with Lessor, as security of Lessee's obligations to pay such additional costs, a sum of which Lessor reasonably estimates to be the amount of such additional cost, the Lessee shall deposit such sum with Lessor as security of such cost. There shall not be used in the Building or Premises, either by Lessee or by others in the delivery or receipt of merchandise, any hand trucks except those equipped with rubber tires and side guards, and no hand trucks will be allowed in the elevators without the consent of the superintendent of the Building. *
12. SAFES AND OTHER HEAVY EQUIPMENT: Lessor reserves the right to suggest the weight and position of all safes and other heavy equipment so as to distribute properly the weight thereof and to prevent any unsafe condition from arising.
13. ADVERTISING: Lessor shall have the right to prohibit any advertising by Lessee which in Lessor's reasonable opinion tends to impair the reputation of the Building or its desirability as a building for offices, and upon written notice from Lessor, Lessee shall refrain from or discontinue such advertising.
14. NON-OBSERVANCE OR VIOLATION OF RULES BY OTHER TENANTS: Lessor shall not be responsible to Lessee for non-observance or violation of any of these rules and regulations by any other tenant.
15. AFTER HOURS USE: Lessor reserves the right to exclude from the Building between the hours of 6:00 p.m. and 8:00 a.m. and at all hours on Saturdays, Sundays and Building Holidays, all persons who do not present a pass to the Building signed by the Lessee. Each Lessee shall be responsible for all persons for whom such a pass is issued and shall be liable to the Lessor for the acts of such persons.
16. PARKING: Lessee and its employees shall park their cars only in those portions of the parking area designated by Lessor.

17. Lessor hereby reserves to itself any and all rights not granted to Lessee hereunder, including, but not limited to, the following rights which are reserved to Lessor for its purposes in operating the Building:
- a) the exclusive right to the use of the name of the Building for all purposes, except that Lessee may use the name as its business address and for no other purposes; and
 - b) the right, upon no less than thirty (30) days prior written notice to Lessee to change the name or address of the Building, without incurring any liability to Lessee for doing so; and
 - c) the right to install and maintain a sign on the exterior of the Building; and
 - d) the exclusive right to use or dispose of the use of the roof of the Building; and
 - e) the right to limit the space on the directory of the Building to be allotted to Lessee; and
 - f) the right to grant to anyone the right to conduct any particular business or undertaking in the Building.
18. The Lessee shall be responsible for initiating, maintaining and supervising all health and safety precautions and/or programs required by Law in connection with the Lessee's use and occupancy of the Premises.
19. The Lessee shall not store, introduce or otherwise permit any material known to be hazardous within the Premises. Any material within the Premises which is determined to be hazardous shall be removed and properly disposed of by the Lessee at the Lessee's sole expense.

-- END --

EXHIBIT C

LESSEE'S WORK AND ALTERATIONS

1. Lessee may make the alterations required for Lessee's use of the Premises (hereinafter the "Work") after delivery of possession of the Premises to Lessee the commencement of the Term subject to the following:
 - a. Lessee, at its sole cost and expense, shall prepare and submit to Lessor, for Lessor's and governmental approval, the following descriptive information, detailed architectural and engineering drawings and specifications (hereinafter the "Plans") for the Work. The Plans shall be as complete and finished as required to completely describe the Work and shall include, but not be limited to, the following:
 - i. Demolition Plans depicting all existing conditions to be removed, abandoned or cut patched.
 - ii. Architectural floor plans depicting partition locations and types; door location, size, and hardware types.
 - iii. Structural plans, if required, depicting new structural components and their connections to existing elements.
 - iv. Electrical plans depicting all new and existing electrical wiring, devices, fixtures and equipment.
 - v. Mechanical plans depicting all new plumbing, piping, heating, ventilating, air conditioning equipment, and duct work and its connections to existing elements.
 - vi. Life Safety System plans depicting all new or altered alarm system fixtures, devices, detectors and wiring within the Premises and their connection to existing systems.
 - vii. Coordinated reflected ceiling plan showing ceiling systems and materials and all of the above items and their proximity to one another.
 - viii. Finish plans showing locations and types of all interior finishes with a schedule of all proposed materials and manufacturers.

The Plans shall provide for all systems and construction components complying with the requirements of all governmental authorities and insurance bodies having jurisdiction over the Building.
 - b. The Plans for the Work are subject to Lessor's prior written approval which shall not be unreasonably withheld, provided, however, that Lessor may in any event disapprove the Plans if they are incomplete, inadequate or inconsistent with the terms of the Lease or with the quality and architecture of the Building. Lessor agrees to approve or disapprove the Plans within three (3) business days of receipt of same (the "Lessor's Approval Period") and if not disapproved within Lessor's Approval Period and after one (1) business day's notice from Lessee notifying Lessor of such failure to disapprove, the Plans shall be deemed approved. If Lessor disapproves the Plans or any portion thereof, Lessor shall promptly notify Lessee thereof and of the revisions which Lessor reasonably requires in order to obtain Lessor's approval Lessee shall, at its sole cost and expense, submit the Plans, in such form as may be necessary, with the appropriate governmental agencies for obtaining required permits and certificates. Any changes required by any governmental agency affecting the Work or the Plans shall be complied with by Lessee in completing said Work at Lessee's sole cost and expense. Lessee shall submit completed Plans to Lessor

simultaneously with Lessee's submission of said plans to the local building department.

2. Lessor shall permit Lessee to solicit competitive pricing and select its own general and/or individual subcontractors to perform the Work in its sole cost subject to the following:
 - a. All general contractors shall be subject to Lessor's prior written approval, which shall not be unreasonably withheld.
 - b. Intentionally omitted.
 - c. Lessee shall instruct all approved general contractors to exclusively use Lessor's Base Building Sub-Contractors for heating, ventilation, air conditioning, electrical, fire suppression and life safety systems (hereinafter "Building Systems"). Other subcontractors may be used only when specifically approved in writing by Lessor, which approval shall not be unreasonably withheld or delayed.
 - d. The Base Building Sub-Contractors and their respective trades are set forth in Paragraph 6 below.
 - e. Lessee notifies Lessor in writing of Lessee's selection of general and subcontractors.
 - f. All costs associated with the bidding process soliciting competitive pricing will be at the sole cost and expense of the Lessee.
3. Intentionally omitted.
4. If Lessee elects to engage another general contractor, or individual sub-contractors, Lessee shall, at its sole cost and expense, complete the Work. Lessee shall complete such Work through its own contractors in accordance with the following terms and conditions:
 - a. Lessee's workmen and mechanics shall work in harmony and not interfere with the labor employed by Lessor, Lessor's mechanics or contractors or by any other Lessee or their mechanic or contractors, if any. If at any time Lessee and/or its contractors cause disharmony or interference with the operation of the Building, Lessor shall give forty-eight (48) hours written notice to Lessee and Lessee shall promptly resolve any dispute so that the tenor of the construction process and the operation of the Building is returned to that which existed prior to Lessor's notice. Such entry by Lessee's contractors shall be deemed controlled by all of the terms, covenants, provisions and conditions of the Lease.
 - b. Prior to the commencement of the Work, Lessee shall provide Lessor with evidence of Lessee's contractors and sub-contractors carrying such worker's compensation, general liability, personal and property insurance required by law and in amounts no less than the amounts set forth in Paragraph 8 herein. Lessor shall not be liable in any way for any injury, loss or damage which may occur to any portion of the Work, Lessee's decorations, or installments so made, the same being solely at Lessee's risk.
 - c. All proposed Building System work, including the preparation of the plans and specifications identified herein, shall be approved by Lessor's engineers (the "Engineering Review"), and the reasonable cost thereof shall be Lessee's responsibility.
 - d. Lessor shall afford Lessee and its contractors the opportunity to use the Building facilities in order to enable Lessee and its contractors to perform the Work, provided however, that Lessee and its contractors shall remain responsible for the scheduling and transportation of materials and equipment used in the performance of such work. Lessee shall give Lessor adequate prior notice with regard to the scheduling and transportation of materials in and out of the Building. Lessor shall furnish, at

Lessor's expense, water, electricity, heat and ventilation during the performance of the Work during regular construction trade hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, exclusive of trade holidays. Scavenger service shall be provided by Lessor at Lessee's expense.

- e. All plans, changes to the plans and work installed by Lessee and its sub-contractors shall require inspections to be made by Lessor's Base Building Sub-Contractors at Lessee's or Lessee's contractors expense (the "Inspection Fees"). The Base Building Sub-Contractors shall supply Lessor with certification that work so preformed has been completed in accordance with the Plans which have been previously approved by Lessor. If a Base Building Sub-Contractor is selected and actually installs the work, the Inspection Fees described in this paragraph with respect to such work shall not be required.
- f. Lessee shall be responsible for all cleaning and removal of debris necessitated by the performance of the Work. If Lessee fails to provide such cleaning and removal, the same may be performed by Lessor on Lessee's behalf (except if the debris is only located within the Premises, Lessor shall give Lessee three (3) days notice prior to performing such work) and Lessee will pay Lessor an amount equal to the contractor's charge therefore.
- g. Neither the outside appearance nor the strength of the Building or of any of its structural parts shall be affected by the Work.
- h. The proper functioning of any of the Building Systems shall not be adversely affected or the usage of such systems by Lessee shall not be materially increased above the projected usage of such systems indicated by the current plans and specifications of the Building.
- i. Lessee and its general and sub-contractors shall be bound by and observe all of the conditions and covenants contained in the Lease and this Exhibit A.
- j. Lessor shall designate a "Project Manager" as its representative in the Building who shall be responsible for coordination and supervision of the Work as it pertains to the daily operation of the Building. The Project Manager and his subordinates shall be granted access to the Premises at all times during the construction period. Lessee shall pay to Lessor, with the ten (10) business days of billing, all reasonable costs applicable to Lessor's supervisory and coordination work during the construction period.

5. Any part of the Work other than Lessee's trade fixtures and equipment within the Premises shall become the property of the Lessor upon installation. Furthermore, with respect to any material and installation which is part of the Work, Lessee shall not be entitled to remove (unless replaced with equivalent property), pledge or sell same unless otherwise agreed to in writing by Lessor and Lessee. No refund, credit, or removal of said items shall be permitted at the termination of the Lease. Items installed that are not integrated in any such way with other common building materials do not fall under this provision (Example: shelving, furniture, trade fixtures equipment).

6. Lessor shall provide a cash contribution of up to FIVE HUNDRED SIXTY NINE THOUSAND EIGHT HUNDRED NINETY FIVE AND 41/100 DOLLARS (\$569,895.41) ("Lessor's Construction Allowance") for payment of the costs associated with the completion of The Work, which amount includes up to FORTY FIVE THOUSAND ONE HUNDRED EIGHTY EIGHT AND 00/100 DOLLARS (\$45,188.00) for Lessee's architectural and engineering costs. Lessor's Construction Allowance shall be payable within fifteen (15) days of Lessor's receipt of the following:

- a. Copy of the Certificate of Occupancy (temporary and permanent) issued by the local

construction official;

- b. AIA Document G704, Certificate of substantial completion issued and signed by Lessee's Architect;
- c. Release of Lien statements from the general and all sub-contractors associated with the Work and paid invoices evidencing the cost of said work; and
- d. Lessee shall provide Lessor a set of reproducible drawings of the Plans and a "CAD" file (in .DWG or .DXF format) of the "As-Built" Plans.

7. The Base Building Sub-Contractors are:

FIRE SPRINKLER CONTRACTOR
"To be provided by Lessor upon request from Lessee."

ELECTRICAL CONTRACTOR
"To be provided by Lessor upon request from Lessee."

PLUMBING CONTRACTOR
"To be provided by Lessor upon request from Lessee."

HVAC CONTRACTOR
"To be provided by Lessor upon request from Lessee."

8. Lessee's Contractor's Insurance:

- a. The Lessee shall require any and all contractors of the Lessee performing work on or about the Premises to obtain and/or maintain specific insurance coverage for events which could occur while operations are being performed and which could occur after the completion of the work. The insurance coverage of the contractor shall be at least equal to the coverage required by Article 30 of the Lease and the contractor shall name Lessor and, if requested, Mortgagee as additional insureds on all policies of liability insurance.
- b. The contractor shall purchase and maintain such insurance as will protect itself and Lessor and Lessee from claims set forth below which may arise out of or result from its operations under the contract and after contract completion with Lessee, whether such operations are performed by the contractor or by any subcontractor or by anyone directly or indirectly employed by any of them or by anyone for whose acts any of them may be liable. The insurance coverage shall include but not be limited to protection for:
 - i. Claims under Workers or Workmens Compensation, Disability Benefits, and other Employee Benefit Acts;
 - ii. Claims for damages because of bodily injury, occupational sickness, disease or death of its employees;
 - iii. Claims for damages because of bodily injury, sickness, disease, or death of any person other than its employees;
 - iv. Claims for damages insured by the usual personal injury liability coverages which are sustained by (i) any person as a result of an offense directly or indirectly related to the employment of such person by the contractor, or (ii) by any other person;
 - v. Claims for damages, other than to the work itself, because of injury to or destruction of tangible property, including loss of use resulting therefrom;
 - vi. Claims for damages because of bodily injury or death of any person and/or

property damage arising out of the ownership, maintenance, or use of any motor vehicle; and

- vii. Claims which include the foregoing, but not limited thereto, which may occur while operations are being performed and claims which may occur after operations are completed.

- c. Lessee shall secure evidence of Lessee's contractor's insurance coverage adequate to protect Lessor and Lessee.
- d. The contract between the Lessee and its contractor shall require that the Lessee's contractor hold the Lessor harmless in a form and manner equal to the indemnity agreement in Article 12, "Indemnification" of the Lease agreement.
- e. Lessee shall cause to be executed a waiver of all subrogation rights their contractors have or may have against Lessor and any Mortgagee involved in the Premises in any way, for damages caused by fire or other perils so insured to the extent of any insurance coverage with respect to such matter.*

-END-

EXHIBIT C - 1

AIR CONDITIONING & HEATING DESIGN STANDARDS

The following are design standards for the building air-conditioning system for cooling and heating in the air in the subject building:

1. During the normal heating season to maintain an average indoor dry bulb temperature of not less than 70 degrees F (21 degrees C) or more than 76 degrees (24.4 degrees C) when the outdoor dry bulb temperature is lower than 65 degrees F (18 degrees C) but not lower than 0 degrees F (-13 degrees C).
2. To maintain comfort cooling for an average indoor dry bulb temperature of not more than 78 degrees F when the outside dry bulb temperature is 95 degrees F (24 degrees C).
3. During the intermediate seasons, when the outside dry bulb temperature is below 55 degrees (13 degrees C), cooling will be provided by outside air usage in conjunction with operating of return air, outside air and exhaust air dampers.
4. To furnish not less than .10 cubic foot of fresh air per minute per square foot of rentable area, and between .20 and 1.0 cubic feet of total air per minute, per square foot of rentable occupied space.
5. Lessor will not be responsible for the failure of the air-conditioning system if such failure results from (i) the occupancy of the Premises with more than an average of one (1) person for each one hundred (100) usable square feet of floor area (ii) the installation or operation by Lessee of machines and appliances, the installed electrical load of which when combined with the load of all lighting fixtures exceeds five (5) watts per square foot of floor area and in any manner exceeding the aforementioned occupancy and electrical load criteria, or (iii) rearrangement of partitioning after the initial preparation of the Premises. If interference with normal operation of the air-conditioning system in the Premises results, necessitating changes in the air conditioning system servicing the Premises, such changes shall be made by Lessor upon written notice to Lessee at Lessee's sole cost and expense. Lessee agrees to lower and close window coverings when necessary because of the sun's position whenever the air conditioning system is in operation, and Lessee agrees at all times to cooperate fully with Lessor and to abide by all the Rules and Regulations attached hereto as well as reasonable rules and regulations which Lessor may hereafter prescribe involving the air-conditioning system.

-- END --

EXHIBIT D
CLEANING SERVICES
(Five Nights Per Week)

LESSEE'S PREMISES

1. Vacuum clean all carpeted areas.
2. Sweep and dust mop all non-carpeted areas. Wet mop whenever necessary.
3. All office furniture such as desks, chairs, files, filing cabinets, etc. shall be dusted with a clean treated dust cloth whenever necessary and only if such surfaces are clear of Lessee's personal property including but not limited to plants.
4. Empty and wash ashtrays.
5. Empty wastepaper baskets and remove waste to the designated areas.
6. All vertical surfaces within arms reach shall be spot cleaned to remove finger marks and smudges. Baseboard and windowsills are to be spot cleaned whenever necessary.
7. All cleaning of cafeterias, vending areas, kitchen facilities are excluded. Lessee may make necessary arrangements for same directly with Lessor's cleaning maintenance company.
8. Cleaning hours shall be Monday through Friday between 5:30 p.m. and 11:00 p.m.
9. No cleaning service is provided on Saturday, Sunday and Building Holidays.
10. Cartons or refuse in excess which can not be placed in wastebaskets will not be removed. Lessee is responsible to place such unusual refuse in trash dumpster.
11. Cleaning maintenance company will not remove nor clean tea, office cups or similar containers. If such liquids are spilled in wastebaskets, the waste baskets will be emptied but not otherwise cleaned. Lessor will not be responsible for any stained carpet caused from liquids leaking or spilling from Lessee's wastepaper receptacles.
12. Upon completion of cleaning, all lights will be turned off and doors locked leaving the Premises in an orderly condition.
13. Glass entrance doors will be cleaned nightly. Interior glass doors or glass partitions are excluded. Lessee may make arrangements for same with Lessor's cleaning maintenance company.

COMMON AREAS

1. Vacuum all carpeting in entrance lobbies, outdoor mats and all corridors.
2. Wash glass doors in entrance lobby with a clean damp cloth and dry towel.
3. Clean cigarette urns. Sweep and/or wet mop all resilient tile flooring. Hard surface floors such as quarry tile, etc., shall be cleaned nightly.
4. Wash, clean and disinfect water fountains.
5. Clean all elevators and stairwells.
6. Lavatories -- Men and Women.
 - a. Floors in all lavatories shall be wet mopped each evening with a germicidal detergent to ensure a clean and germ free surface.
 - b. Wash and polish all mirrors, shelves, bright work including any piping and toilet seats.
 - c. Wash and disinfect wash basins and sinks using a germicidal detergent.
 - d. Wash and disinfect toilet bowls and urinals.
 - e. Keep lavatory partitions, tiled walls, dispensers and receptacles in a clean condition using a germicidal detergent when necessary.
 - f. Empty and sanitize sanitary disposal receptacles.
 - g. Fill toilet tissue holders, towel dispensers and soap dispensers. Refills to be supplied by Lessor.
7. Clean all air ventilation grill work in ceilings.

EXHIBIT E
BUILDING HOLIDAYS
BUILDING CLOSED

* NEW YEAR'S DAY *

* MEMORIAL DAY *

* INDEPENDENCE DAY *

* LABOR DAY *

* THANKSGIVING DAY *

* CHRISTMAS DAY *

-- END --

EXHIBIT F

TENANT ESTOPPEL CERTIFICATE

TO: MORTGAGEE and/or its affiliates and/or whom else it may concern:

1. The undersigned is the Lessee (Tenant) under that certain Lease dated _____ by and between _____ as Lessor (Landlord) and _____ as Lessee, covering those certain premises commonly known and designated as _____ r.s.f. on the _____ () floor of _____, NJ.
2. The Lease has not been modified, changed, altered or amended in any respect (except as indicated following this sentence) and is the only Lease or agreement between the undersigned and the Lessor affecting said premises. If none, state "none".
3. The undersigned has made no agreements with Lessor or its agents or employees concerning free rent, partial rent, rebate of rental payments or any other type of rental concession (except as indicated following this sentence). If none, state "none".
4. The undersigned has accepted and now occupies the premises, and is and has been open for business since _____, 200_. The Lease term began _____, 2000, and the rent for said premises has been paid to and including _____, 2000 in conformity with this Lease agreement. No rent has been prepaid for more than two (2) months. The fixed minimum rent being paid as above is \$ _____ per month. If Lessee is not in full possession, whether Lessee has assigned the Lease, sublet all or any portion of the Premises, or otherwise transferred any interest in the Lease or the Premises, Lessee agrees to provide a copy of such assignment, sublease, or transfer upon request.
5. To Lessee's knowledge, the Lease is not in default and is in full force and effect. As of the date hereof, the undersigned is entitled to no credit, no free rent and no offset or deduction in rent.
6. All alterations, improvements, additions, build-outs, or construction required to be performed under the Lease have been completed in accordance with the terms of the Workletter attached to Lease as Exhibit C.
7. The Lease does not contain and the undersigned doesn't have any outstanding options or rights of first refusal to purchase the premises or any part thereof or the real property of which the premises are a part.
8. No actions, whether voluntary or otherwise, are pending against the undersigned under the bankruptcy laws of the United States or any State thereof.
9. There are currently no valid defenses, counterclaims, off-sets, credits, deductions in rent, or claims against the enforcement of any of the agreements, terms, or conditions of the Lease.
10. The undersigned acknowledges that all the interest of Lessor in and to the above-mentioned Lease is being duly assigned to MORTGAGEE or one of its affiliates hereunder and that pursuant to the terms thereof (i) all rental payments under said Lease shall continue to be paid to Lessor in accordance with the terms of the Lease unless and until you are otherwise notified in writing by MORTGAGEE, or its successor or assigns and (ii) no modification, revision, or cancellation of the Lease or amendments thereto shall be effective unless a written consent thereto of such mortgagee is first obtained.
11. The undersigned is authorized to execute this Tenant Estoppel Certificate on behalf of the Lessee.

Dated this _____ day of _____, 2000

LESSEE:

Name:
Title:

EXHIBIT G
COMMENCEMENT DATE AGREEMENT

1.0 PARTIES

THIS AGREEMENT made the _____ day of _____, 2000 is by and between _____ (hereinafter "Lessor") whose address is c/o Mack-Cali Realty Corporation, 11 Commerce Drive, Cranford, New Jersey 07016 and _____ (hereinafter "Lessee") whose address is _____.

2.0 STATEMENT OF FACTS

2.1 Lessor and Lessee entered into a Lease dated _____, 2000 (hereinafter "Lease") setting forth the terms of occupancy by Lessee of approximately _____ rentable square feet on the _____ (____) floor (hereinafter "Premises") at _____ (hereinafter "Building"); and

3.0 STATEMENT OF TERMS

NOW, THEREFORE, in consideration of the Premises and the covenants hereinafter set forth, it is agreed:

3.1 The Commencement Date of the Term of the Lease is _____, 2000 and the Expiration Date thereof is _____, 2000 and the Lease Preamble Articles 6 and 9 shall be deemed modified accordingly.

3.2 This Agreement is executed by the parties hereto for the purpose of providing a record of the Commencement and Expiration Dates of the Lease and the Term and aggregate Fixed Basic Rent shall be adjusted accordingly..

EXCEPT as modified herein, the Lease covering the Premises shall remain in full force and effect as if the same were set forth in full herein and Lessor and Lessee hereby ratify and confirm all the terms and conditions thereof.

THIS AGREEMENT shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and permitted assigns.

EACH PARTY AGREES that it will not raise or assert as a defense to any obligation under the Lease or this Agreement or make any claim that the Lease or this Agreement is invalid or unenforceable due to any failure of this document to comply with ministerial requirements including, but not limited to, requirements for corporate seals, attestations, witnesses, notarizations, or other similar requirements, and each party hereby waives the right to assert any such defense or make any claim of invalidity or unenforceability due to any of the foregoing.

IN WITNESS THEREOF, Lessor and Lessee have hereunto set their hands and seals the date and year first above written and acknowledge one to the other they possess the requisite authority to enter into this transaction and to sign this Agreement.

LESSOR
By: _____
Michael A. Grossman
Executive Vice President

LESSEE
By: _____
Name: _____
Title: _____

FIRST AMENDMENT TO LEASE

1. PARTIES

- 1.1 THIS AGREEMENT made the 21 day of December, 2000 is between MACK-CALI REALTY, L.P. ("Lessor") whose address is c/o Mack-Cali Realty Corporation, 11 Commerce Drive, Cranford, New Jersey 07016 and MOVADO GROUP, INC. ("Lessee"), whose address is 125 Chubb Avenue, Lyndhurst, New Jersey 07071.

2. STATEMENT OF FACTS

- 2.1 Lessor and Lessee simultaneously herewith entered into a Lease (the "Lease") covering approximately 20,000 gross rentable square feet on the third (3rd) floor ("Premises") in the building located at Mack Centre II, One Mack Drive, Paramus, New Jersey ("Building"); and
- 2.2 Lessee desires to expand the Premises by leasing approximately 37,535 gross rentable square feet on the third (3rd) floor of the Building contiguous to the Premises ("Expansion Premises"), as shown on Exhibit A attached hereto and made a part hereof (the Expansion Premises, as defined herein, together with the Premises, as defined herein, constitute the "Larger Premises," as such term is defined in the Lease); and
- 2.3 The parties desire to amend certain terms of the Lease as set forth below.

3. AGREEMENT

NOW, THEREFORE, in consideration of the terms, covenants and conditions hereinafter set forth, Lessor and Lessee agree as follows:

- 3.1 The above recitals are incorporated herein by reference.
- 3.2 All capitalized and non-capitalized terms used in this Agreement which are not separately defined herein but are defined in the Lease shall have the meaning given to any such term in the Lease.
- 3.3 The Term applicable to the Expansion Premises shall commence on January 1, 2002 (the "Effective Date") and shall terminate at 11:59 p.m. on June 30, 2013, said date being the Expiration Date, as defined in the Lease. Notwithstanding the foregoing, Lessee shall have the right to use and occupy the Expansion Premises from the date hereof until the Effective Date, without any obligation to pay Fixed Basic Rent or Additional Rent (other than for electricity consumed in the Expansion Premises), but otherwise subject to the terms and conditions of the Lease.
- 3.4 Lessor hereby leases the Expansion Premises to Lessee, and Lessee shall accept the Expansion Premises on the Effective Date in its "AS-IS" condition.
- 3.5 Lessee, at its sole cost and expense, shall perform improvement work to the Expansion Premises in accordance with Exhibit B attached hereto and made part hereof. Lessor shall provide an allowance towards such improvements work of up to ONE MILLION SIXTY NINE THOUSAND SIX HUNDRED NINETEEN AND 59/100 DOLLARS (\$1,069,619.59) ("Lessor's Construction Allowance"), which amount includes up to EIGHTY FOUR THOUSAND EIGHT HUNDRED TWELVE AND 00/100 DOLLARS (\$84,812.00) for Lessee's architectural and engineering costs.
- 3.6 From and after the Effective Date, the following shall be effective:
- a. Lessor shall lease to Lessee and Lessee shall hire from Lessor the Expansion Premises as shown on Exhibit A attached hereto and made part hereof.
 - b. The Premises shall be defined as approximately 57,535 gross rentable square feet on the third (3rd) floor of the Building and Paragraph 7 of the Preamble to the Lease shall be deemed amended accordingly.

- c. In addition to the Fixed Basic Rent payable applicable to the Premises, Lessee shall pay Lessor Fixed Basic Rent applicable to the Expansion Premises which shall accrue as follows and Paragraph 10 of the Preamble to the Lease shall be deemed supplemented accordingly:

Lease Year(s)	Yearly Rate	Monthly Installment
1/1/02 - 6/30/05	\$928,991.25	\$77,415.94
7/1/05 - 6/30/09	\$1,004,061.25	\$83,671.77
7/1/09 - 6/30/13	\$1,079,131.25	\$89,927.60

- d. Parking Spaces shall continue to be as defined in Paragraph 14 of the Preamble to the Lease.
- e. Lessee shall pay Lessor the cost of electricity consumed within the Expansion Premises in accordance with Article 22 Building Standard Office Electrical Service of the Lease.
- f. Lessee's Percentage applicable to the Expansion Premises shall be 10.77 %.
- g. Lessee shall pay Lessor, as Additional Rent, Lessee's Percentage applicable to the Expansion Premises of the increased cost to Lessor for each of the categories set forth in Article 23 (Additional Rent) over the Base Period Costs set forth in Paragraph 2 of the Preamble of Lease. Notwithstanding anything hereinabove to the contrary, Lessee shall have no obligation to pay Lessee' Percentage applicable to the Expansion Premises of the increased cost to Lessor over the Base Period Costs for the Expansion Premises during the first twelve (12) months following the Effective Date.
- h. The term "Expansion Premises" shall have the same meaning as the term "Premises" as in the Lease, and the Lease shall be deemed amended accordingly. All terms and agreements contained in the Lease shall apply to the Expansion Premises demised herein with the same force and effect as if the same had been set forth in full herein except as otherwise expressly provided in this Agreement.

- 3.7 This Agreement shall not extend or otherwise amend the Term or Fixed Basic Rent applicable to the Premises as defined herein.
- 3.8 Each of Lessor and Lessee represent and warrant to the other that no broker except Alexander Summer LLC (the "Broker") brought about this transaction, and each agrees to indemnify and hold the other harmless from any and all claims of any other broker arising out of or in connection with negotiations of, or entering into of, this Agreement. Lessor agrees to pay Broker pursuant to a separate agreement and to indemnify and hold harmless Lessee with respect to claims by the Broker.
- 3.9 Except as expressly amended herein, the Lease shall remain in full force and effect as if the same had been set forth in full herein, and Lessor and Lessee hereby ratify and confirm all of the terms and conditions thereof.
- 3.10 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and permitted assigns.
- 3.11 Each party agrees that it will not raise or assert as a defense to any obligation under the Lease or this Agreement or make any claim that the Lease or this Agreement is invalid or unenforceable due to any failure of this document to comply with ministerial requirements including, but not limited to, requirements for corporate seals, attestations, witnesses, notarizations, or other similar requirements, and each party hereby waives the right to assert any such defense or make any claim of invalidity or unenforceability due to any of the foregoing.

IN WITNESS WHEREOF, Lessor and Lessee have hereunto set their hands and seals the date and year first above written, and acknowledge one to the other that they possess the requisite authority to enter into this transaction and to sign this Agreement.

LESSOR
MACK-CALI REALTY, L.P.

LESSEE
MOVADO GROUP, INC.

By: Mack-Cali Realty Corporation,
its general partner

By: /s/ Michael A. Grossman

Michael A. Grossman
Executive Vice President

By: /s/ Rick Cote

Name:
Title:

EXHIBIT B

LESSEE'S WORK AND ALTERATIONS

Lessee may make the alterations required for Lessee's use of the Expansion Premises (hereinafter the "Work") after the delivery of possession of the Expansion Premises to Lessee subject to the following:

- a. Lessee, at its sole cost and expense, shall prepare and submit to Lessor, for Lessor's and governmental approval, the following descriptive information, detailed architectural and engineering drawings and specifications (hereinafter the "Plans") for the Work. The Plans shall be as complete and finished as required to completely describe the Work and shall include, but not be limited to, the following:
 - i. Demolition Plans depicting all existing conditions to be removed, abandoned or cut patched.
 - ii. Architectural floor plans depicting partition locations and types; door location, size, and hardware types.
 - iii. Structural plans, if required, depicting new structural components and their connections to existing elements.
 - iv. Electrical plans depicting all new and existing electrical wiring, devices, fixtures and equipment.
 - v. Mechanical plans depicting all new plumbing, piping, heating, ventilating, air conditioning equipment, and duct work and its connections to existing elements.
 - vi. Life Safety System plans depicting all new or altered alarm system fixtures, devices, detectors and wiring within the Expansion Premises and their connection to existing systems.
 - vii. Coordinated reflected ceiling plan showing ceiling systems and materials and all of the above items and their proximity to one another.
 - viii. Finish plans showing locations and types of all interior finishes with a schedule of all proposed materials and manufacturers.

The Plans shall provide for all systems and construction components complying with the requirements of all governmental authorities and insurance bodies having jurisdiction over the Building.

- b. The Plans for the Work are subject to Lessor's prior written approval which shall not be unreasonably withheld, provided, however, that Lessor may in any event disapprove the Plans if they are incomplete, inadequate or inconsistent with the terms of the Lease or with the quality and architecture of the Building. Lessor agrees to approve or disapprove the Plans within three (3) business days of receipt of same (the "Lessor's Approval Period") and if not disapproved within Lessor's Approval Period and after one (1) business day's notice from Lessee notifying Lessor of such failure to disapprove, the Plans shall be deemed approved. If Lessor disapproves the Plans or any portion thereof, Lessor shall promptly notify Lessee thereof and of the revisions which Lessor reasonably requires in order to obtain Lessor's approval Lessee shall, at its sole cost and expense, submit the Plans, in such form as may be necessary, with the appropriate governmental agencies for obtaining required permits and certificates. Any changes required by any governmental agency affecting the Work or the Plans shall be complied with by Lessee in completing said Work at Lessee's sole cost and expense. Lessee shall submit completed Plans to Lessor simultaneously with Lessee's submission of said plans to the local building department.

2. Lessor shall permit Lessee to solicit competitive pricing and select its own general and/or

individual subcontractors to perform the Work in its sole cost subject to the following:

- a. All general contractors shall be subject to Lessor's prior written approval, which shall not be unreasonably withheld.
- b. Intentionally omitted.
- c. Lessee shall instruct all approved general contractors to exclusively use Lessor's Base Building Sub-Contractors for heating, ventilation, air conditioning, electrical, fire suppression and life safety systems (hereinafter "Building Systems"). Other subcontractors may be used only when specifically approved in writing by Lessor, which approval shall not be unreasonably withheld or delayed.
- d. The Base Building Sub-Contractors and their respective trades are set forth in Paragraph 6 below.
- e. Lessee notifies Lessor in writing of Lessee's selection of general and subcontractors.
- f. All costs associated with the bidding process soliciting competitive pricing will be at the sole cost and expense of the Lessee.

3. Intentionally omitted.

4. If Lessee elects to engage another general contractor, or individual sub-contractors, Lessee shall, at its sole cost and expense, complete the Work. Lessee shall complete such Work through its own contractors in accordance with the following terms and conditions:

- a. Lessee's workmen and mechanics shall work in harmony and not interfere with the labor employed by Lessor, Lessor's mechanics or contractors or by any other Lessee or their mechanic or contractors, if any. If at any time Lessee and/or its contractors cause disharmony or interference with the operation of the Building, Lessor shall give forty-eight (48) hours written notice to Lessee and Lessee shall promptly resolve any dispute so that the tenor of the construction process and the operation of the Building is returned to that which existed prior to Lessor's notice. Such entry by Lessee's contractors shall be deemed controlled by all of the terms, covenants, provisions and conditions of the Lease.*
- b. Prior to the commencement of the Work, Lessee shall provide Lessor with evidence of Lessee's contractors and sub-contractors carrying such worker's compensation, general liability, personal and property insurance required by law and in amounts no less than the amounts set forth in Paragraph 8 herein. Lessor shall not be liable in any way for any injury, loss or damage which may occur to any portion of the Work, Lessee's decorations, or installments so made, the same being solely at Lessee's risk.
- c. All proposed Building System work, including the preparation of the plans and specifications identified herein, shall be approved by Lessor's engineers (the "Engineering Review"), and the reasonable cost thereof shall be Lessee's responsibility.
- d. Lessor shall afford Lessee and its contractors the opportunity to use the Building facilities in order to enable Lessee and its contractors to perform the Work, provided however, that Lessee and its contractors shall remain responsible for the scheduling and transportation of materials and equipment used in the performance of such work. Lessee shall give Lessor adequate prior notice with regard to the scheduling and transportation of materials in and out of the Building. Lessor shall furnish, at Lessor's expense, water, electricity, heat and ventilation during the performance of the Work during regular construction trade hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, exclusive of trade holidays. Scavenger service shall be provided by Lessor at Lessee's expense.
- e. All plans, changes to the plans and work installed by Lessee and its sub-contractors shall require inspections to be made by Lessor's Base Building Sub-Contractors at Lessee's or Lessee's contractors expense (the "Inspection Fees"). The Base Building Sub-Contractors shall supply Lessor with certification that work so preformed has

been completed in accordance with the Plans which have been previously approved by Lessor. If a Base Building Sub-Contractor is selected and actually installs the work, the Inspection Fees described in this paragraph with respect to such work shall not be required.

- f. Lessee shall be responsible for all cleaning and removal of debris necessitated by the performance of the Work. If Lessee fails to provide such cleaning and removal, the same may be performed by Lessor on Lessee's behalf (except if the debris is only located within the Premises, Lessor shall give Lessee three (3) days notice prior to performing such work) and Lessee will pay Lessor an amount equal to the contractor's charge therefore.
- g. Neither the outside appearance nor the strength of the Building or of any of its structural parts shall be affected by the Work.
- h. The proper functioning of any of the Building Systems shall not be adversely affected or the usage of such systems by Lessee shall not be materially increased above the projected usage of such systems indicated by the current plans and specifications of the Building.
- i. Lessee and its general and sub-contractors shall be bound by and observe all of the conditions and covenants contained in the Lease and this Exhibit A.
- j. Lessor shall designate a "Project Manager" as its representative in the Building who shall be responsible for coordination and supervision of the Work as it pertains to the daily operation of the Building. The Project Manager and his subordinates shall be granted access to the Expansion Premises at all times during the construction period.

- 5. Any part of the Work other than Lessee's trade fixtures and equipment within the Expansion Premises shall become the property of the Lessor upon installation. Furthermore, with respect to any material and installation which is part of the Work, Lessee shall not be entitled to remove (unless replaced with equivalent property), pledge or sell same unless otherwise agreed to in writing by Lessor and Lessee. No refund, credit, or removal of said items shall be permitted at the termination of the Lease. Items installed that are not integrated in any such way with other common building materials do not fall under this provision (Example: shelving, furniture, trade fixtures equipment).
- 6. Lessor shall provide a cash contribution of up to ONE MILLION SIXTY NINE THOUSAND SIX HUNDRED NINETEEN AND 59/100 DOLLARS (\$1,069,619.59) ("Lessor's Construction Allowance") for payment of the costs associated with the completion of The Work, which amount includes up to EIGHTY FOUR THOUSAND EIGHT HUNDRED TWELVE AND 00/100 DOLLARS (\$84,812.00) for Lessee's architectural and engineering costs. Lessor's Construction Allowance shall be payable within fifteen (15) days of Lessor's receipt of the following and shall be payable notwithstanding that the Effective Date of the First Amendment to Lease may not have yet occurred:
 - a. Copy of the Certificate of Occupancy (temporary and permanent) issued by the local construction official;
 - b. AIA Document G704, Certificate of substantial completion issued and signed by Lessee's Architect;
 - c. Release of Lien statements from the general and all sub-contractors associated with the Work and invoices evidencing the cost of said work; and
 - d. Lessee shall provide Lessor a set of reproducible drawings of the Plans and a "CAD" file (in .DWG or .DXF format) of the "As-Built" Plans.
- 7. The Base Building Sub-Contractors are:

FIRE SPRINKLER CONTRACTOR

"To be provided by Lessor upon request from Lessee."

ELECTRICAL CONTRACTOR

"To be provided by Lessor upon request from Lessee."

PLUMBING CONTRACTOR

"To be provided by Lessor upon request from Lessee."

HVAC CONTRACTOR

"To be provided by Lessor upon request from Lessee."

8. Lessee's Contractor's Insurance:

- a. The Lessee shall require any and all contractors of the Lessee performing work on or about the Expansion Premises to obtain and/or maintain specific insurance coverage for events which could occur while operations are being performed and which could occur after the completion of the work. The insurance coverage of the contractor shall be at least equal to the coverage required by Article 30 of the Lease and the contractor shall name Lessor and, if requested, Mortgagee as additional insureds on all policies of liability insurance.
- b. The contractor shall purchase and maintain such insurance as will protect itself and Lessor and Lessee from claims set forth below which may arise out of or result from its operations under the contract and after contract completion with Lessee, whether such operations are performed by the contractor or by any subcontractor or by anyone directly or indirectly employed by any of them or by anyone for whose acts any of them may be liable. The insurance coverage shall include but not be limited to protection for:
 - i. Claims under Workers or Workmens Compensation, Disability Benefits, and other Employee Benefit Acts;
 - ii. Claims for damages because of bodily injury, occupational sickness, disease or death of its employees;
 - iii. Claims for damages because of bodily injury, sickness, disease, or death of any person other than its employees;
 - iv. Claims for damages insured by the usual personal injury liability coverages which are sustained by (i) any person as a result of an offense directly or indirectly related to the employment of such person by the contractor, or (ii) by any other person;
 - v. Claims for damages, other than to the work itself, because of injury to or destruction of tangible property, including loss of use resulting therefrom;
 - vi. Claims for damages because of bodily injury or death of any person and/or property damage arising out of the ownership, maintenance, or use of any motor vehicle; and
 - vii. Claims which include the foregoing, but not limited thereto, which may occur while operations are being performed and claims which may occur after operations are completed.
- c. Lessee shall secure evidence of Lessee's contractor's insurance coverage adequate to protect Lessor and Lessee.
- d. The contract between the Lessee and its contractor shall require that the Lessee's contractor hold the Lessor harmless in a form and manner equal to the indemnity agreement in Article 12, "Indemnification" of the Lease agreement.
- e. Lessee shall cause to be executed a waiver of all subrogation rights their contractors have or may have against Lessor and any Mortgagee involved in the Expansion Premises in any way, for damages caused by fire or other perils so insured.

-END-

Exhibit B - Page 5

December 21 , 2000

Movado Group, Inc.
125 Chubb Avenue
Lyndhurst, New Jersey 07071

Subject: Temporary Rental of approximately 19,374 square feet on the second floor (north wing) at 300 Tice Boulevard, Woodcliff, Lake, New Jersey

Dear Gentlemen:

This is to confirm that we as "Lessor" have agreed to lease to you, and you as "Lessee" have agreed to hire from us, on a temporary basis, approximately 19,374 square feet on the second floor (north wing) at 300 Tice Boulevard, Woodcliff Lake, New Jersey ("Building") as per the plan attached hereto and made a part hereof ("Temporary Premises"). The parties acknowledge that, as of the date hereof, Lessee is in possession of and occupying the Temporary Premises under a sub-sublease with Merck-Medco ("Sublease"). Lessee hereby agrees to occupy the Temporary Premises from April 1, 2001 until June 30, 2001. The Temporary Premises shall be tendered to Lessee in their present "as is" condition, broom clean. Lessor shall perform no service and do no work other than that which is specifically set forth herein, and Lessee shall not make any material alterations or additions without the prior written permission of Lessor.

Lessee hereby agrees to pay to Lessor as rent hereunder at the rate of THREE HUNDRED EIGHTY SEVEN THOUSAND FOUR HUNDRED EIGHTY AND 00/100 DOLLARS (\$387,480.00) per annum, payable in equal monthly installments at the rate of THIRTY TWO THOUSAND TWO HUNDRED NINETY AND 00/100 DOLLARS (\$32,290.00) per month.

From and after occupancy, Lessor agrees to supply electric power to the Temporary Premises during the hours of 8:00a.m. to 6:00p.m. Monday through Friday and 8:00a.m. to 1:00p.m. on Saturdays (herein referred to as "Building Hours") at a cost of ONE AND 20/100 DOLLARS (\$1.20) per year for each rentable square foot being leased hereunder, which amount shall be payable as "Additional Rent," in advance, in equal consecutive monthly installments on the first day of each and every month.

The rental includes, and Lessor shall provide, all ordinary office cleaning, real estate taxes, grounds and structural maintenance (except window glass), elevator service, Building standard HVAC service and water for ordinary sanitary and janitorial purposes. Lessee agrees to maintain the interior of the Temporary Premises in good repair with contractors reasonably acceptable to Lessor, at Lessee's expense. Lessee shall be liable for any damage to the Temporary Premises or the mechanical systems, except for any damage caused by Lessor or any of Lessor's, agents, contractors, employees or representatives, normal wear and tear excepted. If Lessee fails reasonably to cure a default hereunder following written notice thereof and an opportunity to cure, Lessor may do so for Lessee and charge Lessee the reasonable cost thereof. Lessee shall not engage in any activity which would prevent nearby lessees from having the quiet enjoyment of their premises. Lessee shall comply with any non-discriminatory rules or regulations promulgated by Lessor for the common areas, grounds, access roads and the building of which the Temporary Premises are a part.*

Lessee shall have the use of the same number of parking spaces as Lessee is currently using pursuant to the Sublease. Lessee shall not park vehicles overnight nor use the loading docks for any purpose other than loading and unloading.

Except as otherwise provided herein, Lessee agrees to occupy the Temporary Premises at Lessee's sole risk, and will provide and keep in force during the term of this Agreement commercial general

public liability insurance against claims arising out of the operation of the Temporary Premises, in limits of not less than \$5,000,000 combined bodily injury and property damage, on an occurrence basis and shall submit to Lessor evidence of having covered such insurance prior to occupancy. Lessee shall hold Lessor harmless from any claims or injury caused as a result of Lessee's occupancy. Lessee shall comply with the regulations of the Fire Department, the insurance rating organization, and other authorities having jurisdiction. Lessee shall promptly discharge or bond any mechanic's liens which are filed against either party or the building as a result of any contracts or activities of Lessee. Lessee shall not store any materials or engage in any practices which would have the effect of increasing the insurance rates on the building or its contents above what they would be if Lessee were not in occupancy on the Temporary Premises. Lessee shall not store any materials or rubbish outside the Temporary Premises.

Lessor and Lessee mutually waive trial by jury in any action, proceeding brought by either of the parties hereto against the other (except for personal injury or property damage). It is further mutually agreed that in the event Lessor commences any summary proceeding for possession of the Temporary Premises, Lessee will not interpose any counterclaim of whatever nature except compulsory counterclaims.

During the term, Lessee will permit Lessor reasonable access to the Temporary Premises for the purposes of maintaining the building, to perform construction work in the Temporary Premises for Lessee's benefit or for the benefit of neighboring Lessees, at times of emergency, for the showing of the Temporary Premises to prospective Lessees, and for other reasonable purposes. Such entry into the Temporary Premises for any of the aforementioned purposes shall not constitute an eviction, constructive or otherwise, or entitle Lessee to any abatement of rent.

Lessee acknowledges that possession of the Temporary Premises must be surrendered at the expiration or sooner termination of the term, TIME BEING OF THE ESSENCE. Lessee shall indemnify, defend and save Lessor harmless against all direct damages and expenses, including reasonable attorneys' fees arising out of any claim made by a successor Lessee based upon the failure or refusal of Lessee to surrender the Temporary Premises in a timely fashion. The parties agree that the damage to Lessor resulting from failure by Lessee to surrender possession of the Temporary Premises on a timely basis will be extremely substantial, will exceed the amount of rent payable hereunder and will be impossible of accurate measurement. Lessee shall pay Lessor, as liquidated damages for each month and for any portion of a month during which Lessee holds over in the Temporary Premises after expiration or sooner termination of the term of this Agreement, a sum equal to 200% of the rent which was payable per month under this Agreement. Such liquidated damages shall not limit Lessee's indemnification with respect to claims made by any succeeding Lessee founded upon Lessee's failure or refusal to surrender the Temporary Premises. Nothing contained herein shall be deemed to authorize Lessee to remain in occupancy of the Temporary Premises after the expiration or sooner termination of the term.

Lessee, at Lessee's sole cost and expense, shall provide, keep and maintain fire extinguishers and any other nonstructural fire safety equipment required by laws and requirements of public authorities. At the expiration or earlier termination of the term of this Temporary Lease, Lessee may remove from the temporary premises any fire extinguishers provided by Lessee.

Lessee and Lessee's invitees shall observe and comply with the Rules and Regulations attached hereto, and such additional non-discriminatory Rules and Regulations as Lessor or Lessor's agents

may from time to time adopt. Notice of additional Rules and Regulations shall be given to Lessee. Lessor shall have no duty or obligation to enforce the Rules and Regulations or the terms, covenants or conditions in any other lease, against any other Lessee of the Building or in the Park, if applicable, and Lessor shall not be liable to Lessee for violation of the same by any other lessee or its invitees. In the event of a conflict between the Rules and Regulations and the provisions of this Agreement, the provisions of this Agreement shall prevail.

Lessee agrees not to disclose the terms, covenants, conditions or other facts with respect to this Temporary Lease Agreement, including, but not limited to, the basic annual rent, to any person, corporation, partnership, association, newspaper, periodical or other entity except as may be required by law. This non-disclosure and confidentiality agreement shall be binding upon Lessee without limitation as to time, and a breach of this paragraph shall constitute a material breach under this Temporary Lease Agreement.

This Agreement is subject and subordinate to all present and future mortgages or other encumbrances affecting the Temporary Premises or the property of which the Temporary Premises are a part. This provision is self-operative and no further instrument shall be required to effect such subordination.

Lessee shall look solely to the interest of the Lessor in the building for the satisfaction of Lessee's remedies, and no other property or assets of the Lessor shall be subject to levy, execution or other enforcement procedure for the satisfaction of Lessee's remedies.

The Lessee represents that it has dealt with no broker in connection with this Temporary Lease Agreement except Alexander Summer.

Lessor covenants and agrees that so long as Lessee pays rent and additional rent due hereunder and performs all of Lessee's other obligations hereunder, Lessee shall peaceably and quietly have hold and enjoy the Temporary Premises without hinderance or molestation by Lessor.

This Agreement shall not bind the Lessor unless and until it has been executed by the Lessor and delivered to the Lessee or Lessee's attorney.

If the foregoing meets with your approval please sign all three copies of this letter and return them to us. Upon being countersigned, we will return one copy to you for your files.

300 TICE REALTY ASSOCIATES L.L.C.
By: Mack-Cali Realty L.P., member
By: Mack-Cali Realty Corporation,
 general partner

By: Michael A. Grossman
 Executive Vice President

Agreed and consented to

MOVADO GROUP, INC.

By: Richard Cote
 Authorized Signature

Rules and Regulations

1. OBSTRUCTION OF PASSAGEWAYS: The sidewalks, entrance, passages, courts, elevators, vestibules, stairways, corridors and public parts of the Building shall not be obstructed or encumbered by Lessee or used by Lessee for any purpose other than ingress and egress. If the Premises are situated on the ground floor with direct access to the street, then Lessor shall, at Lessor's expense, keep the sidewalks and curbs directly in front of the Premises clean and free from ice, snow and refuse.
2. WINDOWS: Windows in the Premises shall not be covered or obstructed by Lessee. No bottles, parcels or other articles shall be placed on the window sills, in the halls, or in any other part of the Building other than the Premises. No article shall be thrown out of the doors or windows of the Premises.
3. PROJECTIONS FROM BUILDING: No awnings, air-conditioning units, or other fixtures shall be attached to the outside walls or the window sills of the Building or otherwise affixed so as to project from the Building, without prior written consent of Lessor.
4. SIGNS: No sign or lettering shall be affixed by Lessee to any part of the outside of the Premises, or any part of the inside of the Premises so as to be clearly visible from the outside of the Premises, without the prior written consent of Lessor. However, Lessee shall have the right to place its name on any door leading into the Premises the size, color and style thereof to be subject to the Lessor's approval. Lessee shall not have the right to have additional names placed on the Building directory without Lessor's prior written consent.
5. FLOOR COVERING: Lessee shall not lay linoleum or other similar floor covering so that the same shall come in direct contact with the floor of the Premises. If linoleum or other similar floor covering is desired to be used, an interlining of builder's deadening felt shall first be fixed to the floor by a paste or other material that may easily be removed with water, the use of cement or other similar adhesive material being expressly prohibited.
6. INTERFERENCE WITH OCCUPANTS OF BUILDING: Lessee shall not make, or permit to be made, any unseemly or disturbing noises or odors and shall not interfere with other Lessees or those having business with them. Lessee will keep all mechanical apparatus in the Premises free of vibration and noise which may be transmitted beyond the limits of the Premises.
7. LOCK KEYS: No additional locks or bolts of any kind shall be placed on any of the doors or windows by Lessee. Lessee shall, on the termination of Lessee's tenancy, deliver to Lessor all keys to any space within the Building either furnished to or otherwise procured by Lessee, and in the event of the loss of any keys furnished, Lessee shall pay to Lessor the cost thereof. Lessee, before closing and leaving the Premises, shall ensure that all windows are closed and entrance doors locked. Nothing in this Paragraph 7 shall be deemed to prohibit Lessee from installing a burglar alarm within the Premises, provided: (1) Lessee obtain's Lessor's consent which will not be unreasonably withheld or delayed; (2) Lessee supplies Lessor with copies of the plans and specifications of the system; (3) such installation shall not damage the Building; and (4) all costs of installation shall be borne solely by Lessee.

8. CONTRACTORS: No contract of any kind with any supplier of towels, water, toilet articles, waxing, rug shampooing, venetian blind washing, furniture polishing, lamp servicing, cleaning of electrical fixtures, removal of waste paper, rubbish, garbage, or other like service shall be entered into by Lessee, nor shall any machine of any kind be installed in the Building or the Office Building Area without the prior written consent of the Lessor. Lessee shall not employ any persons other than Lessor's janitors for the purpose of cleaning the Premises without prior written consent of Lessor. Lessor shall not be responsible to Lessee for any loss of property from the Premises however occurring, or for any damage to the effects of Lessee by such janitors or any of its employees, or by any other person or any other cause.
9. PROHIBITED ON PREMISES: Lessee shall not conduct, or permit any other person to conduct, any auction upon the Premises, manufacture or store goods, wares or merchandise upon the Premises without the prior written approval of Lessor, except the storage of usual supplies and inventory to be used by Lessee in the conduct of his business, permit the Premises to be used for gambling, make any unusual noises in the Building, permit to be played musical instrument on the Premises, permit any radio to be played, or television, recorded or wired music in such loud manner as to disturb or annoy other Lessees, or permit any unusual odors to be produced on the Premises. Lessee shall not permit any portion of the Premises to be occupied as an office for a public stenographer or typewriter, or for the storage, manufacture, or sale of intoxicating beverages, narcotics, tobacco in any form or as a barber or manicure shop. Canvassing, soliciting and peddling in the Building and the Office Building Area are prohibited and Lessee shall cooperate to prevent the same. No bicycles, vehicles or animals of any kind shall be brought into or kept in or about the Premises.
10. PLUMBING, ELECTRIC AND TELEPHONE WORK: Plumbing facilities shall not be used for any purpose other than those for which they were constructed; and no sweepings, rubbish, ashes, newspaper or other substances of any kind shall be thrown into them. Waste and excessive or unusual amounts of electricity or water is prohibited. When electric wiring of any kind is introduced, it must be connected as directed by Lessor, and no stringing or cutting of wires will be allowed, except by prior written consent of Lessor, and shall be done by contractors approved by Lessor. The number and locations of telephones, telegraph instruments, electrical appliances, call boxes, etc. shall be subject to Lessor's approval.
11. MOVEMENT OF FURNITURE, FREIGHT OR BULKY MATTER: The carrying in or out of freight, furniture or bulky matter of any description must take place during such hours as Lessor may from time to time reasonably determine and only after advance notice to the superintendent of the Building. The persons employed by Lessee for such work must be reasonably acceptable to the Lessor. Lessee may, subject to these provisions, move freight, furniture, bulky matter, and other material into or out of the Premises on Saturdays between the hours of 9:00 a.m. and 1:00 p.m., provided Lessee pays additional costs, if any, incurred by Lessor for elevator operators or security guards, and for any other expenses occasioned by such activity of Lessee. If, at least three (3) days prior to such activity, Lessor requests that Lessee deposit with Lessor, as security of Lessee's obligations to pay such additional costs, a sum of which Lessor reasonably estimates to be the amount of such additional cost, the Lessee shall deposit such sum with Lessor as security of such

cost. There shall not be used in the Building or Premises, either by Lessee or by others in the delivery or receipt of merchandise, any hand trucks except those equipped with rubber tires and side guards, and no hand trucks will be allowed in the elevators without the consent of the superintendent of the Building.

12. SAFES AND OTHER HEAVY EQUIPMENT: Lessor reserves the right to prescribe the weight and position of all safes and other heavy equipment so as to distribute properly the weight thereof and to prevent any unsafe condition from arising.
13. ADVERTISING: Lessor shall have the right to prohibit any advertising by Lessee which in Lessor's reasonable opinion tends to impair the reputation of the Building or its desirability as a building for offices, and upon written notice from Lessor, Lessee shall refrain from or discontinue such advertising.
14. NON-OBSERVANCE OR VIOLATION OF RULES BY OTHER LESSEES: Lessor shall not be responsible to Lessee for non-observance or violation of any of these rules and regulations by any other Lessee.
15. AFTER HOURS USE: Lessor reserves the right to exclude from the Building between the hours of 6:00 p.m. and 8:00 a.m. and at all hours on Saturdays, Sundays and Building Holidays, all persons who do not present a pass to the Building signed by the Lessee. Each Lessee shall be responsible for all persons for whom such a pass is issued and shall be liable to the Lessor for the acts of such persons.
16. PARKING: Lessee and its employees shall park their cars only in those portions of the parking area designated by Lessor.
17. Lessor hereby reserves to itself any and all rights not granted to Lessee hereunder, including, but not limited to, the following rights which are reserved to Lessor for its purposes in operating the Building:
 - a) the exclusive right to the use of the name of the Building for all purposes, except that Lessee may use the name as its business address and for no other purposes; and
 - b) the right to change the name or address of the Building, without incurring any liability to Lessee for doing so; and
 - c) the right to install and maintain a sign on the exterior of the Building; and
 - d) the exclusive right to use or dispose of the use of the roof of the Building; and
 - e) the right to limit the space on the directory of the Building to be allotted to Lessee; and
 - f) the right to grant to anyone the right to conduct any particular business or undertaking in the Building.
18. The Lessee shall be responsible for initiating, maintaining and supervising all health and safety precautions and/or programs required by Law in connection with the Lessee's use and occupancy of the Premises.
19. The Lessee shall not store, introduce or otherwise permit any material known to be hazardous within the Premises. Any material within the Premises which is determined to be

hazardous shall be removed and properly disposed of by the Lessee at the Lessee's sole expense.

-- END --

[FLEET BANK LOGO]

FLEET BANK
1185 Avenue of the Americas
New York, NY 10036

June 22, 2000

Movado Group, Inc.
125 Chubb Avenue
Lyndhurst, New Jersey 07071

Dear Sir or Madam:

We are pleased to advise you that Fleet Bank, National Association (the "Bank") has consolidated and renewed a line of credit (the "Line") in the amount of \$10,000,000 for the use of Movado Group, Inc. (the "Company"), upon the terms and conditions set forth below.

The Line will be available during the period commencing the date hereof and ending on June 21, 2001, subject to the company's acceptance of the terms hereof. All Loans shall mature on June 21, 2001.

Loans shall bear interest, at the Company's election, at a rate per annum equal to either (i) a fluctuating rate equal to the Prime Rate, or (ii) such other fixed rate as may be agreed upon between the Company and the Bank for an interest period which is also then agreed upon (a Loan bearing interest at this rate is sometimes called an "Agreed Rate Loan"). "Prime Rate" shall be as defined in the attached promissory note (the "Note"), which Note shall evidence all Loans. Interest shall be payable monthly in arrears based on a 360-day year and, for Agreed Rate Loans, on the last day of the applicable Interest Period.

Additional provisions applicable to the Line

The Company shall not grant a security interest in, pledge, assign or otherwise encumber any of its accounts receivable or inventory.

All obligations of the Company owing to the Bank shall continue to be unconditionally guaranteed by all active domestic subsidiaries of the Company (collectively, the "Guarantors") pursuant to the Bank's standard form of guarantee (collectively, the "Guarantees").

[FLEET BANK LOGO]

The Company shall continue to provide the following to the Bank:

- - The consolidated and consolidating balance sheet for the Company and its subsidiaries, consolidated and consolidating statement of income and consolidated statement of cash flow: (i) (audited by accountants satisfactory to the Bank) within 120 days of fiscal year end; and (ii) (certified by the company's chief financial officer) within 75 days of quarter end; all to include comparative figures for the corresponding period of the preceding year.
- - Notices of defaults.
- - Accounts receivable aging reports and such additional information relating thereto as is currently reported.
- - Such other statements and reports as shall be reasonably requested by the Bank.

This letter agreement replaces, supersedes, amends and restates in its entirety any and all prior letter agreements from the Bank to the Company concerning lines of credit made available by the Bank to the Company. Furthermore, any and all other lines of credit made available by the Bank to the Company (excluding the facility described in the Amended and Restated Credit Agreement dated as of June 22, 2000 among the Company, the lenders signatory thereto, The Chase Manhattan Bank, as Administrative Agent and the Bank, as Syndication Agent) are hereby terminated.

Extensions of credit under the Line shall be subject, of course, to the usual credit factors remaining favorable in the determination of the Bank. If the foregoing is acceptable to you, please sign and return the enclosed copy of this letter no later than June 30, 2000.

Very truly yours,

FLEET BANK, NATIONAL ASSOCIATION

By: /s/ CHRISTIAN J. COVELLO

Name: Christian J. Covello
Title: Vice President

[FLEET BANK LOGO]

ACCEPTED AND AGREED
ON JUNE __, 2000

MOVADO GROUP, INC.

By: /s/ R. COTE

Name: R. COTE
Title: EVP

FLEET BANK, NATIONAL ASSOCIATION

PROMISSORY NOTE

\$10,000,000.00

June 22, 2000

Office Address: 1185 Avenue of the Americas
New York, New York 10036

On June 21, 2001 (the "Maturity Date"), for value received, MOVADO GROUP, INC. (the "Borrower"), promises to pay to the order of FLEET BANK, NATIONAL ASSOCIATION (the "Bank") at the office of the Bank located at the place first above stated or at such other place as the holder hereof may from time to time appoint in writing, in lawful money of the United States of America in immediately available funds, the principal sum of Ten Million and 00/100 (\$10,000,000.00) Dollars or such lesser amount as may then be the aggregate unpaid principal balance of all loans made by the Bank to the Borrower hereunder (each a "Loan" and collectively the "Loans") as shown on the schedule attached to and made a part of this Note. The Borrower also promises to pay interest (computed on the basis of a 360 day year for actual days elapsed) at said office in like money on the unpaid principal amount of each Loan from time to time outstanding at a rate per annum, to be elected by the Borrower at the time each Loan is made, equal to either (i) a fluctuating rate equal to the Prime Rate, which rate will change when and as the Prime Rate changes (a Loan bearing interest at this rate is sometimes hereinafter called a "Prime Loan"), or (ii) a fixed rate as may be agreed upon between the Borrower and the Bank (a "Fixed Rate") for an Interest Period which is also then agreed upon (a Loan bearing interest at this rate is sometimes hereinafter called an "Agreed Rate Loan"); provided, however, that (a) no Interest Period with respect to an Agreed Rate Loan shall extend beyond the Maturity Date, (b) if any Interest Period would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day and (c) if prior to the end of any such Interest Period of an Agreed Rate Loan the Borrower and the Bank fail to agree upon a new Interest Period therefor so as to maintain such Loan as an Agreed Rate Loan within the pertinent time set forth in Section 1 hereof, such Agreed Rate Loan shall automatically be converted into a Prime Loan at the end of such Interest Period and shall be maintained as such until a new Interest Period therefor is agreed upon. Interest on each Loan shall be payable monthly on the first day of each month commencing the first such day to occur after a Loan is made hereunder and, together with principal, on the Maturity Date. Interest on Agreed Rate Loans shall also be payable on the last day of each Interest Period applicable thereto. The Borrower further agrees that upon and following an Event of Default and/or after any stated or any accelerated maturity of Loans hereunder, all Loans shall bear interest (computed daily) at, (i) with respect to Agreed Rate Loans, a rate equal to the greater of 4% per annum in excess of the applicable Fixed Rate and 4% per annum in excess of the rate applicable to Prime Loans, payable on

demand, and (ii) with respect to Prime Loans, a rate equal to 4% per annum in excess of the rate applicable to Prime Loans, payable on demand. Furthermore, if the entire amount of any principal and/or interest required to be paid pursuant to this Note is not paid in full within ten (10) days after the same is due, the Borrower shall further pay to the Bank a late fee equal to five percent (5%) of the required payment. In no event shall interest payable hereunder be in excess of the maximum rate of interest permitted under applicable law. If any payment to be so made hereunder becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day and, to the extent permitted by applicable law, interest thereon shall be payable at the then applicable rate during such extension.

All payments made in connection with this Note shall be in lawful money of the United States in immediately available funds. The Borrower hereby expressly authorizes the Bank to record on the attached schedule the amount and date of each Loan, the rate of interest thereon, Interest Period thereof and the date and amount of each payment of principal. All such notations shall be presumptive as to the correctness thereof; provided, however, the failure of the Bank to make any such notation shall not limit or otherwise affect the obligations of the Borrower under this Note.

In consideration of the granting of the Loans evidenced by this Note, the Borrower hereby agrees as follows:

1. Loan Requests. Requests for Prime Loans and Agreed Rate Loans may be made up until 1 p.m. on the date the Loan is to be made. Any request for a Loan must be written. The Bank shall have no obligation to make any Loan hereunder.
2. Prepayment. The Borrower may prepay any Prime Loan at any time in whole or in part without premium or penalty. Each such prepayment shall be made together with interest accrued thereon to and including the date of prepayment. Agreed Rate Loans may not be prepaid except as provided under Paragraph 3 of this Note.
3. Indemnity; Yield Protection. The Borrower shall pay to the Bank, upon request of the Bank, such amount or amounts as shall be sufficient (in the reasonable opinion of the Bank) to compensate it for any loss, cost, or expense incurred as a result of: (i) any payment of an Agreed Rate Loan on a date other than the last day of the Interest Period for such Loan; (ii) any failure by Borrower to borrow an Agreed Rate Loan on the date specified by Borrower's written notice; (iii) any failure of Borrower to pay an Agreed Rate Loan on the date for payment specified in Borrower's written notice. Without limiting the foregoing, Borrower shall pay to Bank a "yield maintenance fee" in an amount computed as follows: The current rate for United States Treasury securities (bills on a discounted basis shall be converted to a bond equivalent) with a maturity date closest to the term chosen pursuant to the Fixed Rate Election as to which the prepayment is made, shall

be subtracted from Cost of Funds in effect at the time of prepayment. If the result is zero or a negative number, there shall be no yield maintenance fee. If the result is a positive number, then the resulting percentage shall be multiplied by the amount of the principal balance being prepaid. The resulting amount shall be divided by 360 and multiplied by the number of days remaining in the term chosen pursuant to the Fixed Rate Election as to which the prepayment is made. Said amount shall be reduced to present value calculated by using the above referenced United States Treasury securities rate and the number of days remaining in the term chosen pursuant to the Fixed Rate Election as to which prepayment is made. The resulting amount shall be the yield maintenance fee due to Bank upon the payment of an Agreed Rate Loan. Each reference in this paragraph to "Fixed Rate Election" shall mean the election by Borrower of Loan to bear interest based on a Fixed Rate. If by reason of an Event of Default, the Bank elects to declare the Loans and/or the Note to be immediately due and payable, then any yield maintenance fee with respect to an Agreed Rate Loan shall become due and payable in the same manner as though the Borrower has exercised such right of prepayment.

For the purpose of this Section 3 the determination by the Bank of such losses and reasonable expenses shall be conclusive if made reasonably and in good faith.

4. Increased Costs. If the Bank determines that the effect of any applicable law or government regulation, guideline or order or the interpretation thereof by any governmental authority charged with the administration thereof (such as, for example, a change in official reserve requirements which the Bank is required to maintain in respect of loans or deposits or other funds procured for funding such loans) is to increase the cost to the Bank of making or continuing Agreed Rate Loans hereunder or to reduce the amount of any payment of principal or interest receivable by the Bank thereon, then the Borrower will pay to the Bank on demand such additional amounts as the Bank may determine to be required to compensate the Bank for such additional costs or reduction. Any additional payment under this section will be computed from the effective date at which such additional costs have to be borne by the Bank. A certificate as to any additional amounts payable pursuant to this Section 4 setting forth the basis and method of determining such amounts shall be conclusive, absent manifest error, as to the determination by the Bank set forth therein if made reasonably and in good faith. The Borrower shall pay any amounts so certified to it by the Bank within 10 days of receipt of any such certificate.

5. Warranties and Representations. The Borrower represents and warrants that: a) it is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation and is qualified to do business and is in good standing under the laws of every state where its failure to so qualify would have a material and adverse effect on the business, operations, property or other condition of the Borrower; b) the execution, issuance and delivery of this Note by the Borrower are within its corporate powers and have been duly authorized, and the Note is valid, binding and enforceable in accordance with its

terms, and is not in violation of law or of the terms of the Borrower's Certificate of Incorporation or By-Laws and does not result in the breach of or constitute a default under any indenture, agreement or undertaking to which the Borrower is a party or by which it or its property may be bound or affected; c) no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Note, except those as have been obtained; d) the financial statements of the Borrower heretofore furnished to the Bank are complete and correct and fairly represent the financial condition of the Borrower and its subsidiaries as at the dates thereof and for the periods covered thereby, which financial condition has not materially, adversely, changed since the date of the most recently dated balance sheet heretofore furnished to the Bank; e) no Event of Default (as hereinafter defined) has occurred and no event has occurred which with the giving of notice or the lapse of time or both would constitute an Event of Default; f) the Borrower shall not use any part of the proceeds of any Loan to purchase or carry any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or to extend credit to others for the purpose of purchasing or carrying any margin stock; g) there is no pending or, to the knowledge of the Borrower, threatened action or proceeding affecting the Borrower before any court, governmental agency or arbitrator which, if determined adversely to the Borrower would have a materially adverse effect on the financial condition or operations of the Borrower except as described in the financial statements of the Borrower heretofore furnished to the Bank; and h) on the occasion of the granting of each Loan all representations and warranties contained herein shall be true and correct and with the same force and effect as though such representations and warranties had been made on and as of the date of the making of each such Loan.

6. Events of Default. Upon the occurrence of any of the following specified events of default (each an "Event of Default"): a) default in making any payment of principal, interest, or any other sum payable under this Note when due; or b) default by the Borrower or any guarantor (i) of any other obligation hereunder or (ii) in the due payment of any other obligation owing to the Bank or (iii) under any other document, instrument and/or agreement with or in favor of the Bank; or c) default by Borrower in the due payment of any other indebtedness for borrowed money or default in the observance or performance of any covenant or condition contained in any agreement or instrument evidencing, securing, or relating to any such indebtedness, which causes or permits the acceleration of the maturity thereof; or d) any representation or warranty made by the Borrower herein or in any certificate furnished by the Borrower in connection with the Loans evidenced hereby or pursuant to the provisions hereof, proves untrue in any material respect; or e) the Borrower becomes insolvent or bankrupt, is generally not paying its debts as they become due, or makes an assignment for the benefit of creditors, or a trustee or receiver is appointed for the Borrower or for the greater part of the properties of the Borrower with the consent of the Borrower, or if appointed without the consent of the Borrower, such trustee or receiver is not discharged within 30 days, or bankruptcy, reorganization, liquidation or similar proceedings

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are instituted by or against the Borrower under the laws of any jurisdiction, and if instituted against the Borrower are consented to by it or remain undismissed for 30 days, or a writ or warrant of attachment or similar process shall be issued against a substantial part of the property of the Borrower and shall not be released or bonded within 30 days after levy; or f) mortgage or pledge of, creation of a security interest in, any assets of the Borrower; or g) the Bank shall have determined, in its sole discretion, that one or more conditions exist or events have occurred which have resulted, or may result, in a material adverse change in the business, properties or financial condition of the Borrower; then, in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Bank may declare the principal and the accrued interest in respect of all Loans under this Note to be, whereupon the Note shall become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived by the Borrower.

7. Set-off At any time, without demand or notice, the Bank may set off all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of the Bank or any affiliate of the Bank, or in transit to any of them, or any part thereof and apply the same to any of the Liabilities even though unmatured and regardless of the adequacy of any other collateral securing the Liabilities. ANY AND ALL RIGHTS TO REQUIRE THE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE LIABILITIES, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE BORROWER OR ANY GUARANTOR OR OTHER PARTY OBLIGATED ON THIS NOTE, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED. The term "Liabilities" shall include this Note and all other indebtedness and obligations and liabilities of any kind of the Borrower to the Bank, now or hereafter existing, arising directly between the Borrower and the Bank or acquired by assignment, conditionally or as collateral security by the Bank, absolute or contingent, joint and/or several, secure or unsecured, due or not due, contractual or tortious, liquidated or unliquidated, arising by operation of law or otherwise, direct or indirect, including, but without limiting the generality of the foregoing, indebtedness, obligations or liabilities to the Bank of the Borrower as a member of any partnership, syndicate, association or other group, and whether incurred by the Borrower as principal, surety, endorser, guarantor, accommodation party or otherwise.

8. Definitions. As used herein:

(a) "Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in New York are required or permitted by law to remain closed, except that "Business Day" in the context of a specific city shall mean any date on which commercial banks are open for business in that city.

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(b) "Cost of Funds" means the per annum rate of interest which the Bank is required to pay, or is offering to pay, for wholesale liabilities, adjusted for reserve requirements and such other requirements as may be imposed by federal, state or local government and regulatory agencies, as determined by the Bank.

(c) "Fixed Rate" shall have the meaning provided in the initial paragraph of this Note:

(d) "Interest Period" means that period selected by the Borrower, within the limitations of the first paragraph of this Note, during which an Agreed Rate Loan may bear interest at the applicable Fixed Rate.

(e) "Prime Rate" means the variable per annum rate of interest so designated from time to time by the Bank as its prime rate. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate being charged to any customer.

9. Miscellaneous.

(a) The Borrower agrees to pay on demand all of the Bank's costs and expenses, including reasonable counsel fees, in connection with collection of any sums due to the Bank and enforcement of its rights under this Note.

(b) No modification or waiver of any provision of this Note shall be effective unless such modification or waiver shall be in writing and signed by a duly authorized officer of the Bank, and the same shall then be effective only for the period and on the conditions and for the specific instances specified in such writing. No failure or delay by the Bank in exercising any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any rights, power or privilege.

(c) The Borrower hereby waives presentment, demand for payment, notice of protest, notice of dishonor, and any and all other notices or demands except as otherwise expressly provided for herein.

(d) This Note shall be construed in accordance with and governed by the laws of the State of New York and the Borrower consents to the jurisdiction of the courts of New York in any action brought to enforce any rights of the Bank under this Note.

(e) The Bank may at any time pledge all or any portion of its rights under this Note and the loan documents executed in connection therewith (the "Loan Documents") to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal

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Reserve Act, 12 U.S.C. Section 341. No such pledge or enforcement thereof shall release the Bank from its obligations under any of such loan documents.

(f) All agreements between the Borrower (and each guarantor and each other party obligated for payment on this Note) and the Bank are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of maturity of the indebtedness evidenced hereby or otherwise, shall the amount paid or agreed to be paid to the Bank for the use or the forbearance of the indebtedness evidenced hereby exceed the maximum permissible under applicable law. As used herein, the term "applicable law" shall mean the law in effect as of the date hereof provided, however, that in the event there is a change in the law which results in a higher permissible rate of interest, then this Note shall be governed by such new law as of its effective date. In this regard, it is expressly agreed that it is the intent of the Borrower and the Bank in the execution, delivery and acceptance of this Note to contract in strict compliance with the laws of the State of New York from time to time in effect. If, under or from any circumstances whatsoever, fulfillment of any provision hereof or at the time of performance of such provision shall be due, shall involve transcending the limit of such validity prescribed by applicable law, then the obligation to be fulfilled shall automatically be reduced to the limits of such validity, and if under or from circumstances whatsoever the Bank should ever receive as interest an amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the principal balance evidenced hereby and not to the payment of interest. This provision shall control every other provision of all agreements between each and every Obligor and the Bank.

(g) THE BORROWER AND THE BANK MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY, AND THE BORROWER WAIVES THE RIGHT TO INTERPOSE ANY SET-OFF OR COUNTERCLAIM, IN ANY LITIGATION IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR ANY OTHER LOAN DOCUMENTS CONTEMPLATED TO BE EXECUTED IN CONNECTION HERewith OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR THE BANK TO ACCEPT THIS NOTE AND EXTEND CREDIT TO THE BORROWER.

(h) Upon receipt of an affidavit of an officer of the Bank as to the loss, theft, destruction or mutilation of this Note or any other security document which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon surrender and cancellation of such Note or other security document, the Borrower will issue, in lieu thereof, a replacement Note or other security document in the same principal amount thereof and otherwise of like tenor.

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(i) The Bank shall have the unrestricted right at any time and from time to time, and without the consent of or notice to the Borrower or any other party obligated on this Note, to grant to one or more banks or other financial institutions (each, a "Participant") participating interests in the Bank's obligation to lend hereunder and/or any or all of the Credits held by the Bank hereunder. In the event of any such grant by the Bank of a participating interest to a Participant, whether or not upon notice to the Borrower, the Bank shall remain responsible for the performance of its obligations hereunder and the Borrower shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations hereunder. The Bank may furnish any information concerning the Borrower in its possession from time to time to prospective assignees and Participants, provided that the Bank shall require any such prospective assignee or Participant to agree in writing to maintain the confidentiality of such information.

(j) This Note shall be binding upon and inure to the benefit of the Borrower, the Bank, all future holders of this Note and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights under this Note without the prior written consent of the Bank. The term "Bank" as used herein shall be deemed to include the Bank and its successors, endorsees and assigns. The Bank shall have the unrestricted right at any time or from time to time, and without the Borrower's consent, to assign all or any portion of its rights and obligations hereunder to one or more banks or other financial institutions (each, an "Assignee"), and the Borrower agrees that it shall execute, or cause to be executed, such documents, including without limitation, amendments to this Note and to any other documents, instruments and agreements executed in connection herewith as the Bank shall deem necessary to effect the foregoing. In addition, at the request of the Bank and any such Assignee, the Borrower shall issue one or more new promissory notes, as applicable, to any such Assignee and, if the Bank has retained any of its rights and obligations hereunder following such assignment, to the Bank, which new promissory notes shall be issued in replacement of, but not in discharge of, the liability evidenced by the promissory note held by the Bank prior to such assignment and shall reflect the amount of Loans held by such Assignee and the Bank after giving effect to such assignment. Upon the execution and delivery of appropriate assignment documentation, amendments and any other documentation required by the Bank in connection with such assignment, and the payment by Assignee of the purchase price agreed to by the Bank, and such Assignee, such Assignee shall be a party to this Agreement and shall have all of the rights and obligations of the Bank hereunder (and under any and all other guaranties, documents, instruments and agreements executed in connection herewith) to the extent that such rights and obligations have been assigned by the Bank pursuant to the assignment documentation between the Bank and such Assignee, and the Bank shall be released from its obligations hereunder and thereunder to a corresponding extent.

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(k) This Note shall amend, restate, consolidate, replace and supersede the Promissory Notes made by the Borrower to the order of the Bank with respect to lines of credit provided by the Bank to the Borrower (collectively the "Prior Notes"); provided, however, that the execution and delivery of this Note shall not in any circumstance be deemed to have terminated, extinguished or discharged the Borrower's indebtedness under such Prior Notes, all of which indebtedness shall continue under and be governed by this Note and the documents, instruments and agreements executed pursuant hereto or in connection herewith. This Note is a replacement, consolidation, amendment and restatement of the Prior Notes and IS NOT A NOVATION. The Borrower shall also pay and this Note shall also evidence any and all unpaid interest on all Loans made by the Bank to the Borrower pursuant to Prior Notes, and at the interest rate specified therein, for which this Note has been issued as replacement therefor.

MOVADO GROUP, INC.

By: /s/ R. COTE

Name: R. Cote
Title: EVP

AMENDED AND RESTATED MASTER PROMISSORY NOTE
(NEGOTIATED RATE)

\$5,000,000.00

June 27, 2000

FOR VALUE RECEIVED, MOVADO GROUP, INC., a corporation formed under the laws of the State of New York (the "Borrower"), hereby promises to pay to the order of THE BANK OF NEW YORK (the "Bank") at its One Wall Street, New York, New York office, the principal sum of Five Million and 00/100 Dollars (\$5,000,000.00) or the aggregate unpaid principal amount of all advances made by the Bank to the Borrower (which aggregate unpaid principal amount shall be equal to the amount duly indorsed and set forth opposite the date last appearing on the schedule attached to this note), whichever is less.

The Borrower agrees to pay interest on the unpaid principal amount of each advance evidenced hereby from the date such advance is made at a rate per annum equal to such rate (a "Negotiated Rate") as shall be agreed to between the Bank and the Borrower at the time of such advance but not to exceed the maximum rate permitted by law, which Negotiated Rate shall remain fixed until the maturity date (the "Maturity Date") of such advance as shall be agreed to between the Bank and the Borrower at the time of such advance. If any advance evidenced hereby shall not be paid when due, the Borrower agrees to pay interest on such advance at a rate per annum equal to the prime commercial lending rate of the Bank as publicly announced to be in effect from time to time, such rate to be adjusted automatically, without notice, on the effective date of any change in such rate plus two percent (2%), but not to exceed the maximum rate permitted by law. Interest shall be computed on the basis of a 360 day year for the actual number of days elapsed.

Each advance evidenced hereby shall be payable on the Maturity Date of such advance, and the Borrower shall not have the right to prepay any such advance.

Interest on each advance shall be payable on the Maturity Date of such advance.

If any payment of principal or interest on any advance evidenced by this note becomes due and payable on a Saturday, Sunday or other day on which commercial banks in New York, New York or West Paterson, New Jersey are authorized or permitted by law to close, such payment shall be extended to the next succeeding business day. If the date for any payment of principal is so extended, interest thereon shall be payable for the extended time.

If the Bank shall make a new advance on a day on which the Borrower is to repay an advance evidenced hereby, the Bank shall apply the proceeds of the new advance to make such repayment and only the amount by which the amount being advanced exceeds the amount being repaid shall be made available to the Borrower in accordance with the terms of this note.

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The Borrower hereby authorizes the Bank to accept oral (including telephonic) and written (including facsimile) instructions from a duly authorized representative of the Borrower to make an advance and to credit the proceeds of such advance to an account of the Borrower maintained at the Bank or to transfer the proceeds of such advance to another bank, or receive a payment of an advance, and to indorse on the schedule attached hereto the amount of each advance hereunder and each principal payment hereof received by the Bank, the interest rate applicable to each advance and the Maturity Date of each advance. The Borrower agrees that the Bank may rely upon any instructions believed by the Bank to be genuine and given by an authorized representative of the Borrower.

At the Borrower's option, the Bank shall credit a deposit account maintained by the Borrower at the Bank in the amount of an advance hereunder or transfer the proceeds of an advance hereunder to a bank designated by the Borrower for credit to an account designated by the Borrower maintained at such bank. The Borrower agrees that the crediting of the amount of an advance to the Borrower's deposit account maintained at the Bank or the origination of a payment order for a funds transfer of the proceeds of an advance in accordance with the instructions of the Borrower shall constitute conclusive evidence that such advance was made, and neither the failure of the Bank to indorse on the schedule attached hereto the amount of any advance, the interest rate applicable to any advance or the Maturity Date of any advance, nor the failure of the bank designated by the Borrower to credit the proceeds of any advance to the designated account maintained at such bank, shall affect the Borrower's obligations hereunder.

The Bank is authorized to charge any deposit account of the Borrower maintained at the Bank for each principal payment and each interest payment due hereunder on the due date thereof.

All payments hereof shall be made in lawful money of the United States of America and in immediately available funds.

All advances evidenced by this note together with all accrued interest thereon shall become immediately and automatically due and payable, without demand, presentment, protest or notice of any kind, upon (i) the commencement by or against the Borrower of a case or proceeding under any bankruptcy, insolvency or other law relating to the relief of debtors, the readjustment, composition or extension of indebtedness or reorganization or liquidation or (ii) the occurrence of any Event of Default as defined in the Credit Agreement dated as of June 22, 2000 among the Borrower, the lenders signatory thereto, The Chase Manhattan Bank, as administrative agent, as swingline bank and as issuing bank, Fleet Bank, N.A., as syndication agent, The Bank of New York, as documentation agent, and Chase Securities Inc., as arranger, without giving effect to any amendment, modification, consent or waiver to which the Bank has not agreed or consented.

The Borrower waives presentment, demand, protest and notice of protest, nonpayment or dishonor of this note.

The Borrower agrees to pay all costs and expenses incurred by the Bank incidental to or in any way relating to the Bank's enforcement of the obligations of the Borrower hereunder or the protection of the Bank's rights in connection herewith, including but not limited to, reasonable attorneys' fees and expenses incurred by the Bank, whether or not litigation is commenced.

This note may not be amended, and compliance with its terms may not be waived, orally or by course of dealing, but only by a writing signed by the Borrower and the Bank.

This note may be assigned or indorsed by the Bank and its benefits shall inure to the successors, indorseees and assigns of the Bank.

The Borrower authorizes the Bank to date this note and to complete any blank space herein according to the terms upon which said advances were granted.

No failure on the part of the Bank to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Bank of any right, remedy or power hereunder preclude any other or future exercise thereof or the exercise of any other right, remedy or power.

Each and every right, remedy and power hereby granted to the Bank or allowed it by law or other agreement shall be cumulative and not exclusive of any other right, remedy or power, and may be exercised by the Bank at any time and from time to time.

Every provision of this note is intended to be severable; if any term or provision of this note shall be invalid, illegal or unenforceable for any reason whatsoever, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

THE PROVISIONS OF THIS NOTE SHALL BE CONSTRUED AND INTERPRETED AND ALL RIGHTS AND OBLIGATIONS HEREUNDER, DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE PRINCIPLES OF CONFLICT OF LAWS. THE BORROWER SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF STATE AND FEDERAL COURTS LOCATED IN THE CITY AND STATE OF NEW YORK IN PERSONAM AND AGREES THAT SUCH COURTS ARE CONVENIENT FORUMS. THE BORROWER WAIVES PERSONAL SERVICE UPON IT AND CONSENTS TO SERVICE OF PROCESS BY MAILING A COPY THEREOF TO THE BORROWER BY REGISTERED OR CERTIFIED MAIL

THE BORROWER WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF, BASED UPON, OR IN ANY WAY CONNECTED TO, THIS NOTE.

This note amends, restates and replaces that certain Master Promissory Note (Negotiated Rate) dated July 23, 1997 made by the Borrower to the order of the Bank in the principal amount of \$10,000,000.00 (the "Existing Note"). This note is not being given by the Borrower, or accepted by the Bank, in payment of the Existing Note. All principal amounts outstanding under the Existing Note as of the date hereof, and all accrued and unpaid interest thereon, shall be deemed outstanding under this note as of the date hereof and shall continue to be owing hereunder by the Borrower.

MOVADO GROUP, INC.

Address:

125 Chubb Avenue
Lyndhurst, New Jersey 07071

By: /s/ KENNETH J. ADAMS

Name: Kenneth J. Adams

Title: SR. VP & CFO

By: /s/ HOWARD REGENBOGEN

Name: Howard Regenbogen

Title: Treasurer

Schedule to
Master Promissory Note
Executed By
Movado Group, Inc.

Date of Advance -----	Amount of Advance -----	Interest Rate* -----	Maturity Date of Advance -----	Amount of Payment -----	Aggregate Principal -----	Unpaid Amount -----
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* Insert the actual interest rate.

LOAN AGREEMENT
(INDIVIDUAL AGREEMENT)

between

CONCORD WATCH CO SA
NIDANGASSE 36
2501 BIENNE

(hereinafter referred to as "the Borrower")

and

CREDIT SUISSE, BIONNE
REGISTERED BRANCH: CREDIT SUISSE, BERNE

(Lender, hereinafter referred to as "the Bank")

AMOUNT OF LOAN CREDIT LINE OF US\$ 2,000,000 -- (TWO MILLION US DOLLARS)

UTILISATION -- in the form of current account credit in Swiss francs on the current account no. 0112-326669-51 and/or in freely convertible foreign currencies. Current account credits can be terminated with immediate effect at any time by either party.

-- In the form of fixed advances with a maximum term of 12 months. Fixed advances are due for repayment at maturity.

-- in the form of guarantees:

-- in the form of letters of credit

-- for forward transactions in foreign exchange and precious metal

INTEREST RATE CURRENT ACCOUNT LOAN
5 1/2 % p.a. where utilised in CHF
The Bank may at any time adjust the interest rates in line with the prevailing money and capital market rates either with immediate effect or as from a future date specified by the Bank (without notification in the case of foreign currency accounts).

FIXED ADVANCES
The Bank will in each case determine the interest rate in line with money and capital market rates.

CREDIT COMMISSION 1/4 % per quarter of the average amount of credit used where drawn as a current account loan.

POSTAGE AND FEES Debited for costs incurred by the Bank.

TERMINATION

This loan agreement can be terminated mutually at any time with immediate effect. Loans already granted under the agreement will remain unaffected by such a termination. Furthermore, the termination of a loan granted under this loan agreement will not automatically result in the termination of the agreement as a whole.

ACCOUNT STATEMENTS

Current account statements will be issued quarterly.

COLLATERAL

-US\$2'000'000, -- joint and several guarantee commitment of Movado Bienne SA, Nicaugasse 35, 2501 Bienne. The Guarantor has joint and several liability as sole guarantor for all Bank claims against the Borrower up to the specified maximum amount,

In accordance with form entitled "guarantee commitment" (to sign through the Guarantor)

-US\$2'000'000, -- joint and several guarantee commitment of NA Trading AG, Bettlachstrasse 8, 2540 Grenchen. The Guarantor has joint and several liability as sole guarantor for all Bank claims against the Borrower up to the specified maximum amount.

In accordance with form entitled "guarantee commitment" (to sign through the Guarantor)

-US\$2'000'000, -- joint and several guarantee commitment of Movado Watch Company AG, Bettlachstrasse 8, 2540 Grenchen. The Guarantor has joint and several liability as sole guarantor for all Bank claims against the Borrower up to the specified maximum amount.

In accordance with form entitled "guarantee commitment" (to sign through the Guarantor)

OTHER CONDITIONS

The three specimens "guarantee commitment" and the "General Conditions" of the Bank form an integral part of this agreement.

The borrower confirms that the loan granted under this loan agreement is at least of the same ranking as all other existing or future direct or indirect obligations of a similar nature.

For important reasons beyond the influence of the Bank, in particular if the Bank considers that the borrower's financial status and/or earnings situation has deteriorated considerably, or if the borrower's assets have become exposed to a major threat, the Bank shall be entitled at anytime to declare the entire outstanding loan (including interest accrued up to the date of payment) due for repayment.

The Bank shall be entitled at any time to declare the entire outstanding loan (including interest accrued up to the date of payment) due for repayment, in the event of any major change affecting the control (shareholders, shares) of the borrower.

Each year within 4 months of the date of the statement, the Borrower undertakes to send the Bank for inspection a copy of the balance sheet and profit and loss account together with the complete auditor's report, which the Bank will treat in the strictest confidence.

This loan agreement is drawn up in duplicate. The Borrower and the Bank receive one copy each.

CREDIT SUISSE

CONCORD WATCH CO SA

[SIG]

[SIG]

BERNHARD ASILIG

MATTHEW SCHWING

(Borrower's Signature)

BIENNE, 19th May 1999
CKMM 10F

(Place and date)

MOVADO BIENNE SA

(Guarantor's Signature)

(Place and date)

NA TRADING AG

(Guarantor's Signature)

(Place and date)

(Guarantor's signature)

(Place and date)

S forms "guarantee commitment"
(still to be agreed by the
Guarantor)
"General Conditions"

California:

North American Watch Service Corporation

New Jersey:

EWC Marketing Corp.

SwissAm Inc.

Movado Retail Group, Inc

Delaware:

Movado International, Ltd.

Movado Corporation

NAW Corporation

NAWC Corum Corporation

Movado Group Delaware Holdings Corporation

Switzerland:

Concord Watch Company, S.A.

Movado Watch Company, S.A.

N.A. Trading, Ltd.

Montres Movado Bienne, S.A.

Canada:

Movado Group of Canada, Inc.

Japan:

Concord Movado Japan Co., Ltd.

Singapore:

Swissam Pte. Ltd.

Hong Kong:

Swissam Ltd.

Swissam Products Ltd.

Germany:

Movado Deutschland G.m.b.H.

Concord Deutschland G.m.b.H.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-80789) of Movado Group, Inc. of our report dated March 23, 2001, relating to the consolidated financial statements and financial statement schedule, which appears in this Form 10-K.

PricewaterhouseCoopers LLP
Florham Park, New Jersey
April 30, 2001