

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED OCTOBER 31, 2001

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)

13-2595932
(IRS Employer
Identification No.)

650 FROM ROAD, PARAMUS, NEW JERSEY
(Address of Principal Executive Offices)

07652
(Zip Code)

(201) 267-8000
(Registrant's telephone number, including area code)

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

Indicate the number of shares outstanding of each of the Issuer's classes
of Common Stock, as of the latest practicable date.

As of December 7, 2001 the Registrant had 3,483,276 shares of Class A
Common Stock, par value \$0.01 per share, outstanding and 9,759,235 shares of
Common Stock, par value \$0.01 per share, outstanding.

MOVADO GROUP, INC.

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OCTOBER 31, 2001

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PART 1 - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

MOVADO GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)
(Unaudited)

	OCTOBER 31, 2001 ----	JANUARY 31, 2001 ----	OCTOBER 31, 2000 ----
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 20,259	\$ 23,059	\$ 11,161
Trade receivables, net	127,671	98,797	131,143
Inventories	106,603	95,863	86,170
Other current assets	23,599	23,501	20,162
	-----	-----	-----
Total current assets	278,132	241,220	248,636
Plant, property and equipment, net	36,492	32,906	29,683
Other assets	17,653	16,279	15,564
	-----	-----	-----
	\$ 332,277	\$ 290,405	\$ 293,883
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Loans payable to banks	\$ 46,500	\$ 8,800	\$ 37,840
Current portion of long-term debt	5,000	5,000	5,000
Accounts payable	26,133	28,819	19,902
Accrued liabilities	27,671	28,157	20,798
Deferred and current taxes payable	9,103	15,807	9,522
	-----	-----	-----
Total current liabilities	114,407	86,583	93,062
Long-term debt	40,000	40,000	45,000
Deferred and non-current foreign income taxes	3,515	3,517	4,771
Other liabilities	1,295	835	1,279
	-----	-----	-----
Total liabilities	159,217	130,935	144,112
	-----	-----	-----
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; 9,756,611, 9,600,435 and 9,513,172 shares issued, respectively	98	96	95
Class A common stock, \$0.01 par value, 10,000,000 shares authorized; 3,509,733, 3,509,733 and 3,509,733 shares issued and outstanding, respectively	35	35	35
Capital in excess of par value	68,504	67,242	66,266
Retained earnings	149,540	138,176	134,858
Accumulated other comprehensive income	(17,425)	(18,169)	(23,573)
Treasury stock, 1,544,487, 1,556,670 and 1,556,670 shares, at cost, respectively	(27,692)	(27,910)	(27,910)
	-----	-----	-----
	173,060	159,470	149,771
	-----	-----	-----
	\$ 332,277	\$ 290,405	\$ 293,883
	=====	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	NINE MONTHS ENDED OCTOBER 31, -----		THREE MONTHS ENDED OCTOBER 31, -----	
	2001 ----	2000 ----	2001 ----	2000 ----
Net sales	\$ 224,967	\$234,634	\$90,103	\$105,122
Costs and expenses:				
Cost of sales	86,154	91,613	34,224	39,927
Selling, general and administrative	119,475	115,394	46,369	46,723
	-----	-----	-----	-----
Operating income	19,338	27,627	9,510	18,472
Net interest expense	4,092	4,808	1,204	1,729
	-----	-----	-----	-----
Income before income taxes and cumulative effect of a change in accounting principle	15,246	22,819	8,306	16,743
Provision for income taxes	2,725	5,705	782	4,186
	-----	-----	-----	-----
Income before cumulative effect of a change in accounting principle	12,521	17,114	7,524	12,557
Cumulative effect of a change in accounting principle, net of a tax benefit of \$42	(109)	--	--	--
	-----	-----	-----	-----
Net income	\$ 12,412	\$ 17,114	\$ 7,524	\$ 12,557
	=====	=====	=====	=====
Basic income (loss) per share				
Income before cumulative effect of a change in accounting principle	\$ 1.07	\$ 1.46	\$ 0.64	\$ 1.09
Cumulative effect of a accounting change	(0.01)	--	--	--
	-----	-----	-----	-----
Net income per share	\$ 1.06	\$ 1.46	\$ 0.64	\$ 1.09
	=====	=====	=====	=====
Weighted basic average shares outstanding	11,668	11,702	11,704	11,497
	=====	=====	=====	=====
Diluted income (loss) per share				
Income before cumulative effect of a change in accounting principle	\$ 1.05	\$ 1.44	\$ 0.63	\$ 1.07
Cumulative effect of a accounting change	(0.01)	--	--	--
	-----	-----	-----	-----
Net income per share	\$ 1.04	\$ 1.44	\$ 0.63	\$ 1.07
	=====	=====	=====	=====
Weighted diluted average shares outstanding	11,964	11,908	12,023	11,783
	=====	=====	=====	=====
Dividends declared per share	\$ 0.09	\$ 0.075	\$ 0.03	\$ 0.025
	=====	=====	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	NINE MONTHS ENDED OCTOBER 31,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 12,412	\$ 17,114
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	5,861	4,328
Deferred and non-current foreign income taxes	--	28
Provision for losses on accounts receivable	840	716
Provision for losses on inventory	422	378
Changes in current assets and liabilities:		
Trade receivables	(30,324)	(37,408)
Inventories	(11,206)	(12,255)
Other current assets	(3,168)	(7,169)
Accounts payable	(2,821)	3,107
Accrued liabilities	3,392	2,245
Deferred & current taxes payable	(6,290)	4,108
Other non-current assets	(341)	1,602
Other non-current liabilities	460	108
	(30,763)	(23,098)
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(9,069)	(7,004)
Goodwill, trademarks and other intangibles	(620)	(741)
	(9,689)	(7,745)
	-----	-----
Cash flows from financing activities:		
Net proceeds from bank borrowings	37,700	24,340
Stock options exercised	1,262	79
Dividends paid	(1,048)	(863)
Issuance of treasury stock	218	--
Purchase of treasury stock	--	(7,328)
	38,132	16,228
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(480)	(839)
	(2,800)	(15,454)
	-----	-----
Cash and cash equivalents at beginning of period	23,059	26,615
	-----	-----
Cash and cash equivalents at end of period	\$ 20,259	\$ 11,161
	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MOVADO GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared by Movado Group, Inc. (the "Company") in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair presentation of the financial position and results of operations for the periods presented. These consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2001. Since the Company's business is seasonal, with a higher proportion of sales and earnings generated in the last six months of the fiscal year, operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the fiscal year.

NOTE 1 - RECLASSIFICATION

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

NOTE 2 - INVENTORIES

Inventories consist of the following (in thousands):

	OCTOBER 31, 2001 ----	JANUARY 31, 2001 ----	OCTOBER 31, 2000 ----
Finished goods	\$ 67,462	\$60,909	\$48,387
Component parts	33,062	30,942	33,530
Work-in-process	6,079	4,012	4,253
	-----	-----	-----
	\$106,603	\$95,863	\$86,170
	=====	=====	=====

NOTE 3 - SUPPLEMENTAL CASH FLOW INFORMATION

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

	NINE MONTHS ENDED OCTOBER 31, -----	
	2001 ----	2000 ----
Cash paid during the period for:		
Interest	\$3,843	\$4,861
Income taxes	\$9,322	\$3,165

NOTE 4 - COMPREHENSIVE INCOME

The components of comprehensive income for the nine months and three months ended October 31, 2001 and 2000 are as follows (in thousands):

	NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 31, 2001	OCTOBER 31, 2000	OCTOBER 31, 2001	OCTOBER 31, 2000
Net income	\$ 12,412	\$ 17,114	\$ 7,524	\$ 12,557
Other comprehensive income (expense):				
Foreign currency translation adjustment	(214)	(7,111)	6,485	(9,467)
Net unrealized gain on foreign currency forward exchange contracts and other	904	--	452	--
Net unrealized gain on investments	54	--	54	--
Total other comprehensive income (loss)	744	(7,111)	6,991	(9,467)
Total comprehensive income	\$ 13,156	\$ 10,003	\$14,515	\$ 3,090

NOTE 5 - SEGMENT INFORMATION

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. Operating segment data for the nine months and three months ended October 31, 2001 and 2000 are as follows (in thousands):

	FOR THE NINE MONTHS ENDED OCTOBER 31,			
	NET SALES		OPERATING INCOME	
	2001	2000	2001	2000
Wholesale	\$189,597	\$205,068	\$ 21,024	\$ 31,608
Other	35,370	29,566	(1,686)	(3,981)
Consolidated total	\$224,967	\$234,634	\$ 19,338	\$ 27,627

	FOR THE THREE MONTHS ENDED OCTOBER 31,			
	NET SALES		OPERATING INCOME	
	2001	2000	2001	2000
Wholesale	\$77,313	\$ 94,604	\$ 9,964	\$ 20,399
Other	12,790	10,518	(454)	(1,927)
Consolidated total	\$90,103	\$105,122	\$ 9,510	\$ 18,472

NOTE 6 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") SFAS No. 141, "Business Combinations" effective for all business combinations completed after June 30, 2001 and SFAS No. 142, "Goodwill and Other Intangible Assets" effective for fiscal years beginning after December 15, 2001. On August 16, 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligation", which is effective for financial statements issued for fiscal years beginning after June 15, 2002. On October 3, 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which is effective for financial statements issued for fiscal years beginning after December 15, 2001. Upon adoption of these standards, the Company does not expect a significant impact on its financial position, earnings or cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD LOOKING STATEMENTS

Statements included under Management's Discussion and Analysis of Financial Condition and Results of Operations, 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 the Private Securities Litigation Reform Act of 1995. 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 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 in respect of currency exchange rate fluctuations.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED OCTOBER 31, 2001 AS COMPARED TO THE NINE MONTHS ENDED OCTOBER 31, 2000.

Net sales: Comparative net sales by product class were as follows (in thousands):

	NINE MONTHS ENDED OCTOBER 31,	
	2001	2000
	----	----
Wholesale Watch Business		
Domestic	\$152,212	\$173,135
International	37,385	31,933
Other	35,370	29,566
	-----	-----
Net sales	\$224,967	\$234,634
	=====	=====

Net sales decreased by \$9.7 million or 4.1% for the nine months ended October 31, 2001 as compared to the nine months ended October 31, 2000. Domestic sales of our wholesale watch business decreased by \$20.9 million or 12.0% as compared to the prior year. Domestic sales decreases for the nine months is the reflection of a significant decrease in the third quarter as a result of a difficult economic environment, further impacted by the tragic events of September 11th. The Company experienced sales declines in all of its brands offset by sales of our

new Tommy Hilfiger watch brand, which was launched during the first quarter of fiscal 2002. Despite the weak U.S. economic environment our international wholesale watch sales increased by \$5.5 million or 17.1%. International sales were led by double-digit sales growth in our Movado and Concord brands and single digit sales growth in our Coach brand.

Other net sales, which include sales from the Company's outlet stores, the Movado Boutiques and after sales service business, increased by \$5.8 million or 19.6%. Growth in the other sales category was primarily attributable to new store openings, comparable store sales increases in the Movado Boutiques and an increase in after sales service revenue. The increases in retail sales were offset by a decrease in comparable store sales in the outlet stores.

Gross Margin. Gross profit for the nine months ended October 31, 2001 was \$138.8 million (61.7% of net sales) as compared to \$143.0 million (61.0% of net sales) for the nine months ended October 31, 2000, a \$4.2 million decrease. The gross margin percent increase of 70 basis points primarily relates to efficiencies in the supply chain process and increased margins at the retail operations as a result of improved product offerings. The gross margin decrease of \$4.2 million is a result of the Company's sales decrease in the third quarter of fiscal 2002.

Selling, General and Administrative. Selling, General and Administrative expenses for the nine months ended October 31, 2001 were \$119.5 million or 53.1% of net sales, a 3.5% increase over the \$115.4 million or 49.2% of net sales for the nine months ended October 31, 2000. The 3.5% increase was primarily attributable to a \$2.7 million one-time severance and early retirement charge recorded in the third quarter. Excluding the one-time charge expenses would have increased by \$1.4 million or 1.2%. This increase is associated with growth initiatives which include the launch of the Tommy Hilfiger watch line, five new Movado Boutique and three new outlet stores.

Interest Expense. Net interest expense for the nine months ended October 31, 2001 decreased by \$0.7 million or 14.9% as compared to interest expense for the nine months ended October 31, 2000. The decrease in interest expense is principally due to a decline in interest rates.

Income Taxes. The Company recorded a tax expense of \$2.7 million for the nine months ended October 31, 2001 as compared to an expense of \$5.7 million for the nine months ended October 31, 2000. Taxes were recorded at a 18% rate for fiscal 2002 as compared to a 25% rate for fiscal 2001. The Company's effective annual tax rate of 18% reflects the Company's current expectation that due to a weak U.S. economic environment U.S. sourced earnings will decrease as a percentage of the overall earnings mix. This result 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.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED OCTOBER 31, 2001 AS COMPARED TO THE THREE MONTHS ENDED OCTOBER 31, 2000.

Net sales: Comparative net sales by product class were as follows (in thousands):

	THREE MONTHS ENDED 2001	OCTOBER 31, 2000
	----	----
Wholesale Watch Business		
Domestic	\$63,523	\$83,121
International	13,790	11,483
Other	12,790	10,518
	-----	-----
Net Sales	\$90,103	\$105,122
	=====	=====

Net sales decreased by \$15.0 million or 14.3% for the three months ended October 31, 2001 as compared to the three months ended October 31, 2000. Domestic sales of our wholesale watch business decreased by \$19.6 million or 23.6% as compared to the prior year. This decrease is a result of retailers aggressively managing their inventory due to a weak U.S. economic environment compounded by the tragic events of September 11th. These events led to sales decreases in all of the Company's brands offset by the continued roll out of our Tommy Hilfiger watch brand. International wholesale watch sales increased by \$2.3 million or 20.1% led by double digit increases in our Movado, Concord and Coach brands.

Other net sales, which include sales from the Company's outlet stores, the Movado Boutiques and after sales service business, increased by \$2.3 million or 21.6%. Growth in the other sales category was primarily attributable to new store openings, comparable store sales increases in the Movado Boutiques and an increase in after sales service revenue. Comparable store sales increased 6.6% in the Movado Boutiques and flat in our outlet stores as compared to the prior year quarter.

Gross Margin. Gross profit for the three months ended October 31, 2001 was \$55.9 million (62.0% of net sales) as compared to \$65.2 million (62.0% of net sales) for the three months ended October 31, 2000. The gross margin percent reflects the Company's ability to continue to maintain the cost reductions initiated in the supply chain process and increased margins at the Company's outlet stores as a result of improved product offerings.

Selling, General and Administrative. Selling, General and Administrative expenses for the quarter were \$46.4 million or 51.5% of net sales as compared to \$46.7 million or 44.4% of net sales in the third quarter of last year. Excluding the one-time charge for severance and early retirement of \$2.7 million, selling, general and administrative expenses would have decreased by 6.5% as compared to the prior year third quarter. This decrease is the result of the Company's productivity improvement initiatives to reduce the Company's operating expenses which were realized even with the expenses incurred for the Company's growth initiatives. These growth initiatives include the continued launch of the Tommy Hilfiger watch line and the expansion of our retail operations.

Interest Expense. Net interest expense for the three months ended October 31, 2001 decreased by \$0.5 million or 30.4% as compared to interest expense for the three months ended October 31, 2000. The decrease in interest expense reflects a decline in interest rates.

Income Taxes. The Company recorded a tax expense of \$0.8 million for the three months ended October 31, 2001 as compared to an expense of \$4.2 million for the three months ended October 31, 2000. Taxes were recorded at an annual rate of 18% for fiscal 2002 as compared to a 25% rate for fiscal 2001. During the quarter, the Company's estimated annual tax rate changed from 28% to 18%. This change reflects the Company's current expectations that U.S. source earnings will decrease as a percentage of the overall earnings mix. This result 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. The tax expense for the third quarter includes an adjustment of taxes for the difference between the 18% annual tax rate versus the 28% tax rate used to record tax expenses for the six months ended July 31, 2001.

LIQUIDITY AND FINANCIAL POSITION

Cash flows used in operating activities for the nine months ended October 31, 2001 were \$30.5 million as compared to \$23.1 million for the nine months ended October 31, 2000. The increase in cash used in operating activities is principally due to tax payments made this year of \$9.3 million as compared to \$3.2 million in the prior year and a decrease in net income of \$4.7 million.

The Company used \$9.7 million of cash for investing activities for the nine months ended October 31, 2001 as compared to \$7.7 million for the nine months ended October 31, 2000. The increase in cash used in investing activities was due to an increase of capital expenditures made during the nine months ended October 31, 2001 of \$9.1 million as compared to \$7.0 million made in the same period of the prior year. Capital expenditures for fiscal 2002 were primarily for construction of the new Paramus, NJ leased office, information systems enhancements and three new Movado Boutiques. Capital expenditures for fiscal 2001 were primarily for the implementation of the new enterprise wide information system in Switzerland.

Cash provided by financing activities amounted to \$37.9 million for the nine months ended October 31, 2001 as compared to \$16.2 million for the nine months ended October 31, 2000. The increase in cash provided by financing activities represents an increase in bank borrowings of \$13.4 million and stock options exercised offset by the Company making no stock repurchases this year as compared to \$7.3 million of repurchases made in the prior year.

At October 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. Accordingly, such amounts have been classified as a current liability in fiscal 2002 and 2001. The Company repaid \$5.0 million of principal related to these notes in the fourth quarter of fiscal 2001 and is scheduled to repay an additional \$5.0 million in the fourth quarter of fiscal 2002. At October 31, 2001, \$20.0 million in principal related to these notes remained outstanding.

During fiscal 1999, the Company issued \$25.0 million of Series A Senior Notes under a Note Purchase and Private Shelf Agreement dated November 30, 1998. These 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 \$40.0 million with maturities up to 12 years from their original date of issuance.

During the second quarter of fiscal 2001, the Company completed the renewal of its revolving credit and working capital lines with its bank group. The new agreement provides for a three year \$100.0 million unsecured revolving line of credit and \$15.0 million of uncommitted working capital lines. At October 31, 2001, the Company had \$46.5 million of outstanding borrowings under its bank lines as compared to \$37.8 million at October 31, 2000. The increase in borrowings at the end of the third quarter as compared to the prior year period was primarily to fund seasonal working capital requirements and the Company's growth initiatives.

Under a series of share repurchase authorizations approved by the Board of Directors, the Company has maintained a discretionary share buy-back program. There were no current year purchases under the repurchase program as compared to \$7.3 million for the comparable prior year period.

The Company paid dividends of \$1.1 million as compared to \$0.9 million for the nine months ended October 31, 2001 and 2000, respectively. The increase is attributable to the raising of the quarterly dividend to \$0.03 per share in fiscal 2002 from \$0.025 per share in fiscal 2001.

Cash and cash equivalents at October 31, 2001 amounted to \$20.3 million as compared to \$11.2 million at October 31, 2000. Debt to total capitalization at October 31, 2001 was 34.6% as compared to 37.0% at October 31, 2000.

The Company expects that capital expenditures in the future will approximate the average of fiscal 2001 and 2000 levels.

PART II-OTHER INFORMATION

Item 1. Legal proceedings

None

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

On June 19, 2001 the Company held its annual meeting of shareholders at the offices of Simpson Thacher & Bartlett located at 425 Lexington Avenue, New York, New York.

The following matters were voted upon at the meeting:

- (i) The election of the following directors, constituting the entire board of directors:
 - Margaret Hayes
 - Adame Richard Cote
 - Efraim Grinberg
 - Gedaliao Grinberg
 - Alan H. Howard
 - Donald Oresman
 - Leonard L. Silverstein
- (ii) A proposal to ratify the selection of PricewaterhouseCoopers LLP as the Company's independent public accountants for the fiscal year ending January 31, 2001;
- (iii) A proposal to amend the Company's 1996 Stock Incentive Plan.
- (iv) A proposal to adopt the Company's Executive Performance Plan.

With respect to the above referenced proposals that were voted on at the annual shareholders meeting, the following votes were tabulated. There were no broker non-votes.

Proposal (i) on election of directors:

Nominee	For	Withheld/ Against	Exception/ Abstain
Margaret Hayes Adame.....	38,697,759	1,126,981	372,941
Richard Cote.....	38,334,866	1,489,874	372,941
Efraim Grinberg.....	38,329,442	1,495,298	372,941
Gedaliao Grinberg.....	38,329,442	1,495,298	372,941
Alan H. Howard.....	38,702,283	1,122,457	372,941
Donald Oresman.....	38,697,759	1,126,981	372,941
Leonard L. Silverstein.....	38,696,259	1,128,481	372,941
Proposal (ii) on ratification of appointment of accountants.....	39,747,064	74,549	3,127
Proposal (iii) on amendment of 1996 Stock Incentive Plan.....	34,563,289	3,177,060	42,106
Proposal (iv) on adoption of the Executive Performance Plan.....	38,517,662	1,265,151	41,927

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 10.1 Sublease Agreement entered into as of October 1, 2001 by and between Movado Group, Inc., as sub-landlord, and National Financial Services LLC, as sub-tenant.
- 10.2 Second Amendment of Lease dated July 26, 2001 between Mack-Cali Realty, L.P., as landlord, and Movado Group, Inc., as tenant, further amending lease dated as of December 21, 2000.
- 10.3 First Amendment of Sublease Agreement dated October 10, 2001 by and between Movado Group, Inc., as sub-landlord, and National Financial Services LLC, as sub-tenant, further amending sublease dated October 1, 2001.
- 10.4 Third Amendment of Lease dated November 6, 2001 between Mack-Cali Realty, L.P., as lessor, and Movado Group, Inc., as lessee, further amending lease dated as of December 21, 2000.

(b) Reports on Form 8-K

None

SIGNATURES

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

MOVADO GROUP, INC.
(Registrant)

Dated: September 14, 2001

By: /s/ Eugene J. Karpovich

Eugene J. Karpovich
Senior Vice President and
Chief Financial Officer
(Chief Financial Officer
and Principal Accounting
Officer)

EXHIBIT INDEX

Exhibit Number	Description
10.1	Sublease Agreement entered into as of October 1, 2001 by and between Movado Group, Inc., as sub-landlord, and National Financial Services LLC, as sub-tenant.
10.2	Second Amendment of Lease dated July 26, 2001 between Mack-Cali Realty, L.P., as landlord, and Movado Group, Inc., as tenant, further amending lease dated as of December 21, 2000.
10.3	First Amendment of Sublease Agreement dated October 10, 2001 by and between Movado Group, Inc., as sub-landlord, and National Financial Services LLC, as sub-tenant, further amending sublease dated October 1, 2001.
10.4	Third Amendment of lease dated November 6, 2001 between Mack-Cali Realty, L.P., as lessor, and Movado Group, Inc., as lessee, for additional space at Mack-Cali II, One Mack Drive, Paramus, NJ.

SUBLEASE AGREEMENT

This SUBLEASE AGREEMENT ("Sublease") is made and entered into as of October 1, 2001 by and between Movado Group, Inc., a New York corporation ("Sublandlord") and National Financial Services LLC, a Delaware limited liability company ("Subtenant").

WHEREAS, Meadowlands Associates, a New Jersey Limited Partnership as landlord ("Landlord"), and Sublandlord as tenant ("Tenant"), entered into a Lease dated as of October 31, 1986 as modified pursuant to the First Amendment of Lease dated as of May 31, 1994 and the Second Amendment of Lease dated as of December 23, 1998 and the Third Amendment of Lease dated as of February 17, 2000 (collectively known as "Master Lease") whereby Landlord leased 84,854 rentable square feet ("Master Premises") of the building located at 125 Chubb Avenue, Lyndhurst, New Jersey (the "Building"), as more particularly described in the Master Lease, upon the terms and conditions contained therein. All capitalized terms used herein shall have the same meaning ascribed to them in the Master Lease unless otherwise defined herein. A copy of the master Lease is attached as Exhibit "A" and made a part hereof.

WHEREAS, Sublandlord and Subtenant are desirous of entering into a sublease for a portion of the Master Premises consisting of the 4th Floor of the Building containing 56,629 rentable square feet shown on the demising plan annexed hereto as Exhibit "B" and made a part hereof ("Sublease Premises") on the terms and conditions hereafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties mutually covenant and agree as follows:

1. Demised Premises. Sublandlord hereby subleases and demises to Subtenant and Subtenant hereby hires and subleases from Sublandlord the Sublease Premises (which the parties stipulate contain 56,629 rentable square feet), upon and subject to the terms, covenants and conditions hereinafter set forth; provided, however, that notwithstanding the foregoing, Sublandlord shall have the right to keep and maintain all of its existing computer, telephone, security and related equipment in the space shown hatched in black on the demising plan annexed hereto as Exhibit "C" and made a part hereof (the "Computer Room") until November 16, 2001 and to access the Computer Room at such times with such personnel as Sublandlord shall deem necessary from time to time.

2. Lease Term. The term of this Sublease ("Term") shall be for a term, commencing on the date that Landlord consents to such Sublease ("Sublease Commencement Date") and ending, unless sooner

terminated as provided herein, on May 31, 2002 ("Sublease Expiration Date"); provided, however, that if Landlord does not give such consent by October 15, 2001, then Subtenant shall have the right, on fifteen (15) days prior written notice to Sublandlord, to terminate this Sublease, except that if Landlord consents to this Sublease before the expiration of fifteen (15) days after the date of such notice of termination by Subtenant then such election to terminate shall be vitiated and of no force or effect Sublandlord confirms that it has vacated the Sublease Premises (except the Computer Room).

3. Use. The Sublease Premises shall be used and occupied by Subtenant for executive and administrative office use in compliance with the Master Lease and for no other purpose.

4. Subrental.

(a) Beginning with the Sublease Commencement Date and thereafter during the Term of this Sublease and ending on the Sublease Expiration Date, Subtenant shall pay to Sublandlord \$56,629.00/month (\$12.00/RSF/Annum) in monthly installments of base rent ("Base Rental"). The first monthly installment of Base Rental shall be paid to Sublandlord upon the execution of this Sublease. Base Rental and additional rent (including without limitation, late fees) shall hereinafter be collectively referred to as "Rent".

(b) If the Sublease Commencement Date is not the first (1st) day of a month, or if the Sublease Expiration Date is not the last day of a month, a prorated installment of monthly Rent based on a thirty (30) day month shall be paid for the fractional month during which the Term commenced or terminated.

(c) Beginning with the Sublease Commencement Date and continuing to the Sublease Expiration Date, Subtenant shall pay to Sublandlord as additional rent for this subletting all special or after-hours cleaning, heating, ventilating, air-conditioning, elevator and other Building charges incurred at the request of, or on behalf of, Subtenant, or with respect to the Sublease Premises (which in no event will exceed the amount of such costs actually incurred by Sublandlord) and all other additional expenses, costs and charges payable to Landlord in connection with Subtenant's use of the Sublease Premises including, without limitation, charges for electricity used by Subtenant.

(d) Beginning with the expiration of calendar year 2001 ("Base Year") and thereafter during the Term of this Sublease, Subtenant shall pay to Sublandlord as additional rent for this subletting an amount equal to 20.13% ("Subtenant's Share") of the excess of Building Operating Costs (as set forth in Article 36 of the Master Lease) for the Building for 2002 over the total amount of Building Operating Costs for the Building incurred by Landlord during the Base Year pursuant to the terms and conditions of the Master Lease. Subtenant's Share is a percentage which reflects the ratio of the rentable square feet in the Sublease Premises to the rentable square feet in the Building.

(e) Beginning with the expiration of the Base Year and thereafter during the Term of this Sublease, Subtenant shall pay to Sublandlord as additional rent for this subletting Subtenant's Share of the excess of Real Estate Taxes (as set forth in Article 36 of the Master Lease) for the Building for 2002 over

the total amount of Real Estate Taxes for the Building incurred by Landlord during the Base Year pursuant to the terms and conditions of the Master Lease.

(f) Except as otherwise specifically provided in this Sublease, Rent shall be payable in lawful money without demand, and without offset, counterclaim, or setoff in monthly installments, in advance, on the first day of each an every month during the Term of this Sublease. All of said Rent is to be paid to Sublandlord at its office at the address set forth in Section 11 herein, or at such other place or to such agent and at such place as Sublandlord may designate by notice to Subtenant. Any additional rent payable (including electric unless paid directly to the utility company) on account of items which are not payable monthly by Sublandlord to Landlord under the Master Lease is to be paid to Sublandlord within fifteen (15) days after the date of a statement delivered to Subtenant setting out such items of additional rent unless a different time for payment is elsewhere state herein. Upon written request therefor, Sublandlord agrees to provide Subtenant with copies of any statements or invoices received by Sublandlord from Landlord pursuant to the terms of the Master Lease.

(g) Subtenant shall pay to Sublandlord an administrative charge at an annual interest rate equal to the prime rate charged by Citibank, N.A. plus two percent (2%) on all amounts of Rent payable hereunder that are not paid within five (5) days after the date when due, such charge to accrue from the date upon which such amount was due until paid.

5. Incorporation of Terms of Master Lease.

(a) This Sublease is subject and subordinate to the Master Lease. Subject to the modifications set forth in this Sublease, the terms of the Master Lease are incorporated herein by reference, and shall, as between Sublandlord and Subtenant (as if they were Landlord and Tenant, respectively, under the Master Lease) constitute the terms of this Sublease except to the extent that they are inapplicable to, inconsistent with, or modified by, the terms of this Sublease. In the event of any inconsistencies between the terms and provisions of the Master Lease and the terms and provisions of the Sublease, the terms and provisions of this Sublease shall govern. Subtenant acknowledges that it has the Master Lease and is familiar with the terms and conditions thereof. Subtenant shall have the same right to Allotted Parking under the Master Lease as enjoyed by Sublandlord.

(b) For the purposes on incorporation herein, the terms of the Master Lease are subject to the following additional modifications:

(i) In all provisions of the Master Lease (under the terms thereof and without regard to modifications thereof for purposes of incorporation into this Sublease) requiring the approval or consent of Landlord, Subtenant shall be required to obtain the approval or consent of both Sublandlord and Landlord.

(ii) In all provisions of the Master Lease requiring Tenant to submit, exhibit to, supply or provide Landlord with evidence, certificates, or any other matter or thing, Subtenant shall be required to submit, exhibit to, supply or provide, as the case may be, the same to both

Landlord and Sublandlord. In any such instance, Sublandlord shall determine if such evidence, certificate or other matter or thing shall be satisfactory.

(iii) Sublandlord shall have no obligation to restore or rebuild any portion of the Sublease Premises after any destruction or taking by eminent domain.

(iv) Notwithstanding anything herein or in the Master Lease to the contrary, Subtenant shall have the right to terminate this Sublease on thirty (30) days prior written notice to Sublandlord if more than half of the Sublease Premises is rendered untenable, inaccessible or unusable by a fire or other casualty and cannot be restored or repaired to substantially the condition existing prior to such fire or other casualty within ninety (90) days after the occurrence thereof.

(c) The following provisions of the Master Lease are specifically excluded in their entirety: Articles 33, 46, 60, 61 and 62.

(d) Sublandlord represents that the Master Lease is (and will be on the Sublease Commencement Date) in full force and effect, without modification, and Sublandlord is not in default thereunder, nor is Landlord, and Sublandlord has received no notice of default thereunder which remains uncured.

6. Subtenant's Obligations. Subtenant covenants and agrees that all obligations of Sublandlord under the Master Lease shall be done or performed by Subtenant with respect to the Sublease Premises, except as otherwise provided by this Sublease, and Subtenant's obligations shall run to Sublandlord and Landlord as Sublandlord may determine to be appropriate or be required by the respective interests of Sublandlord and Landlord. Subtenant agrees to indemnify Sublandlord, and hold it harmless, from and against any and all claims, damages, losses, expenses and liabilities (including reasonable attorneys' fees) incurred as a result of the non-performance, non-observance or non-payment of any of Subtenant's obligations under this Sublease. If Subtenant makes any payment to Sublandlord pursuant to this indemnity, Subtenant shall be subrogated to the rights of Sublandlord concerning said payment. Subtenant shall not do, nor permit to be done, any act of thing which is a default under this Sublease or the Master Lease.

7. Sublandlord's Obligations.

(a) Sublandlord agrees that Subtenant shall be entitled to receive all services and repairs to be provided by Landlord to Sublandlord under the Master Lease. Subtenant shall look solely to Landlord for all such services and shall not, under any circumstances, seek nor require Sublandlord to perform any of such services, nor shall Subtenant make any claim upon Sublandlord for any damages which may arise by reason of Landlord's default under the Master Lease. Any condition resulting from a default by Landlord shall not constitute as between Sublandlord and Subtenant an eviction, actual or constructive, of Subtenant unless such condition constitutes an eviction, actual or reconstructive, as between Sublandlord and

Landlord and no such default shall excuse Subtenant from the performance or observance of any of its obligations to be performed or observed under this Sublease, or entitle Subtenant to receive any reduction in or abatement of the Rent provided for in this Sublease unless such default excuses Sublandlord from the performance or observation of any of its obligations under the Master Lease or entitles Sublandlord to receive any reduction or abatement of Minimum Rent under the Master Lease. In furtherance of the foregoing, Subtenant does hereby waive any cause of action and any right to bring any action against Sublandlord by reason of any act or omission of Landlord under the Master Lease. Sublandlord covenants and agrees with Subtenant that Sublandlord will pay all fixed rent and additional rent payable by Sublandlord pursuant to the Master Lease and perform all other obligations of Sublandlord under the Master Lease with respect to the balance of the Master Premises outside of the Sublease Premise to the extent that failure to perform the same would adversely affect Subtenant's use of occupancy of the Sublease Premises.

(b) If Landlord shall fail to observe or perform any of the terms, covenants, conditions or agreements of the Master Lease, Subtenant, at its sole cost and expense, shall be entitled to take or commence such actions as are appropriate to enforce Landlord's observance or performance. Sublandlord agrees to cooperate with Subtenant in the prosecution of said actions provided, however, that Subtenant hereby indemnifies and holds harmless Sublandlord from any claim, liability or expense incurred by or threatened against Sublandlord by reason of any such action by Subtenant (other than liability or expense caused by Sublandlord's actions or omissions).

8. Default by Subtenant. In the event Subtenant shall be in default of any covenant of, or shall fail to honor any obligation under, this Sublease, Sublandlord shall have available to it against Subtenant all of the remedies available (a) to Landlord under the Master Lease in the event of a similar default on the part of Sublandlord thereunder or (b) at law.

9. Quiet Enjoyment. So long as Subtenant pays all of the Rent due hereunder and performs all of Subtenant's other obligations hereunder, Subtenant shall have the right to peaceably and quietly have, hold and enjoy the Sublease Premises.

10. Notices. Anything contained in the provision of this Sublease to the contrary notwithstanding, Subtenant agrees, with respect to the Sublease Premises, to comply with and remedy any default in this Sublease or the Master Lease which, under the terms of this Sublease, is Subtenant's obligation to cure, within the period allowed to Sublandlord under the Master Lease or, if a longer period, within five (5) days after notice from Sublandlord as to any monetary default and within twenty (20) days after notice from Sublandlord as to any other default ; Sublandlord agrees to forward to Subtenant, promptly upon receipt thereof by Sublandlord, a copy of each notice of default received by Sublandlord in its capacity as Tenant under the Master Lease. Subtenant agrees to forward to Sublandlord, promptly upon receipt thereof, copies

of any notices received by Subtenant from Landlord or from any governmental authorities, All notices, demands and requests shall be in writing and shall be sent either by hand delivery or by a nationally recognized overnight courier service (e.g., Federal Express), in either case return receipt requested, to the address of the appropriate party. Notices, demands and requests so sent shall be deemed given when the same are received. Notices to Sublandlord shall be sent to the attention of:

Movado Group, Inc
650 From Road
Paramus, NJ 07652
Attn: VP Administration
Copy to: Legal Department

Notices to Subtenant shall be sent to the attention of:
National Financial Services LLC
c/o Fidelity Corporate Real Estate
82 Devonshire Street, Mail Zone W2A
Boston, MA 02109

11. Broker. Sublandlord and Subtenant represent and warrant to each other that, with the exception of Cushman & Wakefield of New Jersey Inc. and Alexander Summer/Cresa Partners NJ ("Brokers"), no brokers were involved in connection with the negotiation or consummation of this Sublease. Sublandlord agrees to pay a commission of the Brokers pursuant to a separate agreement. Each party agrees to indemnify the other, and hold it harmless, from and against any and all claims, damages, losses, expenses and liabilities (including reasonable attorneys' fees) incurred by said party as a result of a breach of this representation and warranty by the other party.

12. Condition of Premises. Subtenant acknowledges that it is subleasing the Sublease Premises "as-is" on the date hereof and that Sublandlord is not making any representation or warranty concerning the condition of the Sublease Premises and that Sublandlord is not obligated to perform any work to prepare the Sublease Premises for Subtenant's occupancy. Subtenant acknowledges that it is not authorized to make or do any alterations or improvements in or to the Sublease Premises except as permitted by the provisions of this Sublease and the Master Lease and that it must deliver the Sublease Premises to Sublandlord on the Sublease Expiration Date in the condition required by the Master Lease. Sublandlord will not unreasonably withhold or delay its consent to any alterations or improvements Subtenant desires to make to the Sublease Premises.

13. Consent of Landlord. Article 48 of the Master Lease required Sublandlord to obtain the written consent of Landlord to this Sublease. Sublandlord shall solicit Landlord's consent to this Sublease promptly following the execution and delivery of this Sublease by Sublandlord and Subtenant. Neither Sublandlord nor Subtenant shall be obligated to incur any cost or expense in

obtaining Landlord" consent, Subtenant agrees to execute the attornment agreement in Section 48.5 of the Master Lease if Landlord so requests.

14. Termination of the Lease. If for any reason the term of the Master Lease shall terminate prior to the Sublease Expiration Date, this Sublease shall automatically be terminated and Sublandlord shall not be liable to Subtenant by reason unless said termination shall have been caused by the default of Sublandlord under the Master Lease, and said Sublandlord default was not as a result of a Subtenant default hereunder.

15. Assignment and Subletting. Independent of and in addition to any provisions of the Master Lease, including without limitation the obligation to obtain landlord's consent to any assignment, it is understood and agreed that Subtenant shall have no right to sublet the Sublease Premises or any portion thereof or any right or privilege appurtenant thereto; or to assign this Sublease or any interest therein, or to suffer or permit any other person to occupy or use the Sublease Premises.

16. Limitation of Estate. Subtenant's estate shall in all respects be limited to, and be construed in a fashion consistent with, the estate granted to Sublandlord by Landlord. In the event Sublandlord is prevented from performing any of its obligations under this Sublease by a breach by Landlord of a term of the Master Lease; then Sublandlord's sole obligation in regard to its obligation under this Sublease shall be to use reasonable efforts in diligently pursuing the correction or cure by Landlord of Landlord's breach.

17. Entire Agreement. It is understood and acknowledged that there are no oral agreements between the parties hereto affecting this Sublease and this Sublease supercedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Sublandlord to Subtenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Sublease. This Sublease, the exhibits and schedules attached hereto contain all of the terms, covenants, conditions warranties and agreements of the parties relating in any manner to the rental, use and occupancy of the Sublease Premises and shall be considered to be the only agreements between the parties hereto and their provisions of this Sublease can be modified, deleted or added to except in writing signed by the parties hereto. All negotiations and oral agreements acceptable to both parties have been merged into and included herein. There are no other representatives or warranties between the parties, with respect to the subject matter hereof except as contained in this Sublease.

IN WITNESS WHEREOF, the parties have entered into this Sublease as of the date first written above.

SUBLANDLORD:
MOVADO GROUP, INC.
A New York corporation

SUBTENANT:
NATIONAL FINANCIAL SERVICES LLC
A Delaware limited liability company

By:/s/ Rick Cote

By:/s/ Jeffrey S. Wallace

Its: Exec. VP/COO

Its:Vice President & Chief Financial Officer

SECOND AMENDMENT TO LEASE

1. PARTIES

1.1 THIS AGREEMENT made the 26th day of July, 2001 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 entered into a Lease dated December 21, 2000, as amended by First Amendment dated December 21, 2000 (the "Lease") covering approximately 57,535 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 wishes to install a receiving antenna which includes one (1) eighteen inch satellite dish and related equipment including any cable or signal lines, any receivers amplifiers, electrical power supplies, motor's or other electronic equipment and any masts, supporting structures, guy wires, anchors, equipment shelters or other structures (hereinafter the "Antenna") on a portion of the roof of the Building as approved by Lessor; and
- 2.3 Lessor is willing to allow Lessee to utilize a portion of the roof of the Building designated by Lessor for the placement of the Antenna on the terms and conditions set forth below.

3. TERMS OF AGREEMENT

NOW, THEREFORE, in consideration of the Premises and the covenants hereinafter, 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 Lessor hereby grants to Lessee the right and privilege to occupy a portion of the roof of the Building designated by Lessor so that Lessee may install, use, operate, maintain, repair and replace, the Antenna, in compliance with the provisions of this Agreement.
- 3.4 The rights of Lessee under this Agreement are non-exclusive and Lessor shall have the continued ability to lawfully allow other parties, or itself, the right to install other equipment on the roof of the Building.
- 3.5 Lessee acknowledges it has examined the portion of the roof of the Building designated by Lessor under Section 3.3 above and accepts same in its "AS-IS" condition and agrees that Lessor is under no obligation to perform any work or provide any materials to prepare the roof or the Building for Lessee's Antenna. Lessee acknowledges no representation has been made by Lessor as to the condition or the suitability of the roof of the Building for the use of Lessee's Antenna for which the Lessee is granted herein, or whether such use is permissible under any applicable laws.
- 3.6 The Antenna may be used only in connection with business operations conducted by Lessee in the Premises and at other locations. The Antenna may not be used for common carrier telecommunication services or for private telecommunication

services to anyone other than Lessee. The Antenna shall be installed, used, operated and maintained solely at the expense of Lessee. Lessee shall coordinate the installation activities with Lessor and shall neither bring the Antenna or any associated equipment to the site, nor commence its installation at the Building, without first giving Lessor reasonable notice of the date and time of the planned installation.

- 3.7 The Antenna shall in all cases be installed, used, operated, maintained and removed in compliance with the following requirements: (1) the Antenna shall not interfere in any way with the Building's existing engineering, window washing or other maintenance functions; (2) the Antenna must be properly secured and installed so as not to be affected by high winds or other elements; (3) the Antenna must be properly grounded; (4) the weight of the Antenna shall not exceed the load limits of the Building; and (5) in no event shall the Antenna or any appurtenant wiring or cable interfere with or otherwise affect the electrical, mechanical, structural, life safety or other building systems of the Building.
- 3.8 Lessee shall bear all costs and expenses in connection with the installation, use, operation, maintenance, and removal of the Antenna, including all costs relating to the repair of any damage to the roof or other parts of the Building caused directly by any such installation, use, operation, maintenance or removal, including without limitation water damage or other damage resulting from the elements.
- 3.9 The use of the Antenna and the location thereof on the Building shall at all times be in compliance with and permitted by all applicable governmental laws, codes, rules, and regulations including zoning and building laws and laws administered by the Federal Communication Commission and the Federal Aviation Administration. Lessee shall be responsible for, and procure at its sole cost and expense, any approvals and/or permits necessary for the installation and operation of the Antenna. Any such permit application must be coordinated with Lessor prior to filing. A copy of said permits and/or approvals shall be delivered to Lessor prior to the installation of the Antenna.
- 3.10 Notwithstanding the foregoing, the Antenna will not cause any interference to Lessor's use or operation of the Building. Lessee shall take all steps required to insure that the location and operation of the Antenna shall not interfere with or adversely effect (i) transmission by other communication facilities located within the Building or on the roof of the Building and used by Lessor or any other present or future tenants of the Building; (ii) other tenant's use and enjoyment of its leased space or the common areas of the Building; or (iii) neighboring landowners. If the location or operation of the Antenna causes such interference, Lessee shall, within forty-eight (48) hours of notice from Lessor, take all steps necessary to correct and eliminate to Lessor's satisfaction such interference, or remove the Antenna. Lessee will indemnify, defend and hold harmless Lessor and its agents from and against any and all claims for damages due to its Antenna or the transmissions therefrom which cause any such interference. Lessor will notify Lessee of any claim from third parties of alleged interference created by Lessee's installation or from transmissions or receptions from such installations. Upon receipt of any notification from Lessor of any such claimed interference, Lessee will undertake the handling of such claim and shall indemnify, defend and hold harmless Lessor and its agents from and against any and all cost and expenses arising by reason of such claim. As part of the installation of the Antenna, Lessee will appropriately filter and trap any and all byproducts or interference through existing broadcast installations and their signals or through other appropriate means.
- 3.11 If Lessor, for any reason, is unable to obtain any required access through adjoining premises or space occupied by other tenants, Lessor will promptly notify Lessee and terminate Lessee's right to install the Antenna.
- 3.12 Prior to the installation of the Antenna, Lessee shall, at its cost and expense, prepare and deliver to Lessor working drawings, plans and specifications (the

"Plans") detailing the exact location and size of the Antenna and method of the installation and use of the Antenna. No installation shall commence until Lessor has approved the Plans, which approval shall not be unreasonably withheld or delayed. Lessee shall install the Antenna and all wires, cables and other components strictly in the manner shown on the Plans. Such installation shall be performed (i) upon reasonable prior notice to Lessor, (ii) in a safe manner consistent with generally accepted construction standards and (iii) in such a way as to minimize interference with the operation of the Building. Each contractor performing any portion of Lessee's installation of the Antenna shall be subject to Lessor's approval, which approval shall not be unreasonably withheld or delayed.

- 3.13. Lessee shall install all screening reasonably required by Lessor such that the Antenna shall not be visible from any portion of the ground constituting the Common Areas. The Antenna shall not display any name, logo, or identity whatsoever visible from any portion of the ground or be used for advertising of products or services. No marking lighting of the Antenna will be permitted.
- 3.14 Lessee shall keep the Antenna in good order, repair and condition throughout the term of this Agreement and shall bear the cost of repairing any damage to the Building resulting from the installation, maintenance, relocation, use and removal of the Antenna, including any roof repairs and consequential damages resulting from roof leaks. Lessor shall have the option to perform such work and Lessee shall reimburse Lessor for such reasonable costs, on demand.
- 3.15 Lessee may not install the Antenna in a manner which will void or impair any then existing roof warranty. All work in connection with the roofing surface shall be performed by Lessor's roofing contractor at Lessee's sole cost and expense.
- 3.16 Access by Lessee and its employees, agents, and contractors to portions of the Building outside the Premises for the installation, maintenance, repair, operation, and use of the Antenna is subject to reasonable rules and requirements of Lessor, including any requirement that work on the Antenna be performed at times and under the supervision of persons designated by Lessor.
- 3.17 At Lessor's request, Lessor shall obtain and pay for (i) the services of a structural engineer acceptable to Lessor, (i) the design of any additional roof supports required to support the Antenna and (ii) the monitoring of the installation thereof.
- 3.18 Lessee shall pay Lessor, on demand, the reasonable cost Lessor typically charges for (i) determining the location of the Antenna and its associated wiring, (ii) the cost of reviewing the Plans and monitoring such installation, (iii) the cost of coordinating and obtaining any certification as to the continuation of the roof guarantee and (iv) any other reasonable cost incurred by Lessor resulting from Lessee's installation, use or removal of the Antenna.
- 3.19 The term of this Agreement shall commence upon the date the Lessee is in receipt of a building permit applicable to the installation of the Antenna ("Commencement Date") and shall expire on the Expiration Date stated in the Lease unless otherwise extended.
- 3.20 From and after the Commencement Date, Lessee shall pay Lessor a fee for the use of space outside the Premises for the Antenna in the amount of \$100.00 dollars in advance each month during the term stated in Paragraph 3.19 above, without any demand, counterclaim, deduction or setoff. All monthly installments of this fee shall be deemed Additional Rent under the Lease. If the term commences on a day other than the first day of a month, the fee shall be prorated for that first month for the number of days from the Commencement Date to the end of the month.
- 3.21 The Antenna shall remain Lessee's personal property and shall be at the Building

at the sole risk of the Lessee and Lessor shall not be liable for damage thereto or theft, misappropriation or loss thereof. At the termination of the Lease, or any renewal or extension thereof, the Antenna and all related equipment and wiring shall be removed by Lessee, at Lessee's sole cost and expense, and Lessee shall at that time repair any damage caused by the such installation and removal thereof.

- 3.22 Lessor may, upon twenty (20) days prior written notice to Lessee, require Lessee to relocate the Antenna and such associated cables, wiring and components to another location on the roof, and Lessee shall do so at its sole cost and expense.
- 3.23 Notwithstanding the above, Lessee shall, at its sole cost and expense, within thirty (30) days after receipt of written notice from Lessor that a comparable communications system has been installed, remove the Antenna and commence using such comparable communication system provided by Lessor or its designee. Lessee shall have no liability or responsibility for the costs associated with the acquisition and installation of such system.
- 3.24 Lessee agrees that except to the extent arising directly from the negligence or willful misconduct of Lessor or its agents, employees, representatives and/or contractors, but subject to the terms of the Lease, Lessor shall not be liable for any damage or liability of any kind or for any injury to or death of persons or damage to property resulting from any cause whatsoever relating to the installation, use, maintenance, relocation or removal of the Antenna and its associated wiring, cables, and other components and Lessee hereby agrees to protect, defend, indemnify and save harmless Lessor and its agents from all claims, actions, demands, costs, expenses and liability whatsoever, including reasonable attorneys fees, on account of any such real or claimed event, damage or liability and from all liens, claims and demands arising from any occurrence relating to the installation, use, repair, maintenance, relocation or removal of the Antenna, including any roof leaks, roof repairs and consequential damages resulting from the same or occasioned in whole or in part by any act or omission of Lessee, its agents, contractors, servants, employees or invitees. Lessee's obligations under this provision shall survive the expiration or sooner termination of this Agreement.
- 3.25 Lessee hereby represents to Lessor that there exists no default under the Lease either by Lessee or Lessor.
- 3.26 Except as expressly amended herein, the Lease covering the Premises shall remain in full force and effect, and Lessor and Lessee hereby ratify and confirm all of the terms and conditions thereof.
- 3.27 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and permitted assigns.
- 3.28 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 they possess the requisite authority to enter into this transaction and to sign this Agreement.

MACK-CALI REALTY, L.P.,

MOVADO GROUP, INC.

LESSOR

LESSEE

By: Mack-Cali Realty Corporation,
its general partner

By: /s/ Michael A. Grossman

Michael A. Grossman
Executive Vice President

By: /s/ Richard A. Buonocore

Name: Richard A. Buonocore
Title: Senior Vice President
Administration
Movado Group Inc.

FIRST AMENDMENT OF
SUBLEASE AGREEMENT

This FIRST AMENDMENT OF SUBLEASE is made and entered into as of October 10, 2001 by and between Movado Group, Inc., a New York corporation ("Sublandlord") and National Financial Services LLC, a Delaware limited liability company ("Subtenant").

WHEREAS, Sublandlord and Subtenant entered into a sublease as of October 1, 2001 (the "Sublease") for a portion of the Master Premises (as defined in the Sublease) consisting of the 4th floor of the Building (as defined in the Sublease) containing 56,629 rentable square feet shown on the demising plan annexed to the Sublease as Exhibit "B" ("Original Sublease Premises") and Sublandlord and Subtenant desire to expand the Original Sublease Premises by subleasing the remainder of the Master Premises consisting of 28,225 rentable square feet on the 5th floor of the Building ("Additional Sublease Premises") as shown on Exhibit "A" annexed hereto and made a part hereof, and to otherwise amend certain terms and conditions contained in the Sublease on the terms and conditions hereafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties mutually covenant and agree as follows:

1. Definitions. All capitalized and non-capitalized terms used in this First Amendment which are not separately defined herein but are defined in the Sublease shall have the meaning given to any such term in the Sublease. Except as otherwise expressly provided in this First Amendment, for the Additional Sublease Premises Term the term "Sublease Premises" shall have the same meaning as the term "Master Premises" and the Sublease shall be deemed amended accordingly. All terms and agreements contained in the Sublease shall apply to the Additional Sublease Premises demised herein with the same force and effect as if the same had been set forth herein, except as otherwise expressly provided in this First Amendment.

2. Demise of Additional Sublease Premises. Sublandlord hereby subleases and demises to Subtenant and Subtenant hereby hires and subleases from Sublandlord the Additional Sublease Premises (which the parties stipulate contain 28,225 rentable square feet) upon and subject to the terms, covenants and conditions herein after set forth.

3. Lease Term.

(a) Notwithstanding anything to the contrary contained in the Sublease Agreement, the Sublease Commencement Date shall be October 1, 2001. The term applicable to the Additional Sublease Premises only (the "Additional Sublease Premises Term") shall commence on the date that Landlord consents to this First Amendment and Sublandlord vacates the Additional Sublease Premises and notifies

Subtenant thereof, and the Additional Sublease Premises Term shall end, unless sooner terminated as provided herein, on December 31, 2001 ("Additional Sublease Premises Expiration Date") provided, however, that in the event Sublandlord shall have failed to vacate the Additional Sublease Premises on or before November 15, 2001 or Landlord shall have failed to consent to this First Amendment on or before November 15, 2001, then Subtenant shall have the right to terminate this First Amendment upon written notice to Sublandlord. Sublandlord will remove all of its moveable personal property from the Additional Sublease Premises prior to vacating the same.

(b) If Sublandlord vacates the Additional Sublease premises on or before October 24, 2001, Subtenant will reimburse Sublandlord up to \$15,000 of Sublandlord's reasonable expenses incurred in connection therewith. If Sublandlord vacates the Additional Sublease Premises after October 24, 2001 but on or before November 1, 2001, Subtenant will reimburse Sublandlord up to \$10,000 of Sublandlord's reasonable expenses incurred in connection therewith. Any reimbursement of expenses required under this section 3(b) will be paid to Sublandlord within twenty (20) days after Subtenant's receipt of a statement from Sublandlord setting forth such expenses.

4. Subrental. Beginning with the Additional Sublease Premises Commencement Date and thereafter during the Additional Sublease Premises Term and ending on the Additional Sublease Premises Expiration Date, the Base Rental shall be \$84,854/month.

5. Subtenant's Additional Covenants.

(a) After delivery of possession to Subtenant of the south side of the 4th floor constituting part of the Original Sublease Premises, Subtenant shall in no event do anything or permit anything to be done therein before November 1, 2001, including, without limitation, any demolition or construction, that will materially interfere with, disrupt or otherwise adversely affect Sublandlord's data room or telephone closets or any of the computer or telecommunication equipment therein or Sublandlord's use thereof.

(b) DELETED

6. Entire Agreement. It is understood and acknowledged that there are no oral agreements between the parties hereto affecting this First Amendment and the Sublease, as amended by this First

Amendment, supercedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Sublandlord to Subtenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Sublease. Except as expressly amended herein, the Sublease shall remain in full force and effect as if the same had been set forth in full herein.

IN WITNESS WHEREOF, the parties have entered into this First Amendment of Sublease as of the date first written above.

SUBLANDLORD:
MOVADO GROUP, INC.
A New York corporation

SUBTENANT:
NATIONAL FINANCIAL SERVICES LLC
A Delaware limited liability company

By:/s/ Efraim Grinberg

By: /s/ Jeffrey S. Wallace

Its:President

Its: Vice President & Chief Financial Officer

THIRD AMENDMENT TO LEASE

1. PARTIES

1.1 THIS AGREEMENT made the 6th day of November, 2001 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 Mack Centre II, One Mack Drive, Paramus, New Jersey.

2. STATEMENT OF FACTS

2.1 Lessor and Lessee entered into a Lease dated December 21, 2000, as amended by First Amendment to Lease dated December 21, 2000 and Second Amendment to the lease dated July 26, 2001 (hereinafter collectively, the "Lease") covering approximately 57,535 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 6,024 gross rentable square feet on the third (3rd) floor of the Building contiguous to the Premises ("Second Expansion Premises"), as shown on Exhibit A attached hereto and made a part hereof; 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 Second Expansion Premises shall commence on the date the Second Expansion Premises are delivered to Lessee (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. Lessor shall use reasonable efforts to deliver the Second Expansion Premises to Lessee on or about December 1, 2001 but shall have no liability for failure to deliver same by said date.

3.4 Lessor hereby leases the Second Expansion Premises to Lessee, and Lessee shall accept the Second Expansion Premises on the Effective Date in its "AS-IS" condition with the Building systems serving the Second Expansion Premises in good working order. Lessor represents that to the best of its knowledge there are no unlawful quantities of asbestos or contaminants in the Second Expansion Premises.

3.5 Lessee, at its sole cost and expense, shall perform improvement work to the Second Expansion Premises including, without limitation, legally demising the Second 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 HUNDRED FIFTY THOUSAND SIX HUNDRED AND 00/100 DOLLARS (\$150,600.00) ("Lessor's Construction Allowance).

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 Second Expansion Premises as shown on Exhibit A attached hereto and made part hereof.

b. The Premises shall be defined as approximately 63,559 gross rentable square feet on the third (3rd) floor of the Building and Paragraph 7 of the Preamble to the Lease be shall 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 Second 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 Effective Date-
6/30/05
\$149,094.00
\$12,424.50
7/1/05- 6/30/09
\$161,142.00
\$13,428.50
7/1/09- 6/30/13
\$173,190.00
\$14,432.50

Notwithstanding anything hereinabove to the contrary, Lessee's obligation to pay the accrual of Fixed Basic Rent for the Second Expansion Premises shall commence only on the three (3) month anniversary of the Effective Date.

- d. Parking Spaces as defined in Paragraph 14 of the Preamble to the Lease shall be amended to be a total of two hundred fifty-four (254) spaces, forty-three (43) of which shall be assigned and two hundred eleven (211) of which shall be unassigned. As shown on Exhibit C attached hereto and made a part hereof.
- e. Lessee shall pay Lessor the cost of electricity consumed within the Second Expansion Premises in accordance with Article 22 Building Standard Office Electrical Service of the Lease.
- f. Lessee's Percentage applicable to the Second Expansion Premises shall be 1.72%.
- g. Lessee shall pay Lessor, as Additional Rent, Lessee's Percentage applicable to the Second 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 Second Expansion Premises of the increased cost to Lessor over the Base Period Costs for the Second Expansion Premises during the first twelve (12) months following the Effective Date.
- h. The term "Second 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 Second 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.
- i. Lessor shall use the Second Expansion Premises primarily as an employee cafeteria with secondary uses as: a watch sale/company store, a customer service window for drop off and pick up of company products, and offices/conference rooms. As part of Lessee's cafeteria needs, Lessor agrees to permit Lessee to install, at Lessee's sole cost and expense, several exhaust ducts directly to the exterior of the Building, or in the alternative, to the roof of the Building through a Building airshaft vent or similar vent or similar opening. Such work by Lessee shall be subject to plans approved by Lessor, which approval shall not be unreasonably withheld, delayed or conditioned. Lessee shall remove any such alterations at the expiration or sooner termination of the Term and restore the Second Expansion Premises and the Building to the condition existing prior to such alteration.
- j. Lessee shall have the right to install, at Lessee's sole cost and expense, a new electric riser through Lessor's common Building shaft. Such work by Lessee shall be subject to plans approved by Lessor, which approval shall not be unreasonably withheld, delayed or

conditioned. Lessee shall remove any such alterations at the expiration or sooner termination of the Term and restore the Second Expansion Premises and the Building to the condition existing prior to such alteration.

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/ [ILLEGIBLE]

Name:
Title:

EXHIBIT A

LOCATION OF SECOND EXPANSION PREMISES

[FLOOR PLAN GRAPHIC]

THIRD (3RD) FLOOR
ONE MACK DRIVE
PARAMUS, NEW JERSEY

EXHIBIT B

LESSEE'S WORK AND ALTERATIONS

Lessee may make the alterations required for Lessee's use of the Second Expansion Premises (hereinafter the "Work") after the Effective Date of the Second Amendment 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 any new and existing electrical wiring, devices, fixtures and equipment.
 - v. Mechanical plans depicting any 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 Second 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"). 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 be permitted to use the same team of architects and contractors who built Lessee's current office space on the third floor of the Building.
- d. If Lessee does not use the same team of architects and contractors who built Lessee's current office space on the third floor of the Building, then Lessee shall use 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 Second 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 Second 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 HUNDRED FIFTY THOUSAND SIX HUNDRED AND 00/100 DOLLARS (\$150,600.00) ("Lessor's Construction Allowance") for payment of the costs associated with the completion of The Work. 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 Second 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 Second 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 Second Expansion Premises in any way, for damages caused by fire or other perils so insured.

-END-

EXHIBIT C

LOCATIONS OF ASSIGNED PARKING SPACES

[PARKING LOT GRAPHIC]

MACK-CALI CENTRE II
ONE MACK DRIVE
PARAMUS, NEW JERSEY