- ---
- ---

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

FORM 10-K

(Mark one)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
For fiscal year ended January 31, 2006,

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period From to

Commission File Number 1-16497

MOVADO GROUP, INC.
(Exact name of registrant as specified in its charter)

New York	13-2595932
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
650 From Road, Paramus, New Jersey	07652
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code:(201) 267-8000

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common stock, par value $0.01 per share	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes [ ] No [X]

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer [ ]

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of July 31, 2005 was approximately $394,027,633 (based on the closing sale price of the registrant's Common Stock on that date as reported on the New York Stock Exchange). For purposes of this computation, each share of Class A Common Stock is assumed to have the same market value as one share of Common Stock into which it is convertible and only shares of stock held by directors and executive officers were excluded.

The number of shares outstanding of the registrant's Common Stock and Class A Common Stock as of March 31, 2006 were 23,218,749 and 6,766,909, respectively.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to registrant's 2006 annual meeting of shareholders (the "Proxy Statement") are incorporated by reference in Part III hereof.

- ---
- ---

PART I

FORWARD-LOOKING STATEMENTS

Statements in this annual report on Form 10-K, including, without limitation, statements under Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operation" and elsewhere in this report, as well as statements in future filings by the Company with the Securities and Exchange Commission, in the Company's press releases and oral statements made by or with the approval of an authorized executive officer of the Company, which are not historical in nature, are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbor provided by the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates, forecasts and projections about the Company, its future performance, the industry in which the Company operates and management's assumptions. Words such as "expects", "anticipates", "targets", "goals", "projects", "intends", "plans", "believes", "seeks", "estimates", "may", "will", "should" and variations of such words and similar expressions are also intended to identify such forward-looking statements. The Company cautions readers that forward-looking statements include, without limitation, those relating to the Company's future business prospects, projected operating or financial results, revenues, working capital, liquidity, capital needs, plans for future operations, expectations regarding capital expenditures and operating expenses, effective tax rates, margins, interest costs, and income as well as assumptions relating to the foregoing. Forward-looking statements are subject to certain risks and uncertainties, some of which cannot be predicted or quantified. Actual results and future events could differ materially from those indicated in the forward-looking statements, due to several important factors herein identified, among others, and other risks and factors identified from time to time in the Company's reports filed with the SEC including, without limitation, the following: general economic and business conditions which may impact disposable income of consumers in the United States and the other significant markets where the Company's products are sold, general uncertainty related to possible terrorist attacks and the impact on consumer spending, changes in consumer preferences and popularity of particular designs, new product development and introduction, competitive products and pricing, seasonality, availability of alternative sources of supply in the case of the loss of any significant supplier, the loss of significant customers, the Company's dependence on key employees and officers, the ability to successfully integrate the operations of acquired businesses without disruption to other business activities, the continuation of licensing arrangements with third parties, the ability to secure and protect trademarks, patents and other intellectual property rights, the ability to lease new stores on suitable terms in desired markets and to complete construction on a timely basis, the continued availability to the Company of financing and credit on favorable terms, business disruptions, disease, general risks associated with doing business outside the United States including, without limitation, import duties, tariffs, quotas, political and economic stability, and success of hedging strategies with respect to currency exchange rate fluctuations.

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

Item 1. Business

GENERAL

In this Form 10-K, all references to the "Company", "Movado Group" or "MGI" include Movado Group, Inc. and its subsidiaries, unless the context requires otherwise.

Movado Group, Inc. is a manufacturer, distributor and retailer of fine watches and jewelry. Its portfolio of brands is comprised of Movado(R), Ebel(R), Concord(R), ESQ(R) SWISS ("ESQ"), Coach(R) Watches, HUGO BOSS(R) Watches, Juicy Couture(TM) Watches and Tommy Hilfiger(R) Watches and beginning January 2007, Lacoste(R) Watches. The Company is a leader in the design, development, marketing and distribution of watch brands sold in almost every major category comprising the watch industry. The Company also designs, develops and markets proprietary Movado-branded jewelry, tabletop and accessory products which it retails in its luxury Movado Boutiques.

The Company was incorporated in New York in 1967 under the name North American Watch Corporation, to acquire Piaget Watch Corporation and Corum Watch Corporation, which had been, respectively, the exclusive importers and distributors of Piaget and Corum watches in the United States since the 1950's. The Company sold its Piaget and Corum distribution businesses in 1999 and 2000, respectively, to focus on its own portfolio of brands. Since its incorporation, the Company has developed its brand-building reputation and distinctive image across an expanding number of brands and geographic markets. Strategic acquisitions and their subsequent growth, along with license agreements have played an important role in the expansion of the Company's brand portfolio.

In 1970, the Company acquired the Concord brand and the Swiss company that had been manufacturing Concord watches since 1908. In 1983, the Company acquired the U.S. distributor of Movado watches and substantially all of the assets related to the Movado brand from the Swiss manufacturer of Movado watches. The Company changed its name to Movado Group, Inc. in 1996. In March 2004, the Company completed its acquisition of Ebel, one of the world's premier luxury watch brands that was established in La Chaux-de-Fonds, Switzerland in 1911.

The Company is very selective in its licensing strategy and chooses to enter long-term partnerships with only powerful brands that are leaders in their respective businesses. Under an exclusive agreement with The Hearst Corporation, the Company launched ESQ in 1993. In 1999, the Company launched Coach Watches under an exclusive agreement with Coach, Inc., and in 2001 Tommy Hilfiger Watches under an exclusive agreement with Tommy Hilfiger, Inc.

On October 7, 1993, the Company completed a public offering of 2,666,667 shares of common stock, par value $.01 per share. On October 21, 1997, the Company completed a secondary stock offering in which 1,500,000 shares of common stock were issued. On May 21, 2001, the Company moved from the NASDAQ National Market to the New York Stock Exchange ("NYSE"). The Company's common stock is traded on the NYSE under the trading symbol MOV.

RECENT DEVELOPMENTS

Effective March 21, 2005, the Company entered into an exclusive worldwide license agreement with HUGO BOSS to design, produce and market a collection of watches under the BOSS(TM) and HUGO(TM) brand names. In 2005, the Company introduced a limited number of HUGO BOSS watch models, with a major launch of a new collection planned for Spring 2006 at Baselworld, the annual watch and jewelry trade show held in Basel,

Switzerland. The HUGO BOSS collection will be sold through select distribution outlets in Europe, the Americas and Asia, as well as HUGO BOSS retail locations.

On August 31, 2005, the Company signed a joint venture agreement ("JV Agreement") with Financiere TWC SA ("TWC"), a French company with established distribution, marketing and sales operations in France and Germany. Under the JV Agreement, the Company and TWC control 51% and 49%, respectively, of MGI-TWC B.V., a Dutch holding company that owns MGI-TWC SAS, a French corporation, and MGI-TWC GmbH, a German corporation (collectively, the "Subsidiaries"). The Subsidiaries are responsible for the marketing, distribution and sale in France and Germany of the Company's licensed HUGO BOSS and Tommy Hilfiger brands, as well as future brands licensed to the Company, subject to the terms of the applicable license agreement. The terms of the JV Agreement include financial performance measures which, if not attained, give either party the right to terminate the JV Agreement after the fifth (5th) and the tenth (10th) year (January 31, 2011 and January 31, 2016); restrictions on the transfer of shares in the Dutch holding company; and a buy out right whereby the Company can purchase all of TWC's shares in the holding company as of July 1, 2016 and every 5th anniversary thereafter at a pre-determined price. As of January 31, 2006, there were no transactions between the Company and TWC.

In November 2005, Movado Group, Inc. entered into an exclusive worldwide license agreement with L.C. Licensing, Inc. to design, produce and market a collection of watches under the Juicy Couture and Couture Couture brand names. Juicy Couture Watches are scheduled to launch in Fall 2006 and will be sold through select high-end retailers initially in the United States, followed by Europe and Asia.

On March 27, 2006, the Company entered into an exclusive worldwide license agreement with Lacoste, S.A., Sporloisirs, S.A. and Lacoste Alligator, S.A. to design, produce, market and distribute Lacoste watches that will be sold under the LACOSTE name and the distinctive Lacoste "alligator" logo beginning in the first half of 2007.

INDUSTRY OVERVIEW

The largest markets for watches are North America, Western Europe and Asia. The Company divides the watch market into six principal categories as set forth in the following table.

Market Category	Suggested Retail Price Range	Primary Category of Movado Group, Inc. Brands
Exclusive	$10,000 and over	Ebel and Concord
Luxury	$1,500 to $9,999	Ebel, Concord and Movado
Premium	$500 to $1,499	Movado
Moderate	$100 to $499	ESQ, Coach, HUGO BOSS and Juicy Couture
Fashion	$55 to $99	Tommy Hilfiger
Mass Market	Less than $55	--

Exclusive Watches

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

Luxury Watches

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

Premium Watches

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

Moderate Watches

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

Fashion Watches

Watches comprising the fashion market are primarily quartz-analog watches but also include some digital watches. Watches in the fashion category are generally made with stainless steel, gold finish, brass and/or plastic and are manufactured primarily in Asia. Fashion watches feature designs that reflect current and emerging fashion trends. Many are sold under licensed designer and brand names that are well-known principally in the apparel industry. In addition to the Company's Tommy Hilfiger brand, other well-known brands of fashion watches include Anne Klein II, DKNY, Fossil, Guess, Kenneth Cole and Swatch.

Mass Market Watches

Mass market watches typically consist of digital watches and analog watches made from stainless steel, brass and/or plastic and are manufactured in Asia. Well-known brands include Casio, Citizen, Pulsar, Seiko and Timex. The Company does not compete in the mass market watch category.

PRODUCTS

The Company designs, develops, markets and distributes products under the following watch brands:

Movado

Founded in 1881 in La Chaux-de-Fonds, Switzerland, Movado is an icon of modern design. Today the brand includes a line of watches, inspired by the simplicity of the Bauhaus movement, including the world famous Movado Museum watch and a number of other watch collections with more traditional dial designs. The design for the Movado Museum watch was the first watch design chosen by the Museum of Modern Art for its permanent collection. It has since been honored by other museums throughout the world. All Movado watches have Swiss movements and are made with 14 or 18 karat gold, 18 karat gold finish, stainless steel or a combination of 18 karat gold finish and stainless steel. The majority of Movado watches have suggested retail prices between $550 and $2,995.

Ebel

The Ebel brand, one of the world's premier luxury watch brands, was established in La Chaux-de-Fonds, Switzerland in 1911. All Ebel watches feature Swiss movements and are made with solid 18 karat gold, stainless steel or a combination of 18 karat gold and stainless steel. The majority of Ebel watches have suggested retail prices between $1,400 and $17,800.

Concord

Concord was founded in 1908 in Bienne, Switzerland. All Concord watches have Swiss movements and are made with solid 18 karat or 14 karat gold, stainless steel or a combination of 18 karat gold and stainless steel. The majority of Concord watches have suggested retail prices between $1,690 and $14,900.

Coach Watches

Coach Watches are an extension of the Coach leathergoods brand and reflect the Coach brand image. A distinctive American brand, Coach delivers stylish, aspirational, well-made products that represent excellent value. Coach watches contain Swiss movements and are made with stainless steel, gold finish or a combination of stainless steel and gold finish with leather straps, stainless steel bracelets or gold finish bracelets. The majority of Coach watches have suggested retail prices between $228 and $498.

ESQ

ESQ competes in the entry level Swiss watch category and is defined by bold sport and fashion designs. All ESQ watches contain Swiss movements and are made with stainless steel, gold finish or a combination of stainless steel and gold finish, with leather straps, stainless steel bracelets or gold finish bracelets. The majority of ESQ watches have suggested retail prices between $150 and $395.

Tommy Hilfiger Watches

Reflecting the fresh, fun all-American style for which Tommy Hilfiger is known, Tommy Hilfiger Watches feature quartz, digital or analog-digital movements, with stainless steel, titanium, aluminum, silver-tone, two-tone or gold-tone cases and bracelets, and leather, fabric, plastic or rubber straps. The line includes fashion and sport models with the majority of Tommy Hilfiger watches having suggested retail prices between $65 and $125.

HUGO BOSS Watches

HUGO BOSS is a global market leader in the world of fashion. Following the execution of an exclusive worldwide license agreement with HUGO BOSS to design, produce and market a collection of watches, under the BOSS and HUGO brand names, the Company distributed certain watches within the pre-existing HUGO BOSS watch collections, with limited new product introductions. Major new product launches have been planned for spring 2006 at Baselworld, the annual watch and jewelry trade show held in Basel, Switzerland. The new HUGO BOSS watch collection will include classy, sporty, elegant and fashion timepieces with suggested retail prices between $195 and $695.

DESIGN

The Company's continued emphasis on innovation and distinctive design has been an important contributor to the prominence, strength and reputation of Movado Group's brands. The Company's products are created and developed by in-house design teams in both Switzerland and the United States, in cooperation with various outside sources, including licensors' design teams. Senior management is actively involved in the design process.

MARKETING

The Company's marketing strategy is to communicate a consistent brand specific message each time a consumer comes in contact with them. Advertising is an integral component to the successful marketing of the Company's product offerings and therefore, the Company devotes significant resources to advertising. Since 1972, the Company has maintained its own in-house advertising department, which today focuses primarily on the implementation and management of global marketing and advertising strategies for each of its brands, ensuring consistency of presentation. The Company utilizes the creative development of advertising campaigns from outside agencies. Advertising is developed individually for each of the Company's watch brands as well as Movado Boutique jewelry, tabletop and accessories and is directed primarily to the end consumer rather than to trade customers. In addition, advertising is developed by targeting consumers with particular demographic characteristics appropriate to the image and price range of the brand. Advertisements are placed predominantly in magazines and other print media but are also created for radio and television campaigns, catalogs, outdoor and other promotional materials. Marketing expenses totaled 16.1%, 16.2% and 16.1% of net sales in fiscal 2006, 2005 and 2004, respectively.

OPERATING SEGMENTS

The Company conducts its business primarily in two operating segments: Wholesale and Retail. For operating segment data and geographic segment data for the years ended January 31, 2006, 2005 and 2004, see Note 15 to the Consolidated Financial Statements regarding Segment Information.

The Company's wholesale segment includes the design, development, marketing and distribution of high quality watches, in addition to revenue generated from after-sales service activities and shipping. The Retail segment includes the Company's Movado Boutiques and its outlet stores.

The Company divides its business into two major geographic segments: Domestic, which includes the results of the Company's North American, Caribbean and Tommy Hilfiger South American operations, and International, which includes the results of all other Company operations. The Company's international operations are principally conducted in Europe, the Middle East and Asia. The Company's international assets are substantially located in Switzerland.

Wholesale

Domestic Wholesale

The Company sells all of its brands in the domestic wholesale market primarily through major jewelry store chains such as Helzberg Diamonds Corp., Sterling, Inc. and Zale Corporation; department stores, such as Macy's, Neiman Marcus and Saks Fifth Avenue, as well as independent jewelers. Sales to trade customers in the United States, Canada and the Caribbean are made directly by the Company's domestic sales force of approximately 150 employees. Of these employees, sales representatives are responsible for a defined geographic territory, specialize in a particular brand and sell to and service the independent jewelers within their territory. Their compensation is based on salary plus commission. The sales force also consists of account executives and account representatives who, respectively, sell to and service the chain and department store accounts. The latter typically handle more than one of the Company's brands and are compensated based on salary and incentives. In South America, the Company primarily sells Tommy Hilfiger watches through independent distributors.

International Wholesale

The Company sells Movado, Ebel, Concord, Coach and HUGO BOSS watches internationally through its own international sales force of approximately 100 employees operating from the Company's sales and distribution offices in China, France, Germany, Hong Kong, Japan, Singapore, Switzerland, the United Kingdom and the United Arab Emirates. In addition, the Company sells Movado, Ebel, Concord, Coach, HUGO BOSS and Tommy Hilfiger watches through a network of independent distributors operating in numerous countries around the world. A majority of the Company's arrangements with its international distributors are long-term, generally require certain minimum purchases and restrict the distributor from selling competitive products.

Retail

The Company operates in two retail markets, the luxury boutique market and the outlet market. Movado Boutiques reinforce the luxury image of the Movado brand and are a primary strategic focus of the Company. The Company operates 27 Movado Boutiques in North America that are located in upscale regional shopping centers and metropolitan areas. Movado Boutiques are merchandised with select models of Movado watches, as well as proprietary Movado-branded jewelry, tabletop and accessories and other product line extensions. The modern store design creates a distinctive environment that showcases these products and provides consumers with the ability to fully experience the complete Movado design philosophy. The Company's 28 outlet stores are multi-branded and serve solely as an effective vehicle to sell discontinued models and factory seconds of all of the Company's watches, jewelry, tabletop and accessory products. Three additional Movado Boutiques and one outlet are scheduled to open in fiscal year 2007.

SEASONALITY

The Company's domestic sales are traditionally greater during the Christmas and holiday season. Consequently, the Company's net sales historically have been higher during the second half of the fiscal year. The second half of each year accounted for 56.9%, 58.7% and 58.6% of the Company's net sales for the fiscal years ended January 31, 2006, 2005 and 2004, respectively. The amount of net sales and operating profit generated during the second half of each fiscal year depends upon the general level of retail sales during the Christmas and holiday season, as well as economic conditions and other factors beyond the Company's control. The Company does not expect any significant change in the seasonality of its domestic business in the foreseeable future. Major selling seasons in certain international markets center on significant local holidays that occur in late winter or early spring.

BACKLOG

At March 31, 2006, the Company had unfilled orders of $43.5 million compared to $21.4 million and $20.2 million at March 31, 2005 and 2004, respectively. Unfilled orders include both confirmed orders and orders the Company believes will be confirmed based on the historic experience with the customers. It is customary for many of the Company's customers not to confirm their future orders with a formal purchase order until shortly before their desired delivery.

CUSTOMER SERVICE, WARRANTY AND REPAIR

The Company has developed an approach to managing the retail sales process of its wholesale customers that involves monitoring their sales and inventories by product category and style. The Company also assists in the conception, development and implementation of customers' marketing vehicles. The Company places considerable emphasis on cooperative advertising programs with its major retail customers. The Company's retail sales process has resulted in close relationships with its principal customers, often allowing for influence on the mix, quantity and timing of their purchasing decisions. The Company believes that customers' familiarity with its sales approach has facilitated, and should continue to facilitate, the introduction of new products through its existing distribution network.

The Company permits the return of damaged or defective products. In addition, although the Company has no obligation to do so, it does accept limited amounts of product returns from customers in certain instances.

The Company has service facilities around the world including five Company-owned service facilities and approximately 180 authorized independent service centers worldwide. In order to maintain consistency and quality at its service facilities and authorized independent service centers, the Company conducts training sessions for and distributes technical information and updates to repair personnel. All watches sold by the Company come with limited warranties covering the movement against defects in material and workmanship for periods ranging from two to three years from the date of purchase, with the exception of Tommy Hilfiger watches, for which the warranty period is ten years. In addition, the warranty period is five years for the gold plating for Movado watch cases and bracelets. Products that are returned under warranty to the Company are generally serviced by the Company's employees at its service facilities.

The Company retains adequate levels of component parts to facilitate after-sales service of its watches for an extended period of time after the discontinuance of such watches.

In 2003, the Company introduced Customer Wins, a web-based system providing immediate access for the Company's retail partners and consumers to the information they may want or need about after sales service issues. Customer Wins allows the Company's retailers and end consumers to track their repair status online 24 hours a day. The system permits customers to authorize repairs, track repair status through the entire repair life cycle, view repair information, and obtain service order history. Customer Wins can be accessed online at www.mgiservice.com.

SOURCING, PRODUCTION AND QUALITY

The Company does not own any product manufacturing facilities, with the exception of a small manufacturing facility for proprietary movements for its Ebel brand. The Company employs a flexible manufacturing model that relies primarily on independent manufacturers to meet shifts in marketplace demand and changes in consumer preferences. All product sources must achieve and maintain the Company's high quality standards and specifications. With strong supply chain organizations in Switzerland, China and Hong Kong, the

Company maintains control over the quality of its products, wherever they are manufactured. Compliance is monitored with strictly implemented quality control standards, including site quality inspections.

A majority of the Swiss watch movements used in the manufacture of Movado, Ebel, Concord and ESQ watches are purchased from two suppliers. The Company obtains other watch components for all of its brands, including movements, cases, hands, dials, bracelets and straps from a number of other suppliers. The Company does not have long-term supply contract commitments with any of its component parts suppliers. Additionally, the Company manufactures some proprietary movements for its Ebel brand.

Movado, Ebel and Concord watches are generally manufactured in Switzerland by independent third party assemblers with some in-house assembly in Bienne and La Chaux-de-Fonds, Switzerland. Movado, Ebel and Concord watches are manufactured using Swiss movements and other components obtained from third party suppliers. Coach, ESQ, Tommy Hilfiger and HUGO BOSS watches are manufactured by independent contractors. Coach and ESQ watches are manufactured using Swiss movements and other components purchased from third party suppliers. Tommy Hilfiger and HUGO BOSS watches are manufactured using movements and other components purchased from third party suppliers.

TRADEMARKS, PATENTS AND LICENSE AGREEMENTS

The Company owns the trademarks MOVADO(R), EBEL(R) and CONCORD(R), as well as trademarks for the Movado Museum dial design, and related trademarks for watches and jewelry in the United States and in numerous other countries.

The Company licenses ESQUIRE(R), ESQ(R) and related trademarks on an exclusive worldwide basis for use in connection with the manufacture, distribution, advertising and sale of watches pursuant to an agreement with The Hearst Corporation ("Hearst License Agreement"). The current term of the Hearst License Agreement expires December 31, 2009, but contains options for renewal at the Company's discretion through December 31, 2018.

The Company licenses the trademark COACH(R) and related trademarks on an exclusive worldwide basis for use in connection with the manufacture, distribution, advertising and sale of watches pursuant to an agreement with Coach, Inc. ("Coach License Agreement"). The Coach License Agreement expires on January 31, 2008.

Under an agreement with Tommy Hilfiger Licensing, Inc. ("THLI"), the Company has the exclusive license to use the trademark TOMMY HILFIGER(R) and related trademarks in connection with the manufacture of watches worldwide and in connection with the marketing, advertising, sale and distribution of watches at wholesale (and at retail through its outlet stores) in the Western Hemisphere, Europe, Pan Pacific, Latin America and Korea. The term of the license agreement with THLI expires March 31, 2012.

Under its 2004 agreement with HUGO BOSS Trademark Management GmbH & Co ("HUGO BOSS"), the Company received a worldwide exclusive license to use the trademark HUGO BOSS(R) and any other trademarks of HUGO BOSS containing the names "HUGO" or "BOSS", in connection with the production, promotion and sale of watches. The term of the license continues through December 31, 2013, with an optional five-year renewal period.

On November 21, 2005, the Company entered into an agreement with L.C. Licensing, Inc. ("L.C. Licensing"), for the exclusive worldwide license to use the trademarks JUICY COUTURE(TM) and COUTURE COUTURE LOS ANGELES(TM), in connection with the manufacture, advertising, merchandising, promotion, sale and

distribution of timepieces and components. The term of the license is through December 31, 2011, with a four-year renewal period at the option of the Company, provided that certain sales thresholds are met.

On March 27, 2006, the Company entered into an exclusive worldwide license agreement with Lacoste S.A., Sporloisirs, S.A. and Lacoste Alligator, S.A. to design, produce, market and distribute Lacoste watches that will be sold under the LACOSTE(R) name and the distinctive "alligator" logo beginning in the first half of 2007. The agreement continues through December 31, 2014 and renews automatically for successive five year periods unless either party notifies the other of non-renewal at least six months before the end of the initial term or any renewal period.

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

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

COMPETITION

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

EMPLOYEES

As of January 31, 2006, the Company had approximately 1,300 full-time employees in its domestic and international operations. No employee of the Company is represented by a labor union or is subject to a collective bargaining agreement. The Company has never experienced a work stoppage due to labor difficulties and believes that its employee relations are good.

AVAILABLE INFORMATION

The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on the Company's website, located at www.movadogroup.com, as soon as reasonably practicable after the same are electronically filed with, or furnished to, the Securities and Exchange Commission. The public may read any materials filed by the Company with the SEC at the SEC's public reference room at 100 F. Street, N.E., Washington, D.C., 20549.

The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding the Company at www.sec.gov.

The Company has adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees, including the Company's Chief Executive Officer, Chief Financial Officer and principal accounting and financial officers, which is posted on the Company's website. The Company will post any amendments to the Code of Business Conduct and Ethics and any waivers that are required to be disclosed by SEC regulations on the Company's website. In addition, the Company's audit committee charter, compensation committee charter, nominating/corporate governance committee charter and corporate governance guidelines have been posted on the Company's website.

Item 1A. Risk Factors

The following risk factors and the forward-looking statements contained in this Form 10-K should be read carefully in connection with evaluating Movado Group, Inc.'s business. These risks and uncertainties could cause actual results and events to differ materially from those anticipated. Additional risks which the Company does not presently consider material, or of which it is not currently aware, may also have an adverse impact on the business. Please also see "Forward-Looking Statements" on page 1.

The Company faces intense competition in the worldwide watch industry.

The watch industry is highly competitive, and the Company competes globally with numerous manufacturers, importers and distributors, some of which are larger and have greater financial, distribution, advertising and marketing resources. The Company's products compete on the basis of price, features, perceived desirability, reliability and perceived attractiveness. The Company also faces increased competition from internet-based retailers. The Company's future results of operations may be adversely affected by these and other competitors.

Maintaining favorable brand recognition is essential to the success of the Company, and failure to do so could materially and adversely affect the Company's results of operations.

Favorable brand recognition is an important factor to the future success of the Company. The Company sells its products under a variety of owned and licensed brands. Factors affecting brand recognition are often outside the Company's control, and the Company's efforts to create or enhance favorable brand recognition, such as advertising campaigns, product design and anticipation of fashion trends, may not have their desired effects. Additionally, the Company relies on its license partners to maintain favorable brand recognition of their respective parent brands, and the Company often has no control over the brand management efforts of its license partners. Finally, although the Company's independent distributors are subject to contractual requirements to protect the Company's brands, it may be difficult to monitor or enforce such requirements, particularly in foreign jurisdictions. Any decline in perceived favorable recognition of the Company's owned or licensed brands could materially and adversely affect future results of operations and profitability.

If the Company is unable to respond to changes in consumer demands and fashion trends in a timely manner, sales and profitability could be adversely affected.

Fashion trends and consumer demands and tastes often shift quickly. The Company attempts to monitor these trends in order to adapt its product offerings to suit customer demand. There is a risk that the Company will not properly perceive changes in trends or tastes, which may result in the failure to adapt the Company's products accordingly. In addition, new model designs are regularly introduced into the market for all brands to keep ahead of evolving fashion trends as well as to initiate new trends of their own. There is risk that the public may

not favor these new models or that the models may not be ready for sale until after the trend has passed. If the Company fails to respond to and keep up to date with fashion trends and consumer demands and tastes, its brand image, sales, profitability and results of operations could be materially and adversely affected.

If the Company misjudges the demand for its products, high inventory levels could adversely affect future operating results and profitability.

Consumer demand for the Company's products can affect inventory levels. If consumer demand is lower than expected, inventory levels can rise causing a strain on operating cash flow. If the inventory cannot be sold through the Company's wholesale or retail outlets, additional reserves or write-offs to future earnings could be necessary. Conversely, if consumer demand is higher than expected, insufficient inventory levels could result in unfulfilled customer orders, loss of revenue and an unfavorable impact on customer relationships. Failure to properly judge consumer demand and properly manage inventory could have a material, adverse effect on profitability and liquidity.

An increase in product returns could negatively impact the Company's operating results and profitability.

The Company recognizes revenue as sales when merchandise is shipped and title transfers to the customer. The Company permits the return of damaged or defective products and accepts limited amounts of product returns in certain instances. Accordingly, the Company provides allowances for the estimated amounts of these returns at the time of revenue recognition based on historical experience. While such returns have historically been within management's expectations and the provisions established, future return rates may differ from those experienced in the past. Any significant increase in product damages or defects and the resulting credit returns could have a material adverse effect on the Company's operating results for the period or periods in which such returns materialize.

The Company's business relies on the use of independent parties to manufacture its products. Any loss of an independent manufacturer, or the Company's inability to deliver quality goods in a timely manner, could have an adverse affect on customer relations, brand image, net sales and results of operations.

The Company employs a flexible manufacturing model that relies primarily on independent manufacturers to meet shifts in marketplace demand. All product sources must achieve and maintain the Company's high quality standards and specifications. The inability of a manufacturer to ship orders in a timely manner or to meet the Company's high quality standards and specifications could cause the Company to miss committed delivery dates with customers, which could result in cancellation of the customers' orders. In addition, delays in delivery of satisfactory products could have a material, adverse effect on the Company's profitability if the delays cause the Company to be unable to market certain products during the seasonal periods during which its sales are typically higher. See "Risk Factors - The Company's business is seasonal, with sales traditionally greater during certain holiday seasons, so events and circumstances that adversely affect holiday consumer spending will have a disproportionately adverse effect on the Company's results of operations." A majority of the Swiss watch movements used in the manufacture of Movado, Ebel, Concord and ESQ watches are purchased from two suppliers. Additionally, the Company does not have long-term supply commitments with its manufacturers and thus competes for production facilities with other organizations, some of which are larger and have greater resources.

If the Company loses any of its license agreements, there may be significant loss of revenues and a negative effect on business.

Many of the Company's brands are subject to license agreements. License agreements give the Company the right to produce, market and distribute certain products under the brand names of ESQ, Coach, Tommy Hilfiger, HUGO BOSS, Juicy Couture and beginning in 2007, Lacoste. There are certain minimum royalty payments as well as other requirements associated with these agreements. Failure to meet any of these requirements could result in the loss of the license. Additionally, after the term of the license agreement has concluded, the licensor may decide not to renew with the Company. Any loss of one or more of the Company's licenses could result in loss of future revenues which could adversely affect its financial condition.

Changes in the sales mix of the Company's products could impact gross profit margins.

The individual brands that are sold by the Company are sold at a wide range of price points and yield a variety of gross profit margins. Thus, the mix of sales by brand can have an impact on the gross profit margins of the Company. If the Company's sales mix shifts unfavorably toward brands with lower gross profit margins than the Company's historical consolidated gross profit margin or if the mix of business changes significantly in the Movado Boutiques, it could have an adverse affect on the results of operations.

The Company's business is seasonal, with sales traditionally greater during certain holiday seasons, so events and circumstances that adversely affect holiday consumer spending will have a disproportionately adverse effect on the company's results of operations.

The Company's sales are seasonal by nature. The Company's U.S. domestic sales are traditionally greater during the Christmas and holiday season. Internationally, major selling seasons center on significant local holidays that occur in late winter or early spring. The amount of net sales and operating income generated during these seasons depends upon the general level of retail sales during the Christmas and holiday season, as well as economic conditions and other factors beyond the Company's control. If events or circumstances were to occur that negatively impact consumer spending during such holiday seasons, it could have a material, adverse effect on the Company's sales, profitability and results of operations.

If the economy faces a recessionary period, purchases of the Company products may be adversely affected.

Some of the Company's products fall into higher price categories that are considered discretionary luxury items. Consumer purchases of discretionary luxury items can change due to many economic and global factors. Declining confidence in the U.S. or international economies, rising interest rates and taxation issues could adversely affect the level of available discretionary income for consumers to spend. In addition, events such as war, terrorism, natural disasters or outbreaks or disease could further dampen consumer spending on luxury items. If any of these events should occur, the Company could suffer from losses of future sales.

If the Company is unable to successfully implement its growth strategies or manage its growing business, its future operating results could suffer.

The Company is constantly expanding its business through acquisitions, license agreements, joint ventures and new initiatives such as the growing Movado Boutique business. There is risk involved with each of these. Acquisitions and new license agreements require the Company to ensure that new brands will successfully complement the other brands in its portfolio. The Company assumes the risk that the new brand will not be viewed by the public as favorably as its other brands. In addition, the integration of an acquired company or licensed brand into the Company's existing business can strain the Company's current infrastructure with the

additional work required and there can be no assurance that the integration of acquisitions or licensed brands will be successful or that acquisitions or licensed brands will generate sales increases. The Company needs to ensure it has the proper manpower and systems in place to allow for successful assimilation of new businesses. The risk involved in growing the Movado Boutique business is that the Company will not be able to successfully implement its business model. In addition, the costs associated with leasehold improvements to current Boutiques and the costs associated with opening new Boutiques could have a material adverse effect on the Company's financial condition and results of operations. The inability to successfully implement its growth strategies could adversely affect the Company's future financial condition and results of operations.

The loss or infringement of trademarks of the Company could have an adverse effect on future results of operations.

The Company believes that its trademarks are vital to the competitiveness and success of the business and has taken the appropriate actions to establish and protect them. There can be no assurance, however, that such actions will be adequate to prevent imitation of the Company's products or infringement of its trademarks or that others will not challenge the Company's rights in, or its ownership of certain trademarks, or that such trademarks will be successfully defended. In addition, the laws of some foreign countries, including some of which the Company sells its products, may not protect the rights to these trademarks to the same extent as do the laws of the United States, which could make it more difficult to successfully defend such challenges in these areas. The inability to obtain or maintain rights in the Company's trademarks could have an adverse effect on brand image and future results of operations.

Pricing fluctuations of commodities could adversely affect the Company's ability to produce product at favorable prices.

Some of the Company's higher-end watch offerings are made with materials such as diamonds, precious metals and gold. The Company's proprietary jewelry is manufactured with silver, gold and platinum, semi-precious and precious stones, and diamonds. A significant change in the prices of these commodities could adversely affect the Company's business by:

- reducing gross profit margins;

- forcing an increase in suggested retail prices; which could lead to

- decreasing consumer demand; which could lead to

- higher inventory levels.

All of the above could adversely affect the Company's future cash flow and results of operations.

The Company's business is subject to foreign currency exchange rate risk.

The majority of the Company's inventory purchases are denominated in Swiss francs. The Company operates under a hedging program which utilizes forward exchange contracts and purchased foreign currency options to mitigate foreign currency risk. If these hedge instruments are unsuccessful at minimizing the risk or are deemed ineffective, any fluctuation of the Swiss franc exchange rate could impact the future results of operations. Changes in currency exchange rates may also affect relative prices at which the Company and its foreign competitors sell products in the same market. A portion of the Company's net sales are derived from international subsidiaries and are denominated in Canadian dollars, Swiss francs, Euros, Hong Kong dollars, Singapore dollars, Japanese yen and British pounds. Future revenues derived in these currencies could be affected by currency fluctuations.

The Grinberg family owns a majority of the voting power of the Company's stock.

Each share of common stock of the Company is entitled to one vote per share while each share of class A common stock of the Company is entitled to ten votes per share. While the members of the Grinberg family do not own a majority of the Company's outstanding common stock, by their significant holdings of class A common stock they control a majority of the voting power represented by all outstanding shares of both classes of stock. Consequently, the Grinberg family is in a position to significantly influence any matters that are brought to a vote of the shareholders including, but not limited to, the election of the board of directors and approving any action requiring the approval of shareholders, including any amendments to the Company's certificate of incorporation, mergers or sales of all or substantially all of the Company's assets. This concentration of ownership also may delay, defer or even prevent a change in control of the Company and make some transactions more difficult or impossible without the support of the Grinberg family. These transactions might include proxy contests, tender offers, mergers or other purchases of common stock that could give stockholders the opportunity to realize a premium over the then-prevailing market price for shares of the Company's common stock.

The stock price of the Company could fluctuate and possibly decline due to changes in revenue, operating results and cash flow.

The revenue, results of operations and cash flow of the Company can be affected by several factors, some of which are not controllable by the Company. These factors may include, but are not limited to, the following:

- the ability to anticipate consumer demands and fashion trends;
- increased competition within the watch industry;
- a downturn in the local or global economy that could affect the purchase of consumer discretionary goods;
- material fluctuations in foreign exchange rates or commodities;
- the ability to prevent the loss of or infringement upon the Company's trademarks;
- the loss of any of the Company's license agreements;
- the financial stability of the Company's customers;
- the success of the Company's growth strategies; and
- disease, natural disasters, acts of terrorism or war or other similar global events.

The factors above, as well as any other factors discussed in section 1A of this Form 10-K, could cause a decline in revenues or increased expenses, both of which could have an adverse effect on the results of operations. If the Company's earnings failed to meet the expectations of the public in any given period, the Company's stock price could fluctuate and possibly decline.

If the Company were to lose its relationship with any of its key customers or distributors or any of such customers or distributors were to experience financial difficulties, there may be a significant loss of revenue and operating results.

The Company's customer base covers a wide range of distribution including national jewelry store chains such as Helzberg Diamonds Corp., Sterling, Inc. and Zale Corporation, department stores such as Macy's, Neiman Marcus and Saks Fifth Avenue, independent regional jewelers, licensed partner retail stores and a network of distributors in many countries throughout the world. The Company does not have long term purchase contracts with its customers, nor does it have a significant backlog of unfilled orders. Customer purchasing decisions

could vary with each selling season. A material change in the Company's customers' purchasing decisions could have an adverse effect on its revenue and operating results.

The Company extends credit to its customers based on an evaluation of each customer's financial condition usually without requiring collateral. Should any of the Company's larger customers experience financial difficulties, it could result in the Company's curtailing doing business with them or an increase in its exposure related to its accounts receivable. The inability to collect on these receivables could have an adverse effect on the Company's financial results.

If the Company were to lose key members of management or be unable to attract and retain the talent required for the business, operating results could suffer.

The Company's ability to execute key operating initiatives as well as to deliver product and marketing concepts appealing to target consumers depends largely on the efforts and abilities of key executives and senior management's competencies. The unexpected loss of one or more of these individuals could have an adverse effect on the future business. The Company cannot guarantee that it will be able to attract and retain the talent and skills needed in the future.

If the Company were unable to maintain existing space or to lease new space for Boutiques in prime mall locations or be unable to complete construction on a timely basis, it may result in adversely affecting the Company's ability to achieve profitable results in the Boutique business.

The Company's strategy to create a Movado lifestyle image and build retail presence with product assortments that complement successful wholesale watch distribution is a key element in the Company's future business plans. Movado Boutiques are strategically located in the top malls throughout the United States. If the Company could not maintain and secure locations in the prime malls it could jeopardize the operations of the stores and business plans for the future. Additionally, if the Company could not complete construction in new stores within the planned timeframes, cost overruns and lost revenue could adversely affect the profitability of the Boutique segment.

If the Company could not secure financing and credit with favorable terms, the Company could suffer high borrowing costs which could impact financial results.

The Company has been able to secure financing and credit facilities with very favorable terms due to the Company's financial stability and good relationships with its lending partners. If conditions were to change where the Company was unable to comply with its key covenants in its lending agreements or where relationships were to deteriorate it could increase the borrowing rates and have an adverse effect on financial results.

The Company relies heavily on its activities outside of the United States. Many factors affecting business activities outside the United States could result in an adverse impact on the business.

The Company produces all of its watches and a portion of its proprietary jewelry outside the United States and primarily in Europe and Asia. The Company also generates approximately 21% of its revenue through international sources. Factors that could affect the business activity vary by region and market and generally include without limitation:

- changes in social, political and/or economic conditions that could disrupt the trade activity in the countries where the Company's manufacturers, suppliers and customers are located;

- the imposition of additional duties, taxes and other charges on imports and exports;

- changes in foreign laws and regulations;

- the adoption or expansion of trade sanctions; and

- a significant change in currency valuation in specific countries or markets.

The occurrence or consequences of any of these risks could affect the Company's ability to operate in the affected regions. This could have an adverse effect on the Company's financial results.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company leases various facilities in North America, Europe, the Middle East and Asia for its corporate, manufacturing, distribution and sales operations. As of January 31, 2006, the Company's leased facilities were as follows:

Location	Function	Square Footage	Lease Expiration
Moonachie, New Jersey	Watch assembly, distribution and repair	100,000	May 2010
Paramus, New Jersey	Executive offices	90,050	June 2013
Bienne, Switzerland	Corporate functions, watch sales, distribution, assembly and repair	56,400	April 2007
Villers le Lac, France	European service and watch distribution	12,800	January 2015
Kowloon, Hong Kong	Watch sales, distribution and repair	12,300	June 2007
Markham, Canada	Office, distribution and repair	11,200	June 2007
ChangAn Dongguan, China	Quality control and engineering	9,600	June 2010
Hackensack, New Jersey	Warehouse	6,600	July 2007
Munich, Germany	Watch sales	3,300	August 2008
Grenchen, Switzerland	Watch sales	2,800	March 2006
New York, New York	Public relations office	2,700	April 2008
Coral Gables, Florida	Caribbean office, watch sales	1,500	November 2006
Shanghai, China	Market research	1,100	July 2006
Singapore	Watch sales, distribution and repair	1,100	August 2006
Dubai, United Arab Emirates	Watch sales	730	July 2007
Richmond-Upon-Thames, United Kingdom	Watch sales	500	February 2006
Tokyo, Japan	Watch sales	270	July 2007

All of the foregoing facilities are used exclusively in connection with the wholesale segment of the Company's business except that a portion of the Company's executive office space in Paramus, New Jersey is used in connection with management of its retail business.

The Company owns three properties totaling 40,400 square feet located in La Chaux-de-Fonds, Switzerland used for manufacturing, storage and public relations. In addition, the Company acquired an architecturally significant building in La Chaux-de-Fonds in 2004 as part of its acquisition of Ebel.

The Company also owns approximately 2,500 square feet of office space in Hanau, Germany, which it previously used for sales, distribution and watch repair functions.

The Company also leases retail space for the operation of 27 Movado Boutiques in the United States, each of which averages 2,200 square feet (with the exception of the Company's Soho Boutique in New York City which is approximately 4,700 square feet and the Company's Boutique in The Mall at Short Hills in New Jersey, which is approximately 3,200 square feet) expiring from June 2006 to September 2016. In addition, the Company leases retail space averaging 1,600 square feet per store with leases expiring from June 2006 to January 2016 for the operation of the Company's 28 outlet stores in the United States.

The Company believes that its existing facilities are suitable and adequate for its current operations.

Item 3. Legal Proceedings

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

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

No matters were submitted to a vote of shareholders of the Company during the fourth quarter of fiscal 2006.

PART II

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

As of March 31, 2006, there were 50 holders of record of Class A Common Stock and, the Company estimates, 6,583 beneficial owners of the Common Stock represented by 392 holders of record. The Common Stock is traded on the New York Stock Exchange under the symbol "MOV" and on March 31, 2006, the closing price of the Common Stock was $23.08. The quarterly high and low split-adjusted closing prices for the fiscal years ended January 31, 2006 and 2005 were as follows:

	Fiscal Year Ended January 31, 2006		Fiscal Year Ended January 31, 2005	
Quarter Ended	Low	High	Low	High
April 30	$15.94	$19.58	$12.63	$15.31
July 31	$15.83	$19.38	$14.30	$17.24
October 31	$16.70	$20.00	$13.02	$17.81
January 31	$17.30	$19.29	$17.16	$18.95

In connection with the October 7, 1993 public offering, each share of the then currently existing Class A Common Stock was converted into 10.46 shares of new Class A Common Stock, par value of $.01 per share (the "Class A Common Stock"). Each share of Common Stock is entitled to one vote per share and each share of Class A Common Stock is entitled to 10 votes per share on all matters submitted to a vote of the shareholders. Each holder of Class A Common Stock is entitled to convert, at any time, any and all such shares into the same number of shares of Common Stock. Each share of Class A Common Stock is converted automatically into Common Stock in the event that the beneficial or record ownership of such shares of Class A Common Stock is transferred to any person, except to certain family members or affiliated persons deemed "permitted transferees" pursuant to the Company's Amended Restated Certificate of Incorporation. The Class A Common Stock is not publicly traded and consequently, there is currently no established public trading market for these shares.

During the fiscal year ended January 31, 2005, the Board of Directors approved four $0.04 per share quarterly cash dividends, which reflects the effect of the fiscal 2005 two-for-one stock split. On March 23, 2005, the Board approved an increase in the quarterly cash dividend rate from $0.04 to $0.05 per share. On March 28, 2006, the Board approved an increase in the quarterly cash dividend rate from $0.05 to $0.06 per share. The declaration and payment of future dividends, if any, will be at the sole discretion of the Board of Directors and will depend upon the Company's profitability, financial condition, capital and surplus requirements, future prospects, terms of indebtedness and other factors deemed relevant by the Board of Directors. See Notes 5 and 6 to the Consolidated Financial Statements regarding contractual restrictions on the Company's ability to pay dividends.

Item 6. Selected Financial Data

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

	Fiscal Year Ended January 31,				
	2006	2005	2004	2003	2002
Statement of Income Data:					
Net sales	$470,941	$418,966	$330,214	$300,077	$299,725
Cost of sales	184,621	168,818	129,908	115,907	115,653
Gross profit	286,320	250,148	200,306	184,170	184,072
Selling, general and administrative (1) (2)	238,283	215,072	165,525	152,394	157,799
Operating profit	48,037	35,076	34,781	31,776	26,273
Other income, net (3) (4)	1,008	1,444	--	--	--
Interest expense, net	4,109	3,430	3,044	3,916	5,415
Income before taxes and cumulative effect of a change in accounting principle	44,936	33,090	31,737	27,860	20,858
Provision for income taxes (5) (6)	18,319	6,783	8,886	7,801	3,735
Income before cumulative effect of a change in accounting principle	26,617	26,307	22,851	20,059	17,123
Cumulative effect of a change in accounting principle	--	--	--	--	(109)
Net income	$ 26,617	$ 26,307	$ 22,851	$ 20,059	$ 17,014
Net income per share-Basic (7)	$ 1.05	$ 1.06	$ 0.95	$ 0.84	$ 0.73
Net income per share-Diluted (7)	$ 1.02	$ 1.03	$ 0.92	$ 0.82	$ 0.71
Basic shares outstanding (7)	25,273	24,708	24,101	23,739	23,366
Diluted shares outstanding (7)	26,180	25,583	24,877	24,381	24,014
Cash dividends declared per share (7)	$ 0.20	$ 0.16	$ 0.105	$ 0.06	$ 0.06
Balance Sheet Data (End of Period):					
Working capital (8)	$369,227	$303,225	$252,883	$219,420	$153,932
Total assets	$549,892	$477,074	$390,967	$345,154	$290,676
Total long-term debt	$109,955	$ 45,000	$ 35,000	$ 35,000	$ 40,000
Shareholders' equity	$321,678	$316,557	$274,713	$236,212	$172,470

(1) Fiscal 2005 includes a non-cash impairment charge of $2.0 million recorded in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144").

(2) Fiscal 2002 includes a one-time severance and early retirement charge of $2.7 million.

(3) The fiscal 2006 other income is comprised of a pre-tax gain of $2.6 million on the sale of a building offset by a pre-tax loss of $1.6 million representing the impact of the discontinuation of foreign currency cash flow hedges because it was not probable that the forecasted transactions would occur by the end of the originally specified time period.

(4) The fiscal 2005 other income is comprised of a $1.4 million litigation settlement.

(5) The fiscal 2006 effective tax rate of 40.8% reflects a tax charge of $7.5 million associated with repatriated foreign earnings under the American Jobs Creation Act of 2004.

(6) The effective tax rate for fiscal 2005 was reduced to 20.5% principally as the result of adjustments in the fourth quarter relating to refunds from a retroactive Swiss tax ruling and a favorable U.S. tax accrual adjustment.

(7) For all periods presented, basic and diluted shares outstanding, and the related "per share" amounts reflect the effect of the fiscal 2005 two-for-one stock split.

(8) The Company defines working capital as current assets less current liabilities.

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

GENERAL

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

Approximately 21% of the Company's total sales are from international markets and therefore reported sales made in those markets are affected by foreign exchange rates. The Company's international sales are billed in local currencies (predominantly Euros and Swiss francs) and translated to U.S. dollars at average exchange rates for financial reporting purposes. With the acquisition of Ebel in March of 2004 and the introduction of HUGO BOSS watches, the Company expects that a higher percentage of its total sales will be derived from international markets in the future.

The Company's business is seasonal. There are two major selling seasons in the Company's markets: the spring season, which includes school graduations and several holidays and, most importantly, the Christmas and holiday season. Major selling seasons in certain international markets center on significant local holidays that occur in late winter or early spring. The Company's net sales historically have been higher during the second half of the fiscal year. The second half of the fiscal year ended January 31, 2006 accounted for 56.9% of the Company's net sales.

Retail Sales. The Company's retail operations consist of 27 Movado Boutiques and 28 outlet stores located throughout the United States. The Company does not have any retail operations outside of the United States.

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

Gross Margins. The Company's overall gross margins are primarily affected by four major factors: brand and product sales mix, product pricing strategy, manufacturing costs and the U.S. dollar/Swiss franc exchange rate. Gross margins for the Company may not be comparable to those of other companies, since some companies include all the costs related to its distribution network in cost of sales whereas the Company does not include the costs associated with its U.S. warehousing and distribution facility nor the occupancy costs for the retail segment in the cost of sales line item.

Gross margins vary among the brands included in the Company's portfolio and also among watch models within each brand. Watches in the luxury and premium price point categories generally earn lower gross margin percentages than moderate price models. Gross margins in the Company's outlet business are lower than those of the wholesale business since the outlets primarily sell seconds and discontinued models that generally command lower selling prices. Gross margins in the Movado Boutiques are affected by the mix of product sold. The margins from the sale of watches are greater than those from the sale of jewelry and accessories. Gross margins from the sale of watches in the Movado Boutiques also exceed those of the wholesale business since the Company earns margins from manufacture to point of sale to the consumer.

All of the Company's brands compete with a number of other brands on the basis of not only styling but also wholesale and retail price. The Company's ability to improve margins through price increases is therefore, to some extent, constrained by competitors' actions.

Costs of sales of the Company's products consist primarily of component costs, internal assembly costs and unit overhead costs associated with the Company's supply chain operations in Switzerland and Asia. The Company's supply chain operations consist of logistics management of assembly operations and product sourcing in Switzerland and Asia and assembly in Switzerland. Through productivity improvement efforts, the Company has controlled the level of overhead costs and maintained flexibility in its cost structure by outsourcing a significant portion of its component and assembly requirements and expects to extend this strategy over the near term.

Since a substantial amount of the Company's product costs are incurred in Swiss francs, fluctuations in the U.S. dollar/Swiss franc exchange rate can impact the Company's cost of goods sold and, therefore, its gross margins. The Company hedges its Swiss franc purchases using a combination of forward contracts, purchased currency options and spot purchases. The Company's hedging program had the effect of minimizing the exchange rate impact on product costs and gross margins.

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

Selling expenses consist primarily of salaries, sales commissions, sales force travel and related expenses, expenses associated with Baselworld, the annual watch and jewelry trade show and other industry trade shows and operating costs incurred in connection with the Company's retail business. Sales commissions vary with overall sales levels. Retail selling expenses consist primarily of payroll related and store occupancy costs.

Distribution expenses consist primarily of salaries of distribution staff, rental and other occupancy costs, security, depreciation and amortization of furniture and leasehold improvements and shipping supplies.

General and administrative expenses consist primarily of salaries and other employee compensation, employee benefit plan costs, office rent, management information systems costs, professional fees, bad debts, depreciation and amortization of furniture and leasehold improvements, patent and trademark expenses and various other general corporate expenses.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and those significant policies are more fully described in Note 1 to the Company's Consolidated Financial Statements. The preparation of these financial statements and the application of certain critical accounting policies require management to make judgments based on estimates and assumptions that affect the information reported. On an on-going basis, management evaluates its estimates and judgments, including those related to sales discounts and markdowns, product returns, bad debt, inventories, income taxes, warranty obligations, and contingencies and litigation. Management bases its estimates and judgments about the carrying values of assets and liabilities that are not readily apparent from other sources on historical experience, contractual commitments and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. Management believes the following are the critical accounting policies requiring significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue Recognition

In the wholesale segment, the Company recognizes its revenues upon transfer of title and risk of loss in accordance with its FOB shipping point terms of sale and after the sales price is fixed and determinable and collectibility is reasonably assured. In the retail segment, transfer of title and risk of loss occurs at the time of register receipt. The Company records estimates for sales returns, volume-based programs and sales and cash discount allowances as a reduction of revenue in the same period that the sales are recorded. These estimates are based upon historical analysis, customer agreements and/or currently known factors that arise in the normal course of business.

Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for amounts that may be uncollectible in the future. Estimates are used in determining the allowance for doubtful accounts and are based on an analysis of the aging of accounts receivable, assessments of collectibility based on historic trends, the financial condition of the Company's customers and an evaluation of economic conditions. While the actual bad debt losses have historically been within the Company's expectations and the allowances established, there can be no guarantee that the Company will continue to experience the same bad debt loss rates. As of January 31, 2006, the Company knew of no situations with any of the Company's major customers which would indicate the customer's inability to make their required payments.

Inventories

The Company values its inventory at the lower of cost or market. The Company's domestic inventory is valued using the first-in, first-out (FIFO) method. The cost of finished goods and component inventories, held by overseas subsidiaries, are determined using average cost. The Company's management regularly reviews its sales to customers and customers' sell through at retail to evaluate the adequacy of inventory reserves. Inventory with less than acceptable turn rates is classified as discontinued and, together with the related component parts which can be assembled into saleable finished goods, is sold through the Company's outlet stores. When management determines that finished product is unsaleable in the Company's outlet stores or that it is impractical to build the remaining components into watches for sale in the outlets, a reserve is established for the cost of those products and components. These estimates could vary significantly, either favorably or unfavorably, from actual requirements depending on future economic conditions, customer inventory levels or competitive conditions which may differ from the Company's expectations.

Long-Lived Assets

The Company periodically reviews the estimated useful lives of its depreciable assets based on factors including historical experience, the expected beneficial service period of the asset, the quality and durability of the asset and the Company's maintenance policy including periodic upgrades. Changes in useful lives are made on a prospective basis unless factors indicate the carrying amounts of the assets may not be recoverable and an impairment write-down is necessary.

The Company performs an impairment review, at a minimum, on an annual basis. However, the Company will review its long-lived assets for impairment once events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). When such a determination has been made, management compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment loss has

occurred, the loss is recognized during that period. The impairment loss is calculated as the difference between asset carrying values and the fair value of the long-lived assets.

During fiscal 2006, the Company performed the review which resulted in no impairment charge. During the fourth quarter of fiscal 2005, the Company determined that the carrying value of its long-lived assets in the Movado Boutique located in the Soho section of New York City, might not be recoverable. The impairment review was performed pursuant to SFAS No. 144 because of an economic downturn affecting the Soho Boutique operations and revenue forecasts. As a result, the Company recorded a non-cash pretax impairment charge of $2.0 million consisting of property, plant and equipment of $0.8 million and other assets of $1.2 million. The entire impairment charge is included in the selling, general and administrative expenses in the fiscal 2005 Consolidated Statements of Income. The Company will continue to operate this boutique. There were no impairment losses related to long-lived assets in fiscal 2004.

Warranties

All watches sold by the Company come with limited warranties covering the movement against defects in material and workmanship for periods ranging from two to three years from the date of purchase, with the exception of Tommy Hilfiger watches, for which the warranty period is ten years. In addition, the warranty period is five years for the gold plating for Movado watch cases and bracelets. The Company records an estimate for future warranty costs based on historical repair costs. Warranty costs have historically been within the Company's expectations and the provisions established. If such costs were to substantially exceed estimates, this could have an adverse effect on the Company's operating results.

Income Taxes

The Company follows Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax laws and tax rates, in each jurisdiction the Company operates, and applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income in the period that includes the enactment date. In addition, the amounts of any future tax benefits are reduced by a valuation allowance to the extent such benefits are not expected to be realized on a more-likely-than-not basis. The Company calculates estimated income taxes in each of the jurisdictions in which it operates. This process involves estimating actual current tax expense along with assessing temporary differences resulting from differing treatment of items for both book and tax purposes.

RESULTS OF OPERATIONS

The following is a discussion of the results of operations for fiscal 2006 compared to fiscal 2005 and fiscal 2005 compared to fiscal 2004 along with a discussion of the changes in financial condition during fiscal 2006.

The following are net sales by business segment (in thousands):

	Fiscal Year Ended January 31,		
	2006	2005	2004
Wholesale:			
Domestic	$286,825	$256,331	$224,866
International	98,558	88,697	44,475
Retail	85,558	73,938	60,873
Net Sales	$470,941	$418,966	$330,214

The following table presents the Company's results of operations expressed as a percentage of net sales for the fiscal years indicated:

	Fiscal Year Ended January 31,		
	2006	2005	2004
	% of net sales	% of net sales	% of net sales
Net sales	100.0%	100.0%	100.0%
Gross margin	60.8%	59.7%	60.6%
Selling, general and administrative expenses	50.6%	51.3%	50.1%
Operating profit	10.2%	8.4%	10.5%
Other income	0.2%	0.3%	--
Interest expense, net	0.9%	0.8%	0.9%
Income taxes	3.9%	1.6%	2.7%
Net income	5.6%	6.3%	6.9%

Fiscal 2006 Compared to Fiscal 2005

Net Sales

Net sales in fiscal 2006 were $470.9 million, or 12.4% above fiscal 2005 sales of $419.0 million. For the year, sales increases were recorded in all business segments and all brands, except the Concord brand.

Domestic Wholesale Net Sales

The domestic wholesale business increased by 11.9%, or $30.5 million, to $286.8 million. A sales increase of $12.1 million was recorded in the Movado brand. This sales growth was achieved through the introduction of new styling and variations within existing watch families, including the addition of diamonds to offer fresh elements appealing to the Movado customer coupled with strong iconic marketing and advertising support. The

ESQ brand recorded a sales increase of $8.1 million due to the successful repositioning of the brand in the entry level Swiss watch category by the introduction of new product with integrated marketing support and a new advertising campaign which led to strong retailer demand. The Ebel brand recorded a sales increase of $6.0 million. This strong performance reflects the cumulative impact of the Company's efforts over the past two years to re-establish the brand with product and marketing support to bring the brand image back to its roots and values. Concord sales were below prior year by $1.8 million, primarily due to reduced retailer demand and sell through to the ultimate consumer.

International Wholesale Net Sales

The international wholesale business increased by 11.1%, or $9.9 million, to $98.6 million. Ebel and Tommy Hilfiger recorded increases of $9.1 million and $4.8 million, respectively. The increases in Ebel were achieved in virtually all international markets. This was primarily the result of stronger retailer demand for the new product introductions and the Company's marketing and advertising support. Tommy Hilfiger sales increased primarily in Europe due to market expansions and increased consumer recognition and demand. Concord sales were below prior year by $3.9 million due to sales decreases recorded in Asia and the Middle East.

Retail Net Sales

Sales in the Company's retail segment increased by $11.6 million, or 15.7%, to $85.6 million. Comparable store sales increases of 8.5% were achieved in the Movado Boutiques. In addition, non-comparable store sales grew by $6.0 million over the prior year. Comparable store sales in the Company outlet stores increased by 7.3%. At January 31, 2006, the Company operated 27 Movado Boutiques and 28 outlet stores as compared to 24 Movado Boutiques and 27 outlet stores at January 31, 2005.

The Company considers comparative store sales to be sales of stores that were open as of February 1st of the prior fiscal year through January 31st of the current fiscal year. The sales from stores that have been relocated, renovated or refurbished are included in the calculation of comparable store sales. The method of calculating comparative store sales varies across the retail industry. As a result, the calculation of comparative store sales may not be comparable to similar measures reported by other companies.

Gross Margin

Gross margin for the year was $286.3 million, an increase of $36.2 million over prior year gross margin of $250.1 million. The increase of $36.2 million was primarily due to increased sales of $52.0 million as well as an overall increase in the gross margin as a percent of sales from 59.7% to 60.8%. The higher gross margin percentage was attributed to margin improvements in most of the Company's brands, particularly Ebel. This improvement was due to Ebel being fully-integrated into the Company's existing supply chain. In addition, the Movado Boutiques margin rate improved due to both the product mix and generally higher margins in jewelry.

Selling, General and Administrative Expenses

SG&A expenses of $238.3 million increased by $23.2 million, or 10.8%, from $215.1 million in fiscal 2005. The primary reasons for the increase was $7.1 million of increased spending in support of the retail expansion, increased marketing spending of $7.3 million to support the new and existing brands and a $4.9 million increase in payroll and related infrastructure costs in support of brand growth and expansion. Fiscal 2005 amounts include a non-cash impairment charge of $2.0 million related to the Soho Boutique.

Wholesale Operating Profit

Operating profit in the wholesale segment increased by $9.2 million to $42.3 million. The increase is the net result of higher gross margin of $27.3 million, partially offset by an increase in SG&A expenses of $18.1 million. The higher gross margin of $27.3 million was primarily the result of an increase in net sales of $40.4 million. The increase in the SG&A expenses of $18.1 million is primarily due to increased marketing spending of $7.3 million to support the brand growth initiatives and a $4.9 million increase in payroll and related infrastructure costs in support of the brand growth and expansion.

Retail Operating Profit

Operating profit in the retail segment increased by $3.7 million to $5.7 million at January 31, 2006. The increase in the operating profit was the net result of higher gross profit of $8.8 million partially offset by higher SG&A expenses of $5.1 million. The increased gross profit was primarily attributed to the increase in net sales of $11.6 million as well as higher gross margins in the Movado Boutiques due to both product mix and generally higher margins in jewelry. The higher SG&A expenses were primarily due to the costs associated with the retail expansion. This amount included higher payroll related expense of $3.2 million, increased occupancy costs of $1.6 million and increased depreciation expense of $0.8 million. Fiscal 2005 amounts include a non-cash impairment charge of $2.0 million for the Soho Boutique.

Other Income

The Company recorded other income for the year ended January 31, 2006 of $1.0 million. The Company recorded a pre-tax gain of $2.6 million on the sale of a building acquired on March 1, 2004 in connection with the acquisition of Ebel. The building was classified as an asset held for sale in other current assets. Additionally, the Company recorded a pre-tax loss of $1.6 million representing the impact of the discontinuation of foreign currency cash flow hedges because it was not probable that the forecasted transactions would occur by the end of the originally specified time period.

The Company recognized other income for the year ended January 31, 2005 from a litigation settlement in the amount of $1.4 million.

Interest Expense

Interest expense for fiscal 2006 was $4.1 million, reflecting a 19.8% increase over fiscal 2005 interest of $3.4 million. The increase was primarily the result of higher average borrowings, which were $78.7 million or 35.7% above the prior year. The increased borrowings were incurred in Switzerland in order to repatriate foreign earnings under the American Jobs Creation Act of 2004 as well as to fund the Company's working capital needs. Additionally, higher borrowing rates for the year contributed to the increase in expense.

For borrowings data for the years ended January 31, 2006 and 2005, see Notes 5 and 6 to the Consolidated Financial Statements regarding Bank Credit Arrangements and Lines of Credit and Long-Term Debt. For further information on the American Jobs Creation Act of 2004, see Note 9 to the Consolidated Financial Statements.

Income Taxes

The Company's income tax provision amounted to $18.3 million and $6.8 million in fiscal 2006 and 2005 respectively. This represents an effective tax rate of 40.8% in fiscal 2006 compared to 20.5% for fiscal 2005. The higher effective tax rate for 2006 is primarily due to the fourth quarter 2006 tax charge of $7.5 million

associated with repatriated foreign earnings under the American Jobs Creation Act of 2004. For additional information related to income taxes for the years ended January 31, 2006 and 2005, see Note 9 to the Consolidated Financial Statements. In the prior year, the lower effective tax rate was the result of a retroactive favorable Swiss tax ruling and a favorable U.S. tax accrual adjustment.

Fiscal 2005 Compared to Fiscal 2004

Net Sales

Net sales in fiscal 2005 were $419.0 million, or 26.9% above fiscal 2004 sales of $330.2 million. For the year, sales increases were recorded in all brands and business segments.

Domestic Wholesale Net Sales

The domestic wholesale business increased by 14.0%, or $31.5 million, to $256.3 million, including Ebel sales of $15.7 million. A sales increase of $7.2 million was recorded in the Movado brand. The increase is attributed to new product introductions at more affordable price points as well as increased sell through at certain retailers in key customer chain stores. The Coach brand increased by $2.3 million as a result of the introduction of fashion products in tandem with new product offerings by Coach, Inc. The Tommy Hilfiger watch business increased by $4.4 million. This reflects the expansion into new doors in the North American marketplace as well as the continued strength of the Tommy Hilfiger watch business.

International Wholesale Net Sales

The international wholesale business was $88.7 million and was above prior year by $44.2 million or 99.4%, including Ebel sales of $28.5 million. An increase of $6.3 million was recorded in Tommy Hilfiger as a result of international market expansion. Coach, Concord and Movado increased by $2.0 million, $5.0 million and $2.3 million, respectively, due to growth primarily recorded in Asia.

Retail Net Sales

Sales in the Company's retail segment increased by $13.1 million, or 21.5%, to $73.9 million. Comparable store sales increases of 11.2% were achieved in the Movado Boutiques. In addition, non-comparable sales grew by $10.4 million over the prior year. Comparable store sales in the Company outlet stores were flat year over year. At January 31, 2005, the Company operated 24 Movado Boutiques and 27 outlet stores as compared to 17 Movado Boutiques and 26 outlet stores at January 31, 2004.

Gross Margin

Gross margin for the year was $250.1 million, an increase of $49.8 million over prior year gross margin of $200.3 million. The increase of $49.8 million was due to increased sales of $88.8 million. As a percent of sales, gross margin was 59.7% versus 60.7% in the prior year. The lower gross margin percentage was primarily attributed to a sales mix change due to the addition of Ebel and the increased sales of Tommy Hilfiger, where the gross margins are lower than the Company's historical average.

Selling, General and Administrative Expenses

SG&A expenses of $215.1 million increased by $49.5 million, or 29.9%, from $165.5 million in fiscal 2004. The primary reasons for the increases were the addition of Ebel, which recorded $28.3 million of incremental expenses, $6.6 million of increased spending in support of the Movado Boutique expansion, higher payroll and

related costs of $6.4 million, additional marketing programs of $1.3 million and other corporate initiatives of $2.2 million, which included higher legal costs, costs incurred in connection with Sarbanes-Oxley implementation and costs associated with the acquisition of Ebel which could not be capitalized. In addition, in accordance with SFAS No. 144, the Company recorded a non-cash impairment charge of $2.0 million which is included in SG&A.

Wholesale Operating Profit

Operating profit in the wholesale segment increased by $1.9 million to $33.0 million. The effect of the addition of Ebel was an operating loss for the year of $3.8 million. Excluding the loss of Ebel, operating profit in the wholesale segment was $36.8 million or an increase over prior year of $5.7 million. The increase excluding the effect of Ebel is the net result of higher gross margin of $16.8 million, partially offset by the increase in SG&A expenses of $11.1 million.

The higher gross margin of $16.8 million was the result of an increase in net sales of $30.3 million. The increase in the SG&A expenses of $11.1 million is primarily due to $1.7 million in the wholesale segment as a result of the translation impact of the weak U.S. dollar, an increase of $1.3 million in marketing spending, which includes support for the Movado expansion in China and support for the international market expansion of Tommy Hilfiger, higher payroll and related costs of $6.4 million and $2.2 million in other corporate initiatives including higher legal costs, costs incurred in connection with Sarbanes-Oxley implementation and costs associated with the acquisition of Ebel which could not be capitalized.

Retail Operating Profit

Operating profit in the retail segment decreased by $1.6 million. The decrease is the net result of higher gross margin of $8.5 million partially offset by increased SG&A expenses of $10.1 million.

The retail segment higher gross margin was due to a net sales increase of $13.1 million. This was primarily due to comparable store sales increases in the Movado Boutiques of 11.2% and the opening of seven new Movado Boutiques and one new outlet store. The comparable store sales in the outlet stores were flat year over year.

The increase in SG&A expenses of $10.1 million was primarily attributed to the costs associated with the opening of the seven new Movado Boutiques and one new outlet store of $6.6 million and the effect of the impairment charge related to the Soho Boutique of $2.0 million.

Other Income

The Company recognized income for the year ended January 31, 2005 from a litigation settlement in the net amount of $1.4 million. This consisted of a gross settlement of $1.9 million partially offset by direct costs related to the litigation of $0.5 million. After accounting for fees and taxes associated with the settlement, net income increased by $0.8 million, or $0.03 per diluted share.

Interest Expense

Interest expense for fiscal 2005 was $3.4 million, reflecting a 12.7% increase over fiscal 2004 interest of $3.0 million. The increase was primarily the result of higher average borrowings, which were $58.0 million or 14.9% above the prior year. The increased borrowings were initiated to take advantage of low long-term rates and to improve the Company's capital structure.

Income Taxes

The Company's income tax provision amounted to $6.8 million and $8.9 million in fiscal 2005 and 2004 respectively. This represents an effective tax rate of 20.5% in fiscal 2005 compared to 28.0% for fiscal 2004. The lower effective tax rate for fiscal 2005 is primarily due to adjustments in the fourth quarter relating to refunds from a retroactive Swiss tax ruling, a favorable U.S. tax accrual adjustment and the recording of the tax benefit from an asset impairment in the U.S.

LIQUIDITY AND CAPITAL RESOURCES

At January 31, 2006, the Company had $123.6 million of cash and cash equivalents as compared to $63.8 million in the comparable prior year period. The $59.8 million increase is primarily due to the borrowing of 83.0 million Swiss francs, with a dollar equivalent of $65.0 million, to repatriate foreign earnings under the American Jobs Creation Act of 2004 and partially offset by cash used for capital expenditures of $16.4 million, primarily to support the build out of five new retail stores, renovation and expansion of existing stores, the expansion of office space in the corporate headquarters in Paramus, New Jersey and further automation of the distribution center in Moonachie, New Jersey. In addition, cash provided by operating activities was $28.4 million.

Cash generated by operating activities continues to be the Company's primary source to fund its growth initiatives and to pay dividends. In fiscal 2006, 2005 and 2004, the Company generated cash from operations of $28.4 million, $30.2 million and $51.6 million, respectively.

Accounts receivable at January 31, 2006 were $109.9 million as compared to $104.7 million in the comparable prior year period. The increase of $5.2 million or 4.9% was below the sales growth of 12.4%. This improvement reflects the results of higher cash collections during the year as well as higher sales in the retail segment and for the Company's licensed brands where shorter payment terms are the norm. The accounts receivable days outstanding were 70 days and 74 days for the fiscal years ended January 31, 2006 and 2005, respectively.

Inventories at January 31, 2006 were $198.6 million as compared to $185.6 million in the comparable prior year period. Inventory increased by $13.0 million primarily due to the increase in Concord inventory of $3.1 million as a result of the decline in sales and increased Ebel inventory of $8.0 million due to new product launches. Additionally, inventory held for retail increased by $3.4 million primarily due to the retail expansion and an expanded jewelry product offering in the Boutiques. These increases include a favorable impact of $5.3 million due to the stronger U.S. dollar in translating the inventory.

Cash used in investing activities amounted to $13.2 million, $59.5 million and $11.5 million in fiscal 2006, 2005 and 2004, respectively. Cash used in investing activities during fiscal 2006 was for capital expenditures of $16.4 million primarily to support the build out of five new retail stores, renovation and expansion of existing stores, the expansion of office space in the corporate headquarters in Paramus, New Jersey and further automation of the distribution center in Moonachie, New Jersey. The cash used in investing activities was offset by $4.0 million received as proceeds from the sale of a building acquired on March 1, 2004 in connection with the acquisition of Ebel. The cash used in investing activities during fiscal 2005 was primarily to fund the acquisition of Ebel and capital expenditures related to the build out of the new Movado Boutiques opened during the period.

Cash provided by / (used) in financing activities amounted to $62.1 million, $3.6 million and ($1.9) million in fiscal 2006, 2005 and 2004, respectively. Cash provided by financing activities during fiscal 2006 was primarily due to the increase in borrowings of 83.0 million Swiss francs, with a dollar equivalent of $65.0

million, to repatriate foreign earnings under the American Jobs Creation Act of 2004. Cash provided by financing activities during fiscal 2005 was primarily the result of a net increase in long-term debt of $10.0 million partially offset by the payment of a $5.2 million mortgage assumed as part of the Ebel acquisition.

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 of 6.90% per annum, mature on October 30, 2010 and are subject to annual repayments of $5.0 million commencing October 31, 2006. These notes contain financial covenants including an interest coverage ratio, maintenance of consolidated net worth and certain non-financial covenants that restrict the Company's activities regarding investments and acquisitions, mergers, certain transactions with affiliates, creation of liens, asset transfers, payment of dividends and limitation of the amount of debt outstanding. At January 31, 2006, the Company was in compliance with all financial and non-financial covenants and $25.0 million of these notes were issued and outstanding.

As of March 21, 2004, the Company amended its Note Purchase and Private Shelf Agreement, originally dated March 21, 2001, to expire on March 21, 2007. This agreement 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. On October 8, 2004, the Company issued, pursuant to the Note Purchase Agreement, 4.79% Senior Series A-2004 Notes due 2011 (the "Senior Series A-2004 Notes"), in an aggregate principal amount of $20.0 million, which will mature on October 8, 2011 and are subject to annual repayments of $5.0 million commencing on October 8, 2008. Proceeds of the Senior Series A-2004 Notes have been used by the Company for capital expenditures, repayment of certain of its debt obligations and general corporate purposes. These notes contain financial covenants including an interest coverage ratio, maintenance of consolidated net worth and certain non-financial covenants that restrict the Company's activities regarding investments and acquisitions, mergers, certain transactions with affiliates, creation of liens, asset transfers, payment of dividends and limitation of the amount of debt outstanding. As of January 31, 2006, the Company was in compliance with all financial and non-financial covenants and $20.0 million of these notes were issued and outstanding.

On June 30, 2005, the Company renewed its promissory note for a $5.0 million unsecured working capital line with Bank of New York, originally dated June 27, 2000. The line expires on July 31, 2006. The Company had no outstanding borrowings under the line as of January 31, 2006 and 2005.

On December 12, 2005, the Company executed a line of credit letter agreement with Bank of America ("B of A") and an amended and restated promissory note in the principal amount of up to $20.0 million payable to B of A. Pursuant to the line of credit letter agreement, B of A will consider requests for short-term loans and documentary letters of credit for the importation of merchandise inventory, the aggregate amount of which at any time outstanding shall not exceed $20.0 million. The Company's obligations under the agreement are guaranteed by its subsidiaries, Movado Retail Group, Inc. and Movado LLC. Pursuant to the amended and restated promissory note, the Company promised to pay to B of A $20.0 million, or such lesser amount as may then be the unpaid balance of all loans made by B of A to the Company thereunder, in immediately available funds upon the maturity date of June 16, 2006. The Company has the right to prepay all or part of any outstanding amounts under the promissory note without penalty at any time prior to the maturity date. The amended and restated promissory note bears interest at an annual rate equal to either (i) a floating rate equal to the prime rate or (ii) such fixed rate as may be agreed upon by the Company and B of A for an interest period which is also then agreed upon. The amended and restated promissory note contains various representations and warranties and events of default that are customary for instruments of that type. As of January 31, 2006, there were no outstanding borrowings against this line.

On December 13, 2005, the Company executed a promissory note in the principal amount of up to $37.0 million payable to JPMorgan Chase Bank, N.A. ("Chase"). Pursuant to the promissory note, the Company promised to

pay to Chase $37.0 million, or such lesser amount as may then be the unpaid balance of each loan made or letter of credit issued by Chase to the Company thereunder, upon the maturity date of July 31, 2006; provided that during the period between January 31, 2006 and the maturity date, the maximum principal amount of all loans made by Chase to the Company, and outstanding under the promissory note, shall not exceed $2.0 million. The Company has the right to prepay all or part of any outstanding amounts under the promissory note without penalty at any time prior to the maturity date. The promissory note bears interest at an annual rate equal to either (i) a floating rate equal to the prime rate, (ii) a fixed rate equal to an adjusted LIBOR plus 0.625% or (iii) a fixed rate equal to a rate of interest offered by Chase from time to time on any single commercial borrowing. The promissory note contains various events of default that are customary for instruments of that type. In addition, it is an event of default for any security interest or other encumbrance to be created or imposed on the Company's property, other than as permitted in the lien covenant of the Credit Agreement. Chase issued 11 irrevocable standby letters of credit for retail and operating facility leases to various landlords, for the administration of the Movado Boutique private-label credit card and Canadian payroll to the Royal Bank of Canada totaling $1.2 million with expiration dates through March 18, 2007. As of January 31, 2006, there were no outstanding borrowings against this promissory note.

On December 15, 2005, the Company, and its Swiss subsidiaries, MGI Luxury Group S.A. and Movado Watch Company SA, entered into a credit agreement with JPMorgan Chase Bank, N.A., JPMorgan Securities, Inc., Bank of America, N.A., The Bank of New York and Citibank, N.A. (the "Swiss Credit Agreement") which provides for a revolving credit facility of 90.0 million Swiss francs and matures on December 15, 2010. The obligations of the Company's two Swiss subsidiaries under this credit agreement are guaranteed by the Company under a Parent Guarantee, dated as of December 15, 2005, in favor of the lenders. The credit agreement contains financial covenants including an interest coverage ratio, average debt coverage ratio, limitations on capital expenditures and certain non-financial covenants that restrict the Company's activities regarding investments and acquisitions, mergers, certain transactions with affiliates, creation of liens, asset transfers, payment of dividends and limitation of the amount of debt outstanding. Until the date immediately preceding the first day of the calendar month following the date of delivery of the first annual or quarterly financial statements after December 15, 2005, the credit facility bears interest at a rate equal to the LIBOR (as defined in the Swiss Credit Agreement) plus .50% per annum, after which it will bear interest at a rate equal to the LIBOR plus a margin ranging from .50% per annum to .875% per annum (depending upon a leverage ratio). As of January 31, 2006, the Company was in compliance with all financial and non-financial covenants and had 83.0 million Swiss francs, with a dollar equivalent of $65.0 million, outstanding under this revolving credit facility.

On December 15, 2005, the Company and its Swiss subsidiaries, MGI Luxury Group S.A. and Movado Watch Company SA, entered into a credit agreement with JPMorgan Chase Bank, N.A., JPMorgan Securities, Inc., Bank of America, N.A., The Bank of New York and Citibank, N.A. (the "US Credit Agreement") which provides for a revolving credit facility of $50.0 million (including a sublimit for borrowings in Swiss francs of up to $25.0 million) with a provision to allow for an increase of an additional $50.0 million subject to certain terms and conditions. The US Credit Agreement will mature on December 15, 2010. The obligations of MGI Luxury Group S.A. and Movado Watch Company SA are guaranteed by the Company under a Parent Guarantee, dated as of December 15, 2005, in favor of the lenders. The obligations of the Company are guaranteed by certain domestic subsidiaries of the Company under subsidiary guarantees, in favor of the lenders. The credit agreement contains financial covenants including an interest coverage ratio, average debt coverage ratio, limitations on capital expenditures and certain non-financial covenants that restrict the Company's activities regarding investments and acquisitions, mergers, certain transactions with affiliates, creation of liens, asset transfers, payment of dividends and limitation of the amount of debt outstanding. Until the date immediately preceding the first day of the calendar month following the date of delivery of the first annual or quarterly financial statements after December 15, 2005, the credit facility bears interest, at Borrower's option, at a rate equal to the Adjusted LIBOR (as defined in the US Credit Agreement) plus .50% per annum, or

the Alternate Base Rate (as defined in the US Credit Agreement), after which it will bear interest, at Borrower's option, at a rate equal to the Adjusted LIBOR plus a margin ranging from .50% per annum to .875% per annum (depending upon a leverage ratio), or the Alternate Base Rate. As of January 31, 2006, the Company was in compliance with all financial and non-financial covenants and there were no outstanding borrowings against this line.

A Swiss subsidiary of the Company maintains unsecured lines of credit with an unspecified length of time with a Swiss bank. Available credit under these lines totaled 8.0 million Swiss francs, with dollar equivalents of $6.3 million and $6.7 million at January 31, 2006 and 2005. As of January 31, 2006, the Swiss bank has guaranteed the Company's Swiss subsidiary's obligations to certain Swiss third parties in the amount of $3.3 million in various foreign currencies. As of January 31, 2006, there were no outstanding borrowings against these lines.

For fiscal 2006, treasury shares increased by 180,092 as the result of cashless exercises of stock options for 527,387 shares of stock.

Cash dividends were $5.1 million, $4.0 million and $2.5 million in fiscal years 2006, 2005 and 2004, respectively.

At January 31, 2006, the Company had working capital of $369.2 million as compared to $303.2 million in the prior year. The Company defines working capital as the difference between current assets and current liabilities. The Company expects that annual capital expenditures in the near term will be higher by approximately $1.5 million when compared to fiscal 2006 levels. The increase in capital expenditures will be due to the remodeling of existing stores, increased spending in support of the Movado Boutiques expansion and higher costs related to improving the Company's information technology infrastructure. Management believes that the cash on hand in addition to the expected cash flow from operations and the Company's short-term borrowing capacity will be sufficient to meet its working capital needs for at least the next 12 months.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

Payments due by period (in thousands):

	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Contractual Obligations:					
Long-Term Debt Obligations (1)	$109,955	$ 5,000	$15,000	$ 84,955	$ 5,000
Interest Payments on Long-Term Debt (1)	14,236	3,657	6,280	4,059	240
Operating Lease Obligations (2)	79,103	12,590	21,417	18,719	26,377
Purchase Obligations (3)	40,344	40,344	--	--	--
Other Long-Term Obligations (4)	68,250	9,814	20,400	20,939	17,097
Total Contractual Obligations	$311,888	$71,405	$63,097	$128,672	$48,714

(1) The Company has long-term debt obligations and related interest payments of $54.5 million related to Series A-2004 Senior Notes and Series A Senior Notes further discussed in "Liquidity and Capital Resources". Additionally, the Company has long-term debt obligations and related interest payments of $69.7 million related to the Swiss revolving credit facility entered into in fiscal 2006.

(2) Includes store operating leases, which generally provide for payment of direct operating costs in addition to rent. These obligation amounts include future minimum lease payments and exclude direct operating costs.

(3) The Company had outstanding purchase obligations with suppliers at the end of fiscal 2006 for raw materials, finished watches and packaging in the normal course of business. These purchase obligation amounts do not represent total anticipated purchases but represent only amounts to be paid for items required to be purchased under agreements that are enforceable, legally binding and specify minimum quantity, price and term.

(4) Other long-term obligations consist of minimum obligations related to the Company's license agreements. The Company manufactures, distributes, advertises and sells watches pursuant to its exclusive license agreements with unaffiliated licensors. Royalty amounts are generally based on a stipulated percentage of revenues, although certain of these agreements contain provisions

for the payment of minimum annual royalty amounts. The license agreements have various terms with additional renewal options, provided that minimum sales levels are achieved. Additionally, the license agreements require the Company to pay certain advertising expenses based on a stipulated percentage of revenues, although certain of these agreements contain provisions for the payment of minimum annual advertising amounts.

Off-Balance Sheet Arrangements

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

RECENTLY ISSUED ACCOUNTING STANDARDS

In November 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 151, "Inventory Costs", an amendment of ARB No. 43, Chapter 4 ("SFAS No. 151"). The amendments made by SFAS No. 151 clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges by requiring the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005, and is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment", which is a revision of FASB Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123(R)"). SFAS No. 123(R) supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees", and amends FASB Statement No. 95, "Statement of Cash Flows". Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure will no longer be an alternative. Public entities are required to apply SFAS No. 123(R) as of the first annual reporting period that begins after June 15, 2005.

The Company continues to use the intrinsic value based method of accounting for share-based payments. The Company uses the Black-Scholes valuation model to estimate the value of stock options granted to employees. SFAS No. 123(R) requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. The Company will be adopting SFAS No. 123(R) in the first quarter of fiscal 2007 using the modified prospective application transition method. For outstanding unvested options granted as of January 31, 2006, the adoption is expected to have an impact of approximately $1.0 million, net of tax, on the Company's consolidated results of operations for fiscal year ending January 31, 2007.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153, "Exchanges of Nonmonetary Assets--An Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions" ("SFAS No. 153"). SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions", and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for the fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"). FIN 47 clarifies that the term "conditional asset retirement obligation" as used in SFAS No. 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The adoption of FIN 47 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In June 2005, the Emerging Issues Task Force ("EITF") reached consensus on EITF 05-6, "Determining the Amortization Period for Leasehold Improvements". Under EITF 05-6, leasehold improvements placed in service significantly after and not contemplated at or near the beginning of the lease term, should be amortized over the lesser of the useful life of the assets or a term that includes renewals that are reasonably assured at the date the leasehold improvements are purchased. EITF 05-6 is effective for periods beginning after June 29, 2005. The adoption of EITF 05-6 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Item 7A. Quantitative and Qualitative Disclosure about Market Risk

Foreign Currency Exchange Rate Risk

The Company's primary market risk exposure relates to foreign currency exchange risk (see Note 7 to the Consolidated Financial Statements). The majority of the Company's purchases are denominated in Swiss francs. The Company reduces its exposure to the Swiss franc exchange rate risk through a hedging program. Under the hedging program, the Company manages most of its foreign currency exposures on a consolidated basis, which allows it to net certain exposures and take advantage of natural offsets. The Company uses various derivative financial instruments to further reduce the net exposures to currency fluctuations, predominately forward and option contracts. These derivatives either (a) are used to hedge the Company's Swiss franc liabilities and are recorded at fair value with the changes in fair value reflected in earnings or (b) are documented as SFAS No. 133 cash flow hedges with the gains and losses on this latter hedging activity first reflected in other comprehensive income, and then later classified into earnings. In both cases, the earnings impact is partially offset by the effects of currency movements on the underlying hedged transactions. If the Company did not engage in a hedging program, any change in the Swiss franc to local currency would have an equal effect on the Company's cost of sales. In addition, the Company hedges its Swiss franc payable exposure with forward contracts. As of January 31, 2006, the Company's entire net forward contracts hedging portfolio consisted of 140.0 million Swiss francs equivalent for various expiry dates ranging through October 31, 2006 compared to a portfolio of 239.0 million Swiss franc equivalent for various expiry dates ranging through January 27, 2006 as of January 31, 2005. If the Company was to settle its Swiss franc forward contracts at January 31, 2006, the net result would be a loss of $1.6 million, net of tax benefit of $1.0 million. The Company had 10.0 million Swiss franc option contracts related to cash flow hedges for various expiry dates ranging through October 27, 2006 as of January 31, 2006 compared to 30.0 million Swiss franc option contracts for various expiry dates ranging through October 31, 2005 as of January 31, 2005. If the Company was to settle its Swiss franc option contracts at January 31, 2006, the net result would be a gain of $0.2 million, net of tax of $0.1 million.

The Company's Board of Directors authorized the hedging of the Company's Swiss franc denominated investment in its wholly-owned Swiss subsidiaries using purchase options under certain limitations. These hedges are treated as net investment hedges under SFAS No. 133. As of January 31, 2006, the Company did not hold a purchased option hedge portfolio related to net investment hedging compared to 50.0 million Swiss francs as of January 31, 2005.

Commodity Risk

Additionally, the Company has a hedging program related to gold used in the manufacturing of the Company's watches. Under this hedging program, the Company purchases various commodity derivative instruments, primarily future contracts. These derivatives are documented as SFAS No. 133 cash flow hedges, and gains and losses on these derivative instruments are first reflected in other comprehensive income, and later reclassified into earnings, partially offset by the effects of gold market price changes on the underlying actual gold purchases. If the Company did not engage in a gold hedging program, any changes in the gold price would have an equal effect on the Company's cost of sales. The Company did not hold any futures contracts in its gold hedge portfolio related to cash flow hedges as of January 31, 2006.

Debt and Interest Rate Risk

In addition, the Company has certain debt obligations with variable interest rates, which are based on LIBOR plus a fixed additional interest rate. The Company does not hedge these interest rate risks. The Company also has certain debt obligations with fixed interest rates. The differences between the market based interest rates at

January 31, 2006, and the fixed rates were unfavorable. The Company believes that a 1% change in interest rates would affect the Company's net income by approximately $0.6 million.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the quarter ended January 31, 2006, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the Company's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

See Consolidated Financial Statements and Supplementary Data for Management's Annual Report on Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm containing an attestation thereto.

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by this item is included in the Company's Proxy Statement for the 2006 annual meeting of shareholders under the captions "Election of Directors" and "Management" and is incorporated herein by reference.

Information on the beneficial ownership reporting for the Company's directors and executive officers is contained in the Company's Proxy Statement for the 2006 annual meeting of shareholders under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference.

Information on the Company's Audit Committee and Audit Committee Financial Expert is contained in the Company's Proxy Statement for the 2006 annual meeting of shareholders under the caption "Information Regarding the Board of Directors and Its Committees" and is incorporated herein by reference.

The Company has adopted and posted on its website at www.movadogroupinc.com a Code of Business Conduct and Ethics that applies to all directors, officers and employees, including the Company's Chief Executive Officer, Chief Financial Officer and principal financial and accounting officers. The Company will post any amendments to the Code of Business Conduct and Ethics, and any waivers that are required to be disclosed by SEC regulations, on the Company's website.

Item 11. Executive Compensation

The information required by this item is included in the Company's Proxy Statement for the 2006 annual meeting of shareholders under the captions "Executive Compensation" and "Compensation of Directors" and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is included in the Company's Proxy Statement for the 2006 annual meeting of shareholders under the caption "Security Ownership of Certain Beneficial Owners and Management" and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information required by this item is included in the Company's Proxy Statement for the 2006 annual meeting of shareholders under the caption "Certain Relationships and Related Transactions" and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item is included in the Company's Proxy Statement for the 2006 annual meeting of shareholders under the caption "Fees Paid to PricewaterhouseCoopers LLP" and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report

1. Financial Statements:

   See Financial Statements Index on page 38 included in Item 8 of Part II of this annual report.

2. Financial Statement Schedule:

   Schedule II Valuation and Qualifying Accounts and Reserves

   All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

3. Exhibits:

   Incorporated herein by reference is a list of the Exhibits contained in the Exhibit Index on pages 44 through 50 of this annual report.

SIGNATURES

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

MOVADO GROUP, INC.
(Registrant)

Dated: April 12, 2006

By: /s/ Gedalio Grinberg

Gedalio Grinberg
Chairman of the Board of Directors

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

Dated: April 12, 2006

/s/ Gedalio Grinberg

Gedalio Grinberg
Chairman of the Board of Directors

Dated: April 12, 2006

/s/ Efraim Grinberg

Efraim Grinberg
President and Chief Executive Officer

Dated: April 12, 2006

/s/ Richard J. Cote

Richard J. Cote
Executive Vice President and
Chief Operating Officer

Dated: April 12, 2006

/s/ Eugene J. Karpovich

Eugene J. Karpovich
Senior Vice President and
Chief Financial Officer

Dated: April 12, 2006

/s/ Ernest R. LaPorte

Ernest R. LaPorte
Vice President of Finance and
Principal Accounting Officer

Dated: April 12, 2006

/s/ Margaret Hayes Adame

Margaret Hayes Adame
Director

Dated: April 12, 2006

/s/ Donald Oresman

Donald Oresman
Director

Dated: April 12, 2006

/s/ Leonard L. Silverstein

Leonard L. Silverstein
Director

Dated: April 12, 2006

/s/ Alan H. Howard

Alan H. Howard
Director

Dated: April 12, 2006

/s/ Nathan Leventhal

Nathan Leventhal
Director

Dated: April 12, 2006

/s/ Richard D. Isserman

Richard D. Isserman
Director

EXHIBIT INDEX

Exhibit Number	Description	Sequentially Numbered Page
3.1	Restated By-Laws of the Registrant. Incorporated by reference to Exhibit 3.1 filed with the Company's Registration Statement on Form S-1 (Registration No. 33-666000).	
3.2	Restated Certificate of Incorporation of the Registrant as amended. Incorporated herein by reference to Exhibit 3(i) to the Registrant's Quarterly Report on Form 10-Q filed for the quarter ended July 31, 1999.	
4.1	Specimen Common Stock Certificate. Incorporated herein by reference to Exhibit 4.1 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1998.	
4.2	Note Purchase and Private Shelf Agreement dated as of November 30, 1998 between the Registrant and The Prudential Insurance Company of America. Incorporated herein by reference to Exhibit 10.31 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1999.	
4.3	Note Purchase and Private Shelf Agreement dated as of March 21, 2001 between the Registrant and The Prudential Insurance Company of America. Incorporated herein by reference to Exhibit 4.4 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2001.	
4.4	Amendment dated as of March 21, 2004 to Note Purchase and Private Shelf Agreement dated as of March 21, 2001 between the Registrant and The Prudential Insurance Company of America. Incorporated herein by reference to Exhibit 4.5 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2004.	
10.1	Amendment Number 1 to License Agreement dated December 9, 1996 between the Registrant as Licensee and Coach, a division of Sara Lee Corporation as Licensor, dated as of February 1, 1998. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1998.	

Exhibit Number	Description	Sequentially Numbered Page
10.2	Agreement, dated January 1, 1992, between The Hearst Corporation and the Registrant, as amended on January 17, 1992. Incorporated herein by reference to Exhibit 10.8 filed with the Company's Registration Statement on Form S-1 (Registration No. 33-666000).	
10.3	Letter Agreement between the Registrant and The Hearst Corporation dated October 24, 1994 executed October 25, 1995 amending License Agreement dated as of January 1, 1992, as amended. Incorporated herein by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1995.	
10.4	Registrant's 1996 Stock Incentive Plan amending and restating the 1993 Employee Stock Option Plan. Incorporated herein by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996. *	
10.5	Lease dated August 10, 1994 between Rockefeller Center Properties, as landlord and SwissAm, Inc., as tenant for space at 630 Fifth Avenue, New York, New York. Incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 1994.	
10.6	Death and Disability Benefit Plan Agreement dated September 23, 1994 between the Registrant and Gedalio Grinberg. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1994. *	
10.7	Registrant's amended and restated Deferred Compensation Plan for Executives effective June 17, 2004. Incorporated herein by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2005. *	
10.8	License Agreement dated December 9, 1996 between the Registrant and Sara Lee Corporation. Incorporated herein by reference to Exhibit 10.32 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1997.	

Exhibit Number	Description	Sequentially Numbered Page
10.9	First Amendment to Lease dated April 8, 1998 between RCPI Trust, successor in interest to Rockefeller Center Properties ("Landlord") and Movado Retail Group, Inc., successor in interest to SwissAm, Inc. ("Tenant") amending lease dated August 10, 1994 between Landlord and Tenant for space at 630 Fifth Avenue, New York, New York. Incorporated herein by reference to Exhibit 10.37 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1998.	
10.10	Second Amendment dated as of September 1, 1999 to the December 1, 1996 License Agreement between Sara Lee Corporation and Registrant. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1999.	
10.11	License Agreement entered into as of June 3, 1999 between Tommy Hilfiger Licensing, Inc. and Registrant. Incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1999.	
10.12	Severance Agreement dated December 15, 1999, and entered into December 16, 1999 between the Registrant and Richard J. Cote. Incorporated herein by reference to Exhibit 10.35 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2000. *	
10.13	Lease made December 21, 2000 between the Registrant and Mack-Cali Realty, L.P. for premises in Paramus, New Jersey together with First Amendment thereto made December 21, 2000. Incorporated herein by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2000.	
10.14	Lease Agreement dated May 22, 2000 between Forsgate Industrial Complex and the Registrant for premises located at 105 State Street, Moonachie, New Jersey. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed for the quarter ended April 30, 2000.	

Exhibit Number	Description	Sequentially Numbered Page
10.15	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. Incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed for the quarter ended October 31, 2001.	
10.16	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, New Jersey. Incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed for the quarter ended October 31, 2001.	
10.17	Amendment Number 2 to Registrant's 1996 Stock Incentive Plan dated March 16, 2001. Incorporated herein by reference to Exhibit 10.27 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2002.*	
10.18	Amendment Number 3 to Registrant's 1996 Stock Incentive Plan approved June 19, 2001. Incorporated herein by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2002.*	
10.19	Amendment Number 3 to License Agreement dated December 9, 1996, as previously amended, between the Registrant, Movado Watch Company S.A. and Coach, Inc. dated as of January 30, 2003. Incorporated herein by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2002.	
10.20	Line of Credit Letter Agreement dated August 20, 2001 between the Registrant and The Bank of New York. Incorporated herein by reference to Exhibit 10.31 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2002.	

Exhibit Number	Description	Sequentially Numbered Page
10.21	First Amendment to the License Agreement dated June 3, 1999 between Tommy Hilfiger Licensing, Inc., Registrant and Movado Watch Company S.A. entered into January 16, 2002. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2002.	
10.22	Second Amendment to the License Agreement dated June 3, 1999 between Tommy Hilfiger Licensing, Inc., Registrant and Movado Watch Company S.A. entered into August 1, 2002. Incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2002.	
10.23	Amendment dated August 5, 2004 to Line of Credit Agreement between the Registrant and The Bank of New York dated August 20, 2001. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2004.	
10.24	Endorsement Agreement dated as of April 4, 2003 between the Registrant and The Grinberg Family Trust. Incorporated herein by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2003.	
10.25	Third Amendment to License Agreement dated June 3, 1999 between Tommy Hilfiger Licensing, Inc. and the Registrant entered into as of May 7, 2004. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 2004.	
10.26	Employment Agreement dated August 27, 2004 between the Registrant and Mr. Eugene J. Karpovich. Incorporated herein by reference to Exhibit 10.2 the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 2004. *	
10.27	Employment Agreement dated August 27, 2004 between the Registrant and Mr. Frank Kimick. Incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 2004. *	

Exhibit Number	Description	Sequentially Numbered Page
10.28	Employment Agreement dated August 27, 2004 between the Registrant and Mr. Timothy F. Michno. Incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 2004. *	
10.29	Master Credit Agreement dated August 17, 2004 and August 20, 2004 between MGI Luxury Group S.A. and UBS AG. Incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2004.	
10.30	Fourth Amendment to License Agreement dated June 3, 1999 between Tommy Hilfiger Licensing, Inc. and the Registrant entered into as of June 25, 2004. Incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2004.	
10.31	Fifth Amendment of Lease dated October 20, 2003 between Mack-Cali Realty, L.P. as landlord and the Registrant as tenant further amending the lease dated as of December 21, 2000. Incorporated herein by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2004.	
10.32	Registrant's 1996 Stock Incentive Plan, amended and restated as of April 8, 2004. Incorporated herein by reference to Exhibit 10.37 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2005.*	
10.33	License Agreement entered into December 15, 2004 between MGI Luxury Group S.A. and HUGO BOSS Trade Mark Management GmbH & Co. Incorporated herein by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2005.	
10.34	$50 million Credit Agreement dated as of December 15, 2005 between the Registrant, MGI Luxury Group S.A. and Movado Watch Company S.A., as borrowers the Lenders signatory thereto and JPMorgan Chase Bank, N.A. as Administrative Agent, Swingline Bank and Issuing Bank.	

Exhibit Number	Description	Sequentially Numbered Page
10.35	CHF 90 million Credit Agreement dated as of December 15, 2005 between MGI Luxury Group S.A. and Movado Watch Company S.A., as borrowers, the Registrant as Parent, each of the lenders signatory thereto and JPMorgan Chase Bank as administrative agent.	
10.36	Line of Credit Agreement between the Registrant and Bank of America, N.A. and Amended and Restated Promissory Note payable to Bank of America, N.A., dated as of December 12, 2005.	
10.37	License Agreement dated as of November 18, 2005 by and between the Registrant, Swissam Products Limited and L.C. Licensing, Inc. **	
10.38	Line of Credit Letter Agreement dated as of June 19, 2005 between the Registrant and Bank of America and Amended and Restated Promissory Note as of June 19, 2005. Incorporated by reference herein by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2005.	
10.39	Promissory Note dated as of December 13, 2005 to JPMorgan Chase Bank, N.A.	
21.1	Subsidiaries of the Registrant.	
23.2	Consent of PricewaterhouseCoopers LLP.	
31.1	Certification of Chief Executive Officer.	
31.2	Certification of Chief Financial Officer.	
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	

* Constitutes a compensatory plan or arrangement.

** Confidential portions of Exhibit 10.37 have been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

Management's Annual Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such terms are defined in Rule 13a-15(f) under the Exchange Act, for the Company. With the participation of the Chief Executive Officer and the Chief Financial Officer, the Company's management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework and criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company's management has concluded that the Company's internal control over financial reporting was effective as of January 31, 2006.

Management's assessment of the effectiveness of our internal control over financial reporting as of January 31, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Report of Independent Registered Public Accounting Firm

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

We have completed integrated audits of Movado Group, Inc.'s 2006 and 2005 consolidated financial statements and of its internal control over financial reporting as of January 31, 2006, and an audit of its 2004 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Movado Group, Inc. and its subsidiaries at January 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2006 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in "Management's Annual Report on Internal Control Over Financial Reporting" listed in the accompanying index, that the Company maintained effective internal control over financial reporting as of January 31, 2006 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2006, based on criteria established in Internal Control - Integrated Framework issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Florham Park, New Jersey
April 12, 2006

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

	Fiscal Year Ended January 31,		
	2006	2005	2004
Net sales	$470,941	$418,966	$330,214
Cost of sales	184,621	168,818	129,908
Gross profit	286,320	250,148	200,306
Selling, general and administrative	238,283	215,072	165,525
Operating profit	48,037	35,076	34,781
Other income, net (Note 18)	1,008	1,444	--
Interest expense, net	4,109	3,430	3,044
Income before income taxes	44,936	33,090	31,737
Provision for income taxes (Note 9)	18,319	6,783	8,886
Net income	$ 26,617	$ 26,307	$ 22,851
Basic income per share:			
Net income per share	$ 1.05	$ 1.06	$ 0.95
Weighted basic average shares outstanding	25,273	24,708	24,101
Diluted income per share:			
Net income per share	$ 1.02	$ 1.03	$ 0.92
Weighted diluted average shares outstanding	26,180	25,583	24,877

See Notes to Consolidated Financial Statements

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

	January 31,	
	2006	2005
ASSETS		
Current assets:		
Cash	$123,625	$ 63,782
Trade receivables, net	109,852	104,685
Inventories, net	198,582	185,609
Other	28,989	32,630
Total current assets	461,048	386,706
Property, plant and equipment, net	52,168	52,510
Other assets	36,676	37,858
Total assets	$549,892	$477,074
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	5,000	--
Accounts payable	35,529	38,488
Accrued payroll and benefits	10,239	10,747
Accrued liabilities	32,826	28,996
Current taxes payable	7,724	--
Deferred income taxes	503	5,250
Total current liabilities	91,821	83,481
Long-term debt	104,955	45,000
Deferred and noncurrent income taxes	11,947	14,827
Other liabilities	19,491	17,209
Total liabilities	228,214	160,517
Commitments and contingencies (Notes 11 and 12)		
Shareholders' equity:		
Preferred Stock, $0.01 par value, 5,000,000 shares authorized; no shares issued	--	--
Common Stock, $0.01 par value, 100,000,000 shares authorized; 23,215,836 and 22,580,459 shares issued, respectively	232	226
Class A Common Stock, $0.01 par value, 30,000,000 shares authorized; 6,766,909 and 6,801,812 shares issued and outstanding, respectively	68	68
Capital in excess of par value	107,965	100,289
Retained earnings	236,515	214,953
Accumulated other comprehensive income	27,673	48,706
Treasury Stock, 4,613,645 and 4,433,553 shares at cost, respectively	(50,775)	(47,685)
Total shareholders' equity	321,678	316,557
Total liabilities and shareholders' equity	$549,892	$477,074

See Notes to Consolidated Financial Statements

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

	Fiscal Year Ended January 31,		
	2006	2005	2004
Cash flows from operating activities:			
Net income	$ 26,617	$ 26,307	$ 22,851
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	16,780	12,603	9,973
Utilization of NOL	2,881	2,725	--
Impairment of long-lived assets	--	2,025	--
Deferred and noncurrent income taxes	(4,575)	8,132	10,101
Provision for losses on accounts receivable	2,399	2,072	2,290
Provision for losses on inventories	1,529	3,221	993
(Gain) loss on disposition of property, plant and equipment	--	(253)	109
Gain on sale of asset held for sale	(2,630)	--	--
Loss on hedge derivatives	1,622	--	--
Tax benefit from stock options exercised	2,436	2,554	2,511
Changes in assets and liabilities:			
Trade receivables	(5,496)	1,422	4,583
Inventories	(18,282)	(29,587)	(6,248)
Other current assets	(240)	5,716	12,179
Accounts payable	(1,662)	11,248	160
Accrued liabilities	351	(6,615)	987
Accrued payroll and benefits	(508)	2,714	2,023
Current taxes payable	7,727	(12,199)	(9,370)
Other noncurrent assets	(2,808)	(6,253)	(4,997)
Other noncurrent liabilities	2,302	4,358	3,502
Net cash provided by operating activities	28,443	30,190	51,647
Cash flows from investing activities:			
Capital expenditures	(16,367)	(14,947)	(10,830)
Proceeds from sale of asset held for sale	4,000	--	--
Acquisition of Ebel, net of cash acquired	--	(43,525)	--
Trademarks	(798)	(1,000)	(653)
Net cash used in investing activities	(13,165)	(59,472)	(11,483)
Cash flows from financing activities:			
Net proceeds from bank borrowings	64,955	--	--
Repayment of Senior Notes	--	(10,000)	--
Payment of Ebel mortgage	--	(5,187)	--
Proceeds of Senior Notes	--	20,000	--
Stock options exercised and other changes	2,156	2,703	589
Dividends paid	(5,055)	(3,955)	(2,537)
Net cash provided by (used in) financing activities	62,056	3,561	(1,948)
Effect of exchange rate changes on cash and cash equivalents	(17,491)	7,420	5,502
Net increase (decrease) in cash and cash equivalents	59,843	(18,301)	43,718
Cash and cash equivalents at beginning of year	63,782	82,083	38,365
Cash and cash equivalents at end of year	$123,625	$ 63,782	$ 82,083

See Notes to Consolidated Financial Statements

MOVADO GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands, except per share amounts)

	Preferred Stock	Common Stock	Class A Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock
Balance, January 31, 2003	$--	$101	$34	$ 72,145	$172,287	$ 19,386	($27,741)
Net income					22,851		
Dividends ($0.105 per share)					(2,537)		
Stock options exercised, net of tax of $2,511		8		16,861			(14,254)
Supplemental executive retirement plan				170			
Restricted stock amortization less cancellations				315			
Net unrealized gain on investments, net of tax of $89						139	
Net change in effective portion of hedging contracts, net of tax of $2,212						(3,434)	
Foreign currency translation adjustment						18,382	
Balance, January 31, 2004	$--	$109	$34	$ 89,491	$192,601	$ 34,473	($41,995)
Net income					26,307		
Stock split adjustment		109	34	(143)			
Dividends ($0.16 per share)					(3,955)		
Stock options exercised, net of tax of $2,554		8		10,010			(5,690)
Supplemental executive retirement plan				107			
Restricted stock amortization less cancellations				824			
Net unrealized gain on investments, net of tax of $18						39	
Net change in effective portion of hedging contracts, net of tax of $134						366	
Foreign currency translation adjustment						13,828	
Balance, January 31, 2005	$--	$226	$68	$100,289	$214,953	$ 48,706	($47,685)
Net income					26,617		
Dividends ($0.20 per share)					(5,055)		
Stock options exercised, net of tax of $2,436		6		6,325			(3,090)
Supplemental executive retirement plan				124			
Restricted stock amortization less cancellations				1,227			
Net unrealized gain on investments, net of tax of $19						1	
Net change in effective portion of hedging contracts, net of tax of $2,055						(3,318)	
Foreign currency translation adjustment						(17,716)	
Balance, January 31, 2006	$--	$232	$68	$107,965	$236,515	$ 27,673	($50,775)

Note: Balances prior to fiscal 2004 within the Consolidated Statements of Changes in Shareholders' Equity have not been split-adjusted.

(Shares information in thousands)	Common Stock	Class A Common Stock	Treasury Stock
Balance at January 31, 2003	20,116	6,802	(3,094)
Stock issued to employees exercising stock options	1,639	--	(1,033)
Conversion of Class A Common Stock	--	--	14
Restricted stock and other stock plans, less cancellations	--	--	--
Balance January 31, 2004	21,755	6,802	(4,113)
Stock issued to employees exercising stock options	825	--	(337)
Conversion of Class A Common Stock	--	--	--
Restricted stock and other stock plans, less cancellations	--	--	16
Balance January 31, 2005	22,580	6,802	(4,434)
Stock issued to employees exercising stock options	601	--	(180)
Conversion of Class A Common Stock	35	(35)	--
Restricted stock and other stock plans, less cancellations	--	--	--
Balance January 31, 2006	23,216	6,767	(4,614)

Note: Shares information provided has been adjusted to reflect the effect of the fiscal 2005 two-for-one stock split.

See Notes to Consolidated Financial Statements

NOTES TO MOVADO GROUP, INC.'S CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Movado Group, Inc. (the "Company") is a designer, manufacturer and distributor of quality watches with prominent brands in almost every price category comprising the watch industry. In fiscal 2006, the Company marketed seven distinctive brands of watches: Movado, Ebel, Concord, ESQ, Coach, HUGO BOSS and Tommy Hilfiger, which compete in most segments of the watch market.

Movado, Ebel and Concord watches are generally manufactured in Switzerland by independent third party assemblers with some in-house assembly in Bienne and La Chaux-de-Fonds, Switzerland. Movado, Ebel and Concord watches are manufactured using Swiss movements and other components obtained from third party suppliers. Coach, ESQ, Tommy Hilfiger and HUGO BOSS watches are manufactured by independent contractors. Coach and ESQ watches are manufactured using Swiss movements and other components purchased from third party suppliers. Tommy Hilfiger and HUGO BOSS watches are manufactured using movements and other components purchased from third party suppliers.

In addition to its sales to trade customers and independent distributors, through a wholly-owned domestic subsidiary, the Company sells Movado watches, as well as proprietary Movado jewelry, tabletop and accessories directly to consumers in its Movado Boutiques. Additionally, the Company operates outlet stores throughout the United States, through which it sells discontinued models and factory seconds.

Principles of Consolidation

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company uses estimates when accounting for sales discounts, rebates, allowances and incentives, warranty, income taxes, depreciation, amortization, contingencies and asset and liability valuations.

Reclassification

Certain reclassifications were made to prior years' financial statement amounts and related note disclosures to conform to the fiscal 2006 presentation.

Translation of Foreign Currency Financial Statements and Foreign Currency Transactions

The financial statements of the Company's international subsidiaries have been translated into United States dollars by translating balance sheet accounts at year-end exchange rates and statement of operations accounts at

average exchange rates for the year. Foreign currency transaction gains and losses are charged or credited to earnings as incurred. Foreign currency translation gains and losses are reflected in the equity section of the Company's consolidated balance sheet in accumulated other comprehensive income (loss). The balance of the foreign currency translation adjustment, included in Accumulated Other Comprehensive Income, was $30.3 million and $48.1 million as of January 31, 2006 and 2005, respectively.

Cash and Cash Equivalents

Cash equivalents are considered all highly liquid investments with original maturities at date of purchase of three months or less.

Trade Receivables

Trade receivables as shown on the consolidated balance sheet is net of allowances. The allowance for doubtful accounts is determined through an analysis of the aging of accounts receivable, assessments of collectibility based on historic trends, the financial condition of the Company's customers and an evaluation of economic conditions. The Company writes off uncollectible trade receivables once collection efforts have been exhausted and third parties confirm the balance is not recoverable.

The Company's trade customers include department stores, jewelry store chains and independent jewelers. Movado, Ebel, Concord, Coach, HUGO BOSS and Tommy Hilfiger watches are also marketed outside the U.S. through a network of independent distributors. Accounts receivable are stated net of allowances for doubtful accounts of $7.0 million, $6.8 million and $6.7 million and net of estimated sales returns and allowances of $18.7 million, $21.2 million and $17.3 million at January 31, 2006, 2005 and 2004, respectively.

The Company's concentrations of credit risk arise primarily from accounts receivable related to trade customers during the peak selling seasons. The Company has significant accounts receivable balances due from major national chain and department stores. The Company's results of operations could be materially adversely affected in the event any of these customers or a group of these customers defaulted on all or a significant portion of their obligations to the Company as a result of financial difficulties. As of January 31, 2006, there were no known situations with any of the Company's major customers which indicate the customer's inability to make the required payments.

Sales returns and allowances for the fiscal years ended January 31, 2006, 2005 and 2004 were as follows (in thousands):

	2006	2005	2004
Balance, beginning of year	$ 21,249	$ 17,270	$ 16,974
Acquired Ebel reserves	--	7,181	--
Provision charged to operations	33,400	27,032	26,329
Credits issued	(35,783)	(30,334)	(26,054)
Currency impact	(163)	100	21
Balance, end of year	$ 18,703	$ 21,249	$ 17,270

Inventories

The Company values its inventory at the lower of cost or market. The Company's domestic inventory is valued using the first-in, first-out (FIFO) method. The cost of finished goods and component inventories, held by overseas subsidiaries, are determined using average cost. The Company's management regularly reviews its sales to customers and customers' sell through at retail to determine excess or obsolete inventory reserves. Inventory with less than acceptable turn rates is classified as discontinued and, together with the related component parts which can be assembled into saleable finished goods, is sold through the Company's outlet stores. When management determines that finished product is unsaleable in the Company's outlet stores or when it is impractical to build the remaining components into watches for sale in the outlets, a reserve is established for the cost of those products and components. In addition, as part of the acquisition of Ebel, a significant value of parts and components were acquired that could not readily be identifiable to be produced as watches or for future after sales service needs. These parts and components have been reserved for based on future expected usage. These estimates could vary significantly, either favorably or unfavorably, from actual requirements depending on future economic conditions, customer inventory levels, expected usage or competitive conditions which may differ from expectations.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation of buildings is amortized using the straight-line method based on the useful life of 40 years. Depreciation of furniture and equipment is provided using the straight-line method based on the estimated useful lives of assets, which range from four to ten years. Computer software is amortized using the straight-line method over periods which range from five to seven years. Leasehold improvements are amortized using the straight-line method over the lesser of the term of the lease or the estimated useful life of the leasehold improvement. Design fees and tooling costs are amortized using the straight-line method based on the useful life of three years. Upon the disposition of property, plant and equipment, the accumulated depreciation is deducted from the original cost and any gain or loss is reflected in current earnings.

Long-Lived Assets

The Company establishes the estimated useful lives of its depreciable assets based on factors including historical experience, the expected beneficial service period of the asset, the quality and durability of the asset and the Company's maintenance policy including periodic upgrades. Changes in useful lives are made on a prospective basis unless factors indicate the carrying amounts of the assets may not be recoverable and an impairment write-down is necessary.

The Company performs an impairment review, at a minimum, on an annual basis. However, the Company will review its long-lived assets for impairment once events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. When such a determination has been made, management compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment loss has occurred, the loss is recognized during that period. The impairment loss is calculated as the difference between asset carrying values and the fair value of the long-lived assets.

During fiscal 2006, the Company performed the review which resulted in no impairment charge. During the fourth quarter of fiscal 2005, the Company determined that the carrying value of its long-lived assets in the Movado Boutique located in the Soho section of New York City, may not be recoverable and performed an

impairment review. The impairment review was performed pursuant to SFAS No. 144 because of an economic downturn affecting the Boutique operations and revenue forecasts. As a result, the Company recorded a non-cash impairment charge of $2.0 million consisting of property, plant and equipment of $0.8 million and other assets of $1.2 million. The entire impairment charge is included in the selling, general and administrative expenses in the fiscal 2005 Consolidated Statement of Income. There were no impairment losses related to long-lived assets in fiscal 2004.

Deferred Rent Obligations and Contributions from Landlords

The Company accounts for rent expense under non-cancelable operating leases with scheduled rent increases on a straight-line basis over the lease term. The excess of straight-line rent expense over scheduled payments is recorded as a deferred liability. In addition, the Company receives build out contributions from landlords primarily as an incentive for the Company to lease retail store space from the landlords. This is also recorded as a deferred liability. Such amounts are amortized as a reduction of rent expense over the life of the related lease.

Capitalized Software Costs

The Company capitalizes certain computer software costs after technological feasibility has been established. The costs are amortized utilizing the straight-line method over the economic lives of the related products ranging from five to seven years.

Intangibles

Intangible assets consist primarily of trade names and trademarks and are recorded at cost. Trade names are not amortized. Trademarks are amortized over ten years. The Company continually reviews intangible assets to evaluate whether events or changes have occurred that would suggest an impairment of carrying value. An impairment would be recognized when expected undiscounted future operating cash flows are lower than the carrying value. At January 31, 2006 and 2005, intangible assets at cost were $10.3 million and $13.5 million, respectively, and related accumulated amortization of intangibles was $5.7 million and $4.5 million, respectively. Amortization expense for fiscal 2006, 2005 and 2004 was $1.2 million, $1.0 million and $0.7 million, respectively.

Derivative Financial Instruments

The Company utilizes derivative financial instruments to reduce foreign currency fluctuation risks. The Company accounts for its derivative financial instruments in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", ("SFAS No. 133") as amended by SFAS No. 137, SFAS No. 138 and SFAS No. 149. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments and hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the statement of financial condition and measure those instruments at fair value. Changes in the fair value of those instruments will be reported in earnings or other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting. The accounting for gains and losses associated with changes in the fair value of the derivative and the effect on the consolidated financial statements will depend on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value of cash flows of the asset or liability hedged.

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

The Company uses forward exchange contracts to offset its exposure to certain foreign currency liabilities. These forward contracts are not designated as SFAS No. 133 hedges and, therefore, changes in the fair value of these derivatives are recognized into earnings, thereby offsetting the current earnings effect of the related foreign currency liabilities.

During fiscal 2003, the Company's risk management policy was modified to include net investment hedging of the Company's Swiss franc-denominated investment in its wholly-owned subsidiaries located in Switzerland using purchase foreign currency options under certain limitations. When entered into for this purpose, the Company designates and documents the derivative instrument as a net investment hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transactions. Changes in the fair value of a derivative that is designated and documented as a net investment hedge are recorded in other comprehensive income in the same manner as the cumulative translation adjustment of the Company's Swiss franc-denominated investment. The Company formally assesses, both at the inception and at each financial quarter thereafter, the effectiveness of the derivative instrument hedging the net investment.

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

During fiscal 2006, the Company recorded a pre-tax loss of $1.6 million in other expense, representing the impact of the discontinuation of foreign currency cash flow hedges because it was not probable that the forecasted transactions would occur by the end of the originally specified time period.

Revenue Recognition

In the wholesale segment, the Company recognizes its revenues upon transfer of title and risk of loss in accordance with its FOB shipping point terms of sale and after the sales price is fixed and determinable and collectibility is reasonably assured. In the retail segment, transfer of title and risk of loss occurs at the time of register receipt. The Company records estimates for sales returns, volume-based programs and sales and cash discount allowances in the same period that the sales are recorded as a reduction of revenue. These estimates are based upon historical analysis, customer agreements and/or currently known factors that arise in the normal course of business.

Cost of Sales

Costs of sales of the Company's products consist primarily of component costs, internal assembly costs and unit overhead costs associated with the Company's supply chain operations in Switzerland and Asia. The Company's supply chain operations consist of logistics management of assembly operations and product sourcing in Switzerland and Asia and minor assembly in Switzerland.

Selling, General and Administrative Expenses

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

Selling expenses consist primarily of salaries, sales commissions, sales force travel and related expenses, expenses associated with Baselworld, the annual watch and jewelry trade show and other industry trade shows and operating costs incurred in connection with the Company's retail business. Sales commissions vary with overall sales levels. Retail selling expenses consist primarily of payroll related and store occupancy costs.

Distribution expenses consist primarily of salaries of distribution staff, rental and other occupancy costs, security, depreciation and amortization of furniture and leasehold improvements and shipping supplies.

General and administrative expenses consist primarily of salaries and other employee compensation, employee benefit plan costs, office rent, management information systems costs, professional fees, bad debts, depreciation and amortization of furniture and leasehold improvements, patent and trademark expenses and various other general corporate expenses.

Warranty Costs

The Company has warranty obligations in connection with the sale of its watches. All watches sold by the Company come with limited warranties covering the movement against defects in material and workmanship for periods ranging from two to three years from the date of purchase, with the exception of Tommy Hilfiger watches, for which the warranty period is ten years. In addition, the warranty period is five years for the gold plating for Movado watch cases and bracelets. As a practice, warranty costs are expensed as incurred and recorded in the quarterly consolidated statement of income. The warranty obligations are evaluated quarterly and reviewed in detail on an annual basis to determine if any material changes occurred. When changes in warranty costs are experienced, the Company will adjust the warranty accrual as required. Warranty liability for the fiscal years ended January 31, 2006, 2005 and 2004 was as follows (in thousands):

	2006	2005	2004
Balance, beginning of year	$ 3,979	$ 900	$ 900
Acquired Ebel reserves	--	3,127	--
Provision charged to operations	2,185	1,450	789
Settlements made	(3,979)	(1,498)	(789)
Balance, end of year	$ 2,185	$ 3,979	$ 900

Preopening Costs

Costs associated with the opening of new boutique and outlet stores, including pre-opening rent, are expensed in the period incurred.

Marketing

The Company expenses the production costs of an advertising campaign at the commencement date of the advertising campaign. Included in marketing expenses are costs associated with cooperative advertising, media advertising, production costs and costs of point-of-sale materials and displays. These costs are recorded as SG&A expenses. The Company participates in cooperative advertising programs on a voluntary basis and receives a "separately identifiable benefit in exchange for the consideration". Since the amount of consideration paid to the retailer does not exceed the fair value of the benefit received by the Company, these costs are recorded as SG&A expenses as opposed to being recorded as a reduction of revenue. Marketing expense for fiscal 2006, 2005 and 2004 amounted to $75.9 million, $67.8 million and $53.1 million, respectively.

Included in the other current assets in the consolidated balance sheets as of January 31, 2006 and 2005 are prepaid advertising costs of $3.8 million and $2.5 million, respectively. These prepaid costs represent advertising costs paid to licensors in advance, pursuant to the Company's licensing agreements and sponsorships.

Shipping and Handling Costs

Amounts charged to customers and costs incurred by the Company related to shipping and handling are included in net sales and cost of goods sold, respectively.

Income Taxes

The Company follows Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax laws and tax rates, in each jurisdiction the Company operates, and applies to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income in the period that includes the enactment date. In addition, the amounts of any future tax benefits are reduced by a valuation allowance to the extent such benefits are not expected to be realized on a more-likely-than-not basis. The Company calculates estimated income taxes in each of the jurisdictions in which it operates. This process involves

estimating actual current tax expense along with
assessing temporary differences resulting from differing treatment of items for
both book and tax purposes.

Earnings Per Share

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

The weighted-average number of shares outstanding for basic earnings per share were 25,273,000, 24,708,000 and 24,101,000 for fiscal 2006, 2005 and 2004, respectively. For diluted earnings per share, these amounts were increased by 907,000, 875,000 and 776,000 in fiscal 2006, 2005 and 2004, respectively, due to potentially dilutive common stock equivalents issuable under the Company's stock option plans. For all periods presented, basic and diluted shares outstanding, and the related "per share" amounts reflect the effect of the fiscal 2005 two-for-one stock split.

Stock-Based Compensation

Employee stock options are accounted for under the intrinsic value method, which measures compensation cost as the excess, if any, of the quoted market price of the stock at grant date over the amount an employee must pay to acquire the stock. Accordingly, compensation expense has not been recognized for stock options granted at or above fair value. Had compensation expense been determined and recorded based upon the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", net income (in thousands) and net income per share would have been reduced to pro forma amounts for the fiscal years ended January 31, 2006, 2005 and 2004 as follows:

	2006		2005		2004	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net Income	$26,617	$24,549	$26,307	$22,546	$22,851	$18,768
Net Income per share-Basic	$ 1.05	$ 0.97	$ 1.06	$ 0.91	$ 0.95	$ 0.78
Net Income per share-Diluted	$ 1.02	$ 0.94	$ 1.03	$ 0.88	$ 0.92	$ 0.75

The weighted-average fair value of each option grant estimated on the date of grant using the Black-Scholes option-pricing model is $8.11, $7.10 and $5.89 per share in fiscal 2006, 2005 and 2004, respectively. The following weighted-average assumptions were used for grants in 2006, 2005 and 2004: dividend yield of 1.74% for fiscal 2006, 0.99% for fiscal 2005 and 0.87% for fiscal 2004; expected volatility of 47% for fiscal 2006, 48% for fiscal 2005 and 52% for fiscal 2004; risk-free interest rates of 3.77% for fiscal 2006, 4.26% for fiscal 2005 and 3.04% for fiscal 2004 and expected lives of three to seven years for fiscal 2006, three to seven years for fiscal 2005 and four to seven years for fiscal 2004.

Recently Issued Accounting Standards

In November 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 151, "Inventory Costs", an amendment of ARB No. 43, Chapter 4 ("SFAS No.

151"). The amendments made by SFAS No. 151 clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges by requiring the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005, and is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment", which is a revision of FASB Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123(R)"). SFAS No. 123(R) supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees", and amends FASB Statement No. 95, "Statement of Cash Flows". Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure will no longer be an alternative. Public entities are required to apply SFAS No. 123(R) as of the first annual reporting period that begins after June 15, 2005.

The Company continues to use the intrinsic value based method of accounting for share-based payments. The Company uses the Black-Scholes valuation model to estimate the value of stock options granted to employees. SFAS No. 123(R) requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. The Company will be adopting SFAS No. 123(R) in the first quarter of fiscal 2007 using the modified prospective application transition method. For outstanding unvested options granted as of January 31, 2006, the adoption is expected to have an impact of approximately $1.0 million, net of tax, on the Company's consolidated results of operations for fiscal year ending January 31, 2007.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153, "Exchanges of Nonmonetary Assets--An Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions" ("SFAS No. 153"). SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions", and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for the fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"). FIN 47 clarifies that the term "conditional asset retirement obligation" as used in SFAS No. 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The adoption of FIN 47 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In June 2005, the Emerging Issues Task Force ("EITF") reached consensus on EITF 05-6, "Determining the Amortization Period for Leasehold Improvements". Under EITF 05-6, leasehold improvements placed in service significantly after and not contemplated at or near the beginning of the lease term, should be amortized over the lesser of the useful life of the assets or a term that includes renewals that are reasonably assured at the

date the leasehold improvements are purchased. EITF 05-6 is effective for periods beginning after June 29, 2005. The adoption of EITF 05-6 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

NOTE 2 - ACQUISITION

On December 22, 2003, the Company entered into an agreement to acquire Ebel S.A. and the worldwide business related to the Ebel brand (collectively "Ebel") from LVMH Moet Hennessy Louis Vuitton ("LVMH"). On March 1, 2004, the Company completed the acquisition of Ebel with the exception of the payment for the acquired Ebel business in Germany, which was completed July 30, 2004.

Under the terms of the agreement, the Company acquired all of the outstanding common stock of Ebel S.A. and the related worldwide businesses in exchange for:

- - 51.6 million Swiss francs in cash; and

- - the assumption of a short-term mortgage payable of 6.6 million Swiss francs.

Under the purchase method of accounting, the Company recorded an aggregate purchase price of approximately $45.0 million, which consisted of approximately $40.6 million in cash and $4.4 million in deal costs and other incurred liabilities, which primarily consisted of legal, accounting, investment banking and financial advisory services fees.

In accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations", ("SFAS No. 141"), the Company allocated the purchase price to the tangible assets, intangible assets, and liabilities acquired based on their estimated fair values. The fair value assigned to tangible and intangible assets acquired was based on an independent appraisal. The fair value of assets acquired and liabilities assumed exceeds the purchase price. That excess has been allocated as a pro rata reduction of the amounts that otherwise would have been assigned to all of the acquired assets except for certain specific types of assets as set forth in SFAS No. 141. The pro forma adjustments were based upon an independent assessment of appraised values. The assessment is complete. In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"), goodwill and purchased intangibles with indefinite lives are not amortized but will be reviewed annually for impairment. Purchased intangibles with finite lives are amortized on a straight-line basis over their respective estimated useful lives.

In accordance with Emerging Issues Task Force No. 95-3 ("EITF 95-3"), "Recognition of Liabilities in Connection with a Purchase Business Combination", the Company recognized costs associated with exiting an activity of an acquired company and involuntary termination of employees of an acquired company as liabilities assumed in a purchase business combination and included the liabilities in the allocation of the acquisition cost. The liability recognized in connection with the acquisition of Ebel was comprised of approximately $2.4 million for employee severance, $0.2 million for lease terminations, $1.7 million for exit costs related to certain promotional and purchase contracts and $0.4 million of other liabilities. For the years ended January 31, 2006 and 2005, payments against employee severance, lease terminations, exit costs and other liabilities amounted to $2.3 million, $0.2 million, $1.7 million and $0.4 million, respectively. There were no further adjustments related to the abovementioned accruals during the fiscal year ended January 31, 2006.

As part of the acquisition, the Company recorded deferred tax assets resulting from Ebel's net operating loss carryforwards amounting to approximately 165.0 million Swiss francs. The Company established a full valuation allowance on the deferred tax assets. The total purchase price has been allocated as follows (in thousands):

Cash	$ 1,340
Accounts receivable	16,369
Property, plant and equipment	4,556
Inventories	35,834
Intangible assets	9,129
Other current assets	4,401
Total assets acquired	71,629
Current liabilities	16,149
Short-term commitments and contingencies	5,269
Mortgage payable	5,185
Total purchase price	$45,026

In allocating the purchase price, the Company considered, among other factors, its intention for future use of the acquired assets, analyses of historical financial performance and estimates of future performance of Ebel's products.

Pro Forma Financial Information

The unaudited financial information in the table below summarizes the combined results of operations of the Company and Ebel, on a pro forma basis, as though the acquisition had been completed as of the beginning of the fiscal year ended January 31, 2005. This pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the acquisition taken place at the beginning of the fiscal year ended January 31, 2005. The unaudited pro forma condensed combined statement of income for the fiscal year ended January 31, 2005 combines the historical results for the Company for the fiscal year ended January 31, 2005 and the historical results for Ebel for the period preceding the acquisition of February 1 through February 29, 2004. The following amounts are in thousands, except per share amounts:

	Fiscal Year Ended January 31, 2005
Revenues	$420,335
Net income	$ 24,302
Basic income per share	$ 0.98
Diluted income per share	$ 0.95

NOTE 3 - INVENTORIES, NET

Inventories, net at January 31, consisted of the following (in thousands):

	2006	2005
Finished goods	$129,921	$108,668
Component parts	64,563	72,260
Work-in-process	4,098	4,681
	$198,582	$185,609

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

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

	2006	2005
Land and buildings	$ 3,843	$ 6,543
Furniture and equipment	52,376	44,036
Computer software	29,611	29,169
Leasehold improvements	37,411	32,288
Design fees and tooling costs	24,029	23,846
	147,270	135,882
Less: accumulated depreciation	(95,102)	(83,372)
	$ 52,168	$ 52,510

Depreciation and amortization expense related to property, plant and equipment for fiscal 2006, 2005 and 2004 was $15.4 million, $11.4 million and $9.0 million, respectively, which includes computer software amortization expense for fiscal 2006, 2005 and 2004 of $4.4 million, $4.0 million and $2.9 million, respectively.

NOTE 5 - BANK CREDIT ARRANGEMENTS AND LINES OF CREDIT

On June 30, 2005, the Company renewed its promissory note for a $5.0 million unsecured working capital line with Bank of New York, originally dated June 27, 2000. The line expires on July 31, 2006. The Company had no outstanding borrowings under the line as of January 31, 2006 and 2005.

On December 12, 2005, the Company executed a line of credit letter agreement with Bank of America ("B of A") and an amended and restated promissory note in the principal amount of up to $20.0 million payable to B of A. Pursuant to the line of credit letter agreement, B of A will consider requests for short-term loans and documentary letters of credit for the importation of merchandise inventory, the aggregate amount of which at any time outstanding shall not exceed $20.0 million. The Company's obligations under the agreement are guaranteed by its subsidiaries, Movado Retail Group, Inc. and Movado LLC. Pursuant to the amended and restated promissory note, the Company promised to pay to B of A $20.0 million, or such lesser amount as may then be the unpaid balance of all loans made by B of A to the Company thereunder, in immediately available funds upon the maturity date of June 16, 2006. The Company has the right to prepay all or part of any

outstanding amounts under the promissory note without penalty at any time prior to the maturity date. The amended and restated promissory note bears interest at an annual rate equal to either (i) a floating rate equal to the prime rate or (ii) such fixed rate as may be agreed upon by the Company and B of A for an interest period which is also then agreed upon. The amended and restated promissory note contains various representations and warranties and events of default that are customary for instruments of that type. As of January 31, 2006, there were no outstanding borrowings against this line.

On December 13, 2005, the Company executed a promissory note in the principal amount of up to $37.0 million payable to JPMorgan Chase Bank, N.A. ("Chase"). Pursuant to the promissory note, the Company promised to pay to Chase $37.0 million, or such lesser amount as may then be the unpaid balance of each loan made or letter of credit issued by Chase to the Company thereunder, upon the maturity date of July 31, 2006; provided that during the period between January 31, 2006 and the maturity date, the maximum principal amount of all loans made by Chase to the Company, and outstanding under the promissory note, shall not exceed $2.0 million. The Company has the right to prepay all or part of any outstanding amounts under the promissory note without penalty at any time prior to the maturity date. The promissory note bears interest at an annual rate equal to either (i) a floating rate equal to the prime rate, (ii) a fixed rate equal to an adjusted LIBOR plus 0.625% or (iii) a fixed rate equal to a rate of interest offered by Chase from time to time on any single commercial borrowing. The promissory note contains various events of default that are customary for instruments of that type. In addition, it is an event of default for any security interest or other encumbrance to be created or imposed on the Company's property, other than as permitted in the lien covenant of the Credit Agreement. Chase issued 11 irrevocable standby letters of credit for retail and operating facility leases to various landlords, for the administration of the Movado Boutique private-label credit card and Canadian payroll to the Royal Bank of Canada totaling $1.2 million with expiration dates through March 18, 2007. As of January 31, 2006, there were no outstanding borrowings against this line.

On December 15, 2005, Movado Group, Inc., and its Swiss subsidiaries, MGI Luxury Group S.A. and Movado Watch Company SA, entered into a credit agreement with JPMorgan Chase Bank, N.A., JPMorgan Securities, Inc., Bank of America, N.A., The Bank of New York and Citibank, N.A. (the "Swiss Credit Agreement") which provides for a revolving credit facility of 90.0 million Swiss francs and matures on December 15, 2010. The obligations of the Company's two Swiss subsidiaries under this credit agreement are guaranteed by the Company under a Parent Guarantee, dated as of December 15, 2005, in favor of the lenders. The credit agreement contains financial covenants including an interest coverage ratio, average debt coverage ratio, limitations on capital expenditures and certain non-financial covenants that restrict the Company's activities regarding investments and acquisitions, mergers, certain transactions with affiliates, creation of liens, asset transfers, payment of dividends and limitation of the amount of debt outstanding. Until the date immediately preceding the first day of the calendar month following the date of delivery of the first annual or quarterly financial statements after December 15, 2005, the credit facility bears interest at a rate equal to the LIBOR (as defined in the Swiss Credit Agreement) plus .50% per annum, after which it will bear interest at a rate equal to the LIBOR plus a margin ranging from .50% per annum to .875% per annum (depending upon a leverage ratio). As of January 31, 2006, the Company was in compliance with all financial and non-financial covenants and had 83.0 million Swiss francs, with a dollar equivalent of $65.0 million, outstanding under this revolving credit facility.

On December 15, 2005, the Company and its Swiss subsidiaries, MGI Luxury Group S.A. and Movado Watch Company SA, entered into a credit agreement with JPMorgan Chase Bank, N.A., JPMorgan Securities, Inc., Bank of America, N.A., The Bank of New York and Citibank, N.A. (the "US Credit Agreement") which provides for a revolving credit facility of $50.0 million (including a sublimit for borrowings in Swiss francs of up to $25.0 million) with a provision to allow for an increase of an additional $50.0 million subject to certain

terms and conditions. The US Credit Agreement will mature on December 15, 2010. The obligations of MGI Luxury Group S.A. and Movado Watch Company SA are guaranteed by the Company under a Parent Guarantee, dated as of December 15, 2005, in favor of the lenders. The obligations of the Company are guaranteed by certain domestic subsidiaries of the Company under subsidiary guarantees, in favor of the lenders. The credit agreement contains financial covenants including an interest coverage ratio, average debt coverage ratio, limitations on capital expenditures and certain non-financial covenants that restrict the Company's activities regarding investments and acquisitions, mergers, certain transactions with affiliates, creation of liens, asset transfers, payment of dividends and limitation of the amount of debt outstanding. Until the date immediately preceding the first day of the calendar month following the date of delivery of the first annual or quarterly financial statements after December 15, 2005, the credit facility bears interest, at Borrower's option, at a rate equal to the Adjusted LIBOR (as defined in the US Credit Agreement) plus .50% per annum, or the Alternate Base Rate (as defined in the US Credit Agreement), after which it will bear interest, at Borrower's option, at a rate equal to the Adjusted LIBOR plus a margin ranging from .50% per annum to .875% per annum (depending upon a leverage ratio), or the Alternate Base Rate. As of January 31, 2006, the Company was in compliance with all financial and non-financial covenants and there were no outstanding borrowings against this line.

A Swiss subsidiary of the Company maintains unsecured lines of credit with an unspecified length of time with a Swiss bank. Available credit under these lines totaled 8.0 million Swiss francs, with dollar equivalents of $6.3 million and $6.7 million at January 31, 2006 and 2005. As of January 31, 2006, the Swiss bank has guaranteed the Company's Swiss subsidiary's obligations to certain Swiss third parties in the amount of $3.3 million in various foreign currencies. As of January 31, 2006, there were no outstanding borrowings against these lines.

The Company pays a facility fee on the unused portion of the committed lines of the Swiss Credit Agreement and the US Credit Agreement. The unused line of credit of the committed lines was $55.5 million at January 31, 2006.

Aggregate maximum and average monthly outstanding borrowings against the Company's lines of credit and related weighted-average interest rates during fiscal 2006 and 2005 were as follows (dollars in thousands):

	Fiscal Year Ended January 31,	
	2006	2005
Maximum borrowings	$100,745	$37,925
Average monthly borrowings	$ 33,726	$21,711
Weighted-average interest rate	4.2%	2.3%

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

NOTE 6 - LONG-TERM DEBT

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

	2006	2005
Swiss Revolving Credit Facility	$ 64,955	$ --
Series A Senior Notes	25,000	25,000
Senior Series A-2004 Notes	20,000	20,000
	109,955	45,000
Less: current portion	(5,000)	--
Long-term debt	$104,955	$45,000

For information related to the Swiss Revolving Credit Facility, see Note 5 on Bank Credit Arrangements and Lines of Credit.

The Series A Senior Notes ("Series A Senior Notes") were issued on December 1, 1998 under a Note Purchase and Private Shelf Agreement and bear interest at 6.90% per annum. Interest is payable semiannually on April 30 and October 30. These notes mature on October 30, 2010 and are subject to annual payments of $5.0 million commencing on October 31, 2006. These notes contain financial covenants including an interest coverage ratio, average debt ratio, maintenance of tangible net worth, limitations on capital expenditures and certain non-financial covenants that restrict the Company's activities regarding investments and acquisitions, mergers, certain transactions with affiliates, creation of liens, asset transfers, payment of dividends and limitation of the amount of debt outstanding. At January 31, 2006, the Company was in compliance with all financial and non-financial covenants and $25.0 million of these notes were issued and outstanding.

As of March 21, 2004, the Company amended its Note Purchase and Private Shelf Agreement, originally dated March 21, 2001, to expire on March 21, 2007. This agreement 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. On October 8, 2004, the Company issued, pursuant to the Note Purchase Agreement, 4.79% Senior Series A-2004 Notes due 2011 (the "Senior Series A-2004 Notes"), in an aggregate principal amount of $20.0 million, which will mature on October 8, 2011 and are subject to annual repayments of $5.0 million commencing on October 8, 2008. Proceeds of the Senior Series A-2004 Notes will be used by the Company for capital expenditures, repayment of certain of its debt obligations and general corporate purposes. These notes contain financial covenants including an interest coverage ratio, average debt ratio, maintenance of tangible net worth, limitations on capital expenditures and certain non-financial covenants that restrict the Company's activities regarding investments and acquisitions, mergers, certain transactions with affiliates, creation of liens, asset transfers, payment of dividends and limitation of the amount of debt outstanding. As of January 31, 2006, the Company was in compliance with all financial and non-financial covenants and $20.0 million of these notes were issued and outstanding.

Aggregate maturities of long-term obligations at January 31, 2006 are as follows (in thousands):

Fiscal Year Ended January 31,	
2007	$ 5,000
2008	5,000
2009	10,000
2010	10,000
2011	74,955
Thereafter	5,000
	$109,955

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

The Company follows the provisions of SFAS No. 133 requiring that all derivative financial instruments be recorded on the balance sheet at fair value.

As of January 31, 2006, the balance of deferred net losses on derivative financial instruments documented as cash flow hedges included in accumulated other comprehensive income ("AOCI") was $1.4 million in net losses, net of tax benefit of $0.8 million, compared to $2.0 million in net gains at January 31, 2005, net of tax of $1.2 million and $1.6 million in net gains at January 31, 2004, net of tax of $1.0 million. The Company estimates that a substantial portion of the deferred net losses at January 31, 2006 will be realized into earnings over the next 12 months as a result of transactions that are expected to occur over that period. The primary underlying transaction which will cause the amount in AOCI to affect cost of goods sold consists of the Company's sell through of inventory purchased in Swiss francs. The maximum length of time the Company is hedging its exposure to the fluctuation in future cash flows for forecasted transactions is 24 months. For the years ended January 31, 2006, 2005 and 2004, the Company reclassified net losses from AOCI to earnings of $1.8 million, net of tax benefit of $1.1 million, $1.4 million in net gains, net of tax of $0.9 million, and $3.2 million in net gains, net of tax of $2.0 million, respectively.

During fiscal 2006, the Company recorded a pre-tax loss of $1.6 million in other expense, representing the impact of the discontinuation of foreign currency cash flow hedges because it was not probable that the forecasted transactions would occur by the end of the originally specified time period.

During fiscal 2006, 2005 and 2004, the Company recorded no charge related to its assessment of the effectiveness of its derivative hedge portfolio because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged.

Changes in the contracts' fair value due to spot-forward differences are excluded from the designated hedge relationship. The Company records these transactions in the cost of sales of the Consolidated Statements of Income.

The balance of the net loss included in the cumulative foreign currency translation adjustment associated with derivatives documented as net investment hedges was $1.5 million, net of a tax benefit of $0.9 million as of both January 31, 2006 and 2005 and a net loss of $1.0 million, net of a tax benefit of $0.6 million as of January 31, 2004. Under SFAS No. 133, changes in fair value of these instruments are recognized in currency

translation adjustment, a component of AOCI, to offset the change in the value of the net investment being hedged.

The following presents fair value and maturities of the Company's foreign currency derivatives outstanding as of January 31, 2006 (in millions):

	Fair Value of (Liability) Asset	Maturities
Forward exchange contracts	($2.5)	2006
Purchased foreign currency options	0.3	2006
	($2.2)	

The Company estimates the fair value of its foreign currency derivatives based on quoted market prices or pricing models using current market rates. These derivative financial instruments are currently reflected in other current assets or current liabilities.

NOTE 8 - FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

The fair value of the Company's 4.79% Senior Notes and 6.90% Series A Senior Notes approximate 97% and 103% of the carrying value of the notes, respectively, as of January 31, 2006. The fair value was calculated based upon the present value of future cash flows discounted at estimated borrowing rates for similar debt instruments or upon estimated prices based on current yields for debt issues of similar quality and terms.

NOTE 9 - INCOME TAXES

The provision for income taxes for the fiscal years ended January 31, 2006, 2005 and 2004 consists of the following components (in thousands):

	2006	2005	2004
Current:			
U.S. Federal	$13,205	$ 3,980	$4,346
U.S. State and Local	1,364	810	(126)
Non-U.S.	4,238	5,254	1,282
	18,807	10,044	5,502
Noncurrent:			
U.S. Federal	--	--	--
U.S. State and Local	(458)	--	--
Non-U.S.	--	--	2,186
	(458)	--	2,186
Deferred:			
U.S. Federal	(1,806)	(2,533)	(351)
U.S. State and Local	(155)	(242)	60
Non-U.S.	1,931	(486)	1,489
	(30)	(3,261)	1,198
Provision for income taxes	$18,319	$ 6,783	$8,886

Income before taxes for U.S. operations was $15.9 million, $8.3 million and $2.0 million for periods ended January 31, 2006, 2005 and 2004, respectively. Income before taxes for non-U.S. operations was $29.0 million, $24.8 million and $29.7 million for periods ended January 31, 2006, 2005 and 2004, respectively.

Significant components of the Company's deferred income tax assets and liabilities for the fiscal year ended January 31, 2006 and 2005 consist of the following (in thousands):

	2006 Deferred Taxes		2005 Deferred Taxes	
	Assets	Liabilities	Assets	Liabilities
Operating loss carryforwards	$ 30,770	$ --	$ 32,120	$ --
Inventory reserve	2,963	3,924	3,103	4,762
Receivable allowance	3,356	1,188	2,960	1,559
Deferred compensation	5,922	--	4,627	--
Hedged derivatives	844	--	--	323
Depreciation/amortization	305	34	2,247	267
Other	4,044	341	3,134	367
	48,204	5,487	48,191	7,278
Valuation allowance	(29,555)	--	(33,393)	--
Total	$ 18,649	$5,487	$ 14,798	$7,278

As of January 31, 2006, the Company had foreign net operating loss carryforwards of approximately $130.1 million, which are available to offset taxable income in future years. The majority of the carryforward tax losses ($117.2 million) were incurred in Switzerland in the Ebel business prior to the Company's acquisition of the Ebel business on March 1, 2004. Effective March 1, 2004, Ebel S.A. was merged into another wholly-owned Swiss subsidiary, and a Swiss tax ruling was obtained that allows the Ebel tax losses to offset taxable income in the surviving entity. As part of purchase accounting, the Company recorded net deferred tax assets for the Swiss tax losses and for the temporary differences between the Swiss tax basis and the assigned values of the net Ebel assets. The Company has established a partial valuation allowance on the deferred tax assets as a result of an evaluation of expected utilization of such tax benefits within the expiry of the tax losses through fiscal 2011. The recognition of the tax benefit has been applied to reduce the carrying value of acquired intangible assets to $0.3 million; subsequent recognition of deferred tax assets, if any, will be applied to reduce the carrying value of the intangible assets to zero prior to being recognized as a reduction of income tax expense. The Company recognized cash tax savings of $2.9 million on the utilization of the Swiss tax losses during the year. The remaining tax losses ($12.9 million) are related to the Company's former operations in Germany, and its current operations in Germany, Japan, and the United Kingdom. A full valuation allowance has been established on the deferred tax assets resulting from these losses due to the Company's current assessment that it is more-likely-than-not that the deferred tax assets will not be utilized. The Japan tax losses have a 7 year life while the German and United Kingdom tax losses have unlimited lives.

Management will continue to evaluate the appropriate level of allowance on all deferred tax assets, considering such factors as prior earnings history, expected future earnings, carryback and carryforward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset.

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

	Fiscal Year Ended January 31,		
	2006	2005	2004
Provision for income taxes at the U.S. statutory rate	$15,728	$11,582	$11,108
Lower effective foreign income tax rate	(5,958)	(5,137)	(5,487)
Change in valuation allowance	901	101	(13)
Tax provided on repatriated earnings of foreign subsidiaries	7,506	--	3,133
State and local taxes, net of federal benefit	652	250	(43)
Other, net	(510)	(13)	188
Total	$18,319	$ 6,783	$ 8,886

No provision has been made for federal income or withholding taxes which may be payable on the remittance of the undistributed retained earnings of foreign subsidiaries approximating $97.8 million at January 31, 2006, as those earnings are considered permanently reinvested. As a result of various tax planning strategies available to the Company, it is not practical to estimate the amount of tax, if any, that may be payable on the eventual distribution of these earnings.

The American Jobs Creation Act of 2004 (the "Act"), as enacted on October 22, 2004, provides for a temporary 85% dividends received deduction on certain foreign earnings repatriated during a one-year period. The deduction results in an approximate 5.25% U.S. federal tax rate on any repatriated earnings. To qualify for the deduction, the earnings must be reinvested in the United States pursuant to a domestic reinvestment plan established by the Company's Chief Executive Officer and approved by the Company's Board of Directors. Certain other criteria in the Act, applicable Treasury Regulations and guidance published (or that may be subsequently published) by the Internal Revenue Service or Treasury Department must be satisfied as well. During the fourth quarter of 2006, the Company approved a plan for reinvestment and repatriation of up to $150.0 million. Under the executed plan, the Company repatriated foreign earnings of $148.5 million. These earnings were previously considered to be indefinitely reinvested outside the U.S. During the year, the effective tax rate was increased to 40.8% principally as a result of the fourth quarter 2006 tax charge of $7.5 million associated with repatriated foreign earnings under the American Jobs Creation Act of 2004. The effective tax rate excluding the repatriation related tax charge was 24.06%. The fiscal 2005 effective tax rate was 20.5%.

NOTE 10 - OTHER ASSETS

In fiscal 1996, the Company entered into an agreement with a trust which owned an insurance policy issued on the lives of the Company's Chairman and his spouse. Under this agreement, the trust assigned the insurance policy to the Company as collateral to secure repayment by the trust of interest-free loans made by the Company to the trust in amounts equal to the premiums on said insurance policy (approximately $0.8 million per annum). The agreement required the trust to repay the loans from the proceeds of the policy. At January 31, 2003, the Company had outstanding loans from the trust of $5.2 million. On April 4, 2003, the agreement was amended and restated to transfer the policy from the trust to the Company in partial repayment of the loan

balance. The Company is the beneficiary of the policy insofar as upon the death of the Company's Chairman and his spouse, the proceeds of the policy would first be distributed to the Company to repay the premiums paid by the Company with the remaining proceeds distributed to the trust. As of January 31, 2006, total premiums paid were $7.6 million and the cash surrender value of the policy was $7.7 million.

NOTE 11 - LEASES

The Company leases office, distribution, retail and manufacturing facilities, and office equipment under operating leases, which expire at various dates through January 2017. Certain leases include renewal options and the payment of real estate taxes and other occupancy costs. Some leases also contain rent escalation clauses (step rents) that require additional rent amounts in the later years of the term. Rent expense for leases with step rents is recognized on a straight-line basis over the minimum lease term. Likewise, capital funding and other lease concessions that are occasionally provided to the Company, are recorded as deferred rent and amortized on a straight-line basis over the minimum lease term as adjustments to rent expense. Rent expense for equipment and distribution, factory and office facilities under operating leases was approximately $13.3 million, $12.6 million and $9.7 million in fiscal 2006, 2005 and 2004, respectively. Minimum annual rentals at January 31, 2006 under noncancelable operating leases, which do not include real estate taxes and operating costs, are as follows (in thousands):

Fiscal Year Ended January 31,	
2007	$12,590
2008	11,083
2009	10,334
2010	9,906
2011	8,813
Thereafter	26,377
	$79,103

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

NOTE 12 - COMMITMENTS AND CONTINGENCIES

At January 31, 2006, the Company had outstanding letters of credit totaling $1.2 million with expiration dates through March 18, 2007 compared to $0.6 million with expiration dates through May 15, 2006 as of January 31, 2005. One bank in the domestic bank group has issued irrevocable standby letters of credit for retail and operating facility leases to various landlords, for the administration of the Movado Boutique private-label credit card and for Canadian payroll to the Royal Bank of Canada.

As of January 31, 2006, a Swiss bank guaranteed one of the Company's Swiss subsidiary's obligations to certain Swiss third parties in the amount of $3.3 million in various foreign currencies compared to $2.8 million as of January 31, 2005.

Pursuant to the Company's agreements with its licensors, the Company is required to pay minimum royalties and advertising. As of January 31, 2006, the Company's obligation related to its license agreements was $68.3 million.

The Company had outstanding purchase obligations of $40.3 million with suppliers at the end of fiscal 2006 for raw materials, finished watches and packaging in the normal course of business. These purchase obligation amounts do not represent total anticipated purchases but represent only amounts to be paid for items required to be purchased under agreements that are enforceable, legally binding and specify minimum quantity, price and term.

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

NOTE 13 - EMPLOYEE BENEFIT PLANS

The Company maintains an Employee Savings Plan under Section 401(k) of the Internal Revenue Code. In addition, the Company maintains defined contribution employee benefit plans for its employees located in Switzerland. Company contributions and expenses of administering the plans amounted to $2.0 million, $1.9 million and $1.1 million in fiscal 2006, 2005 and 2004, respectively.

Effective June 1, 1995, the Company adopted a defined contribution supplemental executive retirement plan ("SERP"). The SERP provides eligible executives with supplemental pension benefits in addition to amounts received under the Company's other retirement plan. The Company makes a matching contribution which vests equally over five years. During fiscal 2006, 2005 and 2004, the Company recorded an expense related to the SERP of $0.7 million, $0.6 million and $0.5 million, respectively.

During fiscal 1999, the Company adopted a Stock Bonus Plan for all employees not in the SERP. Under the terms of this Stock Bonus Plan, the Company contributes a discretionary amount to the trust established under the plan. Each plan participant vests after five years in 100% of their respective prorata portion of such contribution. For fiscal 2006, 2005 and 2004, the Company recorded an expense of $0.3 million for each period related to this plan.

On September 23, 1994, the Company entered into a Death and Disability Benefit Plan agreement with the Company's Chairman. Under the terms of the agreement, in the event of the Chairman's death or disability, the Company is required to make an annual benefit payment of approximately $0.3 million to his spouse for the lesser of ten years or her remaining lifetime. Neither the agreement nor the benefits payable thereunder are assignable and no benefits are payable to the estates or heirs of the Chairman or his spouse. Results of operations for each period include an actuarially determined charge related to this plan of $0.2 million for fiscal 2006, 2005 and 2004.

Effective concurrently with the consummation of the Company's public offering in the fourth quarter of fiscal 1994, the Board of Directors and the shareholders of the Company approved the adoption of the Movado Group, Inc. 1993 Employee Stock Option Plan (the "Employee Stock Option Plan") for the benefit of certain officers, directors and key employees of the Company. The Employee Stock Option Plan was amended in fiscal 1997 and restated as the Movado Group, Inc. 1996 Stock Incentive Plan (the "Plan"). Under the Plan, as

amended and restated as of April 8, 2004, the Compensation Committee of the Board of Directors, which is comprised of the Company's four outside directors, has the authority to grant incentive stock options and nonqualified stock options, to purchase, as well as stock appreciation rights and stock awards, up to 9,000,000 shares of Common Stock. Options granted to participants under the Plan generally become exercisable in equal installments over three years and remain exercisable until the tenth anniversary of the date of grant. The option price may not be less than the fair market value of the stock at the time the options are granted.

Transactions in stock options under the Plan since fiscal 2003 are summarized as follows:

	Outstanding Options	Weighted-Average Exercise Price
January 31, 2003	4,539,520	$ 8.76
Options granted	978,144	$12.03
Options exercised	(1,639,710)	$ 8.74
Options cancelled	(153,976)	$ 5.86
January 31, 2004	3,723,978	$ 8.71
Options granted	784,203	$16.44
Options exercised	(821,957)	$ 9.04
Options cancelled	(65,190)	$ 9.33
January 31, 2005	3,621,034	$11.66
Options granted	166,500	$18.30
Options exercised	(596,221)	$ 6.54
Options cancelled	(21,700)	$12.88
January 31, 2006	3,169,613	$12.96

Options exercisable at January 31, 2006, 2005 and 2004 were 2,507,382, 2,888,888 and 2,445,912, respectively.

The following table summarizes outstanding and exercisable stock options as of January 31, 2006:

Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 3.12 - $ 6.22	170,290	4.1	$ 4.26	170,290	$ 4.26
$ 6.23 - $ 9.34	297,516	3.2	$ 7.06	273,816	$ 7.05
$ 9.35 - $12.45	811,963	4.1	$10.69	780,864	$10.73
$12.46 - $15.57	1,269,097	5.2	$14.46	958,997	$14.56
$15.58 - $18.68	614,747	7.0	$18.08	323,415	$18.37
$18.69 - $21.81	6,000	9.1	$18.85	--	--
	3,169,613	5.1	$12.96	2,507,382	$12.34

Under the 1996 Stock Incentive Plan, the Company has the ability to grant restricted stock to certain employees. In fiscal years 2006, 2005 and 2004, the Company granted restricted stock shares of 96,160, 140,960 and 138,190, respectively, with fair values at the date of grant of $1.7 million, $2.2 million and $1.4 million, respectively. Restricted stock grants vest three years from the date of grant. Expense for these grants is recognized on a straight-line basis over the vesting period. Included in the Company's Consolidated Statements of Income for fiscal 2006, 2005 and 2004 is expense related to restricted stock grants of $1.3 million, $0.9 million and $0.3 million, respectively.

NOTE 14 - TOTAL COMPREHENSIVE INCOME

The components of comprehensive income for the twelve months ended January 31, 2006, 2005 and 2004 are as follows (in thousands):

	2006	2005	2004
Net income	$ 26,617	$26,307	$22,851
Net unrealized gain on investments, net of tax	1	39	139
Net change in effective portion of hedging contracts, net of tax	(3,318)	366	(3,434)
Foreign currency translation adjustment (1)	(17,716)	13,828	18,382
Total comprehensive income	$ 5,584	$40,540	$37,938

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

NOTE 15 - SEGMENT INFORMATION

The Company follows SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The statement requires disclosure of segment data based on how management makes decisions about allocating resources to segments and measuring their performance.

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

The Company divides its business into two major geographic segments: Domestic, which includes the results of the Company's North American, Caribbean and Tommy Hilfiger South American operations, and International, which includes the results of all other Company operations. The Company's International operations are principally conducted in Europe, the Middle East and Asia. The Company's International assets are substantially located in Switzerland.

Operating Segment Data as of and for the Fiscal Year Ended January 31, (in thousands):

	Net Sales			Operating Profit (1)		
	2006	2005	2004	2006	2005	2004
Wholesale	$385,383	$345,028	$269,341	$42,289	$33,033	$31,098
Retail	85,558	73,938	60,873	5,748	2,043	3,683
Consolidated total	$470,941	$418,966	$330,214	$48,037	$35,076	$34,781

	Total Assets		Capital Expenditures		
	2006	2005	2006	2005	2004
Wholesale	$484,767	$415,863	$ 9,659	$ 6,785	$ 2,958
Retail	65,125	61,211	6,708	8,162	7,872
Consolidated total	$549,892	$477,074	$16,367	$14,947	$10,830

	Depreciation and Amortization		
	2006	2005	2004
Wholesale	$11,880	$ 8,909	$7,500
Retail	4,900	3,694	2,473
Consolidated total	$16,780	$12,603	$9,973

Geographic Segment Data as of and for the Fiscal Year Ended January 31, (in thousands):

	Net Sales (2)			Operating Profit (1)		
	2006	2005	2004	2006	2005	2004
Domestic	$372,383	$330,269	$285,739	$22,656	$12,617	$ 7,227
International	98,558	88,697	44,475	25,381	22,459	27,554
Consolidated total	$470,941	$418,966	$330,214	$48,037	$35,076	$34,781

	Total Assets		Long-Lived Assets	
	2006	2005	2006	2005
Domestic	$391,310	$282,142	$37,101	$35,765
International	158,582	194,932	15,067	16,745
Consolidated total	$549,892	$477,074	$52,168	$52,510

(1) Fiscal 2005 Retail Operating Profit includes a non-cash impairment charge of $2.0 million recorded in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144").

(2) The domestic and international net sales are net of intercompany sales of $241.9 million, $272.1 million and $209.7 million for the twelve months ended January 31, 2006, 2005 and 2004, respectively.

NOTE 16 - QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents unaudited selected interim operating results of the Company for fiscal 2006 and 2005 (in thousands, except per share amounts):

	Quarter Ended			
	1st	2nd	3rd	4th
FISCAL 2006				
Net sales	$87,756	$115,326	$141,736	$126,123
Gross profit (1)	$52,838	$ 69,986	$ 86,173	$ 77,323
Net income (2)	$ 997	$ 8,551	$ 14,108	$ 2,961
NET INCOME PER SHARE:				
Basic	$ 0.04	$ 0.34	$ 0.56	$ 0.12
Diluted	$ 0.04	$ 0.33	$ 0.54	$ 0.11
FISCAL 2005				
Net sales	$74,187	$ 97,788	$127,023	$119,968
Gross profit	$43,385	$ 57,978	$ 77,141	$ 71,644
Net income (3)	$ 736	$ 7,057	$ 11,334	$ 7,180
NET INCOME PER SHARE:				
Basic	$ 0.03	$ 0.29	$ 0.46	$ 0.29
Diluted	$ 0.03	$ 0.28	$ 0.44	$ 0.28

(1) In the fourth quarter of fiscal year 2006, the Company recorded a one-time out of period benefit adjustment of $0.8 million from a reversal of a previously recorded liability. This adjustment was recorded in cost of goods sold and the Company has concluded that the amount is not material to the fourth quarter or any of the prior quarters impacted.

(2) Fourth quarter of fiscal year 2006 includes a $7.5 million charge associated with repatriated foreign earnings under the American Jobs Creation Act of 2004.

(3) Fourth quarter of fiscal year 2005 includes a non-cash impairment charge of $2.0 million related to the Movado Boutique in Soho, New York City. Additionally, income tax expense of $0.4 million recorded in the fourth quarter of fiscal 2005 included $1.9 million of non-recurring favorable tax benefits, including a retroactive favorable tax ruling and the tax benefit associated with the previously mentioned impairment charge.

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

NOTE 17 - SUPPLEMENTAL CASH FLOW INFORMATION

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

	Fiscal Year Ended January 31,		
	2006	2005	2004
Cash paid during the year for:			
Interest	$4,520	$2,950	$2,369
Income taxes	$6,096	$7,434	$5,864

NOTE 18 - OTHER INCOME, NET

The components of other income, net for fiscal 2006 and 2005 are as follows (in thousands):

	Fiscal Year Ended January 31,	
	2006	2005
Gain on sale of building (a)	$ 2,630	$ --
Discontinued cash flow hedges (b)	(1,622)	--
Litigation settlement (c)	--	1,444
Other income, net	$ 1,008	$1,444

(a) The Company recorded a pre-tax gain for the fiscal year ended January 31, 2006 of $2.6 million on the sale of a building acquired on March 1, 2004 in connection with the acquisition of Ebel. The Company received cash proceeds from the sale of $4.0 million. The building was classified as an asset held for sale in other current assets.

(b) The Company recorded a pre-tax loss for the fiscal year ended January 31, 2006 of $1.6 million in other expense, representing the impact of the discontinuation of foreign currency cash flow hedges because it was not probable that the forecasted transactions would occur by the end of the originally specified time period.

(c) The Company recognized income for the fiscal year ended January 31, 2005 from a litigation settlement in the amount of $1.4 million.

NOTE 19 - JUICY COUTURE LICENSE AGREEMENT

On November 21, 2005, the Company entered into a License Agreement with L.C. Licensing, Inc. ("L.C. Licensing"), with an effective date of November 18, 2005. The Company received an exclusive worldwide license to use the trademarks "Juicy Couture" and "Couture Couture Los Angeles", in connection with the manufacture, advertising, merchandising, promotion, sale and distribution of timepieces and components. The term of the license is November 18, 2005 through December 31, 2011, with a four-year renewal period at the option of the Company, provided that certain sales thresholds are met.

NOTE 20 - SUBSEQUENT EVENT

On March 27, 2006, the Company entered into an exclusive worldwide license agreement with Lacoste, S.A., Sporloisirs, S.A. and Lacoste Alligator, S.A. to design, produce, market and distribute Lacoste watches that will be sold under the LACOSTE name and the distinctive Lacoste "alligator" logo beginning in the first half of 2007.

SCHEDULE II

MOVADO GROUP, INC.

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
(IN THOUSANDS)

Description	Balance at beginning of year	Acquired Ebel balance	Provision charged to operations	Currency revaluation	Net write-offs	Balance at end of year
Year ended January 31, 2006:						
Allowance for doubtful accounts	$6,830	--	$2,399	($ 45)	($2,194)	$6,990
Year ended January 31, 2005:						
Allowance for doubtful accounts	$6,659	$2,192	$2,072	$ 68	($4,161)	$6,830
Year ended January 31, 2004:						
Allowance for doubtful accounts	$5,235	--	$2,290	$ 106	($ 972)	$6,659

	Balance at beginning of year	Acquired Ebel balance	Provision charged to operations	Currency revaluation	Net write-offs	Balance at end of year
Year ended January 31, 2006:						
Inventory reserve	$54,447	--	$1,529	($ 3,623)	($3,103)	$49,250
Year ended January 31, 2005:						
Inventory reserve	$ 2,408	$50,800	$3,221	$ 3,464	($5,446)	$54,447
Year ended January 31, 2004:						
Inventory reserve	$ 4,323	--	$ 993	($ 645)	($2,263)	$ 2,408

	Balance at beginning of year	Provision/ (benefit) to operation	Currency revaluation	Adjustments	Balance at end of year
Year ended January 31, 2006:					
Deferred tax assets valuation (1)	$33,393	$ 910	($2,186)	($ 2,562)	$29,555
Year ended January 31, 2005:					
Deferred tax assets valuation (2)	$ 795	$ 101	$ 488	$ 32,009	$33,393
Year ended January 31, 2004:					
Deferred tax assets valuation	$ 950	($ 13)	($ 142)	--	$ 795

(1) The detail of adjustments is as follows:

Release of valuation allowance, Ebel NOL's	($3,843)
Ebel Germany pre-acquisition NOL's	1,141
UK and Germany tax return accrual adjustments	140
	($2,562)

(2) The detail of adjustments is as follows:

Ebel purchase accounting - NOL's	$26,731
Ebel purchase accounting - other	3,261
Current year losses	1,201
Other	816
	$32,009

Exhibit 10.34

EXECUTION COPY

CREDIT AGREEMENT

dated as of December 15, 2005

among

MOVADO GROUP, INC.,
MOVADO WATCH COMPANY SA and MGI LUXURY GROUP S.A.,
as Borrowers,

the Lenders signatory hereto

and

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent, and as Swingline Bank,
and as Issuing Bank

J.P. MORGAN SECURITIES, INC.,
as Sole Lead Arranger and Sole Bookrunner,

BANK OF AMERICA, N.A.,
as Syndication Agent

and

THE BANK OF NEW YORK
and
CITIBANK, N.A.,
as Documentation Agents

Table of Contents

EXHIBITS

SCHEDULES

CREDIT AGREEMENT dated as of December 15, 2005 among MOVADO GROUP, INC., a corporation organized under the laws of New York (the "Parent"); MOVADO WATCH COMPANY SA, a corporation organized under the laws of Switzerland ("MWC"); MGI LUXURY GROUP S.A., a corporation organized under the laws of Switzerland ("Luxury"); each of the lenders which is a signatory hereto (individually a "Lender" and collectively the "Lenders"); and JPMORGAN CHASE BANK, N.A., as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent"), and as swingline bank (in such capacity, together with its successors in such capacity, the "Swingline Bank"), and as issuing bank (in such capacity, together with its successors in such capacity, the "Issuing Bank").

The Parent, MWC and Luxury desire that the Lenders, the Swingline Bank and the Issuing Bank extend credit as provided herein, and the Lenders, the Swingline Bank and the Issuing Bank are prepared to extend such credit. Accordingly, the Parent, MWC, Luxury, the Lenders, the Swingline Bank, the Issuing Bank and the Administrative Agent agree as follows:

ARTICLE 1. DEFINITIONS; ACCOUNTING TERMS.

Section 1.1. Definitions. As used in this Agreement the following terms have the following meanings (terms defined in the singular to have a correlative meaning when used in the plural and vice versa):

"ABR Borrowing" means a Borrowing comprised of ABR Loans that are Syndicated Loans or a Borrowing of an ABR Loan that is a Swingline Loan.

"ABR Loan" means any Loan bearing interest at a rate determined by reference to the Alternate Base Rate in accordance with the provisions of Article 2.

"Acquisition" is defined in Section 8.11.

"Adjusted LIBO Rate" means, with respect to any LIBOR Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/32nd of 1%) equal to (a) with respect to any LIBOR Borrowing by the Parent, the product of (i) the LIBO Rate in effect for such Interest Period and (ii) Statutory Reserves and (b) with respect to any LIBOR Borrowing by any Foreign Subsidiary Borrower, the LIBO Rate in effect for such Interest Period.

"Administrative Agent" is defined in the initial paragraph of this Agreement. If the Administrative Agent pursuant to Section 11.12 designates any of its Affiliates to perform any of its duties or exercise any of its rights or powers with respect to any Foreign Currency Loans or Foreign Currency Borrowings, the term "Administrative Agent" shall include, as well, such Affiliate with respect thereto.

"Administrative Agent Fees" is defined in Section 2.7(c).

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, when used with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Aggregate Credit Exposure" means, at any time, the sum at such time of (i) the aggregate of the Lenders' Syndicated Loan Exposures, (ii) the L/C Exposure and (iii) the outstanding principal balance of all Swingline Loans.

"Agreement" means this Credit Agreement, as amended, restated supplemented or otherwise modified from time to time.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Rate" means, for any day, with respect to any LIBOR Loan, or with respect to the Commitment Fees, as the case may be, the applicable rate per annum set forth on Schedule II under the caption "LIBOR Loan Spread" or "Commitment Fee Rate", as the case may be, based upon the Average Debt Coverage Ratio. Each change in the Applicable Rate resulting from a change in the Average Debt Coverage Ratio shall be effective with respect to all outstanding LIBOR Loans and with respect to the Commitment Fees on and after the first day of the calendar month following the date of delivery to the Administrative Agent of the financial statements required by paragraph (a) or (b) (as the case may be) of Section 7.8 indicating that a change in the Average Debt Coverage Ratio has occurred, through the date immediately preceding the first day of the calendar month following the next date of delivery of such financial statements indicating that another change in the Average Debt Coverage Ratio has occurred. Notwithstanding the foregoing, but subject to the next sentence, during the period commencing on the Closing Date and ending on the date immediately preceding the first day of the calendar month following the date of delivery of the first such financial statements, the Average Debt Coverage Ratio shall be deemed to be in Category 2 (as set forth on Schedule II) for purposes of determining the Applicable Rate. Notwithstanding the foregoing, (a) at any time during which the Parent has failed to deliver the financial statements required by either such paragraph of Section 7.8, or (b) at any time after the occurrence and during the continuance of an Event of Default, the Average Debt Coverage Ratio shall be deemed to be in Category 4 (as set forth on Schedule II) for purposes of determining the Applicable Rate.

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Assignment and Assumption Agreement" means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is

required by Section 12.5), and accepted by the Administrative Agent, in the form of Exhibit E or any other form approved by the Administrative Agent.

"Augmenting Lender" is defined in Section 2.16.

"Authorization Letter" means the letter agreement executed by the Borrowers in the form of Exhibit B.

"Availability Period" means the period from and including the Closing Date to but excluding the earlier of the Maturity Date and the date of termination of the Revolving Credit Commitments.

"Average Debt Coverage Ratio" means the ratio of (i) the sum of indebtedness for borrowed money, indebtedness for the deferred purchase price of property or services (excluding trade payables in the ordinary course of business; and excluding wages or other compensation payable to employees of the Parent or any of its Subsidiaries in the ordinary course of business), obligations arising under acceptance facilities, and obligations as lessee under Capital Leases (in all cases) of the Parent and its Consolidated Subsidiaries on a consolidated basis as of the last day of each fiscal quarter for four consecutive fiscal quarters, divided by four, to (ii) consolidated earnings before interest expense, taxes, depreciation and amortization of the Parent and its Consolidated Subsidiaries for such period of four consecutive fiscal quarters. For purposes of this definition only, if such clause (ii) is less than one dollar, it shall be deemed to be one dollar.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means the Parent, MWC or Luxury (as applicable).

"Borrowing" means (a) Syndicated Loans made to a single Borrower of a single Type made, converted or continued on the same date and in the same currency, and as to which a single Interest Period is in effect or (b) a Swingline Loan made by the Swingline Bank on a single date.

"Borrowing Request" means a Syndicated Loan Borrowing Request or a Swingline Loan Borrowing Request.

"Breakage Event" is defined in Section 4.4.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close; provided, however, that: (a) when used in connection with a LIBOR Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market; (b) when used in connection with any Loan denominated in Euros, the term "Business Day" shall also exclude any day on which the TARGET payment system is not open for settlement of payment in Euros; and (c) when used in connection with any Loan denominated in a Foreign Currency other than Euros, the term "Business Day" shall also exclude any day on which commercial banks and the London foreign exchange market do not settle payments in the

principal financial center where such Foreign Currency is cleared and settled as reasonably determined by the Administrative Agent.

"Capital Expenditures" means, for any period, the dollar amount of gross expenditures (including obligations under Capital Leases) during such period made for fixed assets, real property, plant and equipment, and all renewals, improvements and replacements thereto (but not repairs thereof) that are required to be capitalized under, and determined in accordance with, GAAP.

"Capital Lease" means any lease which has been or should be capitalized on the books of the lessee in accordance with GAAP.

"Cash Collateral Account" is defined in Section 2.13(f).

"Closing Date" means the date on which the conditions specified in Section 5.1 are satisfied (or waived in accordance with Section 12.1).

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment Fees" is defined in Section 2.7(b).

"Consolidated Capital Expenditures" means Capital Expenditures of the Parent and its Consolidated Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

"Consolidated Subsidiary" means any Subsidiary whose accounts are or are required to be consolidated with the accounts of the Parent in accordance with GAAP.

"Consolidated Tangible Net Worth" means Tangible Net Worth of the Parent and its Consolidated Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "Controlling" and "Controlled" shall have meanings correlative thereto.

"Core Business" means the business of designing, manufacturing and distributing watches, jewelry and other accessories (including the operation of retail stores to distribute the same), other businesses related thereto, or businesses that in the judgment of the board of directors of the Parent are derived from the exploitation by the Parent of its trademarks, including the operation of retail stores to distribute products utilizing the same.

"currency" is defined in the definition of the term "Type" in this Section.

"Debt" means, with respect to any Person: (a) indebtedness of such Person for borrowed money; (b) indebtedness for the deferred purchase price of property or services (except trade payables in the ordinary course of business; and except wages or other compensation payable to employees of such Person in the ordinary course of business); (c) the face amount of

any outstanding letters of credit issued for the account of such Person; (d) obligations arising under acceptance facilities; (e) (without duplication of other Debt) guaranties, endorsements (other than for collection in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person, or otherwise to assure a creditor against loss with respect to any Debt of the type referred to in clauses (a), (b), (c), (d) and (g) of this definition; (f) Debt of others secured by any Lien on property of such Person; and (g) obligations of such Person as lessee under Capital Leases.

"Default" means any event which with the giving of notice or lapse of time, or both, would become an Event of Default.

"Default Rate" is defined in Section 2.9.

"Defaulted Amount" is defined in Section 2.9.

"Designated Sales" means (i) sales of assets of the Parent or any Subsidiary that are prohibited by Section 8.7 (excluding clause (f) thereof), and (ii) sales of all the shares of capital stock of any Subsidiary that are prohibited by Section 8.8 (excluding clause (d) thereof); and (iii) cash mergers of a Subsidiary into another entity (that is, where the outstanding shares of such Subsidiary are entirely converted to cash upon such merger) that are prohibited by Section 8.10 (excluding clause (c) thereof), provided that such sales and mergers shall be for fair market value and on an arms'-length basis.

"Dollar Equivalent" means, on any date of determination, with respect to any amount in a particular Foreign Currency, the equivalent in dollars of such amount, as determined by the Administrative Agent pursuant to Section 1.4 using the Exchange Rate with respect to such Foreign Currency then in effect under Section 1.4.

"dollars" or "$" means lawful money of the United States of America.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, including any rules and regulations promulgated thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) which is a member of any group of organizations (i) described in Section 414(b) or (c) of the Code of which the Parent is a member, or (ii) solely for purposes of potential liability under Section 302(c)(11) of ERISA and Section 412(c)(11) of the Code and the lien created under Section 302(f) of ERISA and Section 412(n) of the Code, described in Section 414(m) or (o) of the Code of which the Parent is a member.

"Euro" means the single currency of the European Union as constituted by the Treaty on European Union and as referred to in the legislative measures of the European Union for the introduction of, changeover to or operation of the Euro in one or more member states.

"Event of Default" is defined in Section 10.1.

"Exchange Rate" means, on any day, with respect to any determination of the equivalent in dollars of a particular Foreign Currency (or in a particular Foreign Currency of dollars), the rate at which such Foreign Currency may be exchanged into dollars (or dollars into such Foreign Currency, as applicable), as set forth at approximately 11:00 a.m., London time, on such day on the Reuters World Currency Page for the relevant currency. In the event that such rate does not appear on any Reuters World Currency Page, the Exchange Rate shall be such exchange rate from such other source as reasonably selected by the Administrative Agent as the rate at which such Foreign Currency may be exchanged into dollars (or dollars into such Foreign Currency, as applicable), or, in the absence of such other source, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of the Person serving as the Administrative Agent in the market where its foreign currency exchange operations in respect of such Foreign Currency are then being conducted, at or about 10:00 a.m., local time of such market, on such date for the purchase of dollars (or such Foreign Currency, as applicable) for delivery two Business Days later; provided that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent may use any reasonable method it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, the Swingline Bank, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of any Borrower hereunder, (a) (i) income or franchise taxes imposed on (or measured by) its net income or gross or net turnover, and (ii) any branch profits taxes or similar taxes imposed, and (b) in the case of a Lender organized under the laws of a jurisdiction other than the United States (a "Non-U.S. Lender"), any withholding tax that is imposed on amounts payable hereunder to such Non-U.S. Lender to the extent such tax is in effect and would apply as of the date such foreign Lender becomes a party to this Agreement or designates a new Lending Office, or that is attributable to such Non-U.S. Lender's failure to comply with Section 11.14.

"Facility Documents" means this Agreement, the Notes, the Authorization Letter, the Parent Guarantee and each Subsidiary Guarantee.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the nearest 1/100th of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the nearest 1/100th of 1%) of the quotations for the day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Fees" means the Commitment Fees, the Administrative Agent Fees, the L/C Participation Fees and the Issuing Bank Fees.

"Foreign Currency" means Euros or Swiss francs (as applicable).

"Foreign Currency Borrowing" means a Borrowing comprised of Syndicated Loans denominated in a particular Foreign Currency.

"Foreign Currency Equivalent" means, on any date of determination, with respect to an amount in dollars, the amount of the applicable Foreign Currency that may be purchased with such amount of dollars at the Exchange Rate with respect to such Foreign Currency on such date, as reasonably determined by the Administrative Agent.

"Foreign Currency Loan" means a Syndicated Loan denominated in a particular Foreign Currency.

"Foreign Currency Sublimit Dollar Amount" means $25,000,000, as the same may be increased from time to time pursuant to Section 2.16.

"Foreign Subsidiary Borrower" means MWC or Luxury (as applicable).

"Forfeiture Proceeding" means any action or proceeding against the Parent or any of its Subsidiaries before any court, governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or the receipt of notice by any such party that any of them is a suspect in or a target of any governmental investigation, as to which there is a reasonable possibility of a determination adverse to the Parent or such Subsidiary and which (if determined adversely to the Parent or such Subsidiary) would, in any one case or in the aggregate, materially adversely affect the financial condition, operations or business of the Parent and its Subsidiaries taken as a whole or the ability of any Borrower or any Guarantor to perform its obligations under the Facility Documents to which it is a party.

"Future Permitted Private Placement Debt" means unsecured indebtedness for money borrowed by the Parent that is privately placed with one or more institutional investors after the Closing Date (including the indebtedness evidenced by the Prudential Shelf Notes), provided that (a) not more than 20% of the original principal amount of any such indebtedness shall be scheduled to mature or to be repaid in any fiscal year prior to the Maturity Date; and (b) the terms and conditions associated with such indebtedness (whether in the notes evidencing such indebtedness, or in the note purchase agreements or similar agreements pursuant to which such indebtedness is issued, or otherwise) are not more restrictive of the Parent or any of its Subsidiaries than the corresponding terms and conditions of this Agreement (which determination as to restrictiveness may be made by the Administrative Agent in its reasonable judgment); provided, however, that the foregoing clause (a) shall not apply to the indebtedness evidenced by the Prudential Shelf Notes; and provided further that the foregoing clause (b) shall not apply to the indebtedness evidenced by the Prudential Shelf Notes unless the Note Purchase and Private Shelf Agreement dated March 21, 2001, as amended prior to the Closing Date, between the Parent and The Prudential Insurance Company of America is hereafter amended.

"GAAP" means generally accepted accounting principles in the United States of America as in effect on the date hereof, applied on a basis consistent with those used in the preparation of the financial statements referred to in Section 6.5.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Grinberg Group" means the group consisting of Gedalio Grinberg, his spouse, each of their estates and their issue; and Efraim Grinberg, his spouse, each of their estates and their issue; and every Person (other than an individual) Controlled by any of the foregoing.

"Guarantors" means the Parent as guarantor under the Parent Guarantee and each Subsidiary Guarantor.

"Hazardous Material" is defined in Section 6.12(a).

"Inactive Subsidiary" means a Subsidiary of the Parent that has (and only for so long as it has) assets of less than $1,000,000; provided, however, that (i) there shall not be more than ten Inactive Subsidiaries at any time during the term of this Agreement and (ii) the assets of all Inactive Subsidiaries in the aggregate shall not exceed $4,000,000.

"Increasing Lender" is defined in Section 2.16.

"Indemnified Taxes" means Taxes arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement other than Excluded Taxes and Other Taxes.

"Indemnitee" is defined in Section 12.3(b).

"Initial Subsidiary Guarantees" means the Subsidiary Guarantees executed and delivered by the Initial Subsidiary Guarantors (respectively) on the Closing Date in favor of the Lenders, the Swingline Bank, the Issuing Bank and the Administrative Agent, in respect of the obligations of the Parent under this Agreement and the other Facility Documents.

"Initial Subsidiary Guarantors" means, as of the Closing Date, Movado Retail Group, Inc., a New Jersey corporation, and Movado LLC, a Delaware limited liability company.

"Interest Coverage Ratio" for any period means the ratio of (a) consolidated earnings before interest expense and taxes of the Parent and its Consolidated Subsidiaries for such period, to (b) cash interest paid during such period by the Parent and its Consolidated Subsidiaries on a consolidated basis.

"Interest Payment Date" means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December, and the Maturity Date; (b) with respect to any LIBOR Loan, the last day of the Interest Period applicable to the

Borrowing of which such Loan is a part and, in the case of a LIBOR Borrowing with an Interest Period of more than three months' duration, each day that would have been an Interest Payment Date had successive Interest Periods of three months' duration been applicable to such Borrowing, and in addition, the date of any prepayment of such Borrowing or the date of any conversion of such Borrowing to a Borrowing of a different Type; and (c) with respect to a Swingline Loan, the day that such Loan is required to be repaid.

"Interest Period" means, as to any LIBOR Borrowing, the period commencing on the date of such Borrowing (or in the case of the conversion of any ABR Borrowing into a LIBOR Borrowing, the date of such conversion or in the case of a continuation of any LIBOR Borrowing as a LIBOR Borrowing, the date of such continuation) and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3, 6 or (subject to availability for each Lender) 9 or 12 months thereafter, as the applicable Borrower may elect; provided, however, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

"Issuing Bank" means JPMCB. The Issuing Bank may, in its reasonable discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"Issuing Bank Fees" is defined in Section 3.9.

"JPMCB" means JPMorgan Chase Bank, N.A. and its successors.

"Judgment Currency" is defined in Section 12.16(a).

"Judgment Currency Conversion Date" is defined in Section 12.16(a).

"L/C Commitment" means the commitment of the Issuing Bank to issue Letters of Credit pursuant to Article 3.

"L/C Disbursement" means a payment or disbursement made by the Issuing Bank pursuant to a Letter of Credit.

"L/C Exposure" means at any time the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time, plus (b) the aggregate principal amount of all L/C Disbursements that have not yet been reimbursed at such time. The L/C Exposure of any Lender at any time means its Pro Rata Percentage of the aggregate L/C Exposure at such time.

"L/C Participation Fee" is defined in Section 3.9.

"Lenders" means (a) the Persons listed on Schedule I (other than any such Person that has ceased to be a party hereto pursuant to an Assignment and Assumption Agreement) and

(b) any Person that has become a party hereto pursuant to an Assignment and Assumption Agreement or pursuant to Section 2.16.

"Lending Office" means, for each Lender and for each Type of Loan to each Borrower, the lending office of such Lender (or of an Affiliate of such Lender) specified in writing by such Lender from time to time to the Administrative Agent and the Parent as the office by which its Loans of such Type to such Borrower are to be made and maintained.

"Letter of Credit" means any letter of credit issued pursuant to Article 3.

"LIBO Rate" means (a) with respect to any LIBOR Borrowing denominated in dollars, for any Interest Period, the rate appearing on Page 3750 of the Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent, in consultation with the Parent, from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period; and (b) with respect to any LIBOR Borrowing denominated in a Foreign Currency, for any Interest Period, the rate determined by reference to the British Bankers' Association Interest Settlement Rates (as reflected on the applicable Telerate service) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for deposits in such Foreign Currency with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such LIBOR Borrowing for such Interest Period shall be the rate at which the Person serving as the Administrative Agent is offered deposits in dollars of, or deposits in the applicable Foreign Currency for the Foreign Currency Equivalent of, $5,000,000 and for a maturity comparable to such Interest Period in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"LIBOR Borrowing" means a Borrowing comprised of LIBOR Loans.

"LIBOR Loan" means any Syndicated Loan bearing interest at a rate determined by reference to the Adjusted LIBO Rate in accordance with the provisions of Article 2.

"Lien" means any lien (statutory or otherwise), security interest, mortgage, deed of trust, priority, pledge, charge, conditional sale, title retention agreement, financing lease or other encumbrance or similar right of others, or any agreement to give any of the foregoing.

"Loans" means Syndicated Loans and Swingline Loans.

"Luxury" is defined in the initial paragraph of this Agreement.

"MWC" is defined in the initial paragraph of this Agreement.

"Maturity Date" means December 15, 2010.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a Plan defined as such in Section 3(37) of ERISA to which contributions have been made by the Parent or any ERISA Affiliate and which is covered by Title IV of ERISA.

"Non-U.S. Lender" is defined in the definition of the term "Excluded Taxes" in this Section.

"Notes" means the Syndicated Loan Notes and the Swingline Loan Note.

"Obligation Currency" is defined in Section 12.16(a).

"Other Credit Agreement" means the 90,000,000 Swiss franc Credit Agreement dated as of the date hereof between MWC and Luxury, as borrowers, the Parent, the lenders party thereto and JPMCB, as administrative agent for such lenders.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies or any value added or similar tax arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Parent" is defined in the initial paragraph of this Agreement.

"Parent Guarantee" means the guarantee executed and delivered by the Parent on the Closing Date in favor of the Lenders and the Administrative Agent, in respect of the obligations of MWC and Luxury under this Agreement and the other Facility Documents, in substantially the form attached hereto as Exhibit D-2.

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within one year from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United

States of America or any State thereof that has a combined capital and surplus and undivided profits of not less than $500,000,000; and

(d) other investment instruments approved in writing by the Required Lenders and offered by financial institutions which have a combined capital and surplus and undivided profits of not less than $500,000,000.

"Person" means an individual, partnership, corporation, business trust, joint stock company, limited liability company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan" means any employee benefit or other plan established or maintained, or to which contributions have been made, by the Parent or any ERISA Affiliate and which is covered by Title IV of ERISA, other than a Multiemployer Plan.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by the entity which is the Administrative Agent as its prime rate in effect at its principal office in New York City; each change in such prime rate shall be effective from and including the date such change is publicly announced as being effective.

"Pro Rata Percentage" of any Lender at any time means the percentage of the Total Revolving Credit Commitment represented by such Lender's Revolving Credit Commitment (or, if the Lenders' Revolving Credit Commitments shall have expired or been terminated in accordance with this Agreement and the Aggregate Credit Exposure is greater than zero, such percentage immediately prior to such expiration or termination, giving effect to any assignments by or to such Lender pursuant to Section 12.5).

"Prudential Existing Notes" means (a) the promissory notes of the Parent in the original aggregate principal amount of $40,000,000 issued pursuant to the Note Agreement dated as of November 9, 1993, as amended prior to the Closing Date, between the Parent and The Prudential Insurance Company of America, and (b) the Series A promissory notes of the Parent in the original aggregate principal amount of $25,000,000 issued pursuant to the Note Purchase and Private Shelf Agreement dated as of November 30, 1998, as amended prior to the Closing Date, between the Parent and The Prudential Insurance Company of America.

"Prudential Shelf Notes" means, to the extent hereafter actually issued, the shelf promissory notes of the Parent in the aggregate principal amount of up to $40,000,000 authorized pursuant to the Note Purchase and Private Shelf Agreement dated as of March 21, 2001, as amended prior to the Closing Date, between the Parent and The Prudential Insurance Company of America.

"Qualifying Bank" means any legal entity which is recognized as a bank by the banking laws in force in its country of incorporation and which exercises as its main purpose a true banking activity, having bank personnel, premises, communication devices of its own and the authority of decision-making.

"Rate" is defined in the definition of the term "Type" in this Section.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as the same may be amended or supplemented from time to time.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as the same may be amended or supplemented from time to time.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees and agents of such Person and such Person's Affiliates.

"Release" is defined in Section 6.12(a).

"Required Lenders" means, at any time, Lenders having Syndicated Loan Exposure, L/C Exposure and unused Revolving Credit Commitments representing more than 50% of the sum of all Syndicated Loan Exposure, L/C Exposure and unused Revolving Credit Commitments at such time.

"Required Payment" is defined in Section 11.13.

"Revolving Credit Commitment" means, with respect to each Lender, the commitment of such Lender to make Syndicated Loans, and to acquire participations in Letters of Credit and Swingline Loans, hereunder as set forth on Schedule I, or in the Assignment and Assumption Agreement pursuant to which such Lender assumed its Revolving Credit Commitment, or pursuant to Section 2.16, as applicable, as the same may be (a) reduced from time to time pursuant to Section 2.10, (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 12.5 and/or (c) increased from time to time pursuant to Section 2.16.

"S&P" means Standard & Poor's Ratings Services.

"Statutory Reserves" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve, liquid asset or similar percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by any Governmental Authority of the jurisdiction of such currency to which the entity which is the Administrative Agent in such jurisdiction is subject for any category of deposits or liabilities customarily used to fund loans in such currency or by reference to which interest rates applicable to Loans in such currency are determined. Such reserve, liquid asset or similar percentages shall, in the case of dollars, include those imposed by the Board with respect to the Adjusted LIBO Rate for Eurocurrency Liabilities (as defined in Regulation D of the Board). LIBOR Loans shall be deemed to constitute Eurocurrency Liabilities and to be subject to such reserve requirements without benefit of or credit from proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any other applicable law, rule or regulation. Statutory Reserves shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subsidiary" means, with respect to any Person, any corporation or other entity of which at least a majority of the securities or other ownership interests having ordinary voting

power (absolutely or contingently) for the election of directors or other persons performing similar functions are at the time owned directly or indirectly by such Person. Unless the context otherwise requires, references in this Agreement to a Subsidiary mean a Subsidiary of the Parent.

"Subsidiary Guarantee" means a guarantee executed and delivered by a Subsidiary Guarantor in favor of the Lenders, the Swingline Bank, the Issuing Bank and the Administrative Agent, in respect of the obligations of the Parent under this Agreement and the other Facility Documents, in substantially the form attached hereto as Exhibit D-1 (including the Initial Subsidiary Guarantees).

"Subsidiary Guarantors" means the Initial Subsidiary Guarantors and each other Subsidiary that becomes a Subsidiary Guarantor pursuant to Section 7.9.

"Swingline Bank" means JPMCB.

"Swingline Loan Borrowing Request" means a request by the Parent for a Swingline Loan in accordance with the terms of Section 2.4 in form satisfactory to the Administrative Agent.

"Swingline Loan Note" is defined in Section 2.6(b).

"Swingline Loans" means the revolving loans made by the Swingline Bank to the Parent pursuant to Section 2.4. Each Swingline Loan shall be an ABR Loan.

"Swiss francs" means the lawful money of Switzerland.

"Syndicated Loan Borrowing Request" means a request by the Parent (on its own behalf or on behalf of the applicable Foreign Subsidiary Borrower) for Syndicated Loans in accordance with the terms of Section 2.3 in form satisfactory to the Administrative Agent.

"Syndicated Loan Exposure" means, with respect to any Lender at any time, the aggregate principal amount at such time of all outstanding Syndicated Loans of such Lender denominated in dollars plus the Dollar Equivalent at such time of the aggregate principal amount at such time of all outstanding Syndicated Loans of such Lender that are Foreign Currency Loans.

"Syndicated Loan Note" is defined in Section 2.6(a).

"Syndicated Loans" means the revolving loans made by the Lenders to the Parent or a Foreign Subsidiary Borrower (as the case may be) pursuant to Section 2.1. Each Syndicated Loan to the Parent shall be denominated in dollars and shall be outstanding as a LIBOR Loan or an ABR Loan, and each Syndicated Loan to a Foreign Subsidiary Borrower shall be outstanding as a Foreign Currency Loan.

"Tangible Net Worth" of a Person means, at any date of determination thereof, the excess of total assets of such Person over total liabilities of such Person, excluding, however, (A) from the determination of total assets: (i) all assets which would be classified as intangible assets under GAAP, including, without limitation, goodwill (whether representing the excess of

cost over book value of assets acquired or otherwise), patents, trademarks, trade names, copyrights, franchises, and deferred charges (including, without limitation, unamortized debt discount and expense, organization cost, and research and development costs); and (ii) any write-up in the book value of any asset since January 31, 2005; and (B) any foreign exchange translation adjustment in the cumulative amount, and any adjustments to other comprehensive income for derivative instruments and other hedging activities, that would (in each case) be properly shown in the shareholders' equity section of such Person's balance sheet prepared in accordance with GAAP.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Total Revolving Credit Commitment" means, at any time, the aggregate amount of the Revolving Credit Commitments, as in effect at such time.

"Type", when used in respect of any Syndicated Loan or Borrowing of Syndicated Loans, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined and the currency in which such Loan or the Loans comprising such Borrowing are denominated. For purposes hereof, the term "Rate" means the Adjusted LIBO Rate or the Alternate Base Rate, and the term "currency" means dollars, Euros or Swiss francs.

"Unfunded Benefit Liabilities" means, with respect to any Plan, the amount (if any) by which the present value of all benefit liabilities (within the meaning of Section 4001(a)(16) of ERISA) under the Plan exceeds the fair market value of all Plan assets allocable to such benefit liabilities, as determined on the most recent valuation date of the Plan and in accordance with the provisions of ERISA for calculating the potential liability of the Parent or any ERISA Affiliate under Title IV of ERISA.

Section 1.2. Accounting Terms. All accounting terms used herein and not specifically defined herein shall be construed in accordance with GAAP, and all financial data required to be delivered hereunder shall be prepared in accordance with GAAP. If any change in GAAP, as in effect on the date hereof, occurs after the date of this Agreement, compliance with all financial covenants contained herein shall continue to be determined in accordance with GAAP as in effect on the date hereof, except to the extent that the Parent and the Required Lenders otherwise agree in writing.

Section 1.3. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to

include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Section 1.4. Determination of Exchange Rates. Not later than 11:00 a.m., New York City time, on each date on which a calculation of the Exchange Rate is to be made in connection with a Borrowing or a continuation or a conversion of a Borrowing, the Administrative Agent shall (i) determine the Exchange Rate as of such date and (ii) give prompt notice thereof to the Lenders and the Parent (on behalf of itself and the Foreign Subsidiary Borrowers).

ARTICLE 2. THE LOANS.

Section 2.1. Syndicated Loans. Subject to the terms and conditions hereof, each Lender agrees, severally and not jointly, to make, from time to time during the Availability Period, (a) Syndicated Loans to the Parent denominated in dollars, (b) Syndicated Loans to MWC denominated in a Foreign Currency and (c) Syndicated Loans to Luxury denominated in a Foreign Currency, in an aggregate principal amount at any time outstanding that will not result in:

(i) the sum of (x) such Lender's Syndicated Loan Exposure, plus (y) such Lender's L/C Exposure, plus (z) such Lender's Pro Rata Percentage of all outstanding Swingline Loans exceeding such Lender's Revolving Credit Commitment, or

(ii) the Dollar Equivalent of such Lender's outstanding Foreign Currency Loans exceeding such Lender's Pro Rata Percentage of the Foreign Currency Sublimit Dollar Amount; or

(iii) the Aggregate Credit Exposure exceeding the Total Revolving Credit Commitment.

Within the limits set forth in the preceding sentence and subject to the terms, conditions and limitations set forth herein, the Borrowers may borrow, pay or prepay and reborrow Syndicated Loans.

Section 2.2. Making of Syndicated Loans. (a) Each Syndicated Loan shall be made as part of a Borrowing consisting of Syndicated Loans made by the Lenders ratably in accordance with their respective Revolving Credit Commitments; provided, however, that the failure of any Lender to make any Syndicated Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Syndicated Loan required to be made by such other Lender). The Syndicated Loans comprising any Borrowing shall be in an

aggregate principal amount that is an integral multiple of $250,000 and that is not less than $1,000,000 (in the case of each ABR Borrowing) or $2,000,000 (in the case of a LIBOR Borrowing denominated in dollars) or 3,000,000 units of a particular Foreign Currency in the case of a LIBOR Borrowing denominated in such Foreign Currency; provided, however, that an ABR Borrowing may be in an amount that is equal to the remaining balance of the Total Revolving Credit Commitment. Syndicated Loans that are made pursuant to any Foreign Currency Borrowing shall be made in the particular Foreign Currency and in an aggregate principal amount specified in the applicable Syndicated Loan Borrowing Request (and the dollar amount thereof shall be determined by the Administrative Agent as of the day that is three Business Days before the day such Loans are made using the current Exchange Rate as of the day that is three Business Days before the day such Loans are made, which determination shall be conclusive absent manifest error).

(b) Subject to Sections 4.1 and 4.3, each Borrowing of Syndicated Loans denominated in dollars shall be comprised entirely of ABR Loans or LIBOR Loans as the Parent may request pursuant to Section 2.3; and each Borrowing of Syndicated Loans in a particular Foreign Currency shall be comprised entirely of LIBOR Loans. Each Lender may at its option make any LIBOR Loan by causing any domestic or foreign branch of such Lender or any Affiliate of such Lender which is a Qualifying Bank to make such Loan; provided that any exercise of such option shall not affect the obligation of the applicable Borrower to repay such Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time; provided, however, that no Borrower shall be entitled to request any Borrowing that, if made, would result in more than twelve LIBOR Borrowings outstanding hereunder at any time. Borrowings having different Interest Periods (regardless of whether they commence on the same date), or denominated in different currencies, or made by different Borrowers, shall be considered separate Borrowings.

(c) Each Lender shall make each Syndicated Loan denominated in dollars to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, on such date to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. Each Lender shall make each Syndicated Loan denominated in a Foreign Currency to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, London time (or the time of such other city designated by the Administrative Agent), on such date to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the applicable Borrower by promptly crediting the amounts so received, in like funds, to an account of such Borrower maintained with (i) the Administrative Agent in New York City in the case of such Loans denominated in dollars or (ii) the Administrative Agent (or its designee) in London (or such other city as the Administrative Agent may in its reasonable judgment designate in respect of particular Foreign Currency Loans) in the case of Foreign Currency Loans, in each case designated by the Parent (on its own behalf or on behalf of the applicable Foreign Subsidiary Borrower) in the applicable Syndicated Loan Borrowing Request; or if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, the Administrative Agent shall return the amounts so received to the respective Lenders.

(d) Notwithstanding any other provision of this Agreement, no Borrower shall be entitled to request any Borrowing of Syndicated Loans that are LIBOR Loans if the Interest Period requested with respect thereto would end after the Maturity Date.

Section 2.3. Borrowing Procedure as to Syndicated Loans. In order to request a Borrowing of Syndicated Loans, the Parent (on its own behalf or on behalf of the applicable Foreign Subsidiary Borrower) shall hand deliver or telecopy to the Administrative Agent a duly completed Syndicated Loan Borrowing Request (a) in the case of a LIBOR Borrowing, not later than (i) 11:00 a.m., New York City time (in the case of a Borrowing denominated in dollars) or (ii) 11:00 a.m., London time (in the case of a Borrowing denominated in a Foreign Currency), three Business Days before a proposed Borrowing, and (b) in the case of an ABR Borrowing, not later than 12:00 noon, New York City time, one Business Day before a proposed Borrowing. Notwithstanding the immediately preceding sentence, the Administrative Agent agrees that it will (subject to the Authorization Letter) accept from the Parent a Syndicated Loan Borrowing Request by telephone by the applicable date and time specified in the immediately preceding sentence, provided that the same is confirmed by the Parent to the Administrative Agent in writing promptly (and in all events on the same day as such telephone communication). Each Syndicated Loan Borrowing Request shall be irrevocable, shall be signed by the Parent (on its own behalf or on behalf of the applicable Foreign Subsidiary Borrower), shall refer to this Agreement and shall specify the following information: (a) that such Request relates to Syndicated Loans and not a Swingline Loan; (b) whether the Borrowing then being requested is to be a LIBOR Borrowing or an ABR Borrowing; (c) the date of such Borrowing (which shall be a Business Day); (d) the number and location of the account to which funds are to be disbursed (which shall be an account that complies with the requirements of Section 2.2(c)); (e) the amount of such Borrowing (which shall be expressed in dollars, regardless of whether such Borrowing is a Foreign Currency Borrowing); (f) whether such Borrowing is to be a Borrowing denominated in dollars or in a Foreign Currency (and, if a Foreign Currency, identifying the Foreign Currency); (g) if such Borrowing is to be a LIBOR Borrowing, the Interest Period or Periods with respect thereto; and (h) the identity of the applicable Borrower of such Borrowing; provided, however, that notwithstanding any contrary specification in any Syndicated Loan Borrowing Request, each requested Borrowing of Syndicated Loans shall comply with the requirements set forth in Section 2.2. If no election (or an incomplete election) as to the Type of Borrowing is specified in any such notice, then the requested Borrowing shall be an ABR Borrowing if such Borrowing is denominated in dollars. If no Interest Period with respect to any LIBOR Borrowing is specified in any such notice, then the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section (and the contents thereof), and of each Lender's portion of the requested Borrowing, and (in the case of a Foreign Currency Borrowing) of the particular Foreign Currency in which it is to be denominated and the Foreign Currency Equivalent of the specified dollar amount of such Borrowing and the Exchange Rate utilized to determine such Foreign Currency Equivalent.

Section 2.4. Swingline Loans. (a) Subject to the terms and conditions hereof, the Swingline Bank agrees to make Swingline Loans to the Parent, from time to time during the Availability Period, in dollars, in an aggregate principal amount at any time outstanding that will not result in:

(i) the aggregate principal amount of Swingline Loans being in excess of $10,000,000, or

(ii) the Aggregate Credit Exposure exceeding the Total Revolving Credit Commitment;

provided, however, that the Swingline Bank shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within such limits, and subject to the terms, conditions and limitations set forth herein, the Parent may borrow, pay or prepay and reborrow Swingline Loans from the Swingline Bank.

(b) The Swingline Loans shall be made in dollars and maintained as ABR Loans.

(c) Each Borrowing of a Swingline Loan shall be in an amount not less than $1,000,000 and shall be in integral multiples of $250,000.

(d) In order to request a Borrowing of a Swingline Loan, the Parent shall hand deliver or telecopy to the Administrative Agent a duly completed Swingline Loan Borrowing Request not later than 11:00 a.m., New York City time, on the Business Day on which the proposed Borrowing is to be made. Notwithstanding the immediately preceding sentence, the Administrative Agent agrees that it will (subject to the Authorization Letter) accept from the Parent a Swingline Loan Borrowing Request by telephone by the applicable date and time specified in the immediately preceding sentence, provided that the same is confirmed by the Parent to the Administrative Agent in writing promptly (and in all events on the same day as such telephone communication). Each Swingline Loan Borrowing Request shall be irrevocable, shall be signed on behalf of the Parent, shall refer to this Agreement and shall state (i) that the requested Borrowing is to be of a Swingline Loan, (ii) the amount of such Borrowing and (iii) the date of such Borrowing (which is to be a Business Day). The Administrative Agent shall promptly notify the Swingline Bank of such Swingline Loan Borrowing Request. On the date so specified, the Swingline Bank shall make available the amount of the Swingline Loan to be made by it on such date to the Administrative Agent, in immediately available funds, at an account designated and maintained by the Administrative Agent. The amount so received by the Administrative Agent shall, subject to the terms and conditions of this Agreement, be made available to the Parent by depositing the same in an account of the Parent maintained at the Administrative Agent.

Section 2.5. Participations by All Lenders in Swingline Loans. The Swingline Bank may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which the Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Pro Rata Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Bank, such Lender's Pro Rata Percentage of such Swingline Loan or Loans. Each Lender acknowledges and agrees

that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or an Event of Default or reduction or termination of the Revolving Credit Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds to the Administrative Agent not later than 2:00 p.m., New York City time, on the day it receives such notice (or, if such Lender shall have received such notice later than 10:00 a.m. on any Business Day, then not later than 10:00 a.m. on the following Business Day). If any Lender does not pay such amount to the Administrative Agent on the date required by the immediately preceding sentence, such Lender shall (independently of and in addition to the Parent's obligation to pay interest on such amount) pay interest on such amount, for each day from and including the date such amount is so required to be paid by such Lender to but excluding the date such amount is paid, to the Administrative Agent for the account of the Swingline Bank at (i) for the first such day, the Federal Funds Effective Rate, and (ii) for each day thereafter, one percent per annum in excess of the Federal Funds Effective Rate. The Administrative Agent shall promptly pay to the Swingline Bank the amounts so received by it from the Lenders. The Administrative Agent shall notify the Parent of any participations in any Swingline Loan acquired pursuant to this paragraph. Any amounts received by the Administrative Agent from the Parent (or other party on behalf of the Parent) in respect of a Swingline Loan after receipt by the Swingline Bank of the proceeds of a sale of participations therein shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Bank, as their interests may appear; provided that any such payment so remitted shall be repaid to the Administrative Agent, if and to the extent such payment is required to be refunded to the Parent for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Parent of any default in the payment thereof. Notwithstanding the foregoing, (x) a Lender shall not have any obligation to purchase a participation in a Swingline Loan pursuant to this paragraph if an Event of Default shall have occurred and be continuing at the time such Swingline Loan was made and (aa) such Lender or any other Lender shall have notified the Swingline Bank in writing, at least one Business Day prior to the time such Swingline Loan was made, that such Event of Default has occurred and that such notifying Lender will not acquire participations in Swingline Loans made while such Event of Default is continuing (unless the notifying Lender shall have withdrawn such notice), or (bb) the Parent shall have notified the Swingline Bank in writing, at least one Business Day prior to the time such Swingline Loan was made, that such Event of Default has occurred; and (y) a Lender shall not have any obligation to purchase a participation pursuant to this paragraph to the extent of its Pro Rata Percentage of the aggregate amount of the excess (if any) of Swingline Loans outstanding on the day of a Borrowing of any Swingline Loan over the limitation in clause (i) or (ii) of Section 2.4(a), unless the Parent subsequently eliminates such excess.

Section 2.6. Repayment of Loans. (a) Each Borrower hereby unconditionally agrees to pay to the Administrative Agent for the account of each Lender on the Maturity Date the then unpaid principal amount of each Syndicated Loan of such Lender to such Borrower in the applicable currency of such Syndicated Loan. Upon the request of any Lender at any time, such obligation of each Borrower in favor of such Lender shall be evidenced by a promissory note of such Borrower in favor of such Lender in substantially the form of Exhibit A-1 hereto (the "Syndicated Loan Note" of such Lender as to the applicable Borrower).

(b) The Parent hereby unconditionally agrees to pay to the Administrative Agent for the account of the Swingline Bank the unpaid principal amount of each Swingline Loan on the earlier of the Maturity Date or the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least two Business Days after such Swingline Loan is made; provided that on each day that a Syndicated Borrowing by the Parent is made, the Parent shall pay all Swingline Loans then outstanding. Upon the request of the Swingline Bank at any time, such obligation of the Parent in favor of the Swingline Bank shall be evidenced by a single promissory note of the Parent in favor of the Swingline Bank in the amount of $10,000,000 in substantially the form of Exhibit A-2 hereto (the "Swingline Loan Note").

(c) Each Lender and the Swingline Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender or the Swingline Bank (as applicable) resulting from each Loan made by such Lender or the Swingline Bank from time to time, including the amounts of principal and interest payable and paid to such Lender or the Swingline Bank from time to time under this Agreement.

(d) The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the identity of the applicable Borrower thereof, the Type thereof, the Interest Period applicable thereto, the currency in which it is made, and whether such Loan is a Syndicated Loan or a Swingline Loan, (ii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender or the Swingline Bank hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from any Borrower or any Guarantor and each Lender's or the Swingline Bank's share thereof.

(e) The entries made in the accounts maintained pursuant to paragraphs (c) and (d) above shall be prima facie evidence of the existence and amounts of the obligations therein recorded; provided, however, that the failure of any Lender or the Swingline Bank or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of any Borrower to repay its Loans in accordance with their terms.

Section 2.7. Certain Fees. (a) The Parent agrees to pay to each Lender, through the Administrative Agent, on the last day of March, June, September and December in each year and on the date on which the Revolving Credit Commitment of such Lender shall expire or be terminated as provided herein, a commitment fee equal to the average daily unused amount of the Revolving Credit Commitment of such Lender during the preceding quarter (or other period commencing with the Closing Date or ending with the Maturity Date or the date on which the Revolving Credit Commitment of such Lender shall expire or be terminated) multiplied by the Applicable Rate for such quarter or other period (appropriately pro-rated, if the Applicable Rate changes during such quarter or other period). "Usage" of the Revolving Credit Commitment of a Lender shall include the Syndicated Loans of such Lender and such Lender's Pro Rata Percentage of the L/C Exposure, but shall exclude Swingline Loans.

(b) All commitment fees described in paragraph (a) of this Section (the "Commitment Fees") shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Commitment Fee due to each Lender shall commence to accrue on the

Closing Date and shall cease to accrue on the date on which the Revolving Credit Commitment of such Lender shall expire or be terminated as provided herein.

(c) The Parent agrees to pay to the Administrative Agent, for its own account, the fees with respect to the Administrative Agent's services hereunder payable at the times and in the amounts separately agreed upon between the Parent and the Administrative Agent (the "Administrative Agent Fees").

(d) The Commitment Fees and the Administrative Agent Fees shall be paid on the dates due in dollars and in immediately available funds to the Administrative Agent, for distribution, if and as appropriate, among the Lenders. Once paid, none of such Fees shall be refundable under any circumstances.

Section 2.8. Interest on Loans. (a) Subject to the provisions of Section 2.9, the Loans comprising each ABR Borrowing (whether of Syndicated Loans or of a Swingline Loan) shall bear interest at a rate per annum equal to the Alternate Base Rate. Such interest shall be computed on the basis of the actual number of days elapsed, over (if such interest is determined on the basis of the Prime Rate) a year of 365 or 366 days, as the case may be, or (if such interest is determined on the basis of the Federal Funds Effective Rate) a year of 360 days.

(b) Subject to the provisions of Section 2.9, the Loans comprising each LIBOR Borrowing of Syndicated Loans shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate in effect from time to time.

(c) Interest on each Loan shall be payable by the Borrower of such Loan on the Interest Payment Dates applicable to such Loan except as otherwise provided in this Agreement. The applicable Alternate Base Rate or applicable Adjusted LIBO Rate for each Interest Period or day within an Interest Period, as the case may be, shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

Section 2.9. Default Interest. If any Borrower shall default in the payment required to be made by it of the principal of or interest on any Loan or any other amount becoming due under this Agreement (the "Defaulted Amount"), at stated maturity, by acceleration or otherwise, or under any other Facility Document, then each Borrower shall on demand from time to time pay interest, to the extent permitted by law, on its Loans then or thereafter outstanding (irrespective of whether or not such Loans are due) and on all other amounts then or thereafter due from it under this Agreement, to but excluding the date of actual payment (after as well as before judgment) of the Defaulted Amount, at a rate (the "Default Rate") equal to (a) in the case of overdue principal of each outstanding Loan, the rate otherwise applicable to such Loan pursuant to Section 2.8 plus 2.0% per annum and (b) in all other cases, the Alternate Base Rate plus 2.0% per annum.

Section 2.10. Termination and Reduction of Commitments. (a) The Revolving Credit Commitments and the L/C Commitment shall automatically expire and terminate on the Maturity Date.

(b) Upon at least three Business Days' prior irrevocable written or telecopy notice to the Administrative Agent, the Parent may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Revolving Credit Commitments; provided, however, that (i) each partial reduction of the Revolving Credit Commitments shall be an integral multiple of $1,000,000 and in a minimum amount of $5,000,000 and (ii) the Total Revolving Credit Commitment shall not be reduced to an amount that is less than the Aggregate Credit Exposure at the time (after giving effect to any concurrent prepayment of Loans). If the Administrative Agent receives such a notice from the Parent, the Administrative Agent shall promptly advise the Lenders thereof.

(c) If proceeds of the sale(s) of assets by the Parent or any of its Subsidiaries are applied to the complete or partial retirement of the Prudential Existing Notes or any Future Permitted Private Placement Debt (whether by prepayment or reacquisition by the Parent or such Subsidiary or otherwise), each Lender's Revolving Credit Commitment shall be reduced by the percentage equivalent of a fraction whose numerator is the aggregate outstanding principal amount of the Prudential Existing Notes and the Future Permitted Private Placement Debt so retired and whose denominator is the aggregate outstanding principal amount of the Prudential Existing Notes and the Future Permitted Private Placement Debt immediately prior to such retirement. The Parent shall give the Administrative Agent and the Lenders at least seven days' prior written notice of any complete or partial retirement of the Prudential Existing Notes or the Future Permitted Private Placement Debt out of proceeds of any such sale(s) of assets.

(d) Each reduction in the Revolving Credit Commitments hereunder shall be made ratably among the Lenders in accordance with their respective Revolving Credit Commitments. The Parent shall pay to the Administrative Agent for the account of the applicable Lenders, on the date of each termination or reduction, the Commitment Fees on the amount of the Revolving Credit Commitments so terminated or reduced accrued to but excluding the date of such termination or reduction.

Section 2.11. Conversion and Continuation of Borrowings. (a) The Parent (on its own behalf, in the case of a Borrowing denominated in dollars; or on behalf of the applicable Foreign Subsidiary Borrower, in the case of a Borrowing denominated in a Foreign Currency) or the applicable Foreign Subsidiary Borrower (in the case of a Borrowing denominated in a Foreign Currency) shall have the right at any time upon prior irrevocable notice to the Administrative Agent (x) not later than 12:00 (noon), New York City time, one Business Day prior to conversion, to convert any LIBOR Borrowing in dollars into an ABR Borrowing, (y) not later than 11:00 a.m., New York City time (or 11:00 a.m., London time, if a Borrowing is being continued as or converted to a Borrowing denominated in a Foreign Currency), three Business Days prior to conversion or continuation, to convert any ABR Borrowing of Syndicated Loans into a LIBOR Borrowing in dollars or to continue any LIBOR Borrowing as a LIBOR Borrowing in the same currency for an additional Interest Period or Periods, and (z) not later than 11:00 a.m., New York City time (or 11:00 a.m., London time, if such Borrowing is denominated in a Foreign Currency), three Business Days prior to conversion, to convert the Interest Period with respect to any LIBOR Borrowing to another permissible Interest Period, subject in each case to the following:

(i) each conversion or continuation shall be made pro rata among the Lenders in accordance with the respective principal amounts of the Loans comprising the converted or continued Borrowing;

(ii) if less than all the outstanding principal amount of any Borrowing shall be converted or continued, then each resulting Borrowing shall satisfy the limitations specified in Sections 2.2(a) and 2.2(b) regarding the principal amount and maximum number of Borrowings of the relevant Type;

(iii) each conversion shall be effected by each Lender and the Administrative Agent by recording for the account of such Lender the new Loan of such Lender resulting from such conversion and reducing the Loan (or portion thereof) of such Lender being converted by an equivalent principal amount; accrued interest on any LIBOR Loan (or portion thereof) being converted shall be paid by the applicable Borrower at the time of conversion;

(iv) if any LIBOR Borrowing is converted at a time other than the end of the Interest Period applicable thereto, the applicable Borrower shall pay, upon demand, any amounts due the Lenders pursuant to Section 4.4;

(v) no ABR Borrowing may be converted into a LIBOR Borrowing during the one-month period prior to the Maturity Date; and no LIBOR Borrowing whose Interest Period ends during the one-month period prior to the Maturity Date may be continued as a LIBOR Borrowing for an additional Interest Period; and

(vi) any portion of a LIBOR Borrowing that cannot be continued as a LIBOR Borrowing by reason of the immediately preceding clause shall at the end of the Interest Period in effect for such Borrowing be automatically converted into an ABR Borrowing (if such LIBOR Borrowing is denominated in dollars) or repaid by the applicable Borrower (if such LIBOR Borrowing is denominated in a Foreign Currency).

Each notice pursuant to this Section shall be irrevocable and shall refer to this Agreement and specify (i) the identity of the Borrower of the applicable Borrowing and the amount of the Borrowing that is requested to be converted or continued, (ii) whether such Borrowing is to be converted to or continued as a LIBOR Borrowing or an ABR Borrowing, (iii) if such notice requests a conversion, the date of such conversion (which shall be a Business Day), and (iv) if such Borrowing is to be converted to or continued as a LIBOR Borrowing, the Interest Period with respect thereto. No such notice shall be given more than seven Business Days prior to the effective date of the applicable conversion or continuation. If no Interest Period is specified in any such notice with respect to any conversion to or continuation as a LIBOR Borrowing, the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall advise the Lenders of any notice given pursuant to this Section and of each Lender's portion of any converted or continued Borrowing. If notice shall not have been given in accordance with this Section to continue any LIBOR Borrowing of Syndicated Loans into a subsequent Interest Period or (in the case of the Borrowing denominated in dollars) to convert such Borrowing to an ABR Borrowing, such

Borrowing at the end of the Interest Period applicable thereto shall automatically be converted to an ABR Borrowing (if such Borrowing is denominated in dollars) or shall be repaid (if such Borrowing is denominated in a Foreign Currency).

(b) Notwithstanding any contrary provision contained in this Agreement, upon notice to the Parent from the Administrative Agent given at the request of the Required Lenders, after the occurrence and during the continuance of an Event of Default, (i) no outstanding Loan denominated in dollars may be converted into, or continued as, a LIBOR Loan, and (ii) each LIBOR Borrowing (unless such Borrowing is paid at or before the end of the Interest Period applicable thereto) shall at the end of the Interest Period applicable thereto (if such Borrowing is denominated in dollars) be converted to an ABR Borrowing or (if such Borrowing is denominated in a Foreign Currency) be continued as a LIBOR Borrowing with an Interest Period of one month's duration in the same currency, subject to paragraph (c) of this Section.

(c) Notwithstanding anything to the contrary contained in this Agreement, if an Event of Default described in paragraph (e) of Section 10.1 occurs (other than clause (i) thereof), or if the maturity of the Loans is accelerated pursuant to Article 10, all Loans denominated in a Foreign Currency shall on the date of such occurrence or acceleration be converted into, and all amounts due thereunder shall accrue and be payable in, dollars at the current Exchange Rate on such date, and on and after such date the interest rate applicable thereto shall be the rate applicable to overdue ABR Loans.

(d) A Swingline Loan may not be converted into a LIBOR Loan.

Section 2.12. Optional Prepayment. (a) Each Borrower shall have the right at any time and from time to time to prepay any Borrowing, in whole or in part, upon at least three Business Days' (in the case of LIBOR Borrowings) or one Business Day's (in the case of ABR Borrowings of Syndicated Loans) prior written or telecopy notice to the Administrative Agent before 11:00 a.m., New York City time (or 11:00 a.m., London time, if such Borrowing is denominated in a Foreign Currency), or (in the case of a Borrowing of a Swingline Loan) upon such notice to the Administrative Agent before 11:00 a.m., New York City time, on the day of such prepayment; provided, however, that each partial prepayment shall be in an amount that is an integral multiple of $500,000 (in the case of a Borrowing denominated in dollars) and not less than $1,000,000 (or the Foreign Currency Equivalent of $1,000,000, if such Borrowing is denominated in a Foreign Currency). Notwithstanding the immediately preceding sentence, the Administrative Agent agrees that it will (subject to the Authorization Letter) accept from the Parent notice by telephone of prepayment by the dates and time specified in the immediately preceding sentence, provided that the same is confirmed by the Parent to the Administrative Agent in writing promptly (and in all events on the same day as such telephone communication).

(b) Each notice of prepayment shall specify the identity of the Borrower, the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the applicable Borrower to prepay such Borrowing by the amount stated therein on the date stated therein. All prepayments under this Section shall be subject to Section 4.4 but otherwise without premium or penalty. All prepayments under this

Section shall be accompanied by accrued interest on the principal amount being prepaid to the date of payment.

Section 2.13. Mandatory Prepayments. (a) In the event of any termination of all the Revolving Credit Commitments, each Borrower shall on the date of such termination repay or prepay all its outstanding Borrowings of Syndicated Loans and Swingline Loans and (if any L/C Exposure exists) the Parent shall remit to the Administrative Agent for deposit in the Cash Collateral Account cash in an amount equal to the L/C Exposure to secure the payment when due of the reimbursement obligation of the Parent in respect of the aggregate undrawn face amount of Letters of Credit.

(b) In the event of any partial reduction of the Revolving Credit Commitments, then (x) at or prior to the effective date of such reduction, the Administrative Agent shall notify the Parent and the Lenders of the Aggregate Credit Exposure after giving effect thereto and (y) if the Aggregate Credit Exposure would exceed the Total Revolving Credit Commitment after giving effect to such reduction, then on the date of such reduction one or more Borrowers shall prepay its or their respective Borrowings in an amount sufficient to eliminate such excess, and (if the prepayment of Borrowings is not sufficient to eliminate such excess) the Parent shall remit to the Administrative Agent for deposit in the Cash Collateral Account cash in the remaining amount of such excess to secure the payment when due of the reimbursement obligation of the Parent in respect of the aggregate undrawn face amount of Letters of Credit. Without limiting the generality of the reductions referred to in this paragraph of the Revolving Credit Commitments, such reductions shall include reductions referred to in Section 2.10(c).

(c) In addition, if as of the last Business Day of each calendar month the Dollar Equivalent (computed by the Administrative Agent using the current Exchange Rate as of such Business Day and promptly notified to the Lenders and the Parent (on behalf of itself and the Foreign Subsidiary Borrowers)) of the aggregate outstanding principal balance of Foreign Currency Loans shall exceed 110% of the Foreign Currency Sublimit Dollar Amount, one or more Foreign Subsidiary Borrowers shall, within five Business Days after the Parent's receipt of such notice, prepay Foreign Currency Loans in an amount sufficient so as to reduce the Dollar Equivalent of the aggregate outstanding principal balance of Foreign Currency Loans to an amount that is equal to or less than the Foreign Currency Sublimit Dollar Amount.

(d) All prepayments of Borrowings under this Section shall be subject to Section 4.4, but shall otherwise be without premium or penalty.

(e) Amounts to be applied pursuant to this Section to the prepayment by the Parent of Swingline Loans and/or Syndicated Loans shall be applied, as applicable, first to reduce outstanding Swingline Loans, then to reduce outstanding Syndicated Loans that are ABR Loans. Any amounts remaining after each such application shall be applied to prepay LIBOR Loans of the Parent immediately and/or, if elected by the Parent so long as no Event of Default exists, be deposited in the Cash Collateral Account; and any amount to be remitted by the Parent pursuant to paragraph (a) or (b) of this Section in respect of Letters of Credit shall be deposited in the Cash Collateral Account. In the case of such an immediate prepayment of LIBOR Loans of the Parent, the Parent shall (unless an Event of Default exists) be entitled to designate which LIBOR Borrowings of the Parent are to be prepaid, by giving written notice of such designation

to the Administrative Agent at or before the remittance to the Administrative Agent of the amounts to be applied in prepayment. Amounts to be applied pursuant to this Section to the prepayment by a Foreign Subsidiary Borrower of Syndicated Loans shall be applied to prepay LIBOR Loans of such Foreign Subsidiary Borrower immediately and/or, if elected by the Parent (on behalf of such Foreign Subsidiary Borrower) or such Foreign Subsidiary Borrower so long as no Event of Default exists, be deposited in the Cash Collateral Account. In the case of such an immediate prepayment by a Foreign Subsidiary Borrower of LIBOR Loans of such Foreign Subsidiary Borrower, the Parent (on behalf of such Foreign Subsidiary Borrower) or such Foreign Subsidiary Borrower shall (unless an Event of Default exists) be entitled to designate which LIBOR Borrowings of such Foreign Subsidiary Borrower are to be prepaid, by giving written notice of such designation to the Administrative Agent at or before the remittance to the Administrative Agent of the amounts to be applied in prepayment.

(f) The Administrative Agent shall apply any cash deposited in the Cash Collateral Account (i) in respect of LIBOR Loans of the Parent, to prepay LIBOR Loans of the Parent on the last day of their respective Interest Periods (or, at the direction of the Parent, on any earlier date) until all such outstanding Loans have been prepaid or until all the allocable cash on deposit with respect to such Loans has been exhausted; (ii) in respect of L/C Exposure, to pay as and when the same becomes due the reimbursement obligation of the Parent in respect of Letters of Credit; and (iii) in respect of LIBOR Loans of a Foreign Subsidiary Borrower, to prepay LIBOR Loans of such Foreign Subsidiary Borrower on the last day of their respective Interest Periods (or, at the direction of the Parent on behalf of such Foreign Subsidiary Borrower, on any earlier date) until all such outstanding Loans of such Foreign Subsidiary Borrower have been prepaid or until all the allocable cash on deposit with respect to such Loans has been exhausted. If any Letter of Credit so secured by such cash collateral expires without being drawn (or, if drawn, whose reimbursement is paid by the Parent with funds other than such cash collateral), the Administrative Agent shall remit to the Parent such cash collateral securing such Letter of Credit promptly after a request by the Parent therefor, provided that no Default or Event of Default exists. For purposes of this Agreement, the term "Cash Collateral Account" shall mean an account established by the Parent (on its own behalf or on behalf of the applicable Foreign Subsidiary Borrower) with the Administrative Agent and over which the Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal for application in accordance with this paragraph. The Administrative Agent will, at the request of the Parent (on its own behalf or on behalf of the applicable Foreign Subsidiary Borrower), invest amounts on deposit in the Cash Collateral Account in Permitted Investments; provided, however, that (i) the Administrative Agent shall not be required to make any investment that, in its sole judgment, would require or cause the Administrative Agent to be in, or would result in any, violation of any law, statute, rule or regulation, and (ii) the Administrative Agent shall have no obligation to invest amounts on deposit in the Cash Collateral Account if an Event of Default shall have occurred and be continuing, and (iii) as to amounts on deposit for the prepayment of LIBOR Borrowings, such Permitted Investments shall mature prior to the last day of the applicable Interest Periods of the LIBOR Borrowings to be prepaid. The Parent or the applicable Foreign Subsidiary Borrower (as the case may be) shall indemnify the Administrative Agent for any losses relating to the investments so that the amount available to prepay LIBOR Borrowings of the Parent or the applicable Foreign Subsidiary Borrower (as the case may be) on the last day of the applicable Interest Period, and (in the case of the Parent) to pay L/C Exposure as and when the same becomes due, is not less than the amount that would have been available had no

investments been made pursuant hereto. Other than any interest earned on such investments, the Cash Collateral Account shall not bear interest. Interest or profits, if any, on such investments shall be deposited in the Cash Collateral Account and reinvested and disbursed as specified above. If the maturity of the Loans has been accelerated pursuant to this Agreement, the Administrative Agent may, in its sole discretion, apply all amounts on deposit in the Cash Collateral Account to satisfy any of the amounts due under this Agreement or any other Facility Document, except that amounts deposited in the Cash Collateral Account by a Foreign Subsidiary Borrower in respect of LIBOR Loans of such Foreign Subsidiary Borrower shall not be applied to the Loans or other amounts owing under this Agreement by the other Foreign Subsidiary Borrower or to the Loans or other amounts owing under this Agreement by the Parent. Each Borrower hereby grants to the Administrative Agent, for the benefit of the Administrative Agent, the Swingline Bank, the Issuing Bank and the Lenders, a security interest in the Cash Collateral Account to secure all amounts due from such Borrower under this Agreement and (in the case of the Parent) due from the Parent under the Parent Guarantee.

Section 2.14. Payments. (a) Each Borrower shall make each payment required to be made by it hereunder and under any Facility Document (whether of principal, interest, fees, reimbursement of L/C Disbursements or otherwise) not later than 12:00 noon, local time at the place of payment, on the date when due in immediately available funds, without setoff, defense or counterclaim. Any amounts received after such time on any date may, in the reasonable discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. Each such payment (other than Issuing Bank Fees, which shall be paid directly to the Issuing Bank) shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York (or as otherwise instructed by the Administrative Agent, in the case of amounts payable in a Foreign Currency) or to such other address as the Administrative Agent may designate to the Parent in writing. Each such payment shall be made in dollars, except that (subject to Section 2.11(c)) (i) all principal of and interest on each Loan denominated in a Foreign Currency shall be made in such Foreign Currency and (ii) any amounts payable in respect of reimbursement of expenses or indemnification incurred in a currency other than dollars shall be paid in such currency unless otherwise agreed by the relevant parties. The Administrative Agent, or any Lender for whose account any such payment is to be made, may (but shall not be obligated to) debit the amount of any such payment which is not made by such time to any ordinary deposit account of the Parent or the applicable Foreign Subsidiary Borrower with the Administrative Agent or such Lender, as the case may be, and any Lender so doing shall promptly notify the Administrative Agent; such Lender or (if the Administrative Agent effects such debit) the Administrative Agent shall promptly after effecting such debit give notice thereof to the Parent (on behalf of itself or the applicable Foreign Subsidiary Borrower) as well, provided, however, that a failure to give such notice to the Parent or the applicable Foreign Subsidiary Borrower shall not affect the validity of such debit or place such Lender or the Administrative Agent under any liability to the Parent or the applicable Foreign Subsidiary Borrower. Each Borrower (or the Parent on behalf of the applicable Foreign Subsidiary Borrower) shall, at the time of making each payment under this Agreement or the Notes, specify to the Administrative Agent the principal or other amount payable by the applicable Borrower under this Agreement or the Notes to which such payment is to be applied (and in the event that it fails to so specify, or if a Default or Event of Default has occurred and is continuing), the Administrative Agent may apply such payment as it may elect in its sole discretion (subject to Section 11.16)).

(b) Whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder or under any other Facility Document shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may, except as otherwise provided in the definition of Interest Period, be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

Section 2.15. Purpose. Each Borrower shall use the proceeds of the Loans borrowed by it for working capital and general corporate purposes. Such proceeds shall not be used for the purpose, whether immediate, incidental or ultimate, of buying or carrying "margin stock" within the meaning of Regulation U in contravention of Regulation U.

Section 2.16. Increase of Total Revolving Credit Commitment. The Parent may from time to time elect to increase the Total Revolving Credit Commitment, provided that (i) each such increase is not less than $5,000,000 and (ii) after giving effect to each increase that becomes effective, the aggregate amount of increases of the Total Revolving Credit Commitment under this Section does not exceed $50,000,000. The Parent may arrange for any such increase to be provided by (a) one or more then-existing Lenders agreeing (in the sole discretion of such Lenders) to an increase in their own respective Revolving Credit Commitments (each Lender so agreeing to an increase in its Revolving Credit Commitment being called herein an "Increasing Lender") and/or (b) one or more banks, financial institutions or other entities becoming party to this Agreement as Lenders and providing Revolving Credit Commitments (each such bank, financial institution or other entity being called an "Augmenting Lender"), provided that (x) each Augmenting Lender shall be subject to the approval of the Parent, the Administrative Agent, the Issuing Bank and the Swingline Bank (such approval, in each case, not to be unreasonably withheld) and (y) the Borrowers and the relevant Increasing Lenders and Augmenting Lenders shall execute and deliver all such documentation as the Administrative Agent shall reasonably request (in form and substance reasonably satisfactory to the Administrative Agent) solely to evidence (in the case of an Increasing Lender) the increased Revolving Credit Commitment of such Increasing Lender or (in the case of an Augmenting Lender) the status of the Augmenting Lender as a Lender and its new Revolving Credit Commitment (which documentation, including an amendment to this Agreement, shall not be required to be executed by any Lender other than such Increasing Lender(s) and/or Augmenting Lender(s) as applicable). Increases in Revolving Credit Commitments and new Revolving Credit Commitments shall become effective on the date agreed by the Borrowers, the Administrative Agent and (as applicable) the Increasing Lenders and Augmenting Lenders, and the Administrative Agent shall notify the other Lenders thereof. Notwithstanding the foregoing, no increase in the Total Revolving Credit Commitment shall become effective pursuant to this Section unless (aa) on the proposed date of the effectiveness of such increase, the conditions set forth in paragraphs (a) and (b) of Section 5.2 are satisfied as of such date (and the Administrative Agent shall have received a certificate to that effect dated such date executed by the Borrowers) as if such increase were an extension of credit hereunder and (bb) the Administrative Agent shall have received documents consistent with those delivered on the Closing Date under paragraphs (d), (e) and (f) of Section 5.1 as to the corporate power and authority of each Borrower to borrow and otherwise obtain extensions of credit hereunder after giving effect to such increase. Each increase in the Total Revolving Credit Commitment that becomes effective shall automatically effectuate an increase in the Foreign Currency Sublimit

Dollar Amount by an amount equal to one-half of such increase in the Total Revolving Credit Commitment. On the effective date of each such increase in the Total Revolving Credit Commitment, each Borrower shall make such Borrowings and repayments as shall, in the determination of the Administrative Agent, be necessary to effect the reallocation of Pro Rata Percentages in outstanding Syndicated Loans to each Borrower that is represented by the increase and/or addition of Revolving Credit Commitments pursuant to this Section, and such repayments shall be subject to indemnification by the applicable Borrower pursuant to Section 4.4 if any repayment occurs on a day other than the last day of the applicable Interest Period.

ARTICLE 3. LETTERS OF CREDIT

Section 3.1. Letters of Credit. Subject to the terms and conditions hereof, the Parent may request, and the Issuing Bank shall issue, one or more standby or commercial letters of credit (each a "Letter of Credit") denominated in dollars, for the account of the Parent or any Foreign Subsidiary Borrower, in form acceptable to the Issuing Bank, from time to time during the Availability Period, provided that, after giving effect to the issuance thereof:

(a) the L/C Exposure shall not exceed $15,000,000, and

(b) the Aggregate Credit Exposure shall not exceed the Total Revolving Credit Commitment.

Section 3.2 Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. In order to request the issuance of a Letter of Credit (or to amend, renew or extend an existing Letter of Credit), the Parent (on its own behalf or on behalf of the applicable Foreign Subsidiary Borrower) shall hand deliver or telecopy to the Issuing Bank and the Administrative Agent (not later than two Business Days in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit (together with, if requested by the Issuing Bank, a completed Letter of Credit application in the Issuing Bank's then standard form), or identifying the Letter of Credit to be amended, renewed or extended, the date of issuance, amendment, renewal or extension, the date on which such Letter of Credit is to expire (which shall comply with Section 3.3), the amount of such Letter of Credit, the name and address of the beneficiary thereof, the account party thereof and such other information as shall be necessary to prepare such Letter of Credit. Notwithstanding the immediately preceding sentence, the Issuing Bank and the Administrative Agent agree that they will (subject to the Authorization Letter) accept from the Parent such notice by telephone by the date that is two Business Days in advance as aforesaid, provided that such notice is confirmed in writing promptly (and in all events on the same day as such telephone communication) and that (in the case of a requested issuance of a Letter of Credit) such confirmation is accompanied by such completed Letter of Credit application form. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Parent (on its own behalf or on behalf of the applicable Foreign Subsidiary Borrower) to, or entered into by the Parent with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

Section 3.3. Minimum Amount; Expiration Date. (a) The stated amount of each Letter of Credit shall not be less than $1,000,000 or such lesser amount as is acceptable to the Issuing Bank.

(b) Each Letter of Credit shall expire by its terms not later than the earlier of (A)(i) in the case of a commercial Letter of Credit, 180 days after the issuance thereof (unless the Issuing Bank agrees to a more extended expiry date) or (ii) in the case of a standby Letter of Credit, one year after the date of issuance thereof (subject to an "evergreen" provision, if and to the extent acceptable to the Issuing Bank); or (B) the day that is five Business Days before the Maturity Date.

Section 3.4. Participations. By the issuance of each Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Pro Rata Percentage of the aggregate amount available to be drawn under such Letter of Credit, effective upon the issuance of such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, as provided in Section 3.5, such Lender's Pro Rata Percentage of each L/C Disbursement made by the Issuing Bank and not reimbursed by the applicable Borrower forthwith on the date due as provided in Section 3.5, or of any reimbursement payment required to be refunded to such Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of a Letter of Credit, or the occurrence and continuance of a Default or an Event of Default, or a reduction or termination of the Revolving Credit Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. The Administrative Agent and the Issuing Bank shall be entitled to offset amounts received for the account of a Lender under this Agreement or any of the other Facility Documents against unpaid amounts due from such Lender to the Administrative Agent or the Issuing Bank hereunder.

Section 3.5. Reimbursement. If the Issuing Bank shall make any L/C Disbursement in respect of a Letter of Credit, the applicable Borrower shall reimburse such L/C Disbursement by paying to the Administrative Agent an amount equal to such L/C Disbursement not later than 12:00 noon, New York City time, on the date that such L/C Disbursement is made, if such Borrower shall have received notice of such L/C Disbursement prior to 10:00 a.m., New York City time, on such date, or, if such notice has not been received by such Borrower prior to such time on such date, then not later than 12:00 noon, New York City time, on (i) the Business Day that such Borrower receives such notice, if such notice is received prior to 10:00 a.m., New York City time, on the day of receipt, or (ii) the Business Day immediately following the day that such Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that, if such L/C Disbursement is not less than $1,000,000, such Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.3 or 2.4 that such payment be financed with a Syndicated Borrowing of ABR Loans or a Swingline Loan in an equivalent amount and, to the extent so financed, such Borrower's obligation to make such payment shall be deemed reimbursed, discharged and replaced by the

resulting Syndicated Borrowing of ABR Loans or such Swingline Loan. If such Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable L/C Disbursement, the payment then due from such Borrower in respect thereof and such Lender's Pro Rata Percentage thereof. Upon its receipt of such notice, each Lender shall pay to the Administrative Agent such Lender's Pro Rata Percentage of the payment then due from such Borrower, in immediately available funds not later than 2:00 p.m., New York City time, on the day such Lender receives such notice (or if such Lender shall have received such notice later than 12:00 noon, then not later than 10:00 a.m., New York City time, on the next succeeding Business Day). If any Lender does not pay to the Administrative Agent the amount of such Lender's Pro Rata Percentage of the payment then due from the applicable Borrower as required by the immediately preceding sentence, such Lender shall (independently of and in addition to such Borrower's obligation to pay interest on such amount) pay interest on such amount, for each day from and including the date such amount is so required to be paid by such Lender to but excluding the date such amount is paid, to the Administrative Agent for the account of the Issuing Bank at (i) for the first such day, the Federal Funds Effective Rate, and (ii) for each day thereafter one percent per annum in excess of the Federal Funds Effective Rate. The Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the applicable Borrower pursuant to this Section, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the Issuing Bank for any L/C Disbursement (other than the funding of ABR Syndicated Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the Parent of its obligation to reimburse such L/C Disbursement. Notwithstanding anything in this Article 3 to the contrary, the maximum amount that any Lender shall be required to fund in respect of any L/C Disbursement, whether pursuant to Section 3.4 or this Section or as an ABR Loan pursuant to this Section, shall not exceed such Lender's Pro Rata Percentage of such L/C Disbursement.

Section 3.6. Obligations Absolute. Each Borrower's obligation to reimburse L/C Disbursements as provided in Section 3.5 shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under any and all circumstances whatsoever, and irrespective of:

(i) any lack of validity or enforceability of any Letter of Credit or any Facility Document, or any term or provision therein;

(ii) any amendment or waiver of or any consent to departure from all or any of the provisions of any Letter of Credit or any Facility Document;

(iii) the existence of any claim, setoff, defense or other right that such Borrower, any other party guaranteeing, or otherwise obligated with, such Borrower, any Subsidiary or other Affiliate thereof or any other person may at any time have against the beneficiary under any Letter of Credit, the Issuing Bank, the Administrative Agent or any Lender or any other Person, whether in connection with this Agreement, any other Facility Document or any other related or unrelated agreement or transaction;

(iv) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, provided that such draft and other documents substantially comply with the terms of such Letter of Credit; and

(vi) any other act or omission to act or delay of any kind of the Issuing Bank, the Lenders, the Administrative Agent or any other Person or any other event or circumstances whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of such Borrower's obligations hereunder.

Without limiting the generality of the foregoing, it is expressly understood and agreed that the absolute and unconditional obligation of each Borrower hereunder to reimburse L/C Disbursements will not be excused by the gross negligence or willful misconduct of the Issuing Bank. However, the foregoing shall not be construed to excuse the Issuing Bank from liability to each Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by such Borrower to the extent permitted by applicable law) suffered by such Borrower that are caused by the Issuing Bank's gross negligence or willful misconduct in determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof; it is understood that the Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary and, in making any payment under any Letter of Credit (i) the Issuing Bank's exclusive reliance on the documents presented to it under such Letter of Credit as to any and all matters set forth therein, including reliance on the amount of any draft presented under such Letter of Credit, whether or not the amount due to the beneficiary thereunder equals the amount of such draft and whether or not any document presented pursuant to such Letter of Credit proves to be insufficient in any respect, if such document on its face appears to be in order, and whether or not any other statement or any other document presented pursuant to such Letter of Credit proves to be forged or invalid or any statement therein proves to be inaccurate or untrue in any respect whatsoever and (ii) any noncompliance in any immaterial respect of the documents presented under such Letter of Credit with the terms thereof shall, in each case, be deemed not to constitute willful misconduct or gross negligence of the Issuing Bank.

Section 3.7. Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall as promptly as possible give telephonic notification, confirmed by telecopy, to the Administrative Agent and the applicable Borrower of such demand for payment and whether the Issuing Bank has made or will make an L/C Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve such Borrower of its obligation to reimburse the Issuing Bank and the Lenders with respect to any such L/C Disbursement. The Administrative Agent shall promptly give each Lender notice thereof.

Section 3.8. Interim Interest. If the Issuing Bank shall make any L/C Disbursement in respect of a Letter of Credit, then, unless the applicable Borrower shall reimburse such L/C Disbursement in full on the date on which such L/C Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date of such L/C Disbursement to but excluding the date that such Borrower reimburses such L/C Disbursement, at the rate per annum that would apply to such amount if such amount were an ABR Loan. Interest accrued pursuant to this Section shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to Section 3.4 or 3.5 to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

Section 3.9. Letter of Credit Fees. Each Borrower agrees to pay (i) to each Lender, through the Administrative Agent, on the last day of March, June, September and December of each year and on the date on which the Revolving Credit Commitment of such Lender shall be terminated as provided herein, a fee (an "L/C Participation Fee") calculated on such Lender's Pro Rata Percentage of the average daily aggregate L/C Exposure (excluding the portion thereof attributable to unreimbursed L/C Disbursements) during the preceding quarter (or shorter period commencing with the date hereof, or ending with the Maturity Date or the date on which all Letters of Credit have been canceled or have expired and the Revolving Credit Commitments of all Lenders have been terminated) at a rate equal to (in the case of standby Letters of Credit) the same Applicable Rate used to determine the interest rate applicable to LIBOR Loans and (in the case of commercial Letters of Credit) 0.20% per annum, and (ii) to the Issuing Bank with respect to each Letter of Credit, a facing fee at a rate equal to 0.0625% per annum in respect of each standby Letter of Credit (payable at the same times that the L/C Participation Fee is payable) plus, in the case of any Letter of Credit, the standard issuance and drawing fees specified from time to time by the Issuing Bank (the "Issuing Bank Fees"). All L/C Participation Fees and Issuing Bank Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The L/C Participation Fee and the Issuing Bank Fees shall be paid on the dates due in immediately available funds, (in the case of the L/C Participation Fee) to the Administrative Agent for distribution as appropriate among the Lenders and (in the case of the Issuing Bank Fees) directly to the Issuing Bank.

Section 3.10. Resignation of the Issuing Bank. The Issuing Bank may resign at any time by giving 180 days' prior written notice to the Administrative Agent, the Lenders and the Parent. The Parent shall have the right to appoint any Lender as successor Issuing Bank, subject to the consent of the Required Lenders including the appointed Lender (which consent of the appointed Lender shall be in such Lender's sole discretion, and which consent of the other Required Lenders shall not be unreasonably withheld). Upon the acceptance of any appointment as the Issuing Bank hereunder by a Lender that shall agree to serve as successor Issuing Bank, such successor shall succeed to and become vested with all the interests, rights and obligations of the retiring Issuing Bank (except to the extent provided for in the last sentence of this Section) and the retiring Issuing Bank shall be discharged from its obligations to issue additional Letters of Credit hereunder. At the time such resignation shall become effective, each Borrower shall pay to such retiring Issuing Bank all accrued and unpaid Issuing Bank Fees on the Letters of Credit issued for such Borrower's account. The acceptance of any appointment as the Issuing Bank hereunder by a successor Lender shall be evidenced by an agreement entered into by such successor, in a form satisfactory to the Parent and the Administrative Agent, and from and after

the effective date of such agreement (i) such successor Lender shall have all the rights and obligations of the previous Issuing Bank under this Agreement and the other Loan Documents and (ii) references herein and in the other Loan Documents to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the resignation of the Issuing Bank hereunder, the retiring Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement and the other Facility Documents with respect to Letters of Credit issued by it prior to such resignation, but shall not be required to issue additional Letters of Credit.

Section 3.11. Not Fiduciary. In no event shall the Issuing Bank be deemed a fiduciary of the Lenders with respect to Letters of Credit. As between the Issuing Bank (on the one hand) and the Lenders (on the other hand), the Issuing Bank shall have in connection with the Letters of Credit all the rights and protections that are afforded to the Administrative Agent in Article 11.

Section 3.12. Purpose. No Letter of Credit shall be used by any Borrower for the purpose, whether immediate, incidental or ultimate, of buying or carrying "margin stock" within the meaning of Regulation U in contravention of Regulation U.

ARTICLE 4. YIELD PROTECTION; ILLEGALITY; ETC.

Section 4.1. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a LIBOR Borrowing denominated in any currency:

(a) the Administrative Agent determines (which determination, if made on a reasonable and nondiscriminatory basis, shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate for such Borrowing for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Parent (on behalf of itself and the Foreign Subsidiary Borrowers, if applicable) and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Parent (on behalf of itself and the Foreign Subsidiary Borrowers, if applicable) and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any request to convert any Borrowing to, or to continue any Borrowing as, a LIBOR Borrowing in such currency shall be ineffective, and any LIBOR Borrowing denominated in such currency shall be repaid on the last day of the then current Interest Period with respect thereto or (at the option of the Parent, in the case of a LIBOR Borrowing denominated in dollars) shall be converted to an ABR Borrowing in accordance with this Agreement on the last day of the then current Interest Period with respect thereto, (ii) if any Syndicated Loan Borrowing Request requests a LIBOR Borrowing denominated in such currency, (x) if such currency is dollars, such Borrowing shall be made as

an ABR Borrowing, and (y) if such currency is not dollars, such Borrowing Request shall be ineffective.

Section 4.2. Reserve Requirement; Change in Circumstances. (a) Notwithstanding any other provision of this Agreement, if after the date of this Agreement any change in applicable law or regulation or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof (whether or not having the force of law) shall change the basis of taxation of payments to any Lender or the Swingline Bank or the Issuing Bank of the principal of or interest on any LIBOR Loan made by such Lender or any Fees or other amounts payable hereunder (other than changes in respect of taxes imposed on the overall net income of such Lender or the Swingline Bank or the Issuing Bank by the jurisdiction in which such Lender or the Swingline Bank or the Issuing Bank has its principal office or by any political subdivision or taxing authority therein), or shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by any Lender or the Swingline Bank or the Issuing Bank (except only such reserve requirement which is reflected in the Adjusted LIBO Rate) or shall impose on such Lender or the Swingline Bank or the Issuing Bank or the London interbank market (or other relevant interbank market) any other condition affecting this Agreement or LIBOR Loans made by such Lender or any Letter of Credit or participation therein, and the result of any of the foregoing shall be to increase the cost to such Lender or the Swingline Bank or the Issuing Bank of making or maintaining any LIBOR Loan or of issuing or maintaining any Letter of Credit or purchasing or maintaining a participation therein or to reduce the amount of any sum received or receivable by such Lender or the Swingline Bank or the Issuing Bank hereunder in respect thereof (whether of principal, interest or otherwise) by an amount deemed by such Lender or the Swingline Bank or the Issuing Bank to be material, then the Parent or the applicable Foreign Subsidiary Borrower shall pay to such Lender or the Swingline Bank or the Issuing Bank, as the case may be, upon demand such additional amount or amounts as will compensate such Lender or the Swingline Bank or the Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered. There shall be no duplication of payments in respect of Indemnified Taxes and Other Taxes required to be made by this Section and by Section 4.5.

(b) If any Lender or the Swingline Bank or the Issuing Bank shall have determined that the adoption after the date hereof of any law, rule, regulation, agreement or guideline regarding capital adequacy or any change after the date hereof in any law, rule, regulation, agreement or guideline regarding capital adequacy (whether or not such law, rule, regulation, agreement or guideline has been adopted) or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by any Lender (or any lending office of such Lender) or the Swingline Bank or the Issuing Bank or any Lender's or the Swingline Bank's or the Issuing Bank's holding company with any request or directive regarding capital adequacy (whether or not having the force of law) of any Governmental Authority has or would have the effect of reducing the rate of return on such Lender's or the Swingline Bank's or the Issuing Bank's capital or on the capital of such Lender's or the Swingline Bank's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made or participation in Letters of Credit purchased by such Lender or by the Swingline Bank pursuant hereto or the Letters of Credit issued by the Issuing Bank pursuant hereto to a level below that which such Lender or the Swingline Bank or

the Issuing Bank or such Lender's or the Swingline Bank's or the Issuing Bank's holding company could have achieved but for such applicability, adoption, change or compliance (taking into consideration such Lender's or the Swingline Bank's or the Issuing Bank's policies and the policies of such Lender's or the Swingline Bank's or the Issuing Bank's holding company with respect to capital adequacy) by an amount deemed by such Lender or the Swingline Bank or the Issuing Bank to be material, then from time to time the Parent or the applicable Foreign Subsidiary Borrower shall pay to such Lender or the Swingline Bank or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Swingline Bank or the Issuing Bank or such Lender's or the Swingline Bank's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Swingline Bank or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Swingline Bank or the Issuing Bank or its holding company, as applicable, as specified in paragraph (a) or (b) above shall be delivered to the Parent and shall (if the determination of such amount or amounts is made on a reasonable and nondiscriminatory basis) be conclusive absent manifest error. The Parent or the applicable Foreign Subsidiary Borrower shall pay such Lender or the Swingline Bank or the Issuing Bank the amount shown as due on any such certificate delivered by it within 10 days after receipt by the Parent of the same.

(d) Failure or delay on the part of any Lender or the Swingline Bank or the Issuing Bank to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital shall not constitute a waiver of such Lender's or the Swingline Bank or the Issuing Bank's right to demand such compensation; provided, however, that if any Lender or the Swingline Bank or the Issuing Bank demands such compensation in respect of a period prior to the date on which written demand therefor is given to the Parent, then the obligation of the Parent or the applicable Foreign Subsidiary Borrower to pay such compensation in respect of such period shall be limited to the three months prior to the giving of such written demand, plus (if such demand results from a retroactive change in the aforesaid law, regulation, interpretation, administration, or guideline) the period of such retroactivity; however, such limitation shall not apply in respect of the period from and after the giving of such written demand. The protection of this Section shall be available to each Lender and the Swingline Bank or the Issuing Bank regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, agreement, guideline or other change or condition that shall have occurred or been imposed.

Section 4.3. Change in Legality. (a) Notwithstanding any other provision of this Agreement, if, after the date hereof, any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any LIBOR Loan denominated in a particular currency or to give effect to its obligations as contemplated hereby with respect to any LIBOR Loan denominated in a particular currency, then, by written notice to the Parent (on behalf of itself or a Foreign Subsidiary Borrower, as applicable) and to the Administrative Agent:

(x) such Lender may declare that LIBOR Loans in such currency will not thereafter (for the duration of such unlawfulness) be made by such Lender hereunder (or be continued for additional Interest Periods) and that Loans of any other Type will not thereafter (for such duration) be converted into LIBOR Loans denominated in such currency; whereupon (if such currency is dollars) any request for a LIBOR Borrowing in dollars (or to convert an ABR Borrowing into a LIBOR Borrowing in dollars or to continue a LIBOR Borrowing in dollars for an additional Interest Period) shall as to such Lender only be deemed a request for an ABR Loan unless such declaration is subsequently withdrawn; and

(y) such Lender may require that all outstanding LIBOR Loans made by it in such currency be converted to ABR Loans (if such currency is dollars) or be repaid by the applicable Foreign Subsidiary Borrower (if such currency is a Foreign Currency), in which event all such LIBOR Loans shall be so converted or repaid (as applicable) as of the effective date of such notice as provided in paragraph (b) of this Section.

In the case of any conversion pursuant to the exercise by any Lender of its rights under clause (x) or (y) above, all payments and prepayments of principal that would otherwise have been applied to repay the LIBOR Loans in dollars that would have been made by such Lender or the converted LIBOR Loans in dollars of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the conversion of, such LIBOR Loans in dollars.

(b) For purposes of this Section, a notice to the Parent by any Lender shall be effective as to each LIBOR Loan made by such Lender, if lawful, on the last day of the Interest Period then applicable to such LIBOR Loan; in all other cases such notice shall be effective on the date of receipt by the Parent.

Section 4.4. Indemnity. As to the Loans of each Borrower, such Borrower shall indemnify each Lender against any loss or expense that such Lender may sustain or incur as a consequence of (a) any event, other than a default by such Lender in the performance of its obligations hereunder, which results in (i) such Lender receiving or being deemed to receive any amount on account of the principal of any LIBOR Loan prior to the end of the Interest Period in effect therefor, (ii) the conversion of any LIBOR Loan to an ABR Loan, or the conversion of the Interest Period with respect to any LIBOR Loan, in each case other than on the last day of the Interest Period in effect therefor, or (iii) any LIBOR Loan to be made by such Lender (including any LIBOR Loan to be made pursuant to a conversion or continuation under Section 2.11) not being made after notice of such Loan shall have been given by the Parent or applicable Foreign Subsidiary Borrower hereunder (any of the events referred to in this clause (a) being called a "Breakage Event") or (b) any default in the making of payment or prepayment required to be made hereunder. In the case of any Breakage Event, such loss shall include an amount equal to the excess, as reasonably determined by such Lender, of (i) its cost of obtaining funds for the LIBOR Loan that is the subject of such Breakage Event for the period from the date of such Breakage Event to the last day of the Interest Period in effect (or that would have been in effect) for such Loan over (ii) the amount of interest likely to be realized by such Lender in redeploying the funds released or not utilized by reason of such Breakage Event for such period. A certificate of any Lender setting forth any amount or amounts which such Lender is entitled to receive

pursuant to this Section shall be delivered to the Parent (on behalf of itself or the applicable Foreign Subsidiary Borrower) and shall (if the determination of such amount or amounts is made on a reasonable and nondiscriminatory basis) be conclusive absent manifest error.

Section 4.5. Taxes. (a) Any and all payments by or on account of any obligation of any Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes except as otherwise required by applicable law; provided that, if any Borrower shall be required by applicable law to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, each Lender, the Swingline Bank or the Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the applicable Borrower shall make such deductions, and (iii) the applicable Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, each Borrower shall pay any Other Taxes payable by it to the relevant Governmental Authority in accordance with applicable law.

(c) Each Borrower shall indemnify the Administrative Agent, each Lender, the Swingline Bank and the Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender, the Swingline Bank or the Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of such Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Parent (on behalf of itself or the applicable Foreign Subsidiary Borrower) by a Lender or the Swingline Bank or the Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or the Swingline Bank or the Issuing Bank, shall (if there is a reasonable basis for such payment or liability, and if the determination of the amount thereof is made on a reasonable basis) be conclusive absent manifest error.

(d) After payment by a Borrower to the demanding party of the amount demanded pursuant to paragraph (c) of this Section, such Borrower shall be entitled to commence a legal proceeding against the applicable Governmental Authority to recover the Indemnified Taxes or Other Taxes so paid by the demanding party; and (after such payment by such Borrower to the demanding party) the demanding party shall at the sole expense of such Borrower cooperate with such Borrower as such Borrower may reasonably request with respect to such legal proceeding, provided that the demanding party may do so without material risk of liability.

(e) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by a Borrower to a Governmental Authority, such Borrower shall deliver to the

Administrative Agent written evidence thereof reasonably satisfactory to the Administrative Agent.

(f) If the Administrative Agent or any Lender determines, in its sole discretion, or becomes aware that it has received, or is entitled to, a refund of any Taxes or Other Taxes as to which it has been indemnified by the applicable Borrower or with respect to which such Borrower has paid additional amounts pursuant to this Section, the Administrative Agent or such Lender, as the case may be, shall pay over to such Borrower (i) such refund or (ii) if the Administrative Agent or such Lender, as the case may be, has decided to not make a claim for a refund to the relevant Governmental Authority, the amount of any refund the Administrative Agent or such Lender, as the case may be, would have been entitled, in its reasonable judgment, to receive had it made such claim (but, in each case, only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all reasonable and documented out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided that each Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to such Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority.

(g) This Section shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to any Borrower or any other Person.

Section 4.6. Duty to Mitigate. If (i) any Lender or the Swingline Bank or the Issuing Bank shall request compensation under Section 4.2, (ii) any Lender or the Swingline Bank or the Issuing Bank delivers a notice described in Section 4.3 or (iii) a Borrower is required to pay any additional amount to any Lender or the Swingline Bank or the Issuing Bank or any Governmental Authority on account of any Lender or the Swingline Bank or the Issuing Bank, pursuant to Section 4.5, then such Lender or the Swingline Bank or the Issuing Bank shall use reasonable efforts (which shall not require such Lender or the Swingline Bank or the Issuing Bank to incur an unreimbursed loss or unreimbursed cost or expense or otherwise take any action inconsistent with its internal policies or legal or regulatory restrictions or suffer any disadvantage or burden deemed by it to be significant) (x) to file any certificate or document reasonably requested in writing by the Parent or (y) to assign its rights and delegate and transfer its obligations hereunder to another of its offices, branches or affiliates, if such filing or assignment would reduce its claims for compensation under Section 4.2 or enable it to withdraw its notice pursuant to Section 4.3 or would reduce amounts payable pursuant to Section 4.5, as the case may be, in the future. The Parent hereby agrees to pay all reasonable and documented costs and expenses incurred by any Lender or the Swingline Bank or the Issuing Bank in connection with any such filing or assignment, delegation and transfer.

Section 4.7. Replacement of Lenders. If any Lender or the Swingline Bank or the Issuing Bank requests compensation under Section 4.2, or if any Lender or the Swingline Bank or the Issuing Bank delivers a notice described in Section 4.3, or if a Borrower is required

to pay any additional amount to any Lender, the Swingline Bank, the Issuing Bank or any Governmental Authority for the account of any Lender or the Swingline Bank or the Issuing Bank pursuant to Section 4.5, or if any Lender defaults in its obligation to fund Loans hereunder, then the Parent may, at its sole expense and effort, upon notice to such Lender or the Swingline Bank or the Issuing Bank, as the case may be, and the Administrative Agent, require such Lender or the Swingline Bank or the Issuing Bank, as the case may be, to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 12.5, which restrictions shall apply, for purposes of this Section, with reference to the Swingline Bank and the Issuing Bank, as well as with reference to a Lender) all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) if the assignee is not a Lender, the Parent shall have received the prior written consent of the Administrative Agent (and the Swingline Bank and the Issuing Bank), which consent shall not be unreasonably withheld; and (ii) such Lender or the Swingline Bank or the Issuing Bank shall have received payment of an amount equal to the outstanding principal of its Loans and unreimbursed L/C Disbursements and funded participations in Swingline Loans, accrued interest thereon and accrued fees and other amounts (including amounts under Sections 4.2, 4.3, 4.4 and 4.5) payable to it hereunder from the assignee or the applicable Borrower, and (if the Issuing Bank is to be the assignor) the Issuing Bank shall have received from the Parent cash collateral or other collateral satisfactory to it, having a value not less than the aggregate undrawn face amount of all Letters of Credit that are outstanding, as security for the reimbursement obligation of the Parent in respect of such Letters of Credit; and (iii) in the case of any such assignment resulting from a claim for compensation under Section 4.2 or payments required to be made pursuant to Section 4.3 or 4.5, such assignment will result in a reduction in such compensation or payments. A Lender, the Swingline Bank or the Issuing Bank (as the case may be) shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender, the Swingline Bank or the Issuing Bank (as the case may be) or otherwise, the circumstances entitling the Parent to require such assignment and delegation cease to apply. The interests, rights and obligations hereunder of a Lender that serves as either or both of the Issuing Bank or the Swingline Bank hereunder shall include its interests, rights and obligations in all such capacities.

Section 4.8. Certain Additional Costs. (a) If and so long as any Lender is required to comply with reserve assets, liquidity, cash margin or other requirements of any monetary or other authority (including any such requirement imposed by the European Central Bank or the European System of Central Banks, but excluding requirements reflected in the Statutory Reserve Rate) in respect of any of such Lender's Foreign Currency Loans, such Lender may require the Borrower to which such Lender has made a Foreign Currency Loan to pay, contemporaneously with each payment of interest on each of such Lender's Foreign Currency Loans subject to such requirements, additional interest on such Foreign Currency Loan at a rate per annum specified by such Lender to be the cost to such Lender of complying with requirements in relation to such Foreign Currency Loan. Any additional interest owed pursuant to this paragraph shall be determined by the relevant Lender, which determination (if made on a reasonable and nondiscriminatory basis) shall be conclusive absent manifest error, and notified to the Parent (on behalf of the applicable Foreign Subsidiary Borrower) (with a copy to the Administrative Agent) at least five Business Days before each date on which interest is payable for the relevant Foreign Currency Loan, and such additional interest so notified by such Lender

shall be payable to the Administrative Agent for the account of such Lender on each date on which interest is payable for such Foreign Currency Loan.

(b) If the cost to any Lender of making or maintaining any Loan to either Foreign Subsidiary Borrower is increased (or the amount of any sum received or receivable by any Lender (or its applicable lending office) is reduced) by an amount deemed in good faith by such Lender to be material, by reason of the fact that the applicable Foreign Subsidiary Borrower is incorporated in, or conducts business in, a jurisdiction outside the United States, such Foreign Subsidiary Borrower shall indemnify such Lender for such increased cost or reduction. A certificate of a Lender setting forth the amount or amounts necessary to indemnify such Lender as specified in this paragraph shall be delivered to the Parent (on behalf of the applicable Foreign Subsidiary Borrower) and shall (if made on a reasonable and nondiscriminatory basis) be conclusive absent manifest error. The applicable Foreign Subsidiary Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof by the Parent.

ARTICLE 5. CONDITIONS PRECEDENT.

Section 5.1. Documentary Conditions Precedent. The execution and delivery of this Agreement by the Lenders, the Administrative Agent, the Swingline Bank and the Issuing Bank are subject to the condition precedent that the Administrative Agent shall have received not later than December 1, 2005 each of the following, in form and substance satisfactory to the Administrative Agent and its counsel:

(a) if requested by any Lender prior to such date, a duly executed Syndicated Loan Note of the Parent, MWC and Luxury, payable in each case to such Lender;

(b) the Authorization Letter, duly executed by the Borrowers;

(c) the Parent Guarantee, duly executed by the Parent; and the Initial Subsidiary Guarantees, duly executed by the Initial Subsidiary Guarantors;

(d) a certificate of the Secretary or Assistant Secretary of the Parent, dated the Closing Date, attesting (i) to all corporate action taken by the Parent, including resolutions of its Board of Directors, authorizing the execution, delivery and performance of the Facility Documents to which it is a party and each other document to be delivered pursuant to this Agreement; (ii) to a true and complete copy of its certificate of incorporation and by-laws; (iii) to the names and true signatures of officers of the Parent authorized to sign the Facility Documents to which it is a party and the other documents to be delivered by the Parent under this Agreement and (iv) to the good standing of the Parent in the State of New York, which shall be evidenced by a certificate of the appropriate Governmental Authority thereof;

(e) a certificate of the Secretary (or equivalent officer) of MWC, dated the Closing Date, attesting (i) to all corporate action taken by MWC, including resolutions of its shareholders and its Board of Directors, authorizing the execution, delivery and performance of the Facility Documents to which it is a party and each other document to be delivered pursuant to this Agreement; (ii) to a true and complete copy of its organizational documents; and (iii) to the

names and true signatures of officers of MWC authorized to sign the Facility Documents to which it is a party and the other documents to be delivered by MWC under this Agreement;

(f) a certificate of the Secretary (or equivalent officer) of Luxury, dated the Closing Date, attesting (i) to all corporate action taken by Luxury, including resolutions of its shareholders and its Board of Directors, authorizing the execution, delivery and performance of the Facility Documents to which it is a party and each other document to be delivered pursuant to this Agreement; (ii) to a true and complete copy of its organizational documents; and (iii) to the names and true signatures of officers of Luxury authorized to sign the Facility Documents to which it is a party and the other documents to be delivered by Luxury under this Agreement;

(g) a certificate of the Secretary or Assistant Secretary of each Initial Subsidiary Guarantor dated the Closing Date, attesting (i) to all corporate action taken by such Initial Subsidiary Guarantor, including resolutions of its Board of Directors and consents of its members, authorizing the execution, delivery and performance of its Initial Subsidiary Guarantee; (ii) to a true and complete copy of its certificate of incorporation and by-laws or certificate of formation and operating agreement (as applicable); (iii) to the names and true signatures of the officers of such Initial Subsidiary Guarantor authorized to sign its Initial Subsidiary Guarantee and (iv) to the good standing of such Subsidiary in the state of its organization, which shall be evidenced by a certificate of the appropriate Governmental Authority thereof;

(h) a certificate of each of the Parent, MWC and Luxury, dated the Closing Date, stating that the representations and warranties in Article 6 are true and correct on such date as though made on and as of such date and that no event has occurred and is continuing which constitutes a Default or an Event of Default;

(i) opinions of domestic counsel for the Parent, the Foreign Subsidiary Borrowers and the Initial Subsidiary Guarantors (Timothy F. Michno, Esq. and Paul, Weiss, Rifkind, Wharton & Garrison LLP), dated the Closing Date, in substantially the forms of Exhibit C-1 and Exhibit C-2 (respectively) and as to such other matters as the Administrative Agent, any Lender, the Swingline Bank or the Issuing Bank may reasonably request;

(j) an opinion of Swiss counsel for the Foreign Subsidiary Borrowers, dated the Closing Date, in substantially the form of Exhibit C-3 and as to such other matters as the Administrative Agent or any Lender may reasonably request;

(k) evidence that the Parent has paid in full (i) all fees that are required to be paid by the Parent to the Lenders on the Closing Date; and (ii) the reasonable and documented fees and disbursements of New York and Swiss counsel for the Administrative Agent in connection with the closing of the transaction contemplated by this Agreement;

(l) evidence that (i) the Borrowers have paid in full all amounts owing under the Credit Agreement dated as of June 17, 2003 among the Parent, Concord Watch Company, S.A., MWC, the lenders party thereto and JPMCB, as administrative agent, swingline bank and issuing bank, (ii) all commitments of such lenders thereunder have terminated and (iii) all letters

of credit issued thereunder have been terminated, replaced or continued under this Agreement; and

(m) such other approvals, opinions, certificates and documents as the Administrative Agent may reasonably request.

Section 5.2. Additional Conditions Precedent. The obligations of the Lenders to make any Syndicated Loans pursuant to a Borrowing which increases the amount of Syndicated Loans outstanding hereunder (including the initial Borrowing), and of the Swingline Bank to make any Swingline Loan (including the initial Borrowing), and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit hereunder, shall be subject to the further conditions precedent that on the date of such Syndicated Loans or such Swingline Loan or such issuance, amendment, renewal or extension of such Letter of Credit (as the case may be), the following statements shall be true:

(a) the representations and warranties contained in Article 6 are true and correct in all material respects on and as of the date such Syndicated Loans are made or such Swingline Loan is made or such Letter of Credit is issued, amended, renewed or extended (as the case may be) as though made on and as of such date, provided that (i) any representation and warranty contained in Section 6.5 that specifically relates to January 31, 2005 (other than the last sentence of Section 6.5) shall be true and correct as of January 31, 2005; and (ii) any such representation or warranty which by its terms contains a materiality qualification is true and correct in all respects on and as of such date; and

(b) no Default or Event of Default has occurred and is continuing, or would result from such Syndicated Loans or such Swingline Loans or the issuance, amendment, renewal or extension of such Letter of Credit.

Section 5.3. Deemed Representations. Each Borrowing Request and each acceptance by the applicable Borrower of the proceeds of such Borrowing, and each request by the Parent for the issuance, amendment, renewal or extension of a Letter of Credit and each issuance, amendment, renewal or extension of a Letter of Credit, shall constitute a representation and warranty by the Borrowers that the statements contained in Section 5.2 are true and correct both on the date of such Borrowing Request or request with respect to a Letter of Credit and, unless the Parent otherwise notifies the Administrative Agent prior to such Borrowing or such issuance, amendment, renewal or extension, as of the date of such Borrowing or such issuance, amendment, renewal or extension.

ARTICLE 6. REPRESENTATIONS AND WARRANTIES.

Each of the Borrowers hereby represents and warrants as follows (provided, however, that such representations and warranties by each Foreign Subsidiary Borrower shall be as to such Foreign Subsidiary Borrower and its Subsidiaries only):

Section 6.1. Incorporation, Good Standing and Due Qualification. Each of the Parent and its Subsidiaries is duly incorporated or formed, validly existing and (where such concept exists) in good standing under the laws of the jurisdiction of its incorporation or organization, has the corporate, limited liability company or other power and authority to own its

assets and to transact the business in which it is now engaged, and is duly qualified as a foreign corporation, limited liability company or partnership and in good standing under the laws of each other jurisdiction in which the failure to be so qualified would have a material adverse effect on the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole.

Section 6.2. Corporate Power and Authority; No Conflicts. The execution, delivery and performance by each of the Borrowers and each Guarantor of the Facility Documents to which it is a party are within its corporate, limited liability company or other power and authority and have been duly authorized by all necessary corporate, limited liability company or other action and do not and will not: (a) require any consent or approval of its stockholders or members; (b) contravene any of its organizational documents; (c) violate any provision of, or require any filing, registration, consent or approval under, any law, rule, regulation (including, without limitation, Regulation U), order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Parent or any Subsidiaries or Affiliates of the Parent; (d) result in a breach of or constitute a default or require any consent under any indenture or loan or credit agreement or any other agreement, lease or instrument to which any Borrower or Guarantor is a party or by which it or its properties may be bound or affected; (e) result in, or require, the creation or imposition of any Lien upon or with respect to any of the properties now owned or hereafter acquired by any Borrower or Guarantor; or (f) cause the Parent (or any Subsidiary or Affiliate of the Parent, as the case may be) to be in default under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any such indenture, agreement, lease or instrument.

Section 6.3. Legally Enforceable Agreements. Each Facility Document to which any Borrower or Guarantor is a party is a legal, valid and binding obligation of such Borrower or Guarantor (as the case may be) enforceable against such Borrower or Guarantor (as the case may be) in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law).

Section 6.4. Litigation. There are no actions, suits or proceedings pending or, to the knowledge of any Borrower, threatened, against or affecting the Parent or any of its Subsidiaries before any court, governmental agency or arbitrator, as to which there is a reasonable possibility of determination adverse to the Parent or such Subsidiary and which (if determined adversely to the Parent or such Subsidiary) would, in any one case or in the aggregate, materially adversely affect the financial condition, operations or business of the Parent and its Subsidiaries taken as a whole or the ability of any Borrower or any Guarantor to perform its obligations under the Facility Documents to which it is a party.

Section 6.5. Financial Statements. The consolidated and consolidating balance sheet of the Parent and its Consolidated Subsidiaries as at January 31, 2005, and the related consolidated income statement and statements of cash flows and changes in stockholders' equity and the related consolidating income statement of the Parent and its Consolidated Subsidiaries for the fiscal year then ended, and the accompanying footnotes, together with the accompanying opinion of PricewaterhouseCoopers LLP, independent certified public accountants, copies of which have been furnished or made available to each of the Lenders, are complete and correct in

all material respects and fairly present the financial condition of the Parent and its Consolidated Subsidiaries as at such date and the results of the operations of the Parent and its Consolidated Subsidiaries for the period covered by such statements, all in accordance with GAAP consistently applied. There are no liabilities of the Parent or any of its Consolidated Subsidiaries, fixed or contingent, which are material in relation to the consolidated financial condition of the Parent but are not reflected in the financial statements or in the notes thereto, other than liabilities arising in the ordinary course of business since January 31, 2005. No information, exhibit or report furnished by any Borrower to the Administrative Agent or any of the Lenders in connection with the negotiation of this Agreement, when read together with the financial statements referred to in this Section, contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not materially misleading. Since January 31, 2005, there has been no material adverse change in the condition (financial or otherwise), business or operations of the Parent and the Consolidated Subsidiaries taken as a whole.

Section 6.6. Ownership and Liens. Each of the Parent and its Consolidated Subsidiaries has title to, or valid leasehold interests in, all of its properties and assets, real and personal, including the properties and assets, and leasehold interests reflected in the financial statements referred to in Section 6.5 (other than any properties or assets disposed of in the ordinary course of business, and other than properties and assets that are not material to the Parent and its Subsidiaries taken as a whole and other than any other sales that are permitted by this Agreement), and none of the properties and assets owned by the Parent or any of its Subsidiaries and none of its leasehold interests is subject to any Lien, except as disclosed in such financial statements or as may be permitted hereunder.

Section 6.7. Taxes. Each of the Parent and its Subsidiaries has filed or has caused to be filed all tax returns (foreign, federal, state and local) required to be filed and has paid all material taxes, assessments and governmental charges and levies shown thereon to be due, including interest and penalties, except for such taxes and other amounts as are being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP and reflected on the consolidated balance sheet of the Parent.

Section 6.8. ERISA. (a) No accumulated funding deficiency (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, exists with respect to any Plan (other than a Multiemployer Plan). No liability to the PBGC has been or is expected by the Parent or any ERISA Affiliate to be incurred with respect to any Plan (other than a Multiemployer Plan) by the Parent, any Subsidiary or any ERISA Affiliate which is or would be materially adverse to the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole. Neither the Parent, nor any Subsidiary nor any ERISA Affiliate has incurred or presently expects to incur any withdrawal liability under Title IV of ERISA with respect to any Multiemployer Plan which is or would be materially adverse to the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole.

(b) Neither the Parent nor any of its Subsidiaries has breached the fiduciary rules of ERISA or engaged in any prohibited transaction in connection with which the Parent or any of its Subsidiaries or ERISA Affiliates could be subjected to (in the case of any such breach)

a suit for damages or (in the case of any such prohibited transactions) with a civil penalty assessed under Section 502(i) of ERISA or a tax imposed by Section 4975 of the Code, which suit, penalty or tax, in any case, would be materially adverse to the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole.

(c) There has been no reportable event (within the meaning of Section 4043(b) of ERISA) or any other event or condition with respect to any Plan (other than a Multiemployer Plan) which presents a risk of termination of any such Plan by the PBGC under circumstances which in any case could result in liability which would be materially adverse to the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole.

(d) The present value of all vested accrued benefits under all Plans (other than Multiemployer Plans), determined as of the end of the Parent's most recently ended fiscal year on the basis of reasonable actuarial assumptions, did not exceed the current value of the assets of such Plans allocable to such vested accrued benefits by more than $20,000,000. The terms "present value", "current value", and "accrued benefit" have the meanings specified in Section 3 of ERISA.

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

Section 6.9. Subsidiaries and Ownership of Stock. Schedule III is a complete and accurate list, as of the Closing Date, of the Subsidiaries of the Parent, showing the jurisdiction of incorporation or organization of each Subsidiary and showing the percentage of the Parent's ownership of the outstanding stock or other interest of each such Subsidiary. All of the outstanding capital stock or other interest of each such Subsidiary has been validly issued, is fully paid and nonassessable and (to the extent owned by the Parent or any other Subsidiary) is owned by the Parent or such other Subsidiary, as the case may be, free and clear of all Liens.

Section 6.10. Credit Arrangements. Schedule IV is a complete and correct list, as of the Closing Date, of all credit agreements, indentures, purchase agreements, guaranties, Capital Leases and other investments, agreements and arrangements presently in effect providing for or relating to extensions of credit (including agreements and arrangements for the issuance of letters of credit or for acceptance financing or for credit lines extended for the purchase of foreign-exchange contracts) in respect of which the Parent or any of its Subsidiaries is in any manner directly or contingently obligated to pay money (excluding trade payables in the ordinary course of business, and excluding other extensions of credit that do not exceed $500,000 in the aggregate of all such other extensions of credit), including all modifications thereof and amendments thereto; and the maximum principal or face amounts of the credit in question, outstanding and which can be outstanding, are correctly stated, and all Liens (if any) of any nature given or agreed to be given as security therefor are correctly described or indicated in such Schedule.

Section 6.11. Operation of Business. Each of the Parent and its Subsidiaries possesses all licenses, permits, franchises, patents, copyrights, trademarks and trade names, or rights thereto, necessary in any material respect to conduct the business substantially as now

conducted of the Parent and its Subsidiaries taken as a whole, and neither the Parent nor any of its Subsidiaries is in violation of any valid rights of others with respect to any of the foregoing.

Section 6.12. Hazardous Materials. The Parent and each of its Subsidiaries have obtained all permits, licenses and other authorizations which are required under all Environmental Laws, except to the extent failure to have any such permit, license or authorization would not have a material adverse effect on the consolidated financial condition, operations or business of the Parent and its Consolidated Subsidiaries taken as a whole. The Parent and each of its Subsidiaries are in compliance with the terms and conditions of all such permits, licenses and authorizations, and are also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except to the extent failure to comply would not have a material adverse effect on the consolidated financial condition, operations or business of the Parent and its Consolidated Subsidiaries taken as a whole.

In addition, except as set forth in Schedule V and except to the extent it would not have a material adverse effect on the consolidated financial condition, operations or business of the Parent and its Consolidated Subsidiaries taken as a whole:

(a) No notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed and, to the best of the Parent's knowledge, no investigation or review is pending or threatened by any governmental or other entity with respect to any alleged failure by the Parent or any of its Subsidiaries to have any permit, license or authorization required under the Environmental Laws in connection with the conduct of the business of the Parent or any of its Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation, release or disposal, or any release as defined in 42 U.S.C. Section 9601(22) ("Release"), of any substance regulated under Environmental Laws ("Hazardous Materials") generated by the Parent or any of its Subsidiaries.

(b) Neither the Parent nor any of its Subsidiaries has handled any Hazardous Material, other than as a generator, on any property now or previously owned or leased by the Parent or any of its Subsidiaries; and

(i) no polychlorinated biphenyl is present at any property now or owned or leased by the Parent or any of its Subsidiaries;

(ii) no asbestos is present at any property now owned or leased by the Parent or any of its Subsidiaries;

(iii) there are no underground storage tanks for Hazardous Materials, active or abandoned, at any property now owned or leased by the Parent or any of its Subsidiaries.

No Hazardous Materials have been Released, in a reportable quantity, where such a quantity has been established by statute, ordinance, rule, regulation or order, at, on or under any property now owned by the Parent or any of its Subsidiaries.

(c) Neither the Parent nor any of its Subsidiaries has transported or arranged for the transportation of any Hazardous Material to any location which is listed on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), listed for possible inclusion on the National Priorities List by the Environmental Protection Agency in the Comprehensive Environmental Response and Liability Information System as provided by 40 C.F.R. Section 300.5 ("CERCLIS") or on any similar state list or which is the subject of federal, state or local enforcement actions or other investigations which are reasonably expected to lead to claims against the Parent or any of its Subsidiaries for clean-up costs, remedial work, damages to natural resources or for personal injury claims, including, but not limited to, claims under CERCLA.

(d) No Hazardous Material generated by the Parent or any of its Subsidiaries has been recycled, treated, stored, disposed of or Released by the Parent or any of its Subsidiaries at any location other than those listed in Schedule V.

(e) No oral or written notification of a Release of a Hazardous material has been filed by or on behalf of the Parent or any of its Subsidiaries and no property now owned or leased by the Parent or any of its Subsidiaries is listed or proposed for listing on the National Priorities List promulgated pursuant to CERCLA, on CERCLIS or on any similar state list of sites requiring investigation or clean-up.

(f) There are no Liens arising under or pursuant to any Environmental laws which have been imposed on any of the real property or properties owned or leased by the Parent or any of its Subsidiaries, and (to the best of the Parent's knowledge) no government actions have been taken or are in process which could subject any of such properties to such Liens and neither the Parent nor any of its Subsidiaries would be required to place any notice or restriction relating to the presence of Hazardous Materials at any property owned by it in any deed to such property.

(g) There have been no environmental investigations, studies, audits, test, reviews or other analyses conducted by or which are in the possession of the Parent or any of its Subsidiaries in relation to any property or facility now or previously owned or leased by the Parent or any of its Subsidiaries which have not been made available to the Lenders, except to the extent prepared to satisfy routine reporting obligations under the Environmental Laws.

Section 6.13. No Default on Outstanding Judgments or Orders. Each of the Parent and its Subsidiaries has satisfied all judgments and neither the Parent nor any of its Subsidiaries is in default with respect to any judgment, writ, injunction, decree, rule or regulation of any court, arbitrator or federal, state, municipal or other Governmental Authority, commission, board, bureau, agency or instrumentality, domestic or foreign, except where any such defaults in the aggregate would not result in a material adverse effect on the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole.

Section 6.14. No Defaults on Other Agreements. Neither the Parent nor any of its Subsidiaries is subject to any charter or corporate restriction which is reasonably expected to have a material adverse effect on the business, properties, assets, operations or conditions, financial or otherwise, of the Parent or any of its Subsidiaries, or the ability of any Borrower or

Guarantor to carry out its obligations under the Facility Documents to which it is a party. Neither the Parent nor any of its Subsidiaries is a party to any indenture, loan or credit agreement or any lease or other agreement or instrument which is reasonably expected to have a material adverse effect on the ability of any Borrower or Guarantor to carry out its obligations under the Facility Documents to which it is a party. The Parent is not in default in any respect under any of the Prudential Existing Notes (or under either note agreement pursuant to which they were issued) or under any outstanding Future Permitted Private Placement Debt (or under any note or other agreement pursuant to which such Debt shall have been issued). Neither the Parent nor any of its Subsidiaries is in default in any material respect under any other agreement or instrument to which the Parent or such Subsidiary is a party, except where any such defaults in the aggregate would not result in a material adverse effect on the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole.

Section 6.15. Labor Disputes and Acts of God. Neither the business nor the properties of the Parent or of any of its Subsidiaries are affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), materially and adversely affecting the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole.

Section 6.16. Governmental Regulation. Neither the Parent nor any of its Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Investment Company Act of 1940, the Interstate Commerce Act, the Federal Power Act or any statute or regulation limiting its ability to incur indebtedness for money borrowed or to obtain letters of credit as contemplated hereby.

Section 6.17. Partnerships. As of the Closing Date, neither the Parent nor any of its Subsidiaries is a partner in any partnership.

Section 6.18. No Forfeiture. No Forfeiture Proceeding is pending.

Section 6.19. Solvency.

(a) The present fair saleable value of the assets of each Borrower after giving effect to all the transactions contemplated by the Facility Documents and the funding of all Revolving Credit Commitments hereunder exceeds the amount that will be required to be paid on or in respect of the existing debts and other liabilities (including contingent liabilities) of such Borrower as they mature.

(b) The property of each Borrower does not constitute unreasonably small capital for such Borrower to carry out its business as now conducted and as presently proposed to be conducted including the capital needs of such Borrower.

(c) No Borrower intends to, nor does any Borrower believe that it will, incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be received by such Borrower, and of amounts to be payable on or in respect of debt of such Borrower). The cash available to each Borrower after taking into account all

other anticipated uses of the cash of such Borrower, is anticipated to be sufficient to pay all such amounts on or in respect of debt of such Borrower when such amounts are required to be paid.

(d) No Borrower believes that final judgments against it in actions for money damages will be rendered at a time when, or in an amount such that, such Borrower will be unable to satisfy any such judgments promptly in accordance with their terms (taking into account the maximum reasonable amount of such judgments in any such actions and the earliest reasonable time at which such judgments might be rendered). The cash available to each Borrower after taking into account all other anticipated uses of the cash of such Borrower (including the payments on or in respect of debt referred to in paragraph (c) of this Section), is anticipated to be sufficient to pay all such judgments promptly in accordance with their terms.

Section 6.20. Certain Particular Assurances as to the Foreign Subsidiary Borrowers. (a) This Agreement and each of the other Facility Documents to which a Foreign Subsidiary Borrower is intended to be a party are in proper legal form under the law of Switzerland for the enforcement thereof against such Foreign Subsidiary Borrower under such law. All formalities required in Switzerland for the validity and enforceability of this Agreement and each of such other Facility Documents (including, without limitation, any necessary registration, recording or filing with any court or other authority in Switzerland) have been accomplished, and no Taxes are required to be paid to Switzerland, or any political subdivision thereof or therein, and no notarization is required, for the validity and enforceability hereof or thereof.

(b) This Agreement and the other Facility Documents to which a Foreign Subsidiary Borrower is intended to be a party and the obligations evidenced hereby and thereby are and will at all times be direct and unconditional general obligations of such Foreign Subsidiary Borrower, and rank and will at all times rank in right of payment and otherwise at least pari passu with all other unsecured Debt of such Foreign Subsidiary Borrower whether now existing or hereafter outstanding, except for such preferences as are provided by any mandatory applicable provision of law. There exists no Lien (including any Lien arising out of any attachment, judgment or execution), nor any segregation or other preferential arrangement of any kind, on, in or with respect to any of the property or revenues of any Foreign Subsidiary Borrower or any of its Subsidiaries, except as expressly permitted by Section 8.3.

(c) Each Foreign Subsidiary Borrower is subject to civil and commercial law with respect to its obligations under this Agreement and each of the other Facility Documents to which it is intended to be a party. The execution, delivery and performance by each Foreign Subsidiary Borrower of this Agreement and each of such other Facility Documents constitute private and commercial acts rather than public or governmental acts. No Foreign Subsidiary Borrower, nor any of its properties or revenues, is entitled to any right of immunity in any jurisdiction from suit, court jurisdiction, judgment, attachment (whether before or after judgment), set-off or execution of a judgment or from any other legal process or remedy relating to the obligations of such Foreign Subsidiary Borrower under this Agreement or any of such other Facility Documents.

(d) The inclusion in this Article of the representations and warranties contained in this Section shall not limit the generality of the other representations and warranties contained in this Article with reference to the Foreign Subsidiary Borrowers.

ARTICLE 7. AFFIRMATIVE COVENANTS.

So long as any of the Notes shall remain unpaid, or any Letter of Credit shall remain outstanding, or any Lender shall have any Revolving Credit Commitment under this Agreement, the Parent shall:

Section 7.1. Maintenance of Existence. Preserve and maintain (except as otherwise permitted by Section 8.7 or Section 8.8 or Section 8.10), and cause each of its Subsidiaries (other than Inactive Subsidiaries) to preserve and maintain (except as otherwise permitted by Section 8.7 or Section 8.8 or Section 8.10), its corporate, limited liability company or other existence and good standing in the jurisdiction of its incorporation or organization, and qualify and remain qualified, and cause each of its Subsidiaries to qualify and remain qualified, as a foreign corporation, limited liability company or other entity in each jurisdiction in which the failure to be so qualified would have a material adverse effect on (a) the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole; (b) the ability of any Borrower or any Guarantor to perform any of its obligations under any Facility Document; (c) the legality, validity or enforceability of any Facility Document; or (d) the rights of, or remedies available to the Administrative Agent and the Lenders under any Facility Document.

Section 7.2. Conduct of Business. Continue, and cause each of its Subsidiaries (other than Inactive Subsidiaries) to continue, to engage primarily in the Core Business.

Section 7.3. Maintenance of Properties. Maintain, keep and preserve, and cause each of its Subsidiaries to maintain, keep and preserve, all of the properties (tangible and intangible) necessary or useful in the proper conduct of the business of the Parent and its Subsidiaries in good working order and condition (ordinary wear and tear excepted), except to the extent that such properties are not material to the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole.

Section 7.4. Maintenance of Records. Keep, and cause each of its Subsidiaries to keep, adequate records and books of account, in which complete entries will be made in compliance with then-current guidelines as to generally accepted accounting principles, reflecting all financial transactions of the Parent and its Subsidiaries.

Section 7.5. Maintenance of Insurance. Maintain, and cause each of its Subsidiaries to maintain, insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated, which insurance may provide for reasonable deductibility from coverage thereof.

Section 7.6. Compliance with Laws; Payment of Taxes. (a) Comply, and cause each of its Subsidiaries to comply, with all applicable laws (including all Environmental Laws), rules, regulations and orders, the noncompliance with which would materially adversely

affect (i) the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole, (ii) the ability of any Borrower or any Guarantor to perform any of its obligations under any Facility Document, (iii) the legality, validity or enforceability of any Facility Document, or (iv) the rights of or remedies available to the Administrative Agent and the Lenders under any Facility Document. Without limiting the generality of the foregoing, the Parent shall cause each Foreign Subsidiary Borrower to obtain and maintain at all times in effect all such governmental licenses, authorizations, consents, permits and approvals as may be required for such Foreign Subsidiary Borrower to borrow and repay the Borrowings of such Foreign Subsidiary Borrower and to comply with all the other obligations of such Foreign Subsidiary Borrower under this Agreement and the other Facility Documents to which such Foreign Subsidiary Borrower is a party; and

(b) Pay or discharge, and cause each of its Subsidiaries to pay or discharge, before the same become delinquent all taxes, assessments and governmental charges imposed upon the Parent or any Subsidiary or any of their respective properties; provided, however, that the Parent shall not be required to pay or discharge or cause to be paid or discharged, any such tax, assessment or governmental charge the applicability or validity of which is being contested by the Parent or such Subsidiary in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP.

Section 7.7. Right of Inspection. At any reasonable time and from time to time and upon reasonable prior notice, permit the Administrative Agent or any Lender or any agent or representative thereof, to examine and make copies and abstracts from the records and books of account of, and visit the properties of, the Parent and any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Parent and any such Subsidiary with any of their respective officers and directors and the Parent's independent accountants so long as the Parent is afforded an opportunity to be present during such discussions with such accountants; provided that each such visit or discussion shall be at the sole expense of the Administrative Agent or any Lender, as applicable, unless a Default or an Event of Default shall have occurred and be continuing at the time thereof in which case the reasonable and documented expenses of the Administrative Agent or any Lender, as applicable, in connection thereof shall be paid or reimbursed by the Parent.

Section 7.8. Reporting Requirements. Furnish directly to each of the Lenders:

(a) as soon as available and in any event within 120 days after the end of each fiscal year of the Parent, a consolidated and consolidating balance sheet of the Parent and its Consolidated Subsidiaries as of the end of such fiscal year and a consolidated income statement and statements of cash flows and changes in stockholders' equity and a consolidating income statement of the Parent and its Consolidated Subsidiaries for such fiscal year, all in reasonable detail and stating in comparative form the respective consolidated and consolidating figures for the corresponding date and period in the prior fiscal year and all prepared in accordance with GAAP and as to the consolidated statements audited and accompanied by an opinion thereon by PricewaterhouseCoopers LLP or other independent accountants of national standing selected by the Parent and acceptable to the Required Lenders (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material

respects the financial condition and results of operations of the Parent and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) as soon as available and in any event within 75 days after the end of each of the first three quarters of each fiscal year of the Parent, a consolidated and consolidating balance sheet of the Parent and its Consolidated Subsidiaries as of the end of such quarter and a consolidated income statement and statements of cash flows and changes in stockholders' equity and a consolidating income statement of the Parent and its Consolidated Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, all in reasonable detail and stating in comparative form the respective consolidated and consolidating figures for the corresponding date and period in the previous fiscal year and all prepared in accordance with GAAP and certified by the chief financial officer of the Parent (subject to year-end adjustments);

(c) simultaneously with the delivery of the financial statements referred to above, a certificate of the chief financial officer of the Parent (i) certifying that to the best of his knowledge no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which is proposed to be taken with respect thereto, and (ii) with computations demonstrating whether there has been compliance with the covenants contained in Article 9, and with the financial covenants contained in the agreements between the Parent and The Prudential Insurance Company of America pursuant to which the Prudential Existing Notes and (if applicable) the Prudential Shelf Notes have been issued, and with the financial covenants contained in the agreements pursuant to which all other Future Permitted Private Placement Debt shall have been issued;

(d) promptly after the commencement thereof, notice of all actions, suits, and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Parent or any of its Subsidiaries which would reasonably be expected to have a material adverse effect on (i) the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole, (ii) the ability of any Borrower or any Guarantor to perform any of its obligations under any Facility Document, (iii) the legality, validity or enforceability of any Facility Document, or (iv) the rights of or remedies available to the Administrative Agent and the Lenders under any Facility Document;

(e) as soon as possible and in any event within 10 days after the occurrence of each Default or Event of Default a written notice setting forth the details of such Default or Event of Default and the action which is proposed to be taken by the Parent with respect thereto;

(f) as soon as possible, and in any event within ten days after the Parent receives notice from the PBGC or any other Person, or otherwise acquires knowledge, that any of the events or conditions specified below with respect to any Plan or Multiemployer Plan have occurred or exist, a statement signed by a senior financial officer of the Parent setting forth details respecting such event or condition and the action, if any, which the Parent or its ERISA Affiliate proposes to take with respect thereto (and a copy of any report or notice required to be filed with or given to PBGC by the Parent or an ERISA Affiliate with respect to such event or condition):

(i) any reportable event, as defined in Section 4043(b) of ERISA, with respect to a Plan, as to which PBGC has not by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event (provided that a failure to meet the minimum funding standard of Section 412 of the Code or Section 302 of ERISA including, without limitation, the failure to make on or before its due date a required installment under Section 412(m) of the Code or Section 302(e) of ERISA, shall be a reportable event regardless of the issuance of any waivers in accordance with Section 412(d) of the Code) and any request for a waiver under Section 412(d) of the Code for any Plan;

(ii) the distribution under Section 4041 of ERISA of a notice of intent to terminate any Plan or any action taken by the Parent or an ERISA Affiliate to terminate any Plan;

(iii) the institution by PBGC of proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Parent or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by PBGC with respect to such Multiemployer Plan;

(iv) the complete or partial withdrawal from a Multiemployer Plan by the Parent or any ERISA Affiliate that results in liability under Section 4201 or 4204 of ERISA (including the obligation to satisfy secondary liability as a result of a purchaser default) or the receipt of the Parent or any ERISA Affiliate of notice from a Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA or that it intends to terminate or has terminated under Section 4041A of ERISA;

(v) the institution of a proceeding by a fiduciary or any Multiemployer Plan against the Parent or any ERISA Affiliate to enforce Section 515 of ERISA, which proceeding is not dismissed within 30 days;

(vi) the adoption of an amendment to any Plan that pursuant to a notification letter from the Internal Revenue Service under Section 401(a)(29) of the Code or Section 307 of ERISA would result in the loss of tax-exempt status of the trust of which such Plan is a part if the Parent or an ERISA Affiliate fails to timely provide security to the Plan in accordance with the provisions of said Sections;

(vii) any event or circumstance exists which may reasonably be expected to constitute grounds for the Parent or any ERISA Affiliate to incur liability under Title IV of ERISA or under Sections 412(c)(11) or 412(n) of the Code with respect to any Plan; and

(viii) the Unfunded Benefit Liabilities of one or more Plans increase after the date of this Agreement in an amount which is material in relation to the financial condition of the Parent.

(g) promptly after the request of any Lender, copies of each annual report filed pursuant to Section 104 of ERISA with respect to each Plan (including, to the extent

required by Section 104 of ERISA, the related financial and actuarial statements and opinions and other supporting statements, certifications, schedules and information referred to in Section 103) and each annual report filed with respect to each Plan under Section 4065 of ERISA; provided, however, that in the case of a Multiemployer Plan, such annual reports shall be furnished only if they are available to the Parent or an ERISA Affiliate;

(h) upon the request of the Administrative Agent, promptly after the furnishing thereof, copies of any statement or report furnished to any other party pursuant to the terms of any indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Lenders pursuant to any other clause of this Section;

(i) promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports which the Parent or any of its Subsidiaries sends to its stockholders, and copies of all regular, periodic and special reports, and all registration statements which the Parent or any such Subsidiary files with the Securities and Exchange Commission or any Governmental Authority which may be substituted therefor, or with any national securities exchange;

(j) promptly after the commencement thereof or promptly after the Parent knows of the commencement or threat thereof, notice of any Forfeiture Proceeding; and

(k) such other information respecting the condition or operations, financial or otherwise, of the Parent or any of its Subsidiaries as the Administrative Agent or any Lender may from time to time reasonably request.

Section 7.9. Subsidiary Guarantee. Cause:

(a) each domestic Subsidiary of the Parent whose assets at any time represent (10% or more of the total assets of the Parent and its Consolidated Subsidiaries, and

(b) each domestic Subsidiary of the Parent that owns any trademark, tradename, tradedress or patent as a result of a transfer thereof by the Parent or any of its Subsidiaries to such domestic Subsidiary, and

(c) each other domestic Subsidiary of the Parent, other than domestic Subsidiaries whose combined assets represent less than 15% of the total assets of the Parent and its Consolidated Subsidiaries,

to execute and deliver to the Administrative Agent a Subsidiary Guarantee, together with written evidence satisfactory to the Administrative Agent that such Subsidiary Guarantee has been duly authorized by all necessary action; the same shall be delivered to the Administrative Agent (in multiple duplicate original copies, one for each Lender, the Swingline Bank, the Issuing Bank and the Administrative Agent) within 30 days after the date on which (in the case of clause (a)) the assets of such Subsidiary first represent 10% or more of the total assets of the Parent and its Consolidated Subsidiaries, or (in the case of clause (b)) such Subsidiary acquires ownership of such trademark, tradename, tradedress or patent, or (in the case of clause (c)) the 15% limit described in clause (c) is exceeded.

Section 7.10. Equal and Ratable Lien. Make or cause to be made, if any property (whether now owned or hereafter acquired) is subjected to a Lien in violation of Section 8.3, effective provision reasonably satisfactory in form and substance to the Required Lenders whereby the obligations of the Borrowers under this Agreement and the Notes will be secured by such Lien equally and ratably with any and all other liabilities secured thereby. Such violation of Section 8.3 shall be an Event of Default, whether or not any such provision is made pursuant to this Section.

ARTICLE 8. NEGATIVE COVENANTS.

So long as any of the Notes shall remain unpaid, or any Letter of Credit shall be outstanding, or any Lender shall have any Revolving Credit Commitment under this Agreement, the Parent shall not:

Section 8.1. Debt. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist any Debt, except:

(a) Debt of each Borrower under this Agreement, the other Facility Documents (including, for the avoidance of doubt, any increase under Section 2.16) and the Other Credit Agreement;

(b) Debt described in Schedule IV (including the Prudential Shelf Notes), including renewals, extensions or refinancings thereof (and including refinancings by institutions other than those institutions identified on Schedule IV), provided that the principal amount thereof does not increase;

(c) Debt of the Parent subordinated (on terms satisfactory to the Administrative Agent and the Required Lenders) to the Parent's obligations under this Agreement and the other Facility Documents;

(d) Debt of the Parent to any Subsidiary; and Debt of any Subsidiary to the Parent or to another Subsidiary, provided that the aggregate amount at any time outstanding of all Debt of Subsidiaries to the Parent or to other Subsidiaries does not exceed 20% of the Consolidated Tangible Net Worth at the time of determination;

(e) Debt consisting of leases permitted under Section 8.4 or of guaranties permitted under subsections (a), (b), (c), (d) and (g) of Section 8.2;

(f) Future Permitted Private Placement Debt; and

(g) other Debt of the Parent or any Subsidiary of the Parent, provided that (i) the aggregate amount of such Debt outstanding at any time shall not exceed $25,000,000 (as to all of the Parent and its Subsidiaries) and (ii) the aggregate amount of liability in respect of letters of credit (excluding Letters of Credit issued under this Agreement) outstanding at any time shall not exceed $10,000,000 (as to all of the Parent and its Subsidiaries) (which liability shall include liability for outstanding letters of credit that have not been drawn upon, as well as outstanding reimbursement obligations as to letters of credit that have been drawn upon; and

which $10,000,000 limitation shall be inclusive of the letters of credit identified in Schedule IV and renewals and extensions thereof).

Section 8.2. Guaranties, Etc. Assume, guarantee, endorse or otherwise be or become directly or contingently responsible or liable, or permit any of its Subsidiaries to assume, guarantee, endorse or otherwise be or become directly or indirectly responsible or liable (including, but not limited to, an agreement to purchase any obligation, stock, assets, goods or services or to supply or advance any funds, asset, goods or services, or an agreement to maintain or cause such Person to maintain a minimum working capital or net worth or otherwise to assure the creditors of any Person against loss) for the obligations of any Person, except

(a) guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business;

(b) guaranties by Subsidiaries pursuant to Section 7.9, the Parent Guarantee and the guaranty of the Parent in respect of obligations under the Other Credit Agreement;

(c) guaranties by the Parent of ordinary rent obligations incurred by any of its Subsidiaries for the lease of retail stores; provided, however, that the aggregate of the amount so guaranteed for foreign Subsidiaries shall not exceed $5,000,000 at any time;

(d) guaranties by the Parent of obligations incurred by any of its domestic Subsidiaries in the ordinary course of business other than for borrowed money, letters of credit or acceptance financing;

(e) guaranties by the Parent in favor of any of its Subsidiaries, and guaranties by any Subsidiary of the Parent in favor of the Parent or another Subsidiary of the Parent, as to obligations owing to the guaranteed party by a Subsidiary of the Parent or by the Parent; provided, however, that in no event shall the outstanding guaranty liability permitted by this clause (e) exceed at any time $20,000,000 as to the Parent and its Subsidiaries in the aggregate;

(f) letters of credit permitted under Section 8.1 (including Letters of Credit issued hereunder);

(g) guaranties by the Subsidiary Guarantors of the Prudential Existing Notes and any Future Permitted Private Placement Debt including renewals, extensions or refinancings thereof; and

(h) other guaranties, provided, however, that in no event shall the outstanding guaranty liability permitted by this clause (h) exceed at any time $2,000,000 as to the Parent and its Subsidiaries in the aggregate.

Section 8.3. Liens. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Lien, upon or with respect to any of its properties, now owned or hereafter acquired (including, without limitation, any Lien upon any stock or other securities issued by a Subsidiary), except:

(a) Liens for taxes or assessments or other government charges or levies if not yet due and payable or if due and payable if they are being contested in good faith by appropriate proceedings and for which appropriate reserves are maintained;

(b) Liens imposed by law, such as mechanic's, materialmen's, landlord's, warehousemen's and carrier's Liens, and other similar Liens, securing obligations incurred in the ordinary course of business which are not past due for more than 30 days, or which are being contested in good faith by appropriate proceedings and for which appropriate reserves have been established;

(c) bankers' Liens, rights of setoff and other similar Liens existing solely with respect to amounts on deposit in one or more bank accounts maintained by the Parent and its Subsidiaries, in each case granted in the ordinary course of business in favor of one or more banks or other depositary institutions with which such accounts are maintained; provided that such Liens shall not secure the repayment of any Debt for borrowed money;

(d) Liens under workmen's compensation, unemployment insurance, social security or similar legislation (other than ERISA);

(e) Liens, deposits or pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), leases (permitted under the terms of this Agreement), public or statutory obligations, surety, stay, appeal, indemnity, performance or other similar bonds, or other similar obligations arising in the ordinary course of business;

(f) judgment and other similar Liens arising in connection with court proceedings; provided that the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings;

(g) easements, rights-of-way, restrictions and other similar encumbrances which, in the aggregate, do not materially interfere with the occupation, use and enjoyment by the Parent or any such Subsidiary of the property or assets encumbered thereby in the normal course of its business or materially impair the value of the property subject thereto;

(h) Liens securing obligations of any Subsidiary to the Parent;

(i) purchase money Liens on any property hereafter acquired or the assumption of any Lien on property existing at the time of such acquisition, or a Lien incurred in connection with any conditional sale or other title retention agreement or a Capital Lease; provided that:

(i) any property subject to any of the foregoing is acquired by the Parent or any such Subsidiary in the ordinary course of its business and the Lien on any such property is created contemporaneously with such acquisition;

(ii) the obligation secured by any Lien so created, assumed or existing shall not exceed 95% of the lesser of cost or fair market value as

of the time of acquisition of the property covered thereby to the Parent or such Subsidiary acquiring the same;

(iii) each such Lien shall attach only to the property so acquired and fixed improvements thereon, attachments thereto and proceeds thereof; and

(iv) the related expenditure is permitted under Section 9.3;

(j) Liens identified on Schedule IV, including renewals, extensions or refinancings thereof (and including refinancings by institutions other than those institutions identified on Schedule IV), provided that the principal amount secured by such Liens does not increase;

(k) other Liens, provided that in no event shall the outstanding liabilities secured by Liens permitted by this clause (k) exceed at any time $2,000,000 as to the Parent and its Subsidiaries in the aggregate.

Section 8.4. Leases. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any obligation as lessee for the rental or hire of any real or personal property, except:

(a) leases existing on the date of this Agreement and any extensions or renewals thereof;

(b) Capital Leases permitted by Sections 8.1 and 8.3; and

(c) other leases (excluding Capital Leases) that are, in the judgment of the management of the Parent, appropriate for the business objectives of the Parent and its Subsidiaries.

Section 8.5. Investments. Make, or permit any of its Subsidiaries to make, any loan or advance to any Person or purchase or otherwise acquire, or permit any such Subsidiary to purchase or otherwise acquire, any capital stock, assets (except as otherwise permitted by this Agreement), obligations or other securities of, make any capital contribution to, or otherwise invest in, or acquire any interest in, any Person, except:

(a) direct obligations of the United States of America or any agency thereof with maturities of two years or less from the date of acquisition;

(b) commercial paper of a domestic issuer rated at least "A-1" by S&P or "P1" by Moody's;

(c) certificates of deposit and time deposits with maturities of one year or less from the date of acquisition issued by any commercial bank whose (or whose parent company's) short-term commercial paper rating is rated at least "A-1" by S&P or "P-1" by Moody's.;

(d) for stock, obligations or securities received in settlement of debts (created in the ordinary course of business) owing to the Parent or any such Subsidiary;

(e) inventory purchased in the ordinary course of business of the Parent or such Subsidiary;

(f) any Acquisition permitted by Section 8.11;

(g) investments in shares of investment companies registered under the Investment Company Act of 1940 which are no-load money-market funds and which invest primarily in obligations of the type described in clauses (a), (b) and (c) of this Section and which are classified as current assets in accordance with GAAP, provided that any such investment company shall have an aggregate net asset value of not less than $50,000,000;

(h) advances to employees of the Parent or any of its Subsidiaries that do not exceed $500,000 outstanding at any time in the aggregate as to all such employees of the Parent and its Subsidiaries;

(i) loans and advances permitted by Section 8.1(d), other investments by any foreign Subsidiary of the Parent in any other foreign Subsidiary of the Parent that is wholly owned by the Parent and other investments by the Parent or any Subsidiary of the Parent in any other Subsidiary of the Parent;

(j) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above;

(k) other investments of up to $15,000,000 in the aggregate as to all of the Parent and its Subsidiaries;

(l) as permitted under Sections 8.7(c), 8.7(d) and 8.7(e);

(m) Permitted Investments made by the Administrative Agent for the account of the Parent or a Foreign Subsidiary Borrower pursuant to Section 2.13(f); and

(n) taxable or tax-exempt municipal securities that have an established secondary market, asset-backed securities and/or corporate bonds, in each case which are rated "A2" or better by Moody's or "A" or better by S&P.

Section 8.6. Dividends. Declare or pay any dividends (other than dividends payable solely in shares of its common stock), purchase, redeem, retire or otherwise acquire for value any of its capital stock now or hereafter outstanding, or make any distribution of assets to its stockholders as such whether in cash, assets or in obligations of the Parent, or allocate or otherwise set apart any sum for the payment of any dividend or distribution on, or for the purchase, redemption or retirement of any shares of its capital stock, or make any other distribution by reduction of capital or otherwise in respect of any shares of its capital stock, or permit any of its Subsidiaries to do any of the foregoing, or permit any of its Subsidiaries to purchase or otherwise acquire for value any stock of the Parent or another such Subsidiary

(except as permitted by Section 8.8(b)), except that the Parent may pay dividends or acquire its stock (or both), provided that:

(x) no Default or Event of Default exists either immediately prior to such payment or acquisition, or after giving effect to such payment or acquisition; and

(y) the aggregate amount expended by the Parent after January 31, 2005 for all such dividends and acquisitions does not exceed the sum of (i) $75,000,000, plus (ii) 50% of the cumulative net income of the Parent for its fiscal year ending January 31, 2006 and each subsequent fiscal year that shall have ended prior to the payment of such dividend or the acquisition of such stock (which net income for any year shall be adjusted to exclude non-recurring gains, except to the extent that the Parent shall have received actual cash representing such gain in such year), less (iii) 100% of the cumulative net loss (if any) of the Parent for its fiscal year ending January 31, 2006 and each subsequent fiscal year that shall have ended prior to the payment of such dividend or the acquisition of such stock.

and except that any Subsidiary may pay dividends or make distributions to the Parent and to any Subsidiary of the Parent.

Section 8.7. Sale of Assets. Sell, lease, assign, transfer or otherwise dispose of, or permit any of its Subsidiaries to sell, lease, assign, transfer or otherwise dispose of, any of its now owned or hereafter acquired assets (including, without limitation, shares of stock and indebtedness of such Subsidiaries, receivables and leasehold interests), except:

(a) for inventory disposed of in the ordinary course of business;

(b) the sale or other disposition of assets no longer used or useful in the conduct of its business;

(c) that any such Subsidiary may sell, lease, assign, transfer or otherwise dispose of its assets to the Parent, and except that any such Subsidiary (other than a Foreign Subsidiary Borrower) may sell, lease, assign, transfer or otherwise dispose of its assets to another Subsidiary that shall have previously executed and delivered a Guarantee pursuant to Section 7.9, and except that any Foreign Subsidiary Borrower may sell, lease, assign, transfer or otherwise dispose of its assets to the other Foreign Subsidiary Borrower;

(d) that any foreign Subsidiary of the Parent (other than a Foreign Subsidiary Borrower) may sell, lease, assign, transfer or otherwise dispose of its assets to another foreign Subsidiary of the Parent that is wholly owned by the Parent;

(e) as contemplated under Section 8.8(a) or (b); and

(f) for Designated Sales (provided that (i) all the outstanding shares of each Foreign Subsidiary Borrower shall at all times be wholly owned directly or indirectly by the Parent, (ii) no Default or Event of Default has occurred and is continuing at the time of any such sale and (iii) after giving effect to any such sale, the Parent shall be in pro forma compliance with the covenants in Article 9 (and, in the case of each Designated Sale of assets exceeding a

fair market value of $10,000,000, the Parent shall have provided to the Administrative Agent a certificate of the chief financial officer of the Parent certifying to and setting forth in reasonable detail computations demonstrating such compliance at, or immediately prior to, the time of such sale)).

In no event shall any disposition of assets by the Parent or any Subsidiary be for less than fair market value.

Section 8.8. Stock of Subsidiaries, Etc. Sell or otherwise dispose of, or permit any of its Subsidiaries to sell or otherwise dispose of, any shares of capital stock of any of its Subsidiaries, except:

(a) for a sale of all or substantially all of the stock of any Subsidiary for less than $3,000,000 where (i) the sales proceeds are made available to the Parent and (ii) such proceeds represent the fair value of such Subsidiary;

(b) the shares of any foreign Subsidiary of the Parent may be sold to another foreign Subsidiary of the Parent or to the Parent, except that the outstanding shares of each Foreign Subsidiary Borrower shall at all times be majority-owned directly or indirectly by the Parent;

(c) the shares of any domestic Subsidiary of the Parent may be sold to another domestic Subsidiary of the Parent and that is a Guarantor or to the Parent; and

(d) for Designated Sales (provided, however, that all the outstanding shares of each Foreign Subsidiary Borrower shall at all times be wholly owned directly or indirectly by the Parent);

or permit any such Subsidiary to issue any additional shares of its capital stock, except directors' qualifying shares and except in connection with a transaction permitted by clause (a), (b) or (c) of this Section to the extent necessary to effectuate such transaction; provided that, notwithstanding the foregoing or anything in this Agreement to the contrary, the Parent may acquire and own a majority interest in one or more entities incorporated in jurisdictions outside of the United States of America.

Section 8.9. Transactions with Affiliates. Enter into any transaction, including, without limitation, the purchase, sale or exchange of property or the rendering of any service, with any Affiliate or permit any of its Subsidiaries to enter into any transaction, including, without limitation, the purchase, sale or exchange of property or the rendering of any service, with any Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of the Parent's or such Subsidiary's business (including without limitation direct and indirect promotional and advertising efforts of the Parent, consistent with past practice) and upon fair and reasonable terms that are (except for loans and advances permitted by clauses (h) and (j) of Section 8.5) no less favorable to the Parent or such Subsidiary than would obtain in a comparable arm's length transaction with a Person not an Affiliate, and except for (i) transactions between the Parent and any Subsidiary or between Subsidiaries, (ii) Investments permitted under Section 8.5, (iii) dividends or other payments permitted under Section 8.6, (iv) any employment, compensation, indemnification, noncompetition or confidentiality agreement or arrangement

entered into by the Borrowers or any of their respective Subsidiaries with their employees or directors in the ordinary course of business and (v) transactions listed in Schedule VI.

Section 8.10. Mergers, Etc. Merge or consolidate with, or sell, assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or acquire all or substantially all of the assets or of a line of business of any Person (or enter into any agreement to do any of the foregoing), or permit any of its Subsidiaries to do so, except:

(a) for Acquisitions that are permitted pursuant to Section 8.11;

(b) sales of assets that are permitted pursuant to clauses (c) and (d) of Section 8.7 and clauses (a), (b) and (c) of Section 8.8; and

(c) for Designated Sales (provided, however, that all the outstanding shares of each Foreign Subsidiary Borrower shall at all times be wholly owned directly or indirectly by the Parent).

Section 8.11. Acquisitions. Make any Acquisition unless:

(i) no Default or Event of Default exists either immediately prior to such Acquisition or after giving effect to such Acquisition;

(ii) such Acquisition is approved by the board of directors of the corporation (if any) which is the subject of such Acquisition, or is recommended by such board to the shareholders of such corporation; and

(iii) if the principal business of the corporation or other entity which is the subject of such Acquisition is not in the Core Business, then the aggregate amount expended by the Parent or any Subsidiary for such Acquisition, and for all other Acquisitions where the principal business of the corporation or other entity which is the subject thereof is not in the Core Business, is not more than $20,000,000.

As used herein, the term "Acquisition" means any transaction pursuant to which the Parent or any of its Subsidiaries (a) acquires equity securities (or warrants, options or other rights to acquire such securities) of any corporation or other entity other than the Parent or any corporation which is not then a Subsidiary of the Parent, pursuant to a solicitation of tenders therefor, or in one or more negotiated block, market or other transactions not involving a tender offer, or a combination of any of the foregoing, or (b) makes any corporation or other entity a Subsidiary of the Parent, or causes any such corporation or other entity to be merged into the Parent or any of its Subsidiaries, in any case pursuant to a merger, purchase of securities or of assets or any reorganization providing for the delivery or issuance to the holders of the then outstanding securities of such corporation or other entity, in exchange for such securities, of cash or securities of the Parent or any of its Subsidiaries, or a combination thereof, or (c) purchases all or substantially all of the assets or of any line of business of any corporation or other entity.

Section 8.12. No Material Change in Business. Make or permit any of its Subsidiaries (other than an Inactive Subsidiary) to make a material change in the nature of its business such that it is no longer primarily engaged in the Core Business.

Section 8.13. No Restriction. Agree, or permit any of its Subsidiaries to agree, to any restriction on the right of any Subsidiary to pay to the Parent any dividends or repayments of loan advances.

Section 8.14. Swap and Exchange Agreements. Enter into, or permit any of its Subsidiaries to enter into, any interest-rate swap, cap, floor, collar or other similar agreement, or any foreign exchange contract, currency swap agreement or other similar agreement, except for the purpose of hedging its risk in the ordinary course of business.

ARTICLE 9. FINANCIAL COVENANTS.

So long as any of the Notes shall remain unpaid, or any Letter of Credit shall remain outstanding, or any Lender shall have any Revolving Credit Commitment under this Agreement:

Section 9.1. Interest Coverage Ratio. The Parent shall not permit, as of the last day of any fiscal quarter of the Parent, the Interest Coverage Ratio for the period of the four consecutive fiscal quarters ending on such day to be less than 3.5 to 1.0.

Section 9.2. Average Debt Coverage Ratio. The Parent shall not permit, as of the last day of any fiscal quarter of the Parent, the Average Debt Coverage Ratio for the period of four consecutive fiscal quarters ending on such day to be greater than 3.25 to 1.0.

Section 9.3. Capital Expenditures. The Parent shall not permit (a) Consolidated Capital Expenditures to exceed $25,000,000 for any fiscal year and (b) the sum of Consolidated Capital Expenditures to exceed $100,000,000 during the period from February 1, 2005 through the Maturity Date; provided that (i) if the amount of Consolidated Capital Expenditures made in any fiscal year shall be less than the maximum amount permitted under clause (a) above (before giving effect to any carryover), then the unused portion of such maximum amount may be added to the amount of Consolidated Capital Expenditures permitted under such clause (a) for the immediately succeeding (but not any other) fiscal year and (ii) the maximum amount permitted under clauses (a) and (b) above shall be increased by the amount of net cash insurance proceeds, or proceeds of a condemnation award or other compensation, received by the Parent and its Subsidiaries during the relevant period in respect of any loss of, damage to or destruction of, or any condemnation or taking of, property (provided that no later than 30 days after the end of the fiscal quarter in which such proceeds are so received, the Parent shall have delivered to the Administrative Agent setting forth in reasonable detail the amount of such net cash proceeds).

ARTICLE 10. EVENTS OF DEFAULT.

Section 10.1. Events of Default. Any of the following events shall be an "Event of Default":

(a) any Borrower shall: (i) fail to pay the principal of any of its Notes as and when due and payable; or (ii) fail to pay interest on any of its Notes or any fee or other amount due from it hereunder as and when due and payable and such failure shall continue for three days;

(b) any representation or warranty made or deemed made by any Borrower or a Guarantor in this Agreement or in any other Facility Document or which is contained in any certificate, document, opinion, financial or other statement furnished at any time under or in connection with any Facility Document shall prove to have been incorrect in any material respect on or as of the date made or deemed made;

(c) any Borrower shall: (i) fail to perform or observe any term, covenant or agreement required to be performed or observed by it that is contained in Section 2.15 or Section 3.12, or Articles 8 or 9; or (ii) fail to perform or observe any term, covenant or agreement on its part to be performed or observed (other than the obligations specifically referred to elsewhere in this Section) in any Facility Document and (in the case of a failure referred to in this clause (ii)), such failure shall continue for 30 consecutive days;

(d) the Parent or any of its Subsidiaries shall: (i) fail to pay any indebtedness, including but not limited to indebtedness for borrowed money (other than the payment obligations described in (a) above), of the Parent or such Subsidiary, as the case may be, or any interest or premium thereon, when due (whether by installment, scheduled maturity, required prepayment, acceleration, demand or otherwise); or (ii) fail to perform or observe any term, covenant or condition on its part to be performed or observed under any agreement or instrument relating to any such indebtedness, when required to be performed or observed, if the effect of such failure to perform or observe is to accelerate, or to permit the acceleration of, after the giving of notice or passage of time, or both, the maturity of such indebtedness, provided that (in the case of both (i) and (ii)) the aggregate principal amount of such indebtedness as to which such failure to pay has occurred (and not merely the installment or other portion thereof not paid), or as to which the maturity is or is permitted to be accelerated by reason of such failure to perform or observe, shall be $5,000,000 or more; or any such indebtedness whose principal amount is $5,000,000 or more shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof;

(e) the Parent or any of its Subsidiaries: (i) shall generally not, or be unable to, or shall admit in writing its inability to, pay its debts as such debts become due; or (ii) shall make an assignment for the benefit of creditors, petition or apply to any tribunal for the appointment of a custodian, receiver or trustee for it or a substantial part of its assets; or (iii) shall commence any proceeding under any bankruptcy, reorganization, arrangement or readjustment of debt law or statute, or (except in the case of an Inactive Subsidiary) any dissolution or liquidation law or statute, of any jurisdiction whether now or hereafter in effect; or (iv) shall have had any such petition or application filed or any such proceeding shall have been commenced, against it, in which an adjudication or appointment is made or order for relief is entered, or which petition, application or proceeding remains undismissed or unstayed for a period of 30 days or more; or shall be the subject of any proceeding under which its assets may be subject to seizure, forfeiture or divestiture (other than a proceeding in respect of a Lien permitted under Section 8.3 (a)); or (v) by any act or omission shall indicate its consent to,

approval of or acquiescence in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or trustee for all or any substantial part of its property; or (vi) shall suffer any such custodianship, receivership or trusteeship to continue undischarged for a period of 30 days or more;

(f) one or more judgments, decrees or orders for the payment of money in excess of $5,000,000 in the aggregate shall be rendered against the Parent or any of its Subsidiaries and such judgments, decrees or orders shall continue unsatisfied and in effect for a period of 60 consecutive days without being vacated, discharged, satisfied or stayed or bonded pending appeal;

(g) any event or condition shall occur or exist with respect to any Plan or Multiemployer Plan concerning which the Parent is under an obligation to furnish a report to the Lenders in accordance with Section 7.8(f) and as a result of such event or condition, together with all other such events or conditions, the Parent or any ERISA Affiliate has incurred or in the opinion of the Required Lenders is reasonably likely to incur a liability to a Plan, a Multiemployer Plan, the PBGC, or a Section 4042 Trustee (or any combination of the foregoing) which is material in relation to the financial position of the Parent and its Subsidiaries, on a consolidated basis;

(h) the Unfunded Benefit Liabilities of one or more Plans have increased after the date of this Agreement in an amount which is material;

(i) if at any time the capital stock of the Parent owned by the Grinberg Group represents less than 25% of the voting power of (x) all outstanding capital stock of the Parent and (y) all outstanding securities and rights that are then convertible into or exchangeable for capital stock of the Parent or upon the exercise of which capital stock of the Parent will be issued in respect of such securities or rights;

(j) there is a seizure by or forfeiture in favor of any Governmental Authority of any property of the Parent or any of its Subsidiaries having a value in excess of $5,000,000, other than (i) by an eminent domain proceeding where the Parent or such Subsidiary receives reasonable compensation therefor; or (ii) if such seizure or forfeiture does not have a material adverse effect on the financial condition, business or operations of the Parent and its Subsidiaries taken as a whole or on the ability of any Borrower or any Guarantor to perform any of its obligations under any Facility Document; or

(k) the Parent Guarantee or any Subsidiary Guarantee shall at any time after its execution and delivery and for any reason cease to be in full force and effect (except as permitted by Section 12.1(a)(vii)) or shall be declared null and void, or the validity or enforceability thereof shall be contested by the Guarantor thereunder, or such Guarantor shall deny it has any further liability or obligation thereunder or shall fail to perform its obligations thereunder.

Section 10.2. Remedies. If any Event of Default shall occur and be continuing, the Administrative Agent may or, upon request of the Required Lenders, shall by notice to the

Parent (on behalf of itself and the Foreign Subsidiary Borrowers), do any or all of the following: (a) declare the Revolving Credit Commitments to be terminated, whereupon the same shall forthwith terminate; (b) declare the outstanding principal of the Notes, all interest thereon and all other amounts payable under this Agreement or the Notes to be forthwith due and payable, whereupon the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by each Borrower (provided that, in the case of an Event of Default referred to in Section 10.1(e) as to any Borrower, the Revolving Credit Commitments shall be immediately terminated, and the Notes, all interest thereon and all other amounts payable under this Agreement shall be immediately due and payable without any notice and without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by each Borrower); and (c) direct the Parent immediately to pay (and the Parent agrees that upon receipt of such a notice, or upon the occurrence of an Event of Default referred to in Section 10.1(e) as to any Borrower, the Parent will immediately pay) to the Administrative Agent such additional amount of cash as is equal to the L/C Exposure to the extent not already secured by cash collateral under Section 2.13, to be held by the Administrative Agent in the Cash Collateral Account as security for the Parent's reimbursement obligation in respect of Letters of Credit.

ARTICLE 11. THE ADMINISTRATIVE AGENT; RELATIONS AMONG LENDERS AND PARENT.

Section 11.1. Appointment, Powers and Immunities of Administrative Agent. Each Lender (in its capacity as Lender and, as applicable, Swingline Bank and Issuing Bank) hereby irrevocably (but subject to removal by the Required Lenders pursuant to Section 11.9) appoints and authorizes the Administrative Agent to act as its agent hereunder and under any other Facility Document with such powers as are specifically delegated to the Administrative Agent by the terms of this Agreement and any other Facility Document, together with such other powers as are reasonably incidental thereto. The Administrative Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and any other Facility Document, and shall not by reason of this Agreement be a trustee for any Lender. The Administrative Agent shall not be responsible to the Lenders for any recitals, statements, representations or warranties made by any Borrower or any officer or official of any Borrower or any other Person contained in this Agreement or any other Facility Document, or in any certificate or other document or instrument referred to or provided for in, or received by any of them under, this Agreement or any other Facility Document, or for the value, legality, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Facility Document or any other document or instrument referred to or provided for herein or therein, for the perfection or priority of any collateral security for the Loans or the reimbursement obligations in respect of Letters of Credit or for any failure by any Borrower or any Guarantor to perform any of its obligations hereunder or under any other Facility Document. The Administrative Agent may employ agents and attorneys-in-fact and shall not be responsible, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither the Administrative Agent nor any of its directors, officers, employees or agents shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder or under any

other Facility Document or in connection herewith or therewith, except for its or their own gross negligence or willful misconduct.

Section 11.2. Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat each Lender as the holder of the Loans made by it and its participations in Letters of Credit for all purposes hereof unless and until an Assignment and Assumption Agreement shall have been furnished to the Administrative Agent in accordance with Section 12.5, but the Administrative Agent shall not be required to deal with any Person who has acquired a participation in any Loan or any such participation from a Lender. As to any matters not expressly provided for by this Agreement or any other Facility Document, the Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder in accordance with instructions signed by the Required Lenders, and such instructions of the Required Lenders and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders and any other holder of all or any portion of any Loan or any such participation.

Section 11.3. Defaults. The Administrative Agent shall not be deemed to have knowledge of the occurrence of a Default or Event of Default (other than the non-payment of principal of or interest on the Loans to the extent the same is required to be paid to the Administrative Agent for the account of the Lenders) unless the Administrative Agent has received notice from a Lender or a Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default." In the event that the Administrative Agent receives such a notice of the occurrence of a Default or Event of Default, the Administrative Agent shall give prompt notice thereof to the Lenders (and shall give each Lender prompt notice of each such non-payment). The Administrative Agent shall (subject to Section 11.8 and Section 12.1(a)) take such action with respect to such Default or Event of Default which is continuing as shall be directed by the Required Lenders; provided that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interest of the Lenders; and provided further that the Administrative Agent shall not be required to take any such action which it determines to be contrary to law.

Section 11.4. Rights of Administrative Agent as a Lender. With respect to its Revolving Credit Commitment and the Loans made by it and the Letters of Credit, the entity which is the Administrative Agent in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as the Administrative Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include the entity which is the Administrative Agent in its capacity as a Lender. The entity which is the Administrative Agent and its Affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to (on a secured or unsecured basis), and generally engage in any kind of banking, trust or other business with, the Parent (and any of its Affiliates) as if it were not acting as the Administrative Agent, and the entity which is the Administrative Agent may accept fees and other consideration from any

Borrower for services in connection with this Agreement or otherwise without having to account for the same to the Lenders. Although the Administrative Agent and its Affiliates may in the course of such relationships and relationships with other Persons acquire information about the Parent, its Affiliates and such other Persons, the Administrative Agent shall have no duty to disclose such information to the Lenders.

Section 11.5. Indemnification of Administrative Agent. The Lenders agree to indemnify the Administrative Agent (to the extent not reimbursed under Section 12.3 or under the applicable provisions of any other Facility Document, but without limiting the obligations of the Borrowers under Section 12.3 or such provisions), ratably in accordance with their respective Pro Rata Percentages, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of this Agreement, any other Facility Document or any other documents contemplated by or referred to herein or the transactions contemplated hereby or thereby (including, without limitation, the costs and expenses which any Borrower is obligated to pay under Section 12.3 or under the applicable provisions of any other Facility Document but excluding, unless a Default or Event of Default has occurred, normal administrative costs and expenses incident to the performance of its agency duties hereunder) or the enforcement of any of the terms hereof or thereof or of any such other documents or instruments; provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified.

Section 11.6. Documents. The Administrative Agent will forward to each Lender, promptly after the Administrative Agent's receipt thereof, a copy of each report, notice or other document required by this Agreement or any other Facility Document to be delivered to the Administrative Agent for such Lender.

Section 11.7. Non-Reliance on Administrative Agent and Other Lenders. Each Lender agrees that it has, independently and without reliance on the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Parent and its Subsidiaries and decision to enter into this Agreement and that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any other Facility Document. The Administrative Agent shall not be required to keep itself informed as to the performance or observance by any Borrower of this Agreement or any other Facility Document or any other document referred to or provided for herein or therein or to inspect the properties or books of the Parent or any Subsidiary. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition or business of the Parent or any Subsidiary (or any of their Affiliates) which may come into the possession of the Administrative Agent or any of its Affiliates. The Administrative Agent shall not be required to file this Agreement, any other Facility Document or any document or instrument referred to herein or therein, for record or give notice of this

Agreement, any other Facility Document or any document or instrument referred to herein or therein, to anyone.

Section 11.8. Failure of Administrative Agent to Act. Except for action expressly required of the Administrative Agent hereunder, the Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall have received further assurances (which may include cash collateral) of the indemnification obligations of the Lenders under Section 11.5 in respect of any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

Section 11.9. Resignation of Administrative Agent. Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Parent (on behalf of itself and the Foreign Subsidiary Borrowers). Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent, subject (unless an Event of Default exists) to the approval of the Parent, which approval shall not be unreasonably withheld. If no successor Administrative Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, subject (unless an Event of Default exists) to the approval of the Parent, which approval shall not be unreasonably withheld, which shall be a Lender or (if no Lender accepts the appointment) a bank which has an office in New York, New York and London and has a combined capital and surplus of at least $1,000,000,000. The Required Lenders or the retiring Administrative Agent, as the case may be, shall upon the appointment of a successor Administrative Agent promptly so notify the Parent (on behalf of itself and the Foreign Subsidiary Borrowers) and the other Lenders. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article 11 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent.

Section 11.10. Amendments Concerning Agency Function. The Administrative Agent shall not be bound by any waiver, amendment, supplement or modification of this Agreement or any other Facility Document which affects its duties hereunder or thereunder unless it shall have given its prior consent thereto.

Section 11.11. Liability of Administrative Agent. The Administrative Agent shall not have any liabilities or responsibilities to any Borrower on account of the failure of any Lender to perform its obligations hereunder or to any Lender on account of the failure of any Borrower or any Guarantor to perform its obligations hereunder or under any other Facility Document.

Section 11.12. Delegation of Agency Functions. The Administrative Agent may perform any and all its duties and exercise any or all of its rights and powers by or through any

one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise any and all of its rights and powers through their respective Affiliates. The exculpatory provisions as to the Administrative Agent contained in this Article shall apply to any such sub-agent and to the Affiliates of the Administrative Agent and any such sub-agent.

Section 11.13. Non-Receipt of Funds by the Administrative Agent. Unless the Administrative Agent shall have been notified by a Lender or a Borrower (either one as appropriate being the "Payor") (or by the Parent on behalf of a Foreign Subsidiary Borrower) prior to the date on which such Lender is to make payment hereunder to the Administrative Agent of the proceeds of a Loan or such Borrower is to make payment to the Administrative Agent, as the case may be (either such payment being a "Required Payment"), which notice shall be effective upon receipt, that the Payor does not intend to make the Required Payment to the Administrative Agent, the Administrative Agent may assume that the Required Payment has been made and may, in reliance upon such assumption (but shall not be required to), make the amount thereof available to the intended recipient on such date and, if the Payor has not in fact made the Required Payment to the Administrative Agent, the recipient of such payment (and, if such recipient is a Borrower and the Payor Lender fails to pay the amount thereof to the Administrative Agent forthwith upon demand, such Borrower) shall, on demand, repay to the Administrative Agent the amount made available to it together with interest thereon for the period from the date such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at a rate per annum equal to (i) in the case of a Borrower, the interest rate applicable at such time to the applicable Loan, and (ii) in the case of such Lender, a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds in the relevant currency (which determination shall be conclusive absent manifest error). If a Lender makes a Required Payment to the Administrative Agent pursuant to the immediately preceding sentence and a Borrower shall have repaid such amount to the Administrative Agent pursuant to such sentence, the Administrative Agent shall promptly return to such Borrower any amount (including interest) paid by such Borrower to the Administrative Agent pursuant to such sentence.

Section 11.14. Withholding Taxes. Each Lender represents to the Administrative Agent and the Parent that it is entitled to receive any payments to be made to it hereunder without the withholding of any tax imposed by the United States of America and will furnish to the Administrative Agent such forms, certifications, statements and other documents as the Administrative Agent may reasonably request from time to time to evidence such Lender's exemption from the withholding of any tax imposed by any jurisdiction or to enable the Administrative Agent to comply with any applicable laws or regulations relating thereto. Without limiting the effect of the foregoing, if any Lender is not created or organized under the laws of the United States of America or any state thereof, in the event that the payment of interest by any Borrower is treated for U.S. income tax purposes as derived in whole or in part from sources from within the U.S., such Lender will furnish to the Administrative Agent Form W-8ECI or Form W-8BEN of the Internal Revenue Service, or such other forms, certifications, statements or documents, duly executed and completed by such Lender as evidence of such Lender's exemption from the withholding of U.S. tax with respect thereto. The Administrative Agent shall not be obligated to make any payments hereunder to such Lender in respect of any Loan or reimbursement of a drawing under a Letter of Credit or such Lender's Revolving Credit

Commitment until such Lender shall have furnished to the Administrative Agent the requested form, certification, statement or document.

Section 11.15. Several Obligations and Rights of Lenders. The failure of any Lender to make any Loan to be made by it on the date specified therefor shall not relieve any other Lender of its obligation to make its Loan on such date, but no Lender shall be responsible for the failure of any other Lender to make a Loan to be made by such other Lender. No Lender shall be responsible for any failure of the Swingline Bank to make a Swingline Loan required to be made hereunder, or for any failure of the Issuing Bank to issue a Letter of Credit required to be issued hereunder. The amounts payable at any time hereunder to each Lender, the Swingline Bank and the Issuing Bank shall be a separate and independent debt, and each of them shall be entitled to protect and enforce its rights arising out of this Agreement, and it shall not be necessary for any other of them to be joined as an additional party in any proceeding for such purpose.

Section 11.16. Pro Rata Treatment of Syndicated Loans, Etc. Except to the extent otherwise expressly provided: (a) each Borrowing of Loans pursuant to Section 2.1 shall be made from the Lenders, each reduction or termination of the amount of the Revolving Credit Commitments under Section 2.10 shall be applied to the Revolving Credit Commitments, and each payment of Commitment Fees accruing under Section 2.7 shall be made for the account of the Lenders, pro rata according to the amounts of their respective unused Revolving Credit Commitments; (b) each conversion under Section 2.11 of Syndicated Loans of a particular Type (but not conversions provided for by Article 4), shall be made pro rata among the Lenders holding Syndicated Loans of such Type according to the respective principal amounts of such Syndicated Loans by such Lenders; (c) each prepayment and payment of principal of or interest on Syndicated Loans of a particular Type and a particular Interest Period shall be made to the Administrative Agent for the account of the Lenders holding Syndicated Loans of such Type and Interest Period pro rata in accordance with the respective unpaid principal amounts of such Syndicated Loans of such Interest Period held by such Lenders; and (d) each payment of L/C Participation Fees accruing under Section 3.9 shall be made for the account of the Lenders, pro rata according to their respective Pro Rata Percentages of the average daily aggregate L/C Exposure (excluding the portion thereof attributable to unreimbursed L/C Disbursements).

Section 11.17. Sharing of Payments Among Lenders. If a Lender shall obtain payment of any principal of or interest on any Syndicated Loan made by it, or of any reimbursement obligation of the Parent as to Letters of Credit, through the exercise of any right of setoff, banker's lien, counterclaim, or by any other means it shall promptly purchase from the other Lenders participations in (or, if and to the extent specified by such Lender, direct interests in) the Loans made by the other Lenders and Letters of Credit in such amounts, and make such other adjustments from time to time as shall be equitable to the end that all the Lenders shall share the benefit of such payment (net of any expenses which may be incurred by such Lender in obtaining or preserving such benefit) pro rata in accordance with the unpaid principal and interest on the Loans and Letter of Credit participations held by each of them. To such end the Lenders shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. Each Borrower agrees that any Lender so purchasing a participation (or direct interest) in the Loans made by other Lenders or Letters of Credit may exercise all rights of setoff, banker's lien, counterclaim or

similar rights with respect to such participation (or direct interest). Nothing contained herein shall require any Lender to exercise any such right or shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness of any Borrower.

Section 11.18. Other Agents. Notwithstanding anything herein to the contrary, the Sole Lead Arranger and Sole Bookrunner, the Syndication Agent and the Documentation Agents named on the cover page of this Agreement shall not have any duties or liabilities under this Agreement, except in their capacity, if any, as Lenders.

ARTICLE 12. MISCELLANEOUS.

Section 12.1. Amendments and Waivers; Remedies Cumulative. (a) Except as otherwise expressly provided in this Agreement, any provision of this Agreement may be amended or modified only by an instrument in writing signed by the Borrowers (or by the Parent, on behalf of itself and the Foreign Subsidiary Borrowers), the Administrative Agent and the Required Lenders, or by the Borrowers (or by the Parent, on behalf of itself and the Foreign Subsidiary Borrowers), and the Administrative Agent acting with the consent of the Required Lenders, and any provision of this Agreement may be waived by the Required Lenders or by the Administrative Agent acting with the consent of the Required Lenders; provided that no amendment, modification or waiver shall, unless by an instrument signed by all of the Lenders or by the Administrative Agent acting with the consent of all of the Lenders: (i) increase or extend the term, or extend the time for the reduction or termination, of the Revolving Credit Commitments (except that, for the avoidance of doubt, the Revolving Credit Commitments may be increased pursuant to Section 2.16 without the approval or consent of any Lender other than each relevant Increasing Lender or Augmenting Lender referred to in Section 2.16), (ii) extend the date fixed for the payment of principal of or interest on any Loan, the reimbursement obligation in respect of any Letter of Credit or any interest thereon or any fees payable hereunder, (iii) reduce the amount of any payment of principal thereof or the rate at which interest is payable thereon or any fee payable hereunder, (iv) alter the terms of this Section or any other provision hereof specifying that the approval of all Lenders is required (including such provisions contained in Section 12.5(a)), (v) amend the definition of the term "Required Lenders", (vi) release collateral (if any) in any material amount, (vii) release or limit guarantees in any material amount (provided that the Administrative Agent shall release, without the consent of any Lenders, any Guarantee of a Subsidiary all of whose stock (or substantially all of whose stock) is sold to a Person other than another Subsidiary in a sale that is otherwise permitted by this Agreement or is otherwise disposed of in accordance with this Agreement), or (viii) the addition of currencies in which Loans can be made; and provided, further, that (x) any amendment of Article 11 or any amendment which increases the obligations of the Administrative Agent hereunder shall require the consent of the Administrative Agent; (y) any amendment which increases the obligations of the Swingline Bank hereunder shall require the consent of the Swingline Bank; and (z) any amendment which increases the obligations of the Issuing Bank hereunder shall require the consent of the Issuing Bank.

(b) No failure or delay by the Administrative Agent, the Issuing Bank, the Swingline Bank or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any

abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Bank, the Swingline Bank and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (a) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance, amendment, renewal or extension of a Letter of Credit shall not be construed as a waiver of any Default or Event of Default, regardless of whether the Administrative Agent, any Lender, the Swingline Bank or the Issuing Bank may have had notice or knowledge of such Default or Event of Default at the time.

Section 12.2. Usury. Anything herein to the contrary notwithstanding, the obligations of each Borrower under this Agreement and the Notes shall be subject to the limitation that payments of interest shall not be required to the extent that receipt thereof would be contrary to provisions of law applicable to a Lender limiting rates of interest which may be charged or collected by such Lender.

Section 12.3. Expenses; Indemnity; Damage Waiver. (a) The Parent and (subject to the limitation contained in the sentence next following) each Foreign Subsidiary Borrower shall pay (i) all reasonable and documented out-of-pocket expenses incurred by the Administrative Agent, including the reasonable and documented fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facility provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable and documented out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable and documented out-of-pocket expenses incurred by the Administrative Agent, the Issuing Bank, the Swingline Bank or any Lender, including the reasonable and documented fees, charges and disbursements of any counsel for the Administrative Agent, the Issuing Bank, the Swingline Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such reasonable and documented out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit. The liability of each Foreign Subsidiary Borrower under this paragraph (a) shall be limited to such out-of-pocket expenses that (x) relate to such Foreign Subsidiary Borrower or to the Loans made to such Foreign Subsidiary Borrower or to the obligations incurred by such Foreign Subsidiary Borrower under this Agreement or under any other Facility Document to which such Foreign Subsidiary Borrower is a party, or (y) arise as a result of such Foreign Subsidiary Borrower being a party to this Agreement or to another Facility Document.

(b) The Parent and (subject to the limitation contained in the sentence next following) each Foreign Subsidiary Borrower shall indemnify the Administrative Agent, the Issuing Bank, the Swingline Bank and each Lender, and each Related Party of any of the

foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable and documented fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the use of proceeds of a Loan or Letter of Credit, (ii) any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Parent or any of its Subsidiaries, or any environmental liability related in any way to the Parent or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing or to the execution or delivery of this Agreement or any other Facility Document or any agreement or instrument contemplated hereby or thereby or to the performance by the parties hereto or thereto of their respective obligations hereunder or thereunder or to the consummation of the transactions contemplated hereby or thereby or to any Loan or Letter of Credit, whether the same is based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. The liability of each Foreign Subsidiary Borrower under this paragraph (b) shall be limited to such losses, claims, damages, liabilities and related expenses that (x) relate to such Foreign Subsidiary Borrower or to the Loans made to such Foreign Subsidiary Borrower or to the obligations incurred by such Foreign Subsidiary Borrower under this Agreement or under any other Facility Document to which such Foreign Subsidiary Borrower is a party, or (y) arise as a result of such Foreign Subsidiary Borrower being a party to this Agreement or to another Facility Document.

(c) To the extent that the Borrowers fail to pay any amount required to be paid to the Administrative Agent, the Issuing Bank or the Swingline Bank under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, the Issuing Bank or the Swingline Bank, as the case may be, such Lender's Pro Rata Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Issuing Bank or the Swingline Bank in its capacity as such.

(d) To the extent permitted by applicable law, no Borrower shall assert, and each Borrower hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Facility Document or any agreement or instrument contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof.

Section 12.4. Survival. The obligations of the Borrowers under Article 4 and Section 12.3 shall survive the repayment of the Loans and the expiration of the Letters of Credit and the termination of the Revolving Credit Commitments.

Section 12.5. Assignment; Participations. (a) This Agreement shall be binding upon, and shall inure to the benefit of, the Borrowers, the Administrative Agent, the Lenders, the Swingline Bank, the Issuing Bank and their respective successors and assigns, except that no Borrower may assign or transfer its rights or obligations hereunder without the written approval of all the Lenders (and any attempted such assignment or transfer without such consent shall be null and void).

(b) Each Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Revolving Credit Commitment and the Syndicated Loans owing to it and its participations in Letters of Credit and in Swingline Loans), with the prior written consent (such consent not to unreasonably withheld) of (i) the Administrative Agent, the Swingline Bank and the Issuing Bank and (ii) the Parent; provided that (x) no such consent of the Parent shall be required for an assignment to a Lender, an Affiliate of a Lender or an Approved Fund or if any Event of Default exists as a result of the commencement of a case with respect to the Parent under the U.S. Federal Bankruptcy Code or as a result of the commencement of a bankruptcy, insolvency, reorganization, receivership or similar proceeding with respect to either Foreign Subsidiary Borrower under Swiss or other foreign law, to any other assignee and (y) the provisions of paragraph (g) below shall have been complied with.

Assignments shall be subject to the following additional conditions:

(A) each such assignment shall be of a constant, and not a varying, percentage of the assigning Lender's rights and obligations under this Agreement and the assignment shall cover the same percentage of such Lender's Revolving Credit Commitment and Syndicated Loans and participations in Letters of Credit and in Swingline Loans;

(B) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans, the amount of the Revolving Credit Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the effective date of the Assignment and Assumption Agreement with respect to such assignment) shall in no event be less than $5,000,000 and shall be an integral multiple of $1,000,000, unless the Administrative Agent and the Parent otherwise consent (provided that no such consent of the Parent shall be required if any Event of Default exists as a result of the commencement of a case with respect to the Parent under the U.S. Federal Bankruptcy Code or as a result of the commencement of a bankruptcy, insolvency, reorganization, receivership or similar proceeding with respect to either Foreign Subsidiary Borrower under Swiss or other foreign law);

(C) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its approval and acceptance, an Assignment and Assumption Agreement;

(D) the Administrative Agent shall receive from the assignor (or, in the case of an assignment pursuant to Section 4.7, from the Parent) a processing fee of $3,500; and

(E) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Upon such execution, delivery, approval and acceptance, and on the effective date specified in the applicable Assignment and Assumption Agreement, (a) the assignee thereunder shall become a party hereto and a "Lender" for purposes hereof and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Assumption Agreement, shall have the rights and obligations of a Lender hereunder and (b) the Lender-assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Assumption Agreement, relinquish its rights (except under Article 4 and Section 12.3 in respect of the period prior to the effective date of such Assignment and Assumption) and be released from its obligations under this Agreement.

(c) By executing and delivering an Assignment and Assumption Agreement, the Lender-assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Assumption Agreement, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any other Facility Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Facility Document or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Parent or any Subsidiary or the performance or observance by the Parent or any Subsidiary of any of their respective obligations under any Facility Document or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements referred to in Section 7.8(a) and (b) and such other Facility Documents and other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Assumption Agreement; (iv) such assignee will, independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Facility Documents as are delegated to the Administrative Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto; and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent shall maintain a copy of each Assignment and Assumption Agreement delivered to and accepted by it and shall record the names and addresses of each Lender and the Revolving Credit Commitment of, and principal amount of the Syndicated Loans owing to, and the amount of participations in Letters of Credit and in Swingline Loans of, such Lender from time to time. Each Borrower, the Administrative Agent and the Lenders may treat each Person whose name is so recorded as a Lender hereunder for all

purposes of this Agreement, absent manifest error. Such record shall be available for inspection by each Borrower and each Lender.

(e) Upon its receipt of an Assignment and Assumption Agreement executed by an assigning Lender and an assignee and (to the extent required by this Section) consented to by the Parent, the Swingline Bank and the Issuing Bank and the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the Administrative Agent shall, if such Assignment and Assumption Agreement has been properly completed, (i) accept such Assignment and Assumption Agreement, (ii) record the information contained therein and (iii) give prompt notice thereof to the Parent (on behalf of itself and the Foreign Subsidiary Borrowers) and the Lenders. Upon request, each Borrower shall execute and deliver to the Administrative Agent appropriate promissory notes in favor of each assignee evidencing such assignee's Pro Rata Percentage of the Total Revolving Credit Commitment. If the Lender-assignor shall have assigned its entire Revolving Credit Commitment and Syndicated Loans, the original promissory notes evidencing such Revolving Credit Commitment and Syndicated Loans shall be cancelled and returned to the Parent (on behalf of itself or the applicable Foreign Subsidiary Borrower).

(f) Subject to paragraph (g) of this Section, each Lender may sell participations to one or more banks, finance companies, insurance or other financial institutions in or to all or a portion of its rights and obligations under this Agreement (including without limitation all or a portion of its Revolving Credit Commitment and the Syndicated Loans owing to it); provided, however, that (i) such Lender's obligations under this Agreement (including without limitation its Revolving Credit Commitment and its participations in Letters of Credit) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such participant shall have no rights under any of the Facility Documents, (iv) each Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and with regard to any and all payments to be made under this Agreement and its Notes, and (v) the agreement executed by such Lender in favor of the participant shall not give the participant the right to require such Lender to take or omit to take any action hereunder except action directly relating to (i) the extension of a payment date with respect to any portion of the principal of or interest on any amount outstanding hereunder allocated to such participant, (ii) the reduction of the principal amount outstanding hereunder allocated to such participant or (iii) the reduction of the rate of interest payable on such amount or any amount of fees payable hereunder to a rate or amount, as the case may be, below that which the participant is entitled to receive under its agreement with such Lender.

(g) Notwithstanding anything herein to the contrary, without the prior written consent of the Parent, no Lender shall effect any assignment of all or a portion of, or any sale of a participation in or entry into any sub-participation agreement (each a "transfer") with respect to, any Syndicated Loan made to any Foreign Subsidiary Borrower if such transfer would result in more than five Lenders which are not Qualifying Banks. Each Lender further agrees that if in connection with any transfer by such Lender the proposed transferee is not a Qualifying Bank, such Lender shall give at least ten days' prior notice of such proposed transfer to the Parent and the Administrative Agent (which shall promptly notify each of the other Lenders). Any such

purported assignment, participation or sub-participation that does not comply with the requirements of this paragraph (including the requirement for notice pursuant to the immediately preceding sentence) shall be null and void.

(h) Each Borrower will use reasonable efforts to cooperate with the Administrative Agent and Lenders in connection with the assignment of interests under this Agreement or the sale of participations herein.

(i) No Lender shall be permitted to assign or sell all or any portion of its rights and obligations under this Agreement to the Parent or any Affiliate of the Parent.

(j) Any Lender that proposes to sell any assignment or participation hereunder may furnish any information concerning the Parent and its Affiliates in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants); provided that such Lender shall require any such prospective assignee or such participant (prospective or otherwise) to agree in writing to maintain the confidentiality of such information, as provided in Section 12.14.

(k) In addition to the assignments and participations permitted under the foregoing provisions of this Section, any Lender may at any time pledge or grant a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or grant to secure obligations of such Lender to a Federal Reserve Bank, and this Section shall not apply to any such pledge or grant of a security interest; provided that no such pledge or grant of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or grantee for such Lender as a party hereto.

Section 12.6. Notices. (a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, (i) in the case of any Borrower, the Administrative Agent, the Swingline Bank and the Issuing Bank, to it at its address set forth beneath its signature line below and (ii) in the case of any Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or any Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other

communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Section 12.7. Setoff. Each Borrower agrees that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim a Lender may otherwise have, each Lender (and any Affiliate thereof through which any Loan is made) shall be entitled, at its option, to offset balances (general or special, time or demand, provisional or final) held by it for the account of such Borrower at any of such Lender's offices, in dollars or in any other currency, against any amount payable by such Borrower to such Lender under this Agreement or such Lender's Note which is not paid when due (regardless of whether such balances are then due to such Borrower), in which case it shall promptly notify such Borrower (or the Parent, on behalf of a Foreign Subsidiary Borrower) and the Administrative Agent thereof; provided that such Lender's failure to give such notice shall not affect the validity thereof or place such Lender under any liability to such Borrower. Payments by each Borrower hereunder shall be made without setoff or counterclaim.

Section 12.8. JURISDICTION; JURY WAIVER; IMMUNITIES. (A) EACH BORROWER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY NEW YORK STATE OR UNITED STATES FEDERAL COURT SITTING IN NEW YORK COUNTY OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE NOTES OR ANY OTHER FACILITY DOCUMENT OR ANY LETTER OF CREDIT, AND EACH BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR FEDERAL COURT. EACH BORROWER IRREVOCABLY CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO SUCH BORROWER AT THE ADDRESS FOR IT SPECIFIED IN SECTION 12.6. EACH BORROWER AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. EACH BORROWER FURTHER WAIVES ANY OBJECTION TO VENUE IN SUCH STATE AND ANY OBJECTION TO AN ACTION OR PROCEEDING IN SUCH STATE ON THE BASIS OF FORUM NON CONVENIENS. EACH BORROWER FURTHER AGREES THAT ANY ACTION OR PROCEEDING BROUGHT AGAINST THE ADMINISTRATIVE AGENT SHALL BE BROUGHT ONLY IN NEW YORK STATE OR UNITED STATES FEDERAL COURT SITTING IN NEW YORK COUNTY.

(b) Furthermore, each Foreign Subsidiary Borrower hereby agrees that service of all writs, process and summonses in any such action or proceeding brought in the State of New York may be made upon Corporation Service Company, presently located at 80 State Street, 6th Floor, Albany, New York 12207 U.S.A. (the "Process Agent") and each Foreign Subsidiary Borrower hereby confirms and agrees that the Process Agent has been duly and irrevocably appointed as its agent and true and lawful attorney-in-fact in its name, place and stead to accept such service of any and all such writs, process and summonses, and agrees that the failure of the Process Agent to give any notice of any such service of process to such Foreign

Subsidiary Borrower (or to any other Person) shall not impair or affect the validity of such service or of any judgment based thereon.

(C) EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS PARAGRAPH.

(d) Nothing in this Section shall affect the right of the Administrative Agent or any Lender to serve legal process in any other manner permitted by law or affect the right of the Administrative Agent or any Lender to bring any action or proceeding against any Borrower or its property in the courts of any other jurisdictions.

(e) To the extent that any Borrower has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether from service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, such Borrower hereby irrevocably waives such immunity in respect of its obligations under this Agreement and its Notes.

Section 12.9. Table of Contents; Headings. Any table of contents and the headings and captions hereunder are for convenience only and shall not affect the interpretation or construction of this Agreement.

Section 12.10. Severability. The provisions of this Agreement are intended to be severable. If for any reason any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

Section 12.11. Authorization of Parent. Each Foreign Subsidiary Borrower hereby authorizes the Parent to give on behalf of such Foreign Subsidiary Borrower all notices, consents and other communications that may be given by such Foreign Subsidiary Borrower under or in connection with this Agreement or any other Facility Document, and to receive on behalf of such Foreign Subsidiary Borrower all notices, consents and other communications that may be given to such Foreign Subsidiary Borrower under or in connection with this Agreement or any other Facility Document (in each case, irrespective of whether or not such notice, consent or other communication is expressly provided elsewhere in this Agreement to be given or

received by the Parent on behalf of such Foreign Subsidiary Borrower). Such notices, consents and other communications may include Borrowing Requests, notices as to continuations, conversions and prepayments of Loans, notices and demands in connection with Events of Default, and notices and demands in connection with the exercise by the Administrative Agent or any Lender of remedies. Such notices, consents and other communications may be given by or to the Parent in its own name or in the name of such Foreign Subsidiary Borrower. The authority given by each Foreign Subsidiary Borrower in this Section is coupled with an interest and is irrevocable until all the Revolving Credit Commitments of the Lenders have expired or been terminated and all the obligations of such Foreign Subsidiary Borrower under this Agreement and the other Facility Documents have been paid in full.

Section 12.12. Integration. The Facility Documents set forth the entire agreement among the parties hereto relating to the transactions contemplated thereby and supersede any prior oral or written statements or agreements with respect to such transactions.

Section 12.13. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND INTERPRETED AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

Section 12.14. Confidentiality. (a) Each Lender (in its capacity as Lender and, as applicable, as Swingline Bank and Issuing Bank) and the Administrative Agent agrees (on behalf of itself and each of its Affiliates, directors, officers, employees and representatives) to use reasonable precautions to keep confidential, in accordance with safe and sound banking practices, any non-public information supplied to it by any Borrower pursuant to this Agreement which is identified by such Borrower (or by the Parent on behalf of the applicable Foreign Subsidiary Borrower) as being confidential at the time the same is delivered to the Lenders or the Administrative Agent, provided that nothing herein shall limit the disclosure of any such information (a) to its Affiliates or any of its or such Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to any Borrower and its obligations, (g) with the consent of the Parent or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, the Issuing Bank, the Swingline Bank or any Lender on a nonconfidential basis from a source other than the Borrowers; provided further that in no event shall the Administrative Agent, the Issuing Bank, the Swingline Bank or any Lender be obligated or required to return any materials furnished by any Borrower.

(b) Notwithstanding anything in this Agreement to the contrary, each Lender (in its capacity as Lender and, as applicable, as Swingline Bank and Issuing Bank) and the Administrative Agent (and such Lender's or Administrative Agent's employees, representatives or other agents, as the case may be) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement, and all materials of any kind (including opinions or other tax analyses) related to such tax treatment and tax structure, except that (i) this sentence shall not apply to the extent that nondisclosure is reasonably necessary to comply with the securities laws, and (ii) this sentence shall not permit any Person to reveal the identity of the Parent or any of its Subsidiaries.

Section 12.15. Treatment of Certain Information. Each Borrower (a) acknowledges that services may be offered or provided to it (in connection with this Agreement or otherwise) by each Lender or by one or more of their respective subsidiaries or Affiliates and (b) acknowledges that information delivered to each Lender by any Borrower (or by the Parent on behalf of a Foreign Subsidiary Borrower) may be provided to each such subsidiary and Affiliate.

Section 12.16. Judgment Currency. (a) The obligations hereunder of any Borrower to make payments in dollars or in a particular Foreign Currency, as the case may be (the "Obligation Currency"), shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any currency other than the Obligation Currency, except to the extent that such tender or recovery results in the effective receipt by the Administrative Agent, the Issuing Bank, the Swingline Bank or a Lender of the full amount of the Obligation Currency expressed to be payable to the Administrative Agent, the Issuing Bank, the Swingline Bank or such Lender under this Agreement or the other Facility Documents. If, for the purpose of obtaining or enforcing judgment against any Borrower or any Guarantor in any court or in any jurisdiction, it becomes necessary to convert into or from any currency other than the Obligation Currency (such other currency being hereinafter referred to as the "Judgment Currency") an amount due in the Obligation Currency, the conversion shall be made, at the Dollar Equivalent or the Foreign Currency Equivalent (as the case may be) of such amount, in each case, as of the date immediately preceding the day on which the judgment is given (such Business Day being hereinafter referred to as the "Judgment Currency Conversion Date") using the current Exchange Rate as of the Judgment Currency Conversion Date.

(b) If there is a change in the rate of exchange prevailing between the Judgment Currency Conversion Date and the date of actual payment of the amount due, the applicable Borrower, as the case may be, covenants and agrees to pay, or cause to be paid, such additional amounts, if any (but in any event not a lesser amount), as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial award at the rate of exchange prevailing on the Judgment Currency Conversion Date.

(c) For purposes of determining the Dollar Equivalent, or the Foreign Currency Equivalent (as the case may be), such amounts shall include any premium and costs payable in connection with the purchase of the Obligation Currency.

Section 12.17. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing any such counterpart. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 12.18. USA PATRIOT Act. Each Lender hereby notifies the Borrowers that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), such Lender may be required to obtain, verify and record information that identifies the Borrowers, which information includes the name and address of each Borrower and other information that will allow such Lender to identify the Borrowers in accordance with said Act.

Section 12.19. Termination of Existing Credit Agreement. Each Lender that is party as a lender to the Credit Agreement dated as of June 17, 2003 among the Parent, Concord Watch Company, S.A., MWC, the lenders party thereto and JPMCB, as administrative agent, swingline bank and issuing bank, by its execution and delivery of this Agreement hereby (a) waives the requirement in such credit agreement that notice of the termination of the commitments and any prepayment thereunder be provided in advance of the date of such termination or prepayment and (b) agrees that the Borrowers' execution and delivery of this Agreement shall be effective as notice by the borrowers under such credit agreement of the termination of the commitments thereunder.

[The remainder of this page has intentionally been left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

MOVADO GROUP, INC.,
as Borrower

By: /s/ Eugene Karpovich

Name: Eugene Karpovich
Title: Senior VP/CFO

Address for Notices:
Movado Group, Inc.
650 From Road Paramus, NJ 07652
Attention: Treasurer
Telecopier No.: 201-267-8240

with a simultaneous copy to:

Movado Group, Inc.
650 From Road Paramus, NJ 07652
Attention: General Counsel
Telecopier No.: 201-267-8050

MOVADO WATCH COMPANY SA,
as Borrower

By: /s/ Richard Cote

Name: Richard Cote
Title: Director

By: /s/ Benedikt Schlegel

Name: Benedikt Schlegel
Title: COO

Address for Notices:
Movado Watch Company SA
c/o Movado Group, Inc.
650 From Road
Paramus, NJ 07652
Attention: Treasurer
Telecopier No.: 201-267-8240

with a simultaneous copy to:

Movado Group, Inc.
650 From Road
Paramus, NJ 07652
Attention: General Counsel
Telecopier No.: 201-267-8050

MGI LUXURY GROUP S.A.,
as Borrower

By: /s/ Richard Cote

Name: Richard Cote
Title: Director

By: /s/ Benedikt Schlegel

Name: Benedikt Schlegel
Title: COO

Address for Notices:
MGI Luxury Group S.A.
c/o Movado Group, Inc.
650 From Road
Paramus, NJ 07652
Attention: Treasurer
Telecopier No.: 201-267-8240

with a simultaneous copy to:

Movado Group, Inc.
650 From Road
Paramus, NJ 07652
Attention: General Counsel
Telecopier No.: 201-267-8050

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent and Lender

By: /s/ HAROLD V. GARRITY, III

Name: HAROLD V. GARRITY, III
Title: Vice President

Address for Notices as Administrative Agent, Swingline Bank and Lender:
JPMorgan Chase Bank, N.A.
1111 Fannin Street, 10th Floor
Houston, Texas 77002-6925
Attention: Loan and Agency Services Group, Michael Chau
Telephone No.: (713) 750-7913
Telecopier No.: (713) 750-2938

with a simultaneous copy to:
JPMorgan Chase Bank, N.A.
695 Route 46 West
Fairfield NJ 07004
Attention: Brendan Walsh
Telephone No.: 973-439-5064
Telecopier No.: 973-439-5019

And, if in respect of Foreign Currency Borrowings, with a simultaneous copy to:
J.P. Morgan Europe Limited
125 London Wall
London EC2Y 5AJ
Attention: Claire Johnson
Telephone No.: 44 (207) 777-2542
Telecopier No.: 44 (207) 777-2360

Address for Notices as Issuing Bank:
JPMorgan Chase Bank, N.A.
695 Route 46 West
Fairfield NJ 07004
Attention: Brendan Walsh
Telephone No.: 973-439-5064
Telecopier No.: 973-439-5019

BANK OF AMERICA, N.A., LONDON

By: /s/ RICHARD WILLIAMS

Name: RICHARD WILLIAMS
Title: CREDIT PRODUCTS OFFICER

THE BANK OF NEW YORK

By: /s/ Susan M. Graham

Name: Susan M. Graham
Title: Vice President

CITIBANK, N.A.

By: /s/ Anthony V. Pantina

Name: Anthony V. Pantina

Title: Vice President

EXHIBIT A-1

PROMISSORY NOTE
(Syndicated Loans)

[Date of Note]

_____ (the "Borrower"), for value received, hereby promises to pay to the order of _____ (the "Lender"), at the office of JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent"), described in the Credit Agreement (as such term is hereinafter defined), for the account of the appropriate Lending Office of the Lender, the amount of the Syndicated Loans made by the Lender to the Borrower pursuant to the Credit Agreement, in immediately available funds, on the dates, in the currency and in the manner provided in the Credit Agreement. The Borrower also promises to pay interest on the unpaid principal balance hereof, for the period such balance is outstanding, at said office for the account of such Lending Office at the rates of interest provided in the Credit Agreement, on the dates, in the currency and in the manner provided in the Credit Agreement.

The date and amount of each Syndicated Loan made by the Lender to the Borrower under the Credit Agreement, and whether such Loan is a LIBOR Loan or an ABR Loan, and the currency in which such Loan is made, and the date and amount of each payment of principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note (or, at the discretion of the Lender, at any other time), endorsed by the Lender on the schedule attached hereto or any continuation thereof.

This is one of the Syndicated Loan Notes referred to in that certain Credit Agreement (as amended from time to time, the "Credit Agreement") dated as of December 15, 2005 among Movado Group, Inc., Movado Watch Company SA, MGI Luxury Group S.A., the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, as Swingline Bank and as Issuing Bank. This Note evidences the Syndicated Loans made by the Lender to the Borrower thereunder. All capitalized terms not defined herein shall have the meanings given to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of the principal of this Note upon the occurrence of certain Events of Default specified therein.

The Borrower waives presentment, notice of dishonor, protest and any other notice or formality with respect to this Note.

This Note shall be governed by, and interpreted and construed in accordance with, the law of the State of New York.

[NAME OF BORROWER]

By: ----------

Name: ----------

Title: ----------

[SECOND SIGNATURE LINE FOR
FOREIGN SUBSIDIARY BORROWER

By:

Name:

Title:]

Date	Amount of Loan	LIBOR or ABR	Currency	Amount of Payment	Balance Outstanding	Notation By

EXHIBIT A-2

PROMISSORY NOTE
(Swingline Loans)

$10,000,000 [_____], 2005

MOVADO GROUP, INC., a New York corporation (the "Borrower"), for value received, hereby promises to pay to the order of JPMORGAN CHASE BANK, N.A. (the "Swingline Bank"), at the office of JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent"), described in the Credit Agreement (as such term is hereinafter defined), for the account of the appropriate Lending Office of the Swingline Bank, the principal sum of Ten Million Dollars or, if less, the amount of the Swingline Loans made by the Swingline Bank to the Borrower pursuant to the Credit Agreement that are outstanding, in lawful money of the United States, in immediately available funds, on the dates and in the manner provided in the Credit Agreement. The Borrower also promises to pay interest on the unpaid principal balance hereof, for the period such balance is outstanding, at said office for the account of such Lending Office in lawful money of the United States at the rates of interest provided in the Credit Agreement, on the dates and in the manner provided in the Credit Agreement.

The date and amount of each Swingline Loan made by the Swingline Bank to the Borrower under the Credit Agreement, and each payment of principal thereof, shall be recorded by the Swingline Bank on its books and, prior to any transfer of this Note (or, at the discretion of the Swingline Bank, at any other time), endorsed by the Swingline Bank on the schedule attached hereto or any continuation thereof.

This is the Swingline Loan Note referred to in that certain Credit Agreement (as amended from time to time, the "Credit Agreement") dated as of December 15, 2005 among Movado Group, Inc., Movado Watch Company SA, MGI Luxury Group S.A., the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, as Swingline Bank and as Issuing Bank. This Note evidences the Swingline Loans made by the Swingline Bank thereunder. All capitalized terms not defined herein shall have the meanings given to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of the principal of this Note upon the occurrence of certain Events of Default specified therein.

The Borrower waives presentment, notice of dishonor, protest and any other notice or formality with respect to this Note.

This Note shall be governed by, and interpreted and construed in accordance with, the law of the State of New York.

MOVADO GROUP, INC.

By: _____

Name: _____

Title: _____

Date	Amount of Loan	Amount of Payment	Balance Outstanding	Notation By

EXHIBIT B

December 15, 2005

JPMorgan Chase Bank, N.A.,
as Administrative Agent
1111 Fannin Street, 10th Floor
Houston, Texas 77002-6925

Re: The Credit Agreement dated as of the date hereof (which, as the same may hereafter be amended, will be called herein the "Credit Agreement") among Movado Group, Inc., Movado Watch Company SA, MGI Luxury Group S.A., the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, and as Swingline Bank and as Issuing Bank. Capitalized terms used herein have the meanings ascribed to them in the Credit Agreement.

Ladies and Gentlemen:

In connection with the captioned Credit Agreement, the Borrowers hereby designate any one of the following persons to give to you instructions, including notices required pursuant to the Agreement, orally or by telephone or teleprocess or email:

NAME

Rick J. Cote
Eugene Karpovich
Frank Kimick
Timothy Michno
Ernest Laporte
Joseph Bosch

Instructions may be honored on the oral, telephonic, teleprocess or email instructions of anyone purporting to be any one of the above designated persons. The Parent will furnish you with confirmation of each such instruction either by telex (whether tested or untested) or in writing signed by any person designated above (including any telecopy which appears to bear the signature of any person designated above) on the same day that the instruction is provided to you but your responsibility with respect to any instruction shall not be affected by your failure to receive such confirmation or by its contents. Transactions that are the subject of such instructions are to be processed (a) for the Parent, through Movado Group, Inc., ABA No.: 021000021, Acct No.: 0381130798, at the Administrative Agent; (b) for MWC, through Movado Watch Company SA at UBS SA, Swift Code: UBSWCHZH30A, IBAN: CH63 0023 5235 5322 76392, Account No.: 235-53227639.2; (c) for Luxury, through MGI Luxury Group S.A. at UBS SA, Swift Code: UBSWCHZH30A, IBAN: CH10 0023 5235 5051 01341, Account No.: 235-50510134.1; or (d) in the case of any Borrower, such other account as may be mutually agreed to by you and the Parent (the Parent's agreement as to such other account to be evidenced by a writing signed by two of the above-designated persons).

You shall be fully protected in, and shall incur no liability to any of the Borrowers for, acting upon any instructions which you in good faith believe to have been given by any person designated above, and in no event shall you be liable for special, consequential or punitive damages. In addition, the Borrowers agree to hold you and your agents harmless from any and all liability, loss and expense arising directly or indirectly out of instructions that any Borrower (or the Parent on behalf of any Foreign Subsidiary Borrower) provides to you in connection with the Credit Agreement except for liability, loss or expense occasioned by the gross negligence or willful misconduct of you or your agents.

Upon notice to the Parent, you may, at your option, refuse to execute any instruction, or part thereof, without incurring any responsibility for any loss, liability or expense arising out of such refusal if you in good faith believe that the person delivering the instruction is not one of the persons designated above or if the instruction is not accompanied by an authentication method that the Parent agreed to in writing.

The Parent will promptly notify you in writing of any change in the persons designated above and, until you have actually received such written notice and have had a reasonable opportunity to act upon it, you are authorized to act upon instructions, even though the person delivering them may no longer be authorized.

Very truly yours,

MOVADO GROUP, INC.

By: ----------

Name: ----------

Title: ----------

MOVADO WATCH COMPANY SA

By: ----------

Name: ----------

Title: ----------

By: ----------

Name: ----------

Title: ----------

MGI LUXURY GROUP S.A.

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

EXHIBIT C-1

(Form of Opinion of Timothy F. Michno, Esq.)

December 15, 2005

To each of the Lenders party to the Credit Agreement
referred to below and JPMorgan Chase Bank, N.A. as
Administrative Agent, Swingline Bank, and Issuing Bank

Ladies and Gentlemen:

I have acted as counsel to Movado Group, Inc., a New York corporation (the "Parent Borrower"), in connection with that certain Credit Agreement (the "Credit Agreement") dated as of the date hereof among the Parent Borrower, MGI Luxury Group S.A., a corporation organized under the laws of Switzerland ("MGI"), Movado Watch Company SA, a corporation organized under the laws of Switzerland (together with MGI, the "Foreign Subsidiary Borrowers" and, together with MGI and the Parent Borrower, the "Borrowers"), the Lenders signatory thereto and JPMorgan Chase Bank, N.A. as Administrative Agent, as Swingline Bank and as Issuing Bank (the "Agent Bank"). I have also acted as counsel to Movado Retail Group, Inc., a New Jersey corporation ("Movado Retail"), and Movado LLC, a Delaware limited liability company ("Movado LLC" and, together with Movado Retail, the "Initial Guarantors" and, together with Movado Retail and the Parent Borrower, the "US Entities"), in connection with the Subsidiary Guarantee[s] by [each of] the Initial Guarantors in favor of the Lenders and the Agent Bank. Except as otherwise defined herein, all terms used herein and defined in the Credit Agreement shall have the meanings assigned to them therein.

In connection with this opinion, I have examined executed copies of the Facility Documents and such other documents, records, agreements and certificates as I have deemed appropriate. I have also reviewed such matters of law as I have considered relevant for the purpose of this opinion.

Based upon the foregoing, I am of the opinion that:

1. Each of the Parent Borrower and Movado Retail is a corporation duly incorporated, validity existing and in good standing under the laws of the State of New York (in the case of the Parent Borrower) or New Jersey (in the case of Movado Retail); and each of them has the corporate power and authority to own its assets and to transact the business in which it is now engaged and is duly qualified as a foreign corporation and in good standing under the laws of each other jurisdiction in which the failure to be so qualified would have a material adverse effect on the business, financial condition or operations of the Parent Borrower and its Subsidiaries taken as a whole.

2. Movado LLC is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware; and it has the limited liability company power and authority to own its assets and to transact the business in which it is now engaged and is duly qualified as a foreign limited liability company and in good standing under the laws of each other jurisdiction in which the failure to be so qualified would have a material adverse effect on the business, financial condition or operations of the Parent Borrower and its Subsidiaries taken as a whole.

3. Each Facility Document has been duly executed and delivered by each US Entity which is a party to it. Each Facility Document constitutes a legal, valid and binding obligation of each US Entity which is a party to it, enforceable against that US Entity in accordance with its terms.

4. The execution, delivery and performance by each US Entity (and in the case of clauses (d), (e) and (f) below, each Foreign Subsidiary Borrower) of the Facility Documents to which it is a party are within its power and authority and have been duly authorized by all necessary corporate or limited liability company action, as applicable, and do not: (a) require any consent or approval of its stockholders; (b) contravene its charter, by-laws or limited liability company agreement, as applicable; (c) violate any provision of, or require any filing, registration, consent or approval under, any law (other than the law of the State of New York and Federal law of the United States), rule, regulation (including without limitation Regulation U), order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to any US Entity; (d) result in a breach of or constitute a default or require any consent under any indenture or loan or credit agreement or any other agreement, lease or instrument to which such Borrower or such Initial Guarantor is a party or by which it or its properties may be bound or affected; (e) result in, or require, the creation or imposition of any Lien upon or with respect to any of the properties now owned or hereafter acquired by such Borrower or such Initial Guarantor; or (f) cause the Parent Borrower or any Subsidiary to be in default under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any such indenture, agreement, lease or instrument.

5. To the best of my knowledge (after due inquiry), there are no pending or threatened actions, suits or proceedings against or affecting the Parent Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator, which would, in any one case or in the aggregate, materially adversely affect the financial condition, operations, properties or business of the Parent Borrower and its Subsidiaries taken as a whole or the ability of any US Entity to perform its obligations under the Facility Documents to which is a party.

The opinions expressed herein are solely for your benefit in connection with the transactions referred to in the Credit Agreement and may not be circulated to, or relied upon by, any other Person, except that it may be circulated to any prospective Lender in accordance with the Credit Agreement and may be relied upon by any Person who, in the future, becomes a Lender; provided that each Lender may provide this opinion (i) to bank examiners and other regulatory authorities should they so request or in connection with their normal examination, (ii) to its professional advisers, (iii) pursuant to an order or legal process of any court or governmental agency, or (iv) in connection with any legal action to which such Lender is a party

arising out of the transactions contemplated by the Credit Agreement. The opinions expressed herein are as of the date hereof, and I make no undertaking to supplement such opinions as facts and circumstances come to my attention or changes in law occur which could affect such opinions.

Very truly yours,

Timothy F. Michno
General Counsel

EXHIBIT C-2

(Form of Opinion of Paul, Weiss, Rifkind, Wharton & Garrison LLP)

December 15, 2005

To the Lenders party to the
Credit Agreement referred to below
and JPMorgan Chase Bank, N.A., as Agent

Ladies and Gentlemen:

We have acted as special counsel to Movado Group, Inc., a New York corporation (the "Parent Borrower"), MGI Luxury Group S.A., a corporation organized under the laws of Switzerland ("MGI"), Movado Watch Company SA, a corporation organized under the laws of Switzerland ("Movado S.A." and, together with MGI, the "Foreign Subsidiary Borrowers"), Movado Retail Group Inc., a New Jersey corporation ("Movado Retail"), and Movado LLC, a Delaware limited liability company ("Movado LLC" and, together with Movado Retail, the Parent Borrower and the Foreign Subsidiary Borrowers, the "Principal Parties"), in connection with the Credit Agreement (the "Credit Agreement") dated as of the date hereof, among the Parent Borrower, the Foreign Subsidiary Borrowers, the financial institutions listed on the signature pages of the Credit Agreement (the "Lenders") and JPMorgan Chase Bank, N.A., as Administrative Agent, as Swingline Bank and as Issuing Bank (the "Agent Bank"). This opinion is being furnished to you at the request of the Parent Borrower as provided by Section 5.1(i) of the Credit Agreement. Capitalized terms used and not otherwise defined have the respective meanings given those terms in the Credit Agreement.

In connection with this opinion, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents, each dated as of the date of this letter (collectively, the "Documents"):

1. the Credit Agreement;

2. the Syndicated Loan Notes issued on the date hereof;

3. the Subsidiary Guarantee by Movado Retail in favor of the Lenders and the Agent Bank (the "Retail Guarantee");

4. the Subsidiary Guarantee by Movado LLC in favor of the Lenders and the Agent Bank (the "LLC Guarantee" and, together with the Retail Guarantee, the "Initial Subsidiary Guarantees"); and

5. the Parent Guarantee by the Parent Borrower in favor of the Lenders and the Agent Bank (the "Parent Guarantee").

In our examination of the documents referred to above, we have assumed, without independent investigation, the genuineness of all signatures, the legal capacity of all individuals who have executed any of the documents reviewed by us, the authenticity of all documents (including the Documents) submitted to us as originals, the conformity to the originals of all documents submitted to us as certified, photostatic, reproduced or conformed copies of valid existing agreements or other documents, the authenticity of the latter documents and that the statements regarding matters of fact in the certificates, records, agreements, instruments and documents that we have examined are accurate and complete. We have also assumed, without independent investigation, the enforceability of the Documents against each party other than the Principal Parties.

In addition, in the case of each Principal Party, we have assumed, without independent investigation, that (i) such Principal Party is validly existing and in good standing under the laws of its jurisdiction of organization, (ii) such Principal Party has all necessary

corporate or limited liability company power, as applicable, and authority to execute, deliver and perform its obligations under each Document to which it is a party, (iii) the execution, delivery and performance of each Document have been duly authorized by all necessary corporate or limited liability company action, as applicable, and do not violate its charter or other organizational documents or the laws of its jurisdiction of organization (except New York law) and (iv) each Document has been duly executed and delivered by it under the laws of its jurisdiction of organization.

Based upon the foregoing, and subject to the assumptions, exceptions, and qualifications stated below, we are of the opinion that:

1. Each Document to which any Principal Party is a party is a legal, valid and binding obligation of such Principal Party, enforceable against such Principal Party in accordance with its terms.

2. The execution and delivery by each Principal Party of each of the Documents to which it is a party and the performance by such Principal Party of its obligations under the Documents do not violate or result in a breach of or default under any Covered Law (as defined below) (including Regulations U or X of the Board of Governors of the Federal Reserve System of the United States).

3. No authorizations or approvals of, and no filings with, any governmental or regulatory authority or agency are necessary under any Covered Law for the execution, delivery or performance by any Principal Party of the Documents to which it is a party.

This opinion is subject to the following assumptions, exceptions and qualifications:

(a) The enforceability of the Documents may be: (i) subject to

bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights generally; and (ii) subject to general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

(b) We express no opinion as to: (i) the enforceability of any provisions in the Initial Subsidiary Guarantees and the Parent Guarantee (the "Guarantees") purporting to preserve and maintain the liability of any party to the Guarantees despite the fact that the guarantied debt is unenforceable due to illegality; (ii) the enforceability of any provisions contained in the Documents that purport to establish (or may be construed to establish) evidentiary standards; (iii) the enforceability of forum selection clauses in the federal courts; (iv) the enforceability of any provisions contained in the Documents that purport to relinquish a Principal Party's right to a trial by jury or to waive immunity; or (v) judgment currency clauses to the extent they are inconsistent with Section 27(b) of the N.Y. Judiciary Law.

This opinion is limited to the laws of the State of New York and the federal laws of the United States of America that, in each case, in our experience, are normally applicable to credit transactions of the type contemplated by the Credit Agreement (collectively, the "Covered Laws"). This opinion is rendered only with respect to the laws, and the rules, regulations and orders under those laws, that are currently in effect.

This opinion is furnished by us solely for your benefit in connection with the transactions referred to in the Credit Agreement and may not be circulated to, or relied upon by, any other Person, except that it may be circulated to any prospective Lender in accordance with the Credit Agreement and may be relied upon by any Person who, in the future, becomes a Lender; provided that each Lender may provide a copy of this opinion (i) to bank examiners and other regulatory authorities should they so request or in connection with their normal

examination, (ii) to the professional advisers of any Lender, (iii) pursuant to an order or legal process of any court or governmental agency, or (iv) in connection with any legal action to which such Lender is a party arising out of the transactions contemplated by the Credit Agreement.

Very truly yours,

PAUL, WEISS, RIFKIND, WHARTON &
GARRISON LLP

(Form of Opinion of Swiss Counsel to the Foreign Subsidiary Borrowers)

BY E-MAIL - BY COURIER
The Lenders party to the Agreement
referred to below and
JPMorgan Chase Bank, N.A. as Agent

December 15, 2005 HUU - FIC
309164 - HUU - 000037.doc

MOVADO GROUP, INC., MOVADO WATCH COMPANY AND MGI LUXURY GROUP S. A. AS BORROWERS - CREDIT AGREEMENT

Ladies and Gentlemen

We have acted as special Swiss counsel to MGI Luxury Group S.A. and Movado Watch Company SA (the SWISS OBLIGORS) in connection with the Credit Agreement dated as of the date hereof (the AGREEMENT) between Movado Group, Inc. (the PARENT), the Swiss Obligors, JPMorgan Chase Bank, N.A., as Administrative Agent, as Swingline Bank and as Issuing Bank (the AGENT), and the Lenders specified therein. As such counsel, we have been requested to give our opinion as to certain legal matters relating to the Agreement.

Capitalized terms used herein shall have the meaning attributed to them in the Agreement unless otherwise defined herein.

I. BASIS OF OPINION

This opinion is confined to and given on the basis of the laws of Switzerland in force at the date hereof as currently applied by the Swiss courts. In the absence of explicit statutory law or established case law, we base our opinion solely on our independent professional judgement. This opinion is also confined to:

(i) the matters stated herein and is not to be read as extending, by implication or otherwise, to any agreement or document referred to in the Agreement (other than listed below) or any other matter; and

(ii) the documents listed below.

For purposes of this opinion we have not conducted any due diligence or similar investigation as to factual circumstances, which are or may be referred to in the documents below, and we express no opinion as to the accuracy of representations and warranties of facts set out in such documents or the factual background assumed therein.

For the purpose of giving this opinion, we have only examined originals or copies of the following documents (collectively the DOCUMENTS):

(i) execution copy of the Agreement dated December 15, 2005;

(ii) copies of the articles of incorporation (Statuten) of each of

- MGI Luxury Group S.A., dated as of November 22, 2005;

- Movado Watch Company SA, dated as of February 4, 2004;

(collectively the ARTICLES);

(iii) copies of certified excerpts from the relevant Registers of Commerce for each of the following Swiss Obligors:

- from the Register of Commerce of the Canton of Berne for MGI Luxury Group S.A., dated as of December 9, 2005;

- from the Register of Commerce of the Canton of Solothurn for Movado Watch Company SA, dated as of December 9, 2005;

(collectively the EXCERPTS);

(iv) a copy of the resolution of the board of directors of each of

- MGI Luxury Group S.A., dated as of December 15, 2005;

- Movado Watch Company SA, dated as of December 15, 2005;

(collectively the BOARD RESOLUTIONS); and

(v) a copy of the resolution of the shareholders meeting of each of

- MGI Luxury Group S.A., dated as of December 15, 2005;

- Movado Watch Company SA, dated as of December 15, 2005;

(collectively the SHAREHOLDERS' RESOLUTIONS).

No documents have been reviewed by us in connection with this opinion other than those listed above. Accordingly, we shall limit our opinion to the above Documents and their legal implications on the Agreement under Swiss law.

In this opinion, Swiss legal concepts are expressed in English terms and not in their original language. These concepts may not be identical to the concepts described by the same English terms as they exist under the laws of other jurisdictions.

II. ASSUMPTIONS

In rendering the opinion below, we have assumed:

(a) the conformity to the original Documents of all Documents produced to us as copies, fax copies or via e-mail, and that the original was executed in the manner appearing on the copy;

(b) the genuineness and authenticity of the signatures on all original Documents or copies thereof which we have examined, and the accuracy of all factual information contained in, or material statements given in connection with, the Documents;

(c) the Agreement is within the capacity and power of, and has been validly authorized, executed and delivered by and is binding on all parties thereto other than the Swiss Obligors;

(d) the performance by all parties to the Agreement of all obligations by which they are respectively bound under the Agreement and the compliance of all the parties to the Agreement with all matters of validity and enforceability under any law other than the laws of Switzerland;

(e) that the Agreement will be valid, binding and enforceable under the law of the State of New York by which it is expressed to be governed and that the choice of the law of the State of New York and of the jurisdiction of the New York state or United States federal courts provided in the Agreement is valid under the law of the State of New York;

(f) that as far as any obligation under the Agreement is required to be performed in any jurisdiction outside of Switzerland, its performance will not be illegal or unenforceable by virtue of the laws of such jurisdiction;

(g) that, except as expressly opined upon herein, all representations and warranties made by any one of the parties of the Agreement are true and accurate;

(h) that the Excerpts and the Articles are correct, complete and up-to-date;

(i) that all parties entered into the Agreement for bona fide commercial reasons and on arm's length terms, and that none of the directors or officers of the respective party has or had a conflict of interest with such party in respect of the Documents that would preclude him from validly representing (or granting a power of attorney in respect of the Documents for) the respective party;

(j) that the Board Resolutions (i) have been duly resolved in meetings duly convened and otherwise in the manner set forth therein, and (ii) have not been rescinded or amended and are in full force and effect.

III. OPINION

Based on the foregoing and subject to the qualifications set out below, we are of the opinion that as of the date hereof:

1. Each of the Swiss Obligors is a corporation duly incorporated and validly existing under the laws of Switzerland with all requisite corporate power and authority to own its properties and to carry on its business as presently conducted.

2. Each of the Swiss Obligors has the corporate power to enter into the Agreement, and the Agreement has been duly authorized by each of the Swiss Obligors.

3. The execution, delivery and performance by the Swiss Obligors of the Agreement do not violate any provision of the Articles or any laws of Switzerland applicable to the Swiss Obligors.

4. The obligations under the Agreement will constitute direct and unsubordinated obligations of the Swiss Obligors and will at least rank pari passu with any other unsecured, unsubordinated obligations of the Swiss Obligors (whether actual or contingent) outstanding from time to time, subject to any statutory preferences under applicable law.

5. The choice of the law of the State of New York as the governing law of the Agreement is a valid choice of law under the laws of Switzerland and in any action brought before a court of competent jurisdiction in Switzerland, the law of the State of New York would be recognized and applied by such court to all issues for which under the conflict of laws rules of Switzerland the proper or governing law of a contract is applicable provided, however, that a Swiss court would apply procedural rules.

6. The submission by the Swiss Obligors to the jurisdiction of the New York state courts and the United States federal courts contained in the Agreement is valid and legally binding on the Swiss Obligors under the laws of Switzerland.

7. The courts of Switzerland will recognise as valid, and will enforce, any final and non-appealable civil judgment for a monetary claim obtained in a New York state court or a United States federal court against the Swiss Obligors.

8. The designation by the Swiss Obligors of Corporation Service Company as agent to receive service of process in New York state or United States federal courts on their behalf is valid and binding under the laws of Switzerland, as long as Corporation Service Company is properly acting as agent for service of process and its mandate has not been revoked.

9. The Swiss Obligors are not required by law in relation to any sums payable under the Agreement or the payment of fees by the Swiss Obligors to the Agent to make, or cause to be made, any deduction or withholding for or on account of any taxes imposed or levied by or on behalf of Switzerland or any political subdivision or any taxing authority thereof or therein.

10. No Swiss stamp duty on the issuance of securities (Emissionsabgabe) and no Swiss stamp duty on the turnover of securities (Umsatzabgabe) will be payable to any governmental authority of Switzerland in connection with the execution and delivery of the Agreement and the making available of the facility in accordance therewith.

11. No Swiss Obligor has any immunity from suit or proceedings or the enforcement of any judgment (whether on the grounds of sovereign immunity or otherwise) under the laws of Switzerland.

12. To ensure the validity and enforceability or admissibility in evidence of the Agreement, it is not necessary that the Agreement be approved, authorized, filed or recorded with any governmental, administrative or other authority or court in Switzerland.

13. It is not necessary under Swiss law (i) in order to be entitled the full access as plaintiff to the courts of competent jurisdiction of Switzerland or any political subdivision thereof for the enforcement of any right, power or remedy accorded in, under or in connection with the Agreement, or (ii) by reason only of the execution, delivery or performance of the Agreement, that any of the Lenders or the Agent should be licensed, qualified or entitled to carry on business in Switzerland.

14. None of the Lenders or the Agent will be deemed to be resident, domiciled or carrying on business in Switzerland by reason only of the execution, delivery, performance and/or enforcement of the Agreement.

IV. QUALIFICATIONS

The above opinions are subject to the following qualifications:

(a) We are members of the Zurich bar and do not hold ourselves to be experts in any laws other than the laws of Switzerland. Accordingly, we are opining herein as to Swiss law only and we express no opinion with respect to the applicability thereto, or the effect thereon, of the laws of any other jurisdiction.

(b) Where we refer to enforceability, we only express an opinion as to enforceability under the rules of procedure applicable in Switzerland. Enforceability of the Agreement may be limited by applicable bankruptcy, insolvency, reorganisation or similar laws affecting creditors and secured parties in general (including, without limitation, provisions relating to voidable preferences), laws or equitable principles of general application (including, but not limited to, the abuse of rights (Rechtsmissbrauch) and the principle of good faith (Grundsatz von Treu und Glauben)), and public policy, as defined in Art. 17-19 of the Swiss Private International Law Act of December 18, 1987, as amended (the PRIVATE INTERNATIONAL LAW ACT).

Enforcement before the courts of Switzerland will in any event be subject to:

(i) the nature of the remedies available in the Swiss courts (and nothing in this opinion must be taken as indicating that specific performance (other than for the payment of a sum of money) or injunctive relief would be available as remedies for the enforcement of such obligations); and

(ii) the acceptance of such courts of jurisdiction and the power of such courts to stay proceedings if concurrent proceedings are being brought elsewhere.

(c) Claims may become barred under statutes of limitation or prescription, or may be or become subject to available defences such as set-off, counterclaim, misrepresentation, material error, duress or fraud. Further, limitations may apply with respect to any indemnification and contribution undertakings by the Swiss Obligors if a court considers any act of the indemnified person as wilful or negligent, and an obligation to pay an amount may be unenforceable if the amount is held to constitute an excessive penalty (such as exemplary or punitive damages).

(d) The enforceability in Switzerland of a foreign judgment rendered against any Swiss Obligor is subject to the limitations set forth in (x) the Convention on Jurisdiction and Enforcement of Judgements in Civil and Commercial Matters of September 16, 1988 (the LUGANO CONVENTION), (y) such other international treaties under which Switzerland is bound, and (z) the Private International Law Act. In particular, and without limitation to the foregoing, a judgment rendered by a foreign court may only be enforced in Switzerland if:

(i) (in case of (y) and (z) and, in certain exceptional cases, (x)) the foreign court had jurisdiction;

(ii) the judgment of such foreign court has become final and non-appealable, or, in the case of (x), has become enforceable at an earlier stage;

(iii) the court procedures leading to the judgment followed the principles of due process of law, including proper service of process; and

(iv) the judgment of the foreign court on its merits does not violate Swiss law principles of public policy.

In addition, enforceability of a judgment by a non-Swiss court in Switzerland may be limited if the Company can demonstrate that it was not effectively served with process.

(e) Enforcement claim or court judgment under Swiss debt collection or bankruptcy proceedings may only be made in Swiss francs and the foreign currency amount must accordingly be converted into Swiss francs at the rate obtained, with respect to the enforcing creditor, on (i) the date of instituting the enforcement proceedings or (ii) the date of the filing for the continuation of the bankruptcy procedure (Fortsetzungsbegehren) and, with respect to non-enforcing creditors, at the rate obtained at the time of the adjudication of bankruptcy (Konkurseroffnung).

(f) Section 4.5 of the Agreement (Tax gross-up) provides for the gross-up of payments to the extent withholding tax is imposed on payments of a Swiss Obligor pursuant to the terms of the Agreement. This obligation may violate Article 14 of the Swiss Federal Withholding Tax Act of October 13, 1965 (the WITHHOLDING TAX ACT) which stipulates that (i) Swiss withholding tax (Verrechnungssteuer) to be withheld from any payment must be charged to the recipient of the payment, and (ii) contradictory agreements are null and void as to this issue. The Swiss Federal Tax Administration proclaimed that gross-up provisions are compliant with Article 14 of the Withholding Tax Act if (i) the obligor promises a minimum interest rate in the interest rate clause of the agreement which, under the condition of imposition of Swiss withholding tax, is to be adjusted in correspondence with the tax withheld, (ii) and, hence, Swiss withholding tax indeed is calculated on the basis of the

grossed-up net amount received by the creditor, (iii) the obligor promises the creditor to provide sufficient documentation potentially enabling the creditor to recover Swiss withholding tax, and (iv) the parties could in good faith assume at the time of entering into the agreement that payments under the agreement were not subject to Swiss withholding tax. A Swiss court ruling on the validity or enforceability of the said gross-up provisions will, however, not be bound by the Swiss Federal Tax Administration's interpretation of Article 14 of the Withholding Tax Act.

(g) The opinions set forth in Sections III. 9. and III. 10. above are subject to the qualification that the Swiss Obligors at all times comply with the ten and twenty non-bank rules pursuant to the present practice of the Swiss Federal Tax Administration.

(h) The enforcement of any guarantee, indemnity or other obligation of any Swiss Obligor for, or with respect to, any obligation of any other obligor may be limited to the freely disposable shareholders' equity of such Swiss Obligor. Such freely disposable shareholder equity shall be determined in accordance with Swiss law and Swiss accounting principles and shall correspond to the amount of the relevant Swiss Obligor's total shareholder equity less the total of (i) its aggregate share capital and (ii) its statutory reserves (including reserves for its own shares and revaluations as well as paid-in capital surplus) at the time of the start of the proceedings for enforcement. In addition, Swiss withholding tax of 35 percent may be levied on payments under a guarantee, indemnity or other obligation by a Swiss Obligor for, or with respect to, any obligation of any other obligor if the Swiss Federal Tax Administration deems such payment a dividend or similar distribution.

(i) We express no opinion as to the validity, binding effect and enforceability of the irrevocability of any power of attorney or appointment of an agent if such power of attorney or appointment has been revoked.

(j) Further, we express no opinion as to banking regulatory matters or as to any commercial, accounting, calculating, auditing or other non-legal matter. Except as expressed in opinions III. 9. and III. 10. above, we express no opinion as to tax matters.

(k) A determination, calculation or certificate as to any matter may be held by a Swiss court not to be final, conclusive or binding if such determination, calculation or certification were shown to have an unreasonable, incorrect or arbitrary basis or not to have been given or made in good faith.

* * *

We have issued this opinion as of the date hereof and we assume no obligation to advise you of any changes that are made or brought to our attention hereafter.

This opinion may be relied upon by you in your respective capacity set forth in the Agreement in connection with the matters set forth herein. Without our prior written consent, it may not be furnished or quoted to other persons, and it may not be relied upon by you, in any other capacity or for any other purpose. No other person may rely on this opinion for any purpose. You are requested not to give copies to third parties or otherwise make the contents of this opinion public without our prior written consent; provided that each Lender may provide a copy of this opinion (i) to bank examiners and other regulatory authorities should they so request or in connection with their normal examination, (ii) to the professional advisers of any Lender, (iii) pursuant to an order or legal process of any court or governmental agency, or (iv) in connection with any legal action to which such Lender is a party arising out of the transactions contemplated by the Credit Agreement.

This opinion is governed by and shall be construed in accordance with the laws of Switzerland. We confirm our understanding that all disputes arising out of or in connection with this opinion shall be subject to the exclusive jurisdiction by the District Court of Zurich, Switzerland.

Sincerely yours,

HOMBURGER RECHTSANWALTE

EXHIBIT D-1

SUBSIDIARY GUARANTEE

REFERENCE IS HEREBY MADE to the Credit Agreement dated as of December 15, 2005 (which, as the same has heretofore been or may hereafter be amended from time to time, will be called herein the "Credit Agreement") among Movado Group, Inc., a New York corporation (the "Parent"), Movado Watch Company SA ("MWC"), MGI Luxury Group S.A. ("Luxury"), the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, as Swingline Bank and as Issuing Bank. All capitalized terms used herein and not defined shall have the respective meanings ascribed to them in the Credit Agreement.

WHEREAS, the Credit Agreement provides for the extension of credit by the Lenders, the Swingline Bank and the

Issuing Bank (all of which, together with the Administrative Agent, will be called herein the "Creditors") to the Parent; and

WHEREAS, all the obligations and liabilities (whether now existing or hereafter arising) of the Parent to any or all of the Creditors under the Credit Agreement or any of the other Facility Documents (including without limitation the Parent Guarantee), whether for principal, interest, fees, reimbursement obligations, indemnification obligations, costs of enforcement or otherwise, will be called herein the "Obligations" (for the avoidance of doubt, the term "Obligations" includes any increase in such obligations and liabilities resulting from an increase in the Total Revolving Credit Commitment pursuant to Section 2.16 of the Credit Agreement); and

WHEREAS, [_____] (the "Guarantor") expects to obtain substantial economic benefit from the extension of credit by the Creditors to the Parent under the Credit Agreement; and

WHEREAS, the execution and delivery of this Subsidiary Guarantee by the Guarantor is required pursuant to the terms of the Credit Agreement;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to induce the Creditors to extend credit to the Parent under the Facility Documents, the Guarantor hereby agrees with the Creditors as follows:

1. The Guarantor hereby unconditionally guarantees to the Creditors that the Parent will promptly pay, perform and observe all the Obligations, and that all sums stated to be payable in, or which become payable under, the Facility Documents by the Parent will be promptly paid in full when due, whether at stated maturity or earlier by reason of acceleration or otherwise, and, in the case of one or more extensions of time of payment or performance or renewals of any Obligation, that the same will be promptly paid or performed (as the case may be) when due according to such extension or renewal, whether at stated maturity or earlier by reason of acceleration or otherwise, irrespective of the validity, regularity, or enforceability of any of the Facility Documents or any of the Obligations and irrespective of any present or future law or order of any government (whether of right or in fact and whether the Creditors shall have consented thereto) or of any agency thereof purporting to reduce, amend, restructure or otherwise

affect any Obligation of the Parent or other obligor or to vary the terms of payment; provided, however, that the liability of the Guarantor hereunder with respect to the Obligations shall be limited to an aggregate amount equal to the largest amount that would not render such liability subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state law.

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

3. This Subsidiary Guarantee is a guaranty of payment and not of collection only and shall apply to all Obligations whenever arising.

4. The Guarantor hereby consents that from time to time, without notice to or further consent of the Guarantor, the payment, performance or observance of any or all of the Obligations may be waived or the time of payment or performance thereof extended or accelerated, or renewed in whole or in part, or the terms of the Facility Documents or any part thereof may be changed (including, without limitation, an increase or decrease in the Total Revolving Credit Commitment or any Lender's Revolving Credit Commitment or rate of interest thereon) and any collateral therefor may be exchanged, surrendered or otherwise dealt with as the Creditors may determine, and any of the acts mentioned in the Facility Documents may be done, all without affecting the liability of the Guarantor hereunder. The Guarantor hereby waives presentment of any instrument, demand of payment, protest and notice of non-payment or protest thereof or of any exchange, sale, surrender or other handling or disposition of such collateral, and any requirement that any Creditor exhaust any right, power or remedy or proceed against the Parent under the Facility Documents or against any other person under any other guaranty of, or security for, any of the Obligations. The Guarantor hereby further waives any defense whatsoever which might constitute a defense available to, or discharge of, the Parent or a guarantor. No payment by the Guarantor pursuant to any provision hereunder shall entitle the Guarantor, by subrogation to the rights of any Creditor or otherwise, to any payment by the Parent (or out of the property of the Parent) except after payment in full of all sums (including interest, costs and expenses) which may be or become payable by the Parent to the Creditors at any time or from time to time.

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

Guarantor hereunder shall be joint and several with the liability of any other guarantor or other party upon or in respect of the Obligations.

6. Any Creditor may assign its rights and powers hereunder, with all or any of the Obligations, and, in the event of such assignment, the assignee hereof or of such rights and powers, shall have the same rights and remedies as if originally named herein. The Guarantor may not assign or transfer any of its rights or obligations under this Subsidiary Guarantee without the written approval of all the Lenders (and any such assignment or transfer that is attempted without such consent shall be void).

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

8. The Guarantor agrees that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim any Creditor may otherwise have, each of the Creditors shall be entitled, at its option, to set off and apply balances (general or special, time or demand, provisional or final) held by it for account of the Guarantor at any of its offices in dollars or in any other currency, against any amounts owing hereunder that are not paid when due (regardless of whether such balances are then due to the Guarantor), in which case it shall promptly notify the Guarantor thereof; provided, however, that any failure to give such notice shall not affect the validity thereof.

9. No provision of this Subsidiary Guarantee may be modified or waived without the prior written consent of the Administrative Agent and the Required Lenders (or, to the extent required by the Credit Agreement, all Lenders).

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

11. The Guarantor hereby agrees that if any Subsidiary Guarantor party to any other Subsidiary Guarantee shall become an Excess Funding Guarantor (as defined below) by reason of the payment by such Guarantor of any of the Obligations guaranteed thereunder and hereunder (the "Guaranteed Obligations"), then the Guarantor shall, on demand of such Excess Funding Guarantor (but subject to the next sentence), pay to such Excess Funding Guarantor an amount equal to the Guarantor's Pro Rata Share (as defined below and determined, for this

purpose, without reference to the properties, debts and liabilities of such Excess Funding Guarantor) of the Excess Payment (as defined below) in respect of the Guaranteed Obligations. The payment obligation of the Guarantor to any Excess Funding Guarantor under this paragraph shall be subordinate and subject in right of payment to the prior payment in full of the obligations of each Subsidiary Guarantor under the Subsidiary Guarantee to which it is a party and no Excess Funding Guarantor shall exercise any right or remedy with respect to such excess until payment and satisfaction in full of all of such obligations. For purposes of this paragraph, (i) "Excess Funding Guarantor" means, in respect of any Guaranteed Obligations, any Subsidiary Guarantor that has paid an amount in excess of its Pro Rata Share of such Guaranteed Obligations, (ii) "Excess Payment" means, in respect of any Guaranteed Obligations, the amount paid by an Excess Funding Guarantor in excess of its Pro Rata Share of such Guaranteed Obligations and (iii) "Pro Rata Share" means, for any Subsidiary Guarantor, the ratio (expressed as a percentage) of (x) the amount by which the aggregate fair saleable value of all properties of such Subsidiary Guarantor (excluding any shares of stock or other equity interest of any other Subsidiary Guarantor) exceeds the amount of all the debts and liabilities of such Subsidiary Guarantor (including contingent, subordinated, unmatured and unliquidated liabilities, but excluding the obligations of such Subsidiary Guarantor hereunder and any obligations of any other Subsidiary Guarantor that have been Guaranteed by such Subsidiary Guarantor) to (y) the amount by which the aggregate fair saleable value of all properties of the Parent and all of the Subsidiary Guarantors exceeds the amount of all the debts and liabilities (including contingent, subordinated, unmatured and unliquidated liabilities, but excluding the obligations of the Obligors hereunder and under the other Loan Documents) of all of the Subsidiary Guarantors, determined (A) with respect to any Subsidiary Guarantor that is a party hereto on the Closing Date, as of the Closing Date, and (B) with respect to any other Subsidiary Guarantor, as of the date such Subsidiary Guarantor becomes a Subsidiary Guarantor under a Subsidiary Guarantee.

12. The Guarantor hereby irrevocably submits to the jurisdiction of any New York State or Federal court sitting in New York City in any action or proceeding arising out of or relating to this Subsidiary Guarantee, and the Guarantor hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State or Federal court. The Guarantor irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to the Guarantor at its address specified on the signature page hereof. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this paragraph shall affect the rights of the Creditors to serve legal process in any other manner permitted by law or affect the rights of the Creditors to bring any action or proceeding against the Guarantor or any of its property in the courts of any other jurisdiction. To the extent that the Guarantor has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether from service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Guarantor hereby irrevocably waives such immunity in respect of its Obligations under this Subsidiary Guarantee. The Guarantor hereby expressly waives any and every right to a trial by jury in any action on or related to this Subsidiary Guarantee, the Obligations or the enforcement of either or all of the same, and does further expressly waive any and every right to interpose any counterclaim in any such action or proceeding. To the extent permitted by applicable law, the Guarantor shall not assert, and the Guarantor hereby waives, any claim against any Indemnitee, on any theory of liability, for

special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Subsidiary Guarantee, any other Facility Document or any agreement or instrument contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. The Guarantor agrees to reimburse the Creditors on demand for all reasonable and documented costs, expenses, and charges (including, without limitation, reasonable and documented attorneys' fees) incurred by the Administrative Agent or the Lenders in connection with any enforcement of this Subsidiary Guarantee.

13. The rights, powers and remedies granted to the Creditors herein shall be cumulative and in addition to any rights, powers and remedies to which the Creditors may be entitled either by operation of law or pursuant to the Facility Documents or any other document or instrument delivered or from time to time to be delivered to the Administrative Agent or any Lender in connection with the Facility Documents.

14. When all Obligations shall have been paid in full (other than contingent obligations that survive the termination of the Credit Agreement) and the Commitments and L/C Exposures of all the Lenders under the Credit Agreement shall have expired or been terminated, the obligations of the Guarantor under this Subsidiary Guarantee shall terminate; provided that, thereafter the obligations of the Guarantor hereunder shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Parent in respect of the Obligations guaranteed hereunder is rescinded or must be otherwise restored by any holder of such Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and the Guarantor agrees that it will indemnify the Administrative Agent and each other Creditor on demand for all reasonable and documented costs and expenses (including, without limitation, reasonable and documented fees and expenses of counsel) incurred by the Administrative Agent or any other Creditor in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

IN WITNESS WHEREOF, the Guarantor has caused this Subsidiary Guarantee to be duly executed by its proper officer(s) this ___ day of _____, 200_.

[NAME OF GUARANTOR]

By: ----------

Name: ----------

Title: ----------

Address of Guarantor:

650 From Road Paramus,
New Jersey 07652

EXHIBIT D-2

PARENT GUARANTEE

REFERENCE IS HEREBY MADE to the Credit Agreement dated as of December 15, 2005 (which, as the same has heretofore been or may hereafter be amended from time to time, will be called herein the "Credit Agreement") among Movado Group, Inc., a New York corporation (the "Parent"), Movado Watch Company SA ("MWC"), MGI Luxury Group S.A. ("Luxury"), the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, as Swingline Bank and as Issuing Bank. All capitalized terms used herein and not defined shall have the respective meanings ascribed to them in the Credit Agreement.

WHEREAS, the Credit Agreement provides for the extension of credit by the Lenders (all of which, together with any domestic or foreign branch or Affiliate thereof through which any Loan is made and the Administrative Agent, will be called herein the "Creditors") to MWC and to Luxury (the "Foreign Subsidiary Borrowers"); and

WHEREAS, all the obligations and liabilities (whether now existing or hereafter arising) of either or both of the Foreign Subsidiary Borrowers to any or all of the Creditors under the Credit Agreement or any of the other Facility Documents (whether for principal, interest, fees, reimbursement obligations, indemnification obligations, costs of enforcement or otherwise) will be called herein the "Obligations" (for the avoidance of doubt, the term "Obligations" includes any increase in such obligations and liabilities resulting from an increase in the Total Revolving Credit Commitment pursuant to Section 2.16 of the Credit Agreement); and

WHEREAS, the Parent expects to obtain substantial economic benefit from the extension of credit by the Creditors to the Foreign Subsidiary Borrowers under the Credit Agreement; and

WHEREAS, the execution and delivery of this Parent Guarantee by the Parent is required pursuant to the terms of the Credit Agreement;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to induce the Creditors to extend credit to the Foreign Subsidiary Borrowers under the Facility Documents, the Parent hereby agrees with the Creditors as follows:

1. The Parent hereby unconditionally guarantees to the Creditors that each Foreign Subsidiary Borrower will promptly pay, perform and observe all the Obligations of such Foreign Subsidiary Borrower, and that all sums stated to be payable in, or which become payable under, the Facility Documents by either or both of the Foreign Subsidiary Borrowers will be promptly paid in full when due, whether at stated maturity or earlier by reason of acceleration or otherwise, and, in the case of one or more extensions of time of payment or performance or renewals of any Obligation, that the same will be promptly paid or performed (as the case may be) when due according to such extension or renewal, whether at stated maturity or earlier by reason of acceleration or otherwise, irrespective of the validity, regularity, or enforceability of

any of the Facility Documents or any of the Obligations and irrespective of any present or future law or order of any government (whether of right or in fact and whether the Creditors shall have consented thereto) or of any agency thereof purporting to reduce, amend, restructure or otherwise affect any Obligation of the Foreign Subsidiary Borrower or other obligor or to vary the terms of payment.

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

3. This Parent Guarantee is a guaranty of payment and not of collection only and shall apply to all Obligations whenever arising.

4. The Parent hereby consents that from time to time, without notice to or further consent of the Parent, the payment, performance or observance of any or all of the Obligations may be waived or the time of payment or performance thereof extended or accelerated, or renewed in whole or in part, or the terms of the Facility Documents or any part thereof may be changed (including, without limitation, an increase or decrease in the Foreign Currency Sublimit Dollar Amount, Total Revolving Credit Commitment or any Lender's Revolving Credit Commitment or rate of interest thereon) and any collateral therefor may be exchanged, surrendered or otherwise dealt with as the Creditors may determine, and any of the acts mentioned in the Facility Documents may be done, all without affecting the liability of the Parent hereunder. The Parent hereby waives presentment of any instrument, demand of payment, protest and notice of non-payment or protest thereof or of any exchange, sale, surrender or other handling or disposition of such collateral, and any requirement that any Creditor exhaust any right, power or remedy or proceed against either or both of the Foreign Subsidiary Borrowers under the Facility Documents or against any other person under any other guaranty of, or security for, any of the Obligations. The Parent hereby further waives any defense whatsoever which might constitute a defense available to, or discharge of, either or both of the Foreign Subsidiary Borrowers or a guarantor. No payment by the Parent pursuant to any provision hereunder shall entitle the Parent, by subrogation to the rights of any Creditor or otherwise, to any payment by either or both of the Foreign Subsidiary Borrowers (or out of the property of either or both of the Foreign Subsidiary Borrowers) except after payment in full of all sums (including interest, costs and expenses) which may be or become payable by such Foreign Subsidiary Borrower to the Creditors at any time or from time to time.

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

6. Any Creditor may assign its rights and powers hereunder, with all or any of the Obligations, and, in the event of such assignment, the assignee hereof or of such rights and powers, shall have the same rights and remedies as if originally named herein. The Parent may not assign or transfer any of its rights or obligations under this Parent Guarantee without the written approval of all the Lenders (and any such assignment or transfer that is attempted without such consent shall be void).

7. Notice of acceptance of this Parent Guarantee and of the incurring of any and all of the Obligations of either or both of the Foreign Subsidiary Borrowers pursuant to the Facility Documents is hereby waived. This Parent Guarantee and all rights, obligations and liabilities arising hereunder shall be governed by and construed according to the law of the State of New York. Unless the context otherwise requires, all terms used herein which are defined in the Uniform Commercial Code shall have the meanings therein stated.

8. The Parent agrees that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim any Creditor may otherwise have, each of the Creditors shall be entitled, at its option, to set off and apply balances (general or special, time or demand, provisional or final) held by it for account of the Parent at any of its offices in dollars or in any other currency, against any amounts owing hereunder that are not paid when due (regardless of whether such balances are then due to the Parent), in which case it shall promptly notify the Parent thereof; provided, however, that any failure to give such notice shall not affect the validity thereof.

9. No provision of this Parent Guarantee may be modified or waived without the prior written consent of the Administrative Agent and the Required Lenders (or, to the extent required by the Credit Agreement, all Lenders).

10. Without limiting the rights of any Creditor under any other agreement, any financial accommodation (including, without limitation, interest accruing at the agreed to contract rate after the commencement of any bankruptcy, reorganization or similar proceeding) extended by the Parent to or for the account of either or both of the Foreign Subsidiary Borrowers, or in respect of which either or both of the Foreign Subsidiary Borrowers may be liable to the Parent in any capacity, is hereby subordinated to all the Obligations payable by such Foreign Subsidiary Borrower, and such financial accommodation of the Parent to either or both of the Foreign Subsidiary Borrowers, if the Administrative Agent so requests, shall be collected, enforced and received by the Parent as trustee for the Creditors and be paid over to the Administrative Agent on account of the Obligations payable by such Foreign Subsidiary Borrower but without reducing or affecting in any manner the liability of the Parent, under the other provisions of this Parent Guarantee.

11. The Parent hereby irrevocably submits to the jurisdiction of any New York State or Federal court sitting in New York City in any action or proceeding arising out of or relating to this Parent Guarantee, and the Parent hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State or Federal court. The Parent irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to the Parent at its address specified on the signature page hereof. The Parent agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this paragraph shall affect the rights of the Creditors to serve legal process in any other manner permitted by law or affect the rights of the Creditors to bring any action or proceeding against the Parent or any of its property in the courts of any other jurisdiction. To the extent that the Parent has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether from service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Parent hereby irrevocably waives such immunity in respect of its Obligations under this Parent Guarantee. The Parent hereby expressly waives any and every right to a trial by jury in any action on or related to this Parent Guarantee, the Obligations or the enforcement of either or all of the same, and does further expressly waive any and every right to interpose any counterclaim in any such action or proceeding. To the extent permitted by applicable law, the Parent shall not assert, and the Parent hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Parent Guarantee, any other Facility Document or any agreement or instrument contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. The Parent agrees to reimburse the Creditors on demand for all reasonable costs, expenses, and charges (including, without limitation, reasonable attorneys' fees) incurred by the Administrative Agent or the Lenders in connection with any enforcement of this Parent Guarantee.

12. The rights, powers and remedies granted to the Creditors herein shall be cumulative and in addition to any rights, powers and remedies to which the Creditors may be entitled either by operation of law or pursuant to the Facility Documents or any other document or instrument delivered or from time to time to be delivered to the Administrative Agent or any Lender in connection with the Facility Documents.

13. When all Obligations shall have been paid in full (other than contingent obligations that survive the termination of the Credit Agreement) and the Commitments and L/C Exposures of all the Lenders under the Credit Agreement shall have expired or been terminated, the obligations of the Parent under this Parent Guarantee shall terminate; provided that, thereafter the obligations of the Parent hereunder shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any of the Foreign Subsidiary Borrowers in respect of the Obligations guaranteed hereunder is rescinded or must be otherwise restored by any holder of such Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and the Parent agrees that it will indemnify the Administrative Agent and each other Creditor on demand for all reasonable and documented costs and expenses (including, without limitation, reasonable and documented fees and expenses of counsel) incurred by the Administrative Agent or any other Creditor in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim

alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

IN WITNESS WHEREOF, the Parent has caused this Parent Guarantee to be duly executed by its proper officer this ____ day of December, 2005.

MOVADO GROUP, INC.

By: ----------

Name: ----------

Title: ----------

Address of Parent:

650 From Road
Paramus, New Jersey 07652

EXHIBIT E

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [Insert name of Assignor] (the "Assignor") and [Insert name of Assignee] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below, (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including without limitation any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as, the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____

2. Assignee: _____
[and is an Affiliate/Approved Fund of [identify Lender](1)]

3. Borrower(s): Movado Group, Inc., Movado Watch Company SA and MGI Luxury S.A.

4. Administrative Agent: JPMorgan Chase Bank, N.A., as the administrative agent under the Credit Agreement

- ----------
(1) Select as applicable.

5. Credit Agreement: Credit Agreement dated as of December 15, 2005 among Movado Group, Inc., Movado Watch Company SA, MGI Luxury S.A., the Lenders parties thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, Swingline Bank and Issuing Bank

6. Assigned Interest:

Facility Assigned(2)	Aggregate Amount of Commitment/Loans for all Lenders*	Amount of Commitment/ Loans Assigned*	Percentage Assigned of Commitment/Loans(3)
	$_____	$_____	_____%
	$_____	$_____	_____%
	$_____	$_____	_____%

[7. Trade Date: _____](4)

Effective Date: _____ ___, 20___ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By:

Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By:

Title:

[Consented to and](5) Accepted:

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

By

Title:

- ----------
(2) Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Revolving Credit Commitment," etc.)

* Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

(3) Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

(4) To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

(5) To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

[Consented to:

MOVADO GROUP, INC.

By

Title:

JPMORGAN CHASE BANK, N.A.,
as Swingline Bank

By

Title:

JPMORGAN CHASE BANK, N.A.,
as Issuing Bank

By

Title:](6)

- ----------
(6) To be added only if the consent of the Borrower and/or other parties (e.g. Swingline Bank, Issuing Bank) is required by the terms of the Credit Agreement.

ANNEX 1

STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1. Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Facility Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Facility Documents or any collateral thereunder, (iii) the financial condition of the Parent, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Facility Document or (iv) the performance or observance by the Parent, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Facility Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to or in connection with the Credit Agreement, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and (v) if it is a Non-U.S. Lender, attached to this Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Facility Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Facility Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the

Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

SCHEDULE I

Lenders and Revolving Credit Commitments

Name of Lender	Lender's Revolving Credit Commitment
JPMorgan Chase Bank, N.A.	$14,000,000
Bank of America, N.A., London	$12,000,000
The Bank of New York	$12,000,000
Citibank, N.A.	$12,000,000
TOTAL	$50,000,000

SCHEDULE II

APPLICABLE RATES

Average Debt Coverage Ratio	LIBOR Loan Spread	Commitment Fee Rate
Category 1 Less than or equal to 1.50	0.50%	0.10%
Category 2 Greater than 1.50, but less than or equal to 2.0	0.625%	0.125%
Category 3 Greater than 2.0, but less than or equal to 2.5	0.75%	0.15%
Category 4 Greater than 2.5	0.875%	0.20%

SCHEDULE III

Subsidiaries of Movado Group, Inc. (Section 6.9)

SUBSIDIARIES

Bermuda:
MGI International, Ltd.

California:
North American Watch Service Corporation

Canada:
Movado Group of Canada, Inc.

Delaware:
Movado International, Ltd.
Movado LLC
Movado Group Delaware Holdings Corporation

France:
Swiss Wave Europe SA

Germany:
Movado Deutschland G.m.b.H.
Concord Deutschland G.m.b.H.
MGI Luxury Group GmbH

Hong Kong:
Swissam Ltd.
Swissam Products Ltd.

Japan:
MGI Japan Co. Ltd.

New Jersey:
EWC Marketing Corp.
Movado Retail Group, Inc.

Singapore:
Swissam Pte. Ltd.

Switzerland:
Concord Watch Company S.A.
Movado Watch Company SA
MGI Luxury Group SA
SA de l'Immeuble, rue de la Paix 101
Ebel Watches, SA

United Kingdom:
MGI Luxury Group UK Limited

All issued and outstanding shares of each of the foregoing Subsidiaries are wholly owned, directly or indirectly, by the Parent, except for statutorily required directors qualifying shares in the case of the Hong Kong and Swiss Subsidiaries.

SCHEDULE IV

Credit Arrangements (Section 6.10)

MOVADO GROUP, INC
BANK CREDIT LINE AND OUTSTANDING BALANCES
OCTOBER 31, 2005
SCHEDULE IV

	CREDIT LINE
DOMESTIC	
WORKING CAPITAL LINES (1)	
JPMORGAN CHASE	$ 37,000,000
BANK OF AMERICA	$ 20,000,000
BANK OF NEW YORK	$ 5,000,000
	$ 62,000,000
JP MORGAN CHASE (AS AGENT)	$ 50,000,000
TOTAL DOMESTIC LINES	$ 112,000,000
FOREIGN	
SWISS SUBSIDIARIES	
UBS (2)	CHF 8,000,000
LONG TERM REVOLVER	
JP MORGAN CHASE LONDON (AS AGENT)	CHF 90,000,000
TOTAL FOREIGN LINES	CHF 98,000,000
OTHER FACILITY	
PRUDENTIAL PRIVATE SHELF	$ 40,000,000
AMOUNT DRAWN	$ (20,000,000)
REMAINING AVAILABLE	$ 20,000,000

NOTES:

(1) WORKING CAPITAL LINES TO REMAIN THE SAME POST CLOSING

(2) FOREIGN LINES ARE MULTI-CURRENCY CREDIT FACILITY

MOVADO GROUP, INC.
OUSTANDING LETTERS OF CREDIT
OCTOBER 31, 2005
SCHEDULE IV

BANK	FACE AMOUNT	HOLDER/ DESCRIPTION
JPMORGAN CHASE A	$ 49,560.00	RENT DEPOSIT
JPMORGAN CHASE B	$ 228,248.55	RENT DEPOSIT
JPMORGAN CHASE C	$ 78,900.00	RENT DEPOSIT
JPMORGAN CHASE D	$ 100,000.00	RENT DEPOSIT CREDIT CARD PROCESSING
JPMORGAN CHASE E	$ 15,000.00	FEES
JPMORGAN CHASE F	$ 50,000.00	RENT DEPOSIT
JPMORGAN CHASE G	$ 126,936.00	CANADIAN PAYROLL
JPMORGAN CHASE H	$ 87,500.00	RENT DEPOSIT
JPMORGAN CHASE I	$ 110,000.00	RENT DEPOSIT
JPMORGAN CHASE J	$ 80,000.00	RENT DEPOSIT
JPMORGAN CHASE K	$ 260,000.00	RENT DEPOSIT
	$1,186,144.55	

NOTES:

(a) Grand Canal Shops- Las Vegas Boutique

(b) Forsgate Industrial Complex- Moonachie

(c) RCPI- Rock Center

(d) RCPI- Rock Center

(e) Shoppers Card- Private Label Credit Cards

(f) Stony Point Associates, LLC

(g) Original face value is CND 150,000 which equates to USD $126,936 at 1.1817 exchange rate

(h) Tampa West Shore Assco (Store #522)

(i) LA Cienga Partners (Store #527)

(j) Taubamna Cherry Creek (Store #528)

(k) Short Hills (Store #502)

MOVADO GROUP, INC
SCHEDULE OF CAPITAL LEASES & OTHER LONG TERM OBLIGATIONS
OCTOBER 31, 2005
SCHEDULE IV

CAPITAL LEASES- DOMESTIC & FOREIGN LEASE TOTAL OUTSTANDING BALANCE

NO CAPITAL LEASES EXIST

FOREIGN GUARANTEES

LEGAL ENTITY COMMITTED	CUSTOMER_NAME / BENEFICIARY	CCY	AMOUNT	NATURE	BANK
MGI Luxury Group SA - Division Ebel	Customs. Administration Douanes Suisse - Monbijoustrasse 40 3003 Berne	CHF	200,000	Guarantee	UBS
MGI Luxury Group SA - Division HB	Ebel employee house. Wooders & Mrs Adatte	CHF	19,050	Guarantee	Credit Suisse
MGI Luxury Group SA - Division Ebel	Chambre Neuchateloise du commerce et de l'industrie, Rue de la Serre 4, 2001 Neuchatel	CHF	500,000	Guarantee	UBS
MGI Luxury Group SA - Division Ebel	Chambre Neuchateloise du commerce et de l'industrie, Rue de la Serre 4, 2001 Neuchatel	CHF	600,000	Guarantee	UBS
MGI Luxury Group SA - Division Ebel	Chambre Neuchateloise du commerce et de l'industrie, Rue de la Serre 4, 2001 Neuchatel	CHF	500,000	Guarantee	UBS
MGI Luxury Group SA - Division Ebel	Chambre Neuchateloise du commerce et de l'industrie, Rue de la Serre 4, 2001 Neuchatel	CHF	500,000	Guarantee	UBS
MGI Luxury Group SA - Division Concord	Berner Handelskammer, Gutenbergstrasse 1, 3001 Bern	CHF	500,000	Guarantee	UBS
MGI Luxury Group SA - Division Concord	SAH	CHF	200,000	Guarantee	UBS
MGI Luxury Group SA - Division Concord	Customs: Administration Douanes Suisse - Monbijoustrasse 40 3003 Berne	CHF	150,000	Guarantee	UBS
Movado Watch Company SA	Van Gelder	EUR	620,000	Guarantee	UBS
MGI Luxury Group UK Ltd	Customs	GBP	0	Guarantee	Natwest
MGI Luxury Group Gmbh	Bayer. Versorgungskammer	EUR	25,000	Guarantee	Dresdner
MGI Luxury Group Gmbh	NRG Deutschland GmbH	EUR	50,000	Guarantee	Dresdner
MGI Luxury Group Gmbh	LHS Deutschland GmbH	EUR	30,759	Guarantee	Dresdner

MOVADO GROUP, INC.
OUTSTANDING LIENS
SCHEDULE IV

	FILING	SECURED PARTY NAME	DEBTOR NAME	FILING JURISDICTION	RECORD DATE	FILE #	RELATED UCC-1 FILE #	DESCRIPTION
(A)	UCC1	Citicorp vendor Finance, Inc.	Movado Group, Inc.	NY SOS	06/13/2002	138602		Filed for notification of Lease #3440240 Canon CLC1150 copier
	UCC1	IBM Credit Corporation	Movado Group, Inc.	NY SOS	07/12/2002	161990		Equipment together with related software as more fully described under the IBM Credit LLC supplements #088624: IBM Equipment Type: all additions, attachments, accessories, accessions & upgrades thereto & any & all substitutions, replacements or exchanges for any such item of equipment or software & any & all proceeds of any of the foregoing including, w/o limitations, payments under insurance or any indemnity or warranty relating to loss or damage to such equipment
	UCC1	IBM Credit LLC	Movado Group, Inc.	NY SOS	01/02/2004	20040102000513		All of the following equipment together with all related software, whether now owned or hereafter acquired & wherever located as more fully described under IBM Credit LLC Supplement(s) #B20075. IBM Equipment Type: 9991 V42288 999G 9SSR
	UCC1	Citicorp Vendor Finance, Inc.	Movado Group, Inc.	NY SOS	06/01/2004	200406015441229		Filed for notification of Lease #3440241 Canon CLC4000 copier Colorpass Z6000
	UCC1	Pitney Bowes Credit Corporation	Movado Group, Inc.	NY SOS	06/01/2004	200407015547580		All equipment of whatever nature manufactured, sold, distributed or financed by Secured party & Pitney Bowes Inc. & its subsidiaries, & all proceeds therefrom, accessories, additions & attachments thereto & replacements therefor
	UCC1	IBM Credit LLC	Movado Group, Inc.	NY SOS	04/04/2005	200504045283164		All of the following equipment together with all related software, whether now owned or hereafter acquired & wherever located as more fully described under IBM Credit LLC Supplement(s) #C26430. IBM Equipment Type: 3580 3581 9406 9992 9994 999G 9BPP 9SSR
	UCC1	IBM Credit LLC	Movado Group, Inc.	NY SOS	04/04/2005	200504045287009		Exact collateral description as 200504045283164

FILING	SECURED PARTY NAME	DEBTOR NAME	FILING JURISDICTION	RECORD DATE	FILE #	RELATED UCC-1 FILE #	DESCRIPTION
UCC1	CIT Communications Finance Corporation	Movado Group, Inc.	NY SOS	09/23/2005	200509235841156		Equipment leased under Lease No.M105613 including but not limited to Avaya Inc. S8500 Media Server W/Gateway & Definity BCS, & all attachments, accessions, additions, substitutions, products, replacements, & rentals and a right to use license for any software related to any of the foregoing & proceeds therefrom

(b) Liens in favor of JPMorgan Chase Bank, N.A. ("Chase"), in connection with the Promissory Note, dated as of December 13, 2005, between Chase and Movado Group, Inc.

(c) Liens in favor of Bank of America, N.A. ("BoA") in connection with the Amended and Restated Promissory Note, dated as of December 12, 2005, between BoA and Movado Group, Inc.

(d) Liens in favor of The Bank of New York ("BoNY") in connection with the Amended and Restated Master Promissory Note (Negotiated Rate), dated as of June 30, 2005, between BoNY and Movado Group, Inc.

SCHEDULE V

Environmental Matters (Section 6.12)

Acetone, Denatured Alcohol, Clear Ammonia, Sodium Cyanide, Stoddard Solvent (#8052-41-3) and VM&P Naphta (#8032-32-4) are stored by Parent at 105 State Street, Moonachie, New Jersey in accordance with applicable Environmental Laws.

SCHEDULE VI

Affiliate Transactions (Section 8.9)

The section on "Certain Relationships and Related Transactions" contained in the Parent's Proxy, filed on June 16, 2005 with the Securities and Exchange Commission, is herein incorporated by reference.

Exhibit 10.35

EXECUTION COPY

CREDIT AGREEMENT

dated as of December 15, 2005

among

MOVADO WATCH COMPANY SA and MGI LUXURY GROUP S.A.,
as Borrowers,

MOVADO GROUP, INC.,
as Parent,

the Lenders signatory hereto

and

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

J.P. MORGAN SECURITIES, INC.,
as Sole Lead Arranger and Sole Bookrunner,

BANK OF AMERICA, N.A.,
as Syndication Agent

and

THE BANK OF NEW YORK
and
CITIBANK, N.A.,
as Documentation Agents

Table of Contents

EXHIBITS

SCHEDULES

CREDIT AGREEMENT dated as of December 15, 2005 among MOVADO WATCH COMPANY SA, a corporation organized under the laws of Switzerland ("MWC"); MGI LUXURY GROUP S.A., a corporation organized under the laws of Switzerland ("Luxury"); MOVADO GROUP, INC., a corporation organized under the laws of New York (the "Parent"); each of the lenders which is a signatory hereto (individually a "Lender" and collectively the "Lenders"); and JPMORGAN CHASE BANK, N.A., as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent").

MWC and Luxury desire that the Lenders make loans to each of them as provided herein, and the Lenders are prepared to make such loans, with the guarantee and certain other undertakings of the Parent. Accordingly, MWC, Luxury, the Parent, the Lenders and the Administrative Agent agree as follows:

ARTICLE 1. DEFINITIONS; ACCOUNTING TERMS.

Section 1.1. Definitions. As used in this Agreement the following terms have the following meanings (terms defined in the singular to have a correlative meaning when used in the plural and vice versa):

"Acquisition" is defined in Section 7.11.

"Administrative Agent" is defined in the initial paragraph of this Agreement. If the Administrative Agent pursuant to Section 10.12 designates any of its Affiliates to perform any of its duties or exercise any of its rights or powers, the term "Administrative Agent" shall include, as well, such Affiliate with respect thereto.

"Administrative Agent Fees" is defined in Section 2.5(c).

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, when used with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Aggregate Credit Exposure" means, at any time, the aggregate of the Lenders' Loan Exposures at such time.

"Agreement" means this Credit Agreement, as amended, restated, supplemented or otherwise modified from time to time.

"Applicable Rate" means, for any day, with respect to any Loan, or with respect to the Commitment Fees, as the case may be, the applicable rate per annum set forth on Schedule II under the caption "Loan Spread" or "Commitment Fee Rate", as the case may be, based upon the Average Debt Coverage Ratio. Each change in the Applicable Rate resulting from a change in the Average Debt Coverage Ratio shall be effective with respect to all outstanding Loans and with respect to the Commitment Fees on and after the first day of the calendar month following

the date of delivery to the Administrative Agent of the financial statements required by paragraph (a) or (b) (as the case may be) of Section 6.8 indicating that a change in the Average Debt Coverage Ratio has occurred, through the date immediately preceding the first day of the calendar month following the next date of delivery of such financial statements indicating that another change in the Average Debt Coverage Ratio has occurred. Notwithstanding the foregoing, but subject to the next sentence, during the period commencing on the Closing Date and ending on the date immediately preceding the first day of the calendar month following the date of delivery of the first such financial statements, the Average Debt Coverage Ratio shall be deemed to be in Category 1 (as set forth on Schedule II) for purposes of determining the Applicable Rate. Notwithstanding the foregoing, (a) at any time during which the Parent has failed to deliver the financial statements required by either such paragraph of Section 6.8, or (b) at any time after the occurrence and during the continuance of an Event of Default, the Average Debt Coverage Ratio shall be deemed to be in Category 4 (as set forth on Schedule II) for purposes of determining the Applicable Rate.

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Assignment and Assumption Agreement" means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 11.5), and accepted by the Administrative Agent, in the form of Exhibit E or any other form approved by the Administrative Agent.

"Authorization Letter" means the letter agreement executed by the Parent and the Borrowers in the form of Exhibit B.

"Availability Period" means the period from and including the Closing Date to but excluding the earlier of the Maturity Date and the date of termination of the Revolving Credit Commitments.

"Average Debt Coverage Ratio" means the ratio of (i) the sum of indebtedness for borrowed money, indebtedness for the deferred purchase price of property or services (excluding trade payables in the ordinary course of business; and excluding wages or other compensation payable to employees of the Parent or any of its Subsidiaries in the ordinary course of business), obligations arising under acceptance facilities, and obligations as lessee under Capital Leases (in all cases) of the Parent and its Consolidated Subsidiaries on a consolidated basis as of the last day of each fiscal quarter for four consecutive fiscal quarters, divided by four, to (ii) consolidated earnings before interest expense, taxes, depreciation and amortization of the Parent and its Consolidated Subsidiaries for such period of four consecutive fiscal quarters. For purposes of this definition only, if such clause (ii) is less than one dollar, it shall be deemed to be one dollar.

"Borrower" means the MWC or Luxury (as applicable).

"Borrowing" means Loans made to a single Borrower made or continued on the same date and as to which a single Interest Period is in effect.

"Borrowing Request" means a request by the applicable Borrower for Loans in accordance with the terms of Section 2.3 in form satisfactory to the Administrative Agent.

"Breakage Event" is defined in Section 3.4.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close; provided, however, that the term "Business Day" shall also exclude (a) any day on which banks are not open for dealings in dollar deposits in the London interbank market; and (b) any day on which commercial banks and the London foreign exchange market do not settle payments in the principal financial center where Swiss francs are cleared and settled as reasonably determined by the Administrative Agent.

"Capital Expenditures" means, for any period, the dollar amount of gross expenditures (including obligations under Capital Leases) during such period made for fixed assets, real property, plant and equipment, and all renewals, improvements and replacements thereto (but not repairs thereof) that are required to be capitalized under, and determined in accordance with, GAAP.

"Capital Lease" means any lease which has been or should be capitalized on the books of the lessee in accordance with GAAP.

"Closing Date" means the date on which the conditions specified in Section 4.1 are satisfied (or waived in accordance with Section 11.1).

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment Fees" is defined in Section 2.5(b).

"Consolidated Capital Expenditures" means Capital Expenditures of the Parent and its Consolidated Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

"Consolidated Subsidiary" means any Subsidiary whose accounts are or are required to be consolidated with the accounts of the Parent in accordance with GAAP.

"Consolidated Tangible Net Worth" means Tangible Net Worth of the Parent and its Consolidated Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "Controlling" and "Controlled" shall have meanings correlative thereto.

"Core Business" means the business of designing, manufacturing and distributing watches, jewelry and other accessories (including the operation of retail stores to distribute the same), other businesses related thereto, or businesses that in the judgment of the board of directors of the Parent are derived from the exploitation by the Parent of its trademarks, including the operation of retail stores to distribute products utilizing the same.

"Debt" means, with respect to any Person: (a) indebtedness of such Person for borrowed money; (b) indebtedness for the deferred purchase price of property or services (except trade payables in the ordinary course of business; and except wages or other compensation payable to employees of such Person in the ordinary course of business); (c) the face amount of any outstanding letters of credit issued for the account of such Person; (d) obligations arising under acceptance facilities; (e) (without duplication of other Debt) guaranties, endorsements (other than for collection in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person, or otherwise to assure a creditor against loss with respect to any Debt of the type referred to in clauses (a), (b), (c), (d) and (g) of this definition; (f) Debt of others secured by any Lien on property of such Person; and (g) obligations of such Person as lessee under Capital Leases.

"Default" means any event which with the giving of notice or lapse of time, or both, would become an Event of Default.

"Default Rate" is defined in Section 2.7.

"Defaulted Amount" is defined in Section 2.7.

"Designated Sales" means (i) sales of assets of the Parent or any Subsidiary that are prohibited by Section 7.7 (excluding clause (f) thereof), and (ii) sales of all the shares of capital stock of any Subsidiary that are prohibited by Section 7.8 (excluding clause (d) thereof); and (iii) cash mergers of a Subsidiary into another entity (that is, where the outstanding shares of such Subsidiary are entirely converted to cash upon such merger) that are prohibited by Section 7.10 (excluding clause (c) thereof), provided that such sales and mergers shall be for fair market value and on an arms'-length basis.

"dollars" or "$" means lawful money of the United States of America.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, including any rules and regulations promulgated thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) which is a member of any group of organizations (i) described in Section 414(b) or (c) of the Code of which the Parent is a member, or (ii) solely for purposes of potential liability under Section 302(c)(11) of ERISA and Section 412(c)(11) of the Code and the lien created under Section 302(f) of ERISA and Section 412(n) of the Code, described in Section 414(m) or (o) of the Code of which the Parent is a member.

"Euro" means the single currency of the European Union as constituted by the Treaty on European Union and as referred to in the legislative measures of the European Union for the introduction of, changeover to or operation of the Euro in one or more member states.

"Event of Default" is defined in Section 9.1.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, or any other recipient of any payment to be made by or on account of any obligation of any Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income or gross or net turnover, and (b) any branch profits taxes or similar taxes imposed on it.

"Facility Documents" means this Agreement, the Notes, the Authorization Letter and the Parent Guarantee.

"Fees" means the Commitment Fees and the Administrative Agent Fees.

"Forfeiture Proceeding" means any action or proceeding against the Parent or any of its Subsidiaries before any court, governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or the receipt of notice by any such party that any of them is a suspect in or a target of any governmental investigation, as to which there is a reasonable possibility of a determination adverse to the Parent or such Subsidiary and which (if determined adversely to the Parent or such Subsidiary) would, in any one case or in the aggregate, materially adversely affect the financial condition, operations or business of the Parent and its Subsidiaries taken as a whole or the ability of any Borrower or the Parent to perform its obligations under the Facility Documents to which it is a party.

"Future Permitted Private Placement Debt" means unsecured indebtedness for money borrowed by the Parent that is privately placed with one or more institutional investors after the Closing Date (including the indebtedness evidenced by the Prudential Shelf Notes), provided that (a) not more than 20% of the original principal amount of any such indebtedness shall be scheduled to mature or to be repaid in any fiscal year prior to the Maturity Date; and (b) the terms and conditions associated with such indebtedness (whether in the notes evidencing such indebtedness, or in the note purchase agreements or similar agreements pursuant to which such indebtedness is issued, or otherwise) are not more restrictive of the Parent or any of its Subsidiaries than the corresponding terms and conditions of this Agreement (which determination as to restrictiveness may be made by the Administrative Agent in its reasonable judgment); provided, however, that the foregoing clause (a) shall not apply to the indebtedness evidenced by the Prudential Shelf Notes; and provided further that the foregoing clause (b) shall not apply to the indebtedness evidenced by the Prudential Shelf Notes unless the Note Purchase

and Private Shelf Agreement dated March 21, 2001, as amended prior to the Closing Date, between the Parent and The Prudential Insurance Company of America is hereafter amended.

"GAAP" means generally accepted accounting principles in the United States of America as in effect on the date hereof, applied on a basis consistent with those used in the preparation of the financial statements referred to in Section 5.5.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Grinberg Group" means the group consisting of Gedalio Grinberg, his spouse, each of their estates and their issue; and Efraim Grinberg, his spouse, each of their estates and their issue; and every Person (other than an individual) Controlled by any of the foregoing.

"Guarantor" means the Parent as guarantor under the Parent Guarantee.

"Hazardous Material" is defined in Section 5.12(a).

"Inactive Subsidiary" means a Subsidiary of the Parent that has (and only for so long as it has) assets of less than $1,000,000; provided, however, that (i) there shall not be more than ten Inactive Subsidiaries at any time during the term of this Agreement and (ii) the assets of all Inactive Subsidiaries in the aggregate shall not exceed $4,000,000.

"Indemnified Taxes" means Taxes arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement other than Excluded Taxes and Other Taxes.

"Indemnitee" is defined in Section 11.3(b).

"Interest Coverage Ratio" for any period means the ratio of (a) consolidated earnings before interest expense and taxes of the Parent and its Consolidated Subsidiaries for such period, to (b) cash interest paid during such period by the Parent and its Consolidated Subsidiaries on a consolidated basis.

"Interest Payment Date" means with respect to any Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Borrowing with an Interest Period of more than three months' duration, each day that would have been an Interest Payment Date had successive Interest Periods of three months' duration been applicable to such Borrowing, and in addition, the date of any prepayment of such Borrowing.

"Interest Period" means, as to any Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3, 6 or (subject to availability for each Lender) 9 or 12 months thereafter, as the applicable Borrower may elect;

provided, however, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

"JPMCB" means JPMorgan Chase Bank, N.A. and its successors.

"Judgment Currency" is defined in Section 11.16(a).

"Judgment Currency Conversion Date" is defined in Section 11.16(a).

"Lenders" means (a) the Persons listed on Schedule I (other than any such Person that has ceased to be a party hereto pursuant to an Assignment and Assumption Agreement) and (b) any Person that has become a party hereto pursuant to an Assignment and Assumption Agreement.

"Lending Office" means, for each Lender and for each Type of Loan to each Borrower, the lending office of such Lender (or of an Affiliate of such Lender) specified in writing by such Lender from time to time to the Administrative Agent and the Parent as the office by which its Loans of such Type to such Borrower are to be made and maintained.

"LIBO Rate" means, with respect to any Borrowing for any Interest Period, the rate determined by reference to the British Bankers' Association Interest Settlement Rates (as reflected on the applicable Telerate service) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for deposits in Swiss francs with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Borrowing for such Interest Period shall be the rate at which the Person serving as the Administrative Agent is offered Swiss franc deposits of CHF 5,000,000 and for a maturity comparable to such Interest Period in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means any lien (statutory or otherwise), security interest, mortgage, deed of trust, priority, pledge, charge, conditional sale, title retention agreement, financing lease or other encumbrance or similar right of others, or any agreement to give any of the foregoing.

"Loan Exposure" means, with respect to any Lender at any time, the aggregate principal amount at such time of all outstanding Loans of such Lender.

"Loans" means the revolving loans made by the Lenders to any Borrower pursuant to Section 2.1.

"Luxury" is defined in the initial paragraph of this Agreement.

"MWC" is defined in the initial paragraph of this Agreement.

"Maturity Date" means December 15, 2010.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a Plan defined as such in Section 3(37) of ERISA to which contributions have been made by the Parent or any ERISA Affiliate and which is covered by Title IV of ERISA.

"Note" is defined in Section 2.4(a).

"Obligation Currency" is defined in Section 11.16(a).

"Obligations" means, collectively, all of the Debt, liabilities and obligations of each Borrower to the Administrative Agent and/or the Lenders arising under this Agreement and the other Facility Documents, in each case whether fixed, contingent, now existing or hereafter arising, created, assumed, incurred or acquired, and whether before or after the occurrence of any Event of Default under clause (e) of Section 9.1 and including any obligation or liability in respect of any breach of any representation or warranty and all post-petition interest and funding losses, whether or not allowed as a claim in any proceeding arising in connection with such an event. The term includes all interest, charges, expenses, fees, and any other sums chargeable to any Borrower under this Agreement or any other Facility Document.

"Other Credit Agreement" means the Credit Agreement dated as of the date hereof between the Parent, MWC and Luxury, as borrowers, the lenders party thereto and JPMCB, as administrative agent for such lenders, as swingline bank, and as issuing bank.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies or any value added or similar tax arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Parent" is defined in the initial paragraph of this Agreement.

"Parent Guarantee" means the guarantee executed and delivered by the Parent on the Closing Date in favor of the Lenders and the Administrative Agent, in respect of the obligations of the Borrowers under this Agreement and the other Facility Documents, in substantially the form attached hereto as Exhibit D.

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Person" means an individual, partnership, corporation, business trust, joint stock company, limited liability company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan" means any employee benefit or other plan established or maintained, or to which contributions have been made, by the Parent or any ERISA Affiliate and which is covered by Title IV of ERISA, other than a Multiemployer Plan.

"Pro Rata Percentage" of any Lender at any time means the percentage of the Total Revolving Credit Commitment represented by such Lender's Revolving Credit Commitment (or, if the Lenders' Revolving Credit Commitments shall have expired or been terminated in accordance with this Agreement and the Aggregate Credit Exposure is greater than zero, such percentage immediately prior to such expiration or termination, giving effect to any assignments by or to such Lender pursuant to Section 11.5).

"Prudential Existing Notes" means (a) the promissory notes of the Parent in the original aggregate principal amount of $40,000,000 issued pursuant to the Note Agreement dated as of November 9, 1993, as amended prior to the Closing Date, between the Parent and The Prudential Insurance Company of America, and (b) the Series A promissory notes of the Parent in the original aggregate principal amount of $25,000,000 issued pursuant to the Note Purchase and Private Shelf Agreement dated as of November 30, 1998, as amended prior to the Closing Date, between the Parent and The Prudential Insurance Company of America.

"Prudential Shelf Notes" means, to the extent hereafter actually issued, the shelf promissory notes of the Parent in the aggregate principal amount of up to $40,000,000 authorized pursuant to the Note Purchase and Private Shelf Agreement dated as of March 21, 2001, as amended prior to the Closing Date, between the Parent and The Prudential Insurance Company of America.

"Qualifying Bank" means any legal entity which is recognized as a bank by the banking laws in force in its country of incorporation and which exercises as its main purpose a true banking activity, having bank personnel, premises, communication devices of its own and the authority of decision-making.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees and agents of such Person and such Person's Affiliates.

"Release" is defined in Section 5.12(a).

"Required Lenders" means, at any time, Lenders having Loan Exposure and unused Revolving Credit Commitments representing more than 50% of the sum of all Loan Exposure and unused Revolving Credit Commitments at such time.

"Required Payment" is defined in Section 10.13.

"Revolving Credit Commitment" means, with respect to each Lender, the commitment of such Lender to make Loans hereunder as set forth on Schedule I, or in the Assignment and Assumption Agreement pursuant to which such Lender assumed its Revolving Credit Commitment, as the same may be (a) reduced from time to time pursuant to Section 2.8, and/or (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 11.5.

"S&P" means Standard & Poor's Ratings Services.

"Subsidiary" means, with respect to any Person, any corporation or other entity of which at least a majority of the securities or other ownership interests having ordinary voting power (absolutely or contingently) for the election of directors or other persons performing similar functions are at the time owned directly or indirectly by such Person. Unless the context otherwise requires, references in this Agreement to a Subsidiary mean a Subsidiary of the Parent.

"Swiss francs" or "CHF" means the lawful money of Switzerland.

"Tangible Net Worth" of a Person means, at any date of determination thereof, the excess of total assets of such Person over total liabilities of such Person, excluding, however, (A) from the determination of total assets: (i) all assets which would be classified as intangible assets under GAAP, including, without limitation, goodwill (whether representing the excess of cost over book value of assets acquired or otherwise), patents, trademarks, trade names, copyrights, franchises, and deferred charges (including, without limitation, unamortized debt discount and expense, organization cost, and research and development costs); and (ii) any write-up in the book value of any asset since January 31, 2005; and (B) any foreign exchange translation adjustment in the cumulative amount, and any adjustments to other comprehensive income for derivative instruments and other hedging activities, that would (in each case) be properly shown in the shareholders' equity section of such Person's balance sheet prepared in accordance with GAAP.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Total Revolving Credit Commitment" means, at any time, the aggregate amount of the Revolving Credit Commitments, as in effect at such time.

"Unfunded Benefit Liabilities" means, with respect to any Plan, the amount (if any) by which the present value of all benefit liabilities (within the meaning of Section 4001(a)(16) of ERISA) under the Plan exceeds the fair market value of all Plan assets allocable to such benefit liabilities, as determined on the most recent valuation date of the Plan and in accordance with the provisions of ERISA for calculating the potential liability of the Parent or any ERISA Affiliate under Title IV of ERISA.

Section 1.2. Accounting Terms. All accounting terms used herein and not specifically defined herein shall be construed in accordance with GAAP, and all financial data required to be delivered hereunder shall be prepared in accordance with GAAP. If any change in GAAP, as in effect on the date hereof, occurs after the date of this Agreement, compliance with all financial covenants contained herein shall continue to be determined in accordance with GAAP as in effect on the date hereof, except to the extent that the Parent and the Required Lenders otherwise agree in writing.

Section 1.3. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word

"shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

ARTICLE 2. THE LOANS.

Section 2.1. Loans. Subject to the terms and conditions hereof, each Lender agrees, severally and not jointly, to make, from time to time during the Availability Period, Loans to MWC and Luxury denominated in Swiss francs, in an aggregate principal amount at any time outstanding that will not result in the Aggregate Credit Exposure exceeding the Total Revolving Credit Commitment. Within the limits set forth in the preceding sentence and subject to the terms, conditions and limitations set forth herein, the Borrowers may borrow, pay or prepay and reborrow Loans.

Section 2.2. Making of Loans. (a) Each Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective Revolving Credit Commitments; provided, however, that the failure of any Lender to make any Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). The Loans comprising any Borrowing shall be in an aggregate principal amount that is an integral multiple of CHF 3,000,000.

(b) Each Lender may at its option make any Loan by causing any branch of such Lender or any Affiliate of such Lender which is a Qualifying Bank to make such Loan; provided that any exercise of such option shall not affect the obligation of the applicable Borrower to repay such Loan in accordance with the terms of this Agreement. No Borrower shall be entitled to request any Borrowing that, if made, would result in more than twelve Borrowings outstanding hereunder at any time. Borrowings having different Interest Periods (regardless of whether they commence on the same date), or made by different Borrowers, shall be considered separate Borrowings.

(c) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, London time (or the time of such other city designated by the Administrative Agent), on such date to the account of the Administrative Agent most recently designated by it for such purpose by notice to

the Lenders. The Administrative Agent will make such Loans available to the applicable Borrower by promptly crediting the amounts so received, in like funds, to an account of such Borrower maintained with the Administrative Agent (or its designee) in London (or such other city as the Administrative Agent may in its reasonable judgment designate), in each case designated by such Borrower in the applicable Borrowing Request; or if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, the Administrative Agent shall return the amounts so received to the respective Lenders.

(d) Notwithstanding any other provision of this Agreement, no Borrower shall be entitled to request any Borrowing of Loans that are Loans if the Interest Period requested with respect thereto would end after the Maturity Date.

Section 2.3. Borrowing Procedure as to Loans. In order to request a Borrowing of Loans, the applicable Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Borrowing Request not later than 11:00 a.m., London time, three Business Days before a proposed Borrowing. Notwithstanding the immediately preceding sentence, the Administrative Agent agrees that it will (subject to the Authorization Letter) accept from the applicable Borrower a Borrowing Request by telephone by the applicable date and time specified in the immediately preceding sentence, provided that the same is confirmed by such Borrower to the Administrative Agent in writing promptly (and in all events on the same day as such telephone communication). Each Borrowing Request shall be irrevocable, shall be signed by the applicable Borrower, shall refer to this Agreement and shall specify the following information: (a) the date of such Borrowing (which shall be a Business Day); (b) the number and location of the account to which funds are to be disbursed (which shall be an account that complies with the requirements of Section 2.2(c)); (c) the amount of such Borrowing; (d) the Interest Period or Periods with respect to such Borrowing; and (e) the identity of the applicable Borrower of such Borrowing; provided, however, that notwithstanding any contrary specification in any Borrowing Request, each requested Borrowing of Loans shall comply with the requirements set forth in Section 2.2. If no Interest Period with respect to any Borrowing is specified in any such notice, then the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section (and the contents thereof), and of each Lender's portion of the requested Borrowing.

Section 2.4. Repayment of Loans. (a) Each Borrower hereby unconditionally agrees to pay to the Administrative Agent for the account of each Lender on the Maturity Date the then unpaid principal amount of each Loan of such Lender to such Borrower in Swiss francs. Upon the request of any Lender at any time, such obligation of each Borrower in favor of such Lender shall be evidenced by a promissory note of such Borrower in favor of such Lender in substantially the form of Exhibit A hereto (the "Note" of such Lender as to the applicable Borrower).

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the identity of the applicable Borrower thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender and (iii) the amount of any sum received by the Administrative Agent hereunder from any Borrower or the Guarantor and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraphs (b) and (c) above shall be prima facie evidence of the existence and amounts of the obligations therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of any Borrower to repay its Loans in accordance with their terms.

Section 2.5. Certain Fees. (a) The Borrowers agree to pay to each Lender, through the Administrative Agent, on the last day of March, June, September and December in each year and on the date on which the Revolving Credit Commitment of such Lender shall expire or be terminated as provided herein, a commitment fee equal to the average daily unused amount of the Revolving Credit Commitment of such Lender during the preceding quarter (or other period commencing with the Closing Date or ending with the Maturity Date or the date on which the Revolving Credit Commitment of such Lender shall expire or be terminated) multiplied by the Applicable Rate for such quarter or other period (appropriately pro-rated, if the Applicable Rate changes during such quarter or other period).

(b) All commitment fees described in paragraph (a) of this Section (the "Commitment Fees") shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Commitment Fee due to each Lender shall commence to accrue on the Closing Date and shall cease to accrue on the date on which the Revolving Credit Commitment of such Lender shall expire or be terminated as provided herein.

(c) The Borrowers agree to pay to the Administrative Agent, for its own account, the fees with respect to the Administrative Agent's services hereunder payable at the times and in the amounts separately agreed upon between the Borrowers and the Administrative Agent (the "Administrative Agent Fees").

(d) The Commitment Fees and the Administrative Agent Fees shall be paid on the dates due in immediately available funds to the Administrative Agent, for distribution, if and as appropriate, among the Lenders. Once paid, none of such Fees shall be refundable under any circumstances.

Section 2.6. Interest on Loans. (a) Subject to the provisions of Section 2.7, the Loans comprising each Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to the LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate in effect from time to time.

(b) Interest on each Loan shall be payable by the Borrower of such Loan on the Interest Payment Dates applicable to such Loan except as otherwise provided in this

Agreement. The applicable LIBO Rate for each Interest Period or day within an Interest Period, as the case may be, shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

Section 2.7. Default Interest. If any Borrower shall default in the payment required to be made by it of the principal of or interest on any Loan or any other amount becoming due under this Agreement (the "Defaulted Amount"), at stated maturity, by acceleration or otherwise, or under any other Facility Document, then each Borrower shall on demand from time to time pay interest, to the extent permitted by law, on its Loans then or thereafter outstanding (irrespective of whether or not such Loans are due) and on all other amounts then or thereafter due from it under this Agreement, to but excluding the date of actual payment (after as well as before judgment) of the Defaulted Amount, at a rate (the "Default Rate") equal to (a) in the case of overdue principal of each outstanding Loan, the rate otherwise applicable to such Loan pursuant to Section 2.6 plus 2.0% per annum and (b) in all other cases, 2.0% plus the rate per annum which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan for successive Interest Periods (each of a duration reasonably selected by the Administrative Agent).

Section 2.8. Termination and Reduction of Commitments. (a) The Revolving Credit Commitments shall automatically expire and terminate on the Maturity Date.

(b) Upon at least three Business Days' prior irrevocable written or telecopy notice to the Administrative Agent, the Borrowers may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Revolving Credit Commitments; provided, however, that (i) each partial reduction of the Revolving Credit Commitments shall be an integral multiple of CHF 1,000,000 and in a minimum amount of CHF 3,000,000 and (ii) the Total Revolving Credit Commitment shall not be reduced to an amount that is less than the Aggregate Credit Exposure at the time (after giving effect to any concurrent prepayment of Loans). If the Administrative Agent receives such a notice from the Borrowers, the Administrative Agent shall promptly advise the Lenders thereof.

(c) Each reduction in the Revolving Credit Commitments hereunder shall be made ratably among the Lenders in accordance with their respective Revolving Credit Commitments. The Borrowers shall pay to the Administrative Agent for the account of the applicable Lenders, on the date of each termination or reduction, the Commitment Fees on the amount of the Revolving Credit Commitments so terminated or reduced accrued to but excluding the date of such termination or reduction.

Section 2.9. Continuation of Borrowings. (a) The applicable Borrower shall have the right at any time upon prior irrevocable notice to the Administrative Agent not later than 11:00 a.m., London time, three Business Days prior to continuation, to continue any Borrowing for an additional Interest Period or Periods, subject in each case to the following:

(i) each continuation shall be made pro rata among the Lenders in accordance with the respective principal amounts of the Loans comprising the continued Borrowing;

(ii) if less than all the outstanding principal amount of any Borrowing shall be continued, then each resulting Borrowing shall satisfy the limitations specified in Sections 2.2(a) and 2.2(b) regarding the principal amount and maximum number of Borrowings; and

(iii) a Borrower may select an Interest Period of a period of less than one month only if necessary to ensure that the current Interest Period or Interest Periods do not end after the Maturity Date.

Each notice pursuant to this Section shall be irrevocable and shall refer to this Agreement and specify (i) the identity of the Borrower of the applicable Borrowing and the amount of the Borrowing that is requested to be continued and (ii) the Interest Period with respect to the applicable Borrowing. No such notice shall be given more than seven Business Days prior to the effective date of the applicable continuation. If no Interest Period is specified in any such notice with respect to any continuation or if notice shall not have been given in accordance with this Section to continue any Borrowing of Loans into a subsequent Interest Period, the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall advise the Lenders of any notice given pursuant to this Section and of each Lender's portion of any continued Borrowing.

(b) Notwithstanding any contrary provision contained in this Agreement, upon notice to the Borrowers from the Administrative Agent given at the request of the Required Lenders, after the occurrence and during the continuance of an Event of Default, each Borrowing (unless such Borrowing is paid at or before the end of the Interest Period applicable thereto) shall at the end of the Interest Period applicable thereto be continued as a Borrowing with an Interest Period of one month's duration subject to paragraph (c) of this Section.

Section 2.10. Optional and Mandatory Prepayments. (a) Each Borrower shall have the right at any time and from time to time to prepay any Borrowing, in whole or in part, upon at least three Business Days' prior written or telecopy notice to the Administrative Agent before 11:00 a.m., London time; provided, however, that each partial prepayment shall be in an amount that is an integral multiple of CHF 1,000,000. Notwithstanding the immediately preceding sentence, the Administrative Agent agrees that it will (subject to the Authorization Letter) accept from any Borrower notice by telephone of prepayment by the dates and time specified in the immediately preceding sentence, provided that the same is confirmed by such Borrower to the Administrative Agent in writing promptly (and in all events on the same day as such telephone communication).

(b) Each notice of prepayment shall specify the identity of the Borrower, the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the applicable Borrower to prepay such Borrowing by the amount stated therein on the date stated therein.

(c) In the event of any termination of all the Revolving Credit Commitments, each Borrower shall on the date of such termination repay or prepay all its outstanding Borrowings. In the event of any partial reduction of the Revolving Credit Commitments, then (i) at or prior to the effective date of such reduction, the Administrative Agent shall notify the

Borrowers and the Lenders of the Aggregate Credit Exposure after giving effect thereto and (ii) if the Aggregate Credit Exposure would exceed the Total Revolving Credit Commitment after giving effect to such reduction, then on the date of such reduction one or more Borrowers shall prepay its or their respective Borrowings in an amount sufficient to eliminate such excess.

(d) All prepayments under this Section shall be subject to Section 3.4, but shall otherwise be without premium or penalty. All prepayments under this Section shall be accompanied by accrued interest on the principal amount being prepaid to the date of payment.

Section 2.11. Payments. (a) The Borrowers shall make each payment required to be made by it hereunder and under any Facility Document (whether of principal, interest, fees, or otherwise) not later than 12:00 noon, London time at the place of payment, on the date when due in immediately available funds, without setoff, defense or counterclaim. Any amounts received after such time on any date may, in the reasonable discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. Each such payment shall be made to the Administrative Agent at such account as the Administrative Agent shall designate to the Borrowers in writing. Each such payment shall be made in Swiss francs, except as otherwise expressly provided herein. The Administrative Agent, or any Lender for whose account any such payment is to be made, may (but shall not be obligated to) debit the amount of any such payment which is not made by such time to any ordinary deposit account of the applicable Borrower with the Administrative Agent or such Lender, as the case may be, and any Lender so doing shall promptly notify the Administrative Agent; such Lender or (if the Administrative Agent effects such debit) the Administrative Agent shall promptly after effecting such debit give notice thereof to the applicable Borrower as well, provided, however, that a failure to give such notice to the applicable Borrower shall not affect the validity of such debit or place such Lender or the Administrative Agent under any liability to the applicable Borrower. Each Borrower shall, at the time of making each payment under this Agreement or the Notes, specify to the Administrative Agent the principal or other amount payable by the applicable Borrower under this Agreement or the Notes to which such payment is to be applied (and in the event that it fails to so specify, or if a Default or Event of Default has occurred and is continuing), the Administrative Agent may apply such payment as it may elect in its sole discretion (subject to Section 10.15)).

(b) Whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder or under any other Facility Document shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may, except as otherwise provided in the definition of Interest Period, be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

Section 2.12. Purpose. Each Borrower shall use the proceeds of the Loans borrowed by it for (i) working capital and general corporate purposes of such Borrower and its Subsidiaries, (ii) purposes of effecting a corporate reorganization of the ownership of such Borrower and/or (iii) purposes of making a repatriation dividend to the Parent.

ARTICLE 3. YIELD PROTECTION; ILLEGALITY; ETC.

Section 3.1. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Borrowing:

(a) the Administrative Agent determines (which determination, if made on a reasonable and nondiscriminatory basis, shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Borrowing for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrowers and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrowers and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any request to continue any Borrowing shall be ineffective, and any outstanding Borrowing shall be repaid on the last day of the then current Interest Period with respect thereto and (ii) any Borrowing Request shall be ineffective.

Section 3.2. Reserve Requirement; Change in Circumstances. (a) Notwithstanding any other provision of this Agreement, if after the date of this Agreement any change in applicable law or regulation or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof (whether or not having the force of law) shall change the basis of taxation of payments to any Lender of the principal of or interest on any Loan made by such Lender or any Fees or other amounts payable hereunder (other than changes in respect of taxes imposed on the overall net income of such Lender by the jurisdiction in which such Lender has its principal office or by any political subdivision or taxing authority therein), or shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by any Lender or shall impose on such Lender or the London interbank market (or other relevant interbank market) any other condition affecting this Agreement or Loans made by such Lender, and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Loan or to reduce the amount of any sum received or receivable by such Lender hereunder in respect thereof (whether of principal, interest or otherwise) by an amount deemed by such Lender to be material, then the applicable Borrower shall pay to such Lender upon demand such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered. There shall be no duplication of payments in respect of Indemnified Taxes and Other Taxes required to be made by this Section and by Section 3.5.

(b) If any Lender shall have determined that the adoption after the date hereof of any law, rule, regulation, agreement or guideline regarding capital adequacy or any change after the date hereof in any law, rule, regulation, agreement or guideline regarding capital adequacy (whether or not such law, rule, regulation, agreement or guideline has been adopted) or

in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by any Lender (or any lending office of such Lender) or any Lender's holding company with any request or directive regarding capital adequacy (whether or not having the force of law) of any Governmental Authority has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made to a level below that which such Lender or such Lender's holding company could have achieved but for such applicability, adoption, change or compliance (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time the applicable Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as applicable, as specified in paragraph (a) or (b) above shall be delivered to the applicable Borrower and shall (if the determination of such amount or amounts is made on a reasonable and nondiscriminatory basis) be conclusive absent manifest error. The applicable Borrower shall pay such Lender the amount shown as due on any such certificate delivered by it within 10 days after receipt by such Borrower of the same.

(d) Failure or delay on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital shall not constitute a waiver of such Lender's right to demand such compensation; provided, however, that if any Lender demands such compensation in respect of a period prior to the date on which written demand therefor is given to the applicable Borrower, then the obligation of such applicable Borrower to pay such compensation in respect of such period shall be limited to the three months prior to the giving of such written demand, plus (if such demand results from a retroactive change in the aforesaid law, regulation, interpretation, administration, or guideline) the period of such retroactivity; however, such limitation shall not apply in respect of the period from and after the giving of such written demand. The protection of this Section shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, agreement, guideline or other change or condition that shall have occurred or been imposed.

Section 3.3. Change in Legality. (a) Notwithstanding any other provision of this Agreement, if, after the date hereof, any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any Loan or to give effect to its obligations as contemplated hereby with respect to any Loan, then, by written notice to the Borrowers and to the Administrative Agent:

(x) such Lender may declare that Loans will not thereafter (for the duration of such unlawfulness) be made by such Lender hereunder (or be continued for additional Interest Periods); and

(y) such Lender may require that all outstanding Loans made by it be repaid by the applicable Borrower or (if the Borrowers and all the Lenders shall mutually agree

on a substitute basis for determining the interest rate on the outstanding Loans) shall be continued and bear interest at such substitute rate (for the duration of such unlawfulness), in which event all such Loans shall be so repaid or continued (as applicable) as of the effective date of such notice as provided in paragraph (b) of this Section.

(b) For purposes of this Section, a notice to the applicable Borrower by any Lender shall be effective as to each Loan made by such Lender, if lawful, on the last day of the Interest Period then applicable to such Loan; in all other cases such notice shall be effective on the date of receipt by such Borrower.

Section 3.4. Indemnity. As to the Loans of each Borrower, such Borrower shall indemnify each Lender against any loss or expense that such Lender may sustain or incur as a consequence of (a) any event, other than a default by such Lender in the performance of its obligations hereunder, which results in (i) such Lender receiving or being deemed to receive any amount on account of the principal of any Loan prior to the end of the Interest Period in effect therefor or (ii) any Loan to be made by such Lender (including any Loan to be made pursuant to a continuation under Section 2.9) not being made after notice of such Loan shall have been given by the applicable Borrower hereunder (any of the events referred to in this clause (a) being called a "Breakage Event") or (b) any default in the making of payment or prepayment required to be made hereunder. In the case of any Breakage Event, such loss shall include an amount equal to the excess, as reasonably determined by such Lender, of (i) its cost of obtaining funds for the Loan that is the subject of such Breakage Event for the period from the date of such Breakage Event to the last day of the Interest Period in effect (or that would have been in effect) for such Loan over (ii) the amount of interest likely to be realized by such Lender in redeploying the funds released or not utilized by reason of such Breakage Event for such period. A certificate of any Lender setting forth any amount or amounts which such Lender is entitled to receive pursuant to this Section shall be delivered to the applicable Borrower and shall (if the determination of such amount or amounts is made on a reasonable and nondiscriminatory basis) be conclusive absent manifest error.

Section 3.5. Taxes. (a) Any and all payments by or on account of any obligation of any Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes except as otherwise required by applicable law; provided that, if any Borrower shall be required by applicable law to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or each Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the applicable Borrower shall make such deductions, and (iii) the applicable Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, each Borrower shall pay any Other Taxes payable by it to the relevant Governmental Authority in accordance with applicable law.

(c) Each Borrower shall indemnify the Administrative Agent and each Lender within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent or such Lender, as the case may be, on or with

respect to any payment by or on account of any obligation of such Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the applicable Borrower by a Lender or by the Administrative Agent on its own behalf or on behalf of a Lender shall (if there is a reasonable basis for such payment or liability, and if the determination of the amount thereof is made on a reasonable basis) be conclusive absent manifest error.

(d) After payment by a Borrower to the demanding party of the amount demanded pursuant to paragraph (c) of this Section, such Borrower shall be entitled to commence a legal proceeding against the applicable Governmental Authority to recover the Indemnified Taxes or Other Taxes so paid by the demanding party; and (after such payment by such Borrower to the demanding party) the demanding party shall at the sole expense of such Borrower cooperate with such Borrower as such Borrower may reasonably request with respect to such legal proceeding, provided that the demanding party may do so without material risk of liability.

(e) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by a Borrower to a Governmental Authority, such Borrower shall deliver to the Administrative Agent written evidence thereof reasonably satisfactory to the Administrative Agent.

(f) If the Administrative Agent or any Lender determines, in its sole discretion, or becomes aware, that it has received, or is entitled to, a refund of any Taxes or Other Taxes as to which it has been indemnified by the applicable Borrower or with respect to which such Borrower has paid additional amounts pursuant to this Section, the Administrative Agent or such Lender, as the case may be, shall pay over to such Borrower (i) such refund or (ii) if the Administrative Agent or such Lender, as the case may be, has decided to not make a claim for a refund to the relevant Governmental Authority, the amount of any refund the Administrative Agent or such Lender, as the case may be, would have been entitled, in its reasonable judgment, to receive had it made such claim (but, in each case, only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all reasonable and documented out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided that each Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to such Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority.

(g) This Section shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to any Borrower or any other Person.

Section 3.6. Duty to Mitigate. If (i) any Lender shall request compensation under Section 3.2, (ii) any Lender delivers a notice described in Section 3.3 or (iii) a Borrower is required to pay any additional amount to any Lender or any Governmental Authority on account of any Lender, pursuant to Section 3.5, then such Lender shall use reasonable efforts (which shall not require such Lender to incur an unreimbursed loss or unreimbursed cost or expense or otherwise take any action inconsistent with its internal policies or legal or regulatory restrictions or suffer any disadvantage or burden deemed by it to be significant) (x) to file any certificate or document reasonably requested in writing by the Borrowers or (y) to assign its rights and delegate and transfer its obligations hereunder to another of its offices, branches or affiliates, if such filing or assignment would reduce its claims for compensation under Section 3.2 or enable it to withdraw its notice pursuant to Section 3.3 or would reduce amounts payable pursuant to Section 3.5, as the case may be, in the future. The Borrowers hereby agrees to pay all reasonable and documented costs and expenses incurred by any Lender in connection with any such filing or assignment, delegation and transfer.

Section 3.7. Replacement of Lenders. If any Lender requests compensation under Section 3.2, or if any Lender delivers a notice described in Section 3.3, or if a Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.5, or if any Lender defaults in its obligation to fund Loans hereunder, then the applicable Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 11.5, which restrictions shall apply, for purposes of this Section, with reference to a Lender) all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) if the assignee is not a Lender, the applicable Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not be unreasonably withheld; and (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon and accrued fees and other amounts (including amounts under Sections 3.2, 3.3, 3.4 and 3.5) payable to it hereunder from the assignee or the applicable Borrower; and (iii) in the case of any such assignment resulting from a claim for compensation under Section 3.2 or payments required to be made pursuant to Section 3.3 or 3.5, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the applicable Borrower to require such assignment and delegation cease to apply.

Section 3.8. Certain Additional Costs. If and so long as any Lender is required to comply with reserve assets, liquidity, cash margin or other requirements of any monetary or other authority (including any such requirement imposed by the European Central Bank or the European System of Central Banks, but excluding requirements reflected in the Statutory Reserve Rate) in respect of any of such Lender's Loans, such Lender may require the Borrower to which such Lender has made a Loan to pay, contemporaneously with each payment of interest on each of such Lender's Loans subject to such requirements, additional interest on such Loan at a rate per annum specified by such Lender to be the cost to such Lender of complying with requirements in relation to such Loan. Any additional interest owed pursuant to this Section

shall be determined by the relevant Lender, which determination (if made on a reasonable and nondiscriminatory basis) shall be conclusive absent manifest error, and notified to the applicable Borrower (with a copy to the Administrative Agent) at least five Business Days before each date on which interest is payable for the relevant Loan, and such additional interest so notified by such Lender shall be payable to the Administrative Agent for the account of such Lender on each date on which interest is payable for such Loan.

ARTICLE 4. CONDITIONS PRECEDENT.

Section 4.1. Documentary Conditions Precedent. The execution and delivery of this Agreement by the Lenders and the Administrative Agent are subject to the condition precedent that the Administrative Agent shall have received not later than December 1, 2005 each of the following, in form and substance satisfactory to the Administrative Agent and its counsel:

(a) if requested by any Lender prior to such date, a duly executed Note of MWC and Luxury, payable in each case to such Lender;

(b) the Authorization Letter, duly executed by the Borrowers;

(c) the Parent Guarantee, duly executed by the Parent;

(d) a certificate of the Secretary (or equivalent officer) of MWC, dated the Closing Date, attesting (i) to all corporate action taken by MWC, including resolutions of its shareholders and its Board of Directors, authorizing the execution, delivery and performance of the Facility Documents to which it is a party and each other document to be delivered pursuant to this Agreement; (ii) to a true and complete copy of its organizational documents; and (iii) to the names and true signatures of officers of MWC authorized to sign the Facility Documents to which it is a party and the other documents to be delivered by MWC under this Agreement;

(e) a certificate of the Secretary (or equivalent officer) of Luxury, dated the Closing Date, attesting (i) to all corporate action taken by Luxury, including resolutions of its shareholders and its Board of Directors, authorizing the execution, delivery and performance of the Facility Documents to which it is a party and each other document to be delivered pursuant to this Agreement; (ii) to a true and complete copy of its organizational documents; and (iii) to the names and true signatures of officers of Luxury authorized to sign the Facility Documents to which it is a party and the other documents to be delivered by Luxury under this Agreement;

(f) a certificate of the Secretary or Assistant Secretary of the Parent, dated the Closing Date, attesting (i) to all corporate action taken by the Parent, including resolutions of its Board of Directors, authorizing the execution, delivery and performance of the Facility Documents to which it is a party and each other document to be delivered pursuant to this Agreement; (ii) to a true and complete copy of its certificate of incorporation and by-laws; (iii) to the names and true signatures of officers of the Parent authorized to sign the Facility Documents to which it is a party and the other documents to be delivered by the Parent under this Agreement and (iv) to the good standing of the Parent in the State of New York, which shall be evidenced by a certificate of the appropriate Governmental Authority thereof;

(g) a certificate of each of the Parent, MWC and Luxury, dated the Closing Date, stating that the representations and warranties in Article 5 are true and correct on such date as though made on and as of such date and that no event has occurred and is continuing which constitutes a Default or an Event of Default;

(h) opinions of counsel for the Borrowers (Timothy F. Michno, Esq. and Paul, Weiss, Rifkind, Wharton & Garrison LLP), dated the Closing Date, in substantially the forms of Exhibit C-1 and Exhibit C-2 (respectively) and as to such other matters as the Administrative Agent or any Lender may reasonably request;

(i) an opinion of Swiss counsel for the Borrowers, dated the Closing Date, in substantially the form of Exhibit C-3 and as to such other matters as the Administrative Agent or any Lender may reasonably request;

(j) evidence that the Borrowers have paid in full (i) all fees that are required to be paid by the Borrowers to the Lenders on the Closing Date; and (ii) the reasonable and documented fees and disbursements of New York and Swiss counsel for the Administrative Agent in connection with the closing of the transaction contemplated by this Agreement; and

(k) such other approvals, opinions, certificates and documents as the Administrative Agent may reasonably request.

Section 4.2. Additional Conditions Precedent. The obligations of the Lenders to make any Loans pursuant to a Borrowing which increases the amount of Loans outstanding hereunder (including the initial Borrowing) shall be subject to the further conditions precedent that on the date of such Loans, the following statements shall be true:

(a) the representations and warranties contained in Article 5 are true and correct in all material respects on and as of the date such Loans are made as though made on and as of such date, provided that (i) any representation and warranty contained in Section 5.5 that specifically relates to January 31, 2005 (other than the last sentence of Section 5.5) shall be true and correct as of January 31, 2005; and (ii) any such representation or warranty which by its terms contains a materiality qualification is true and correct in all respects on and as of such date; and

(b) no Default or Event of Default has occurred and is continuing, or would result from such Loans.

Section 4.3. Deemed Representations. Each Borrowing Request and each acceptance by the applicable Borrower of the proceeds of such Borrowing, shall constitute a representation and warranty by the Borrowers that the statements contained in Section 4.2 are true and correct both on the date of such Borrowing Request and, unless the Borrowers otherwise notify the Administrative Agent prior to such Borrowing, as of the date of such Borrowing.

ARTICLE 5. REPRESENTATIONS AND WARRANTIES.

Each of the Borrowers and the Parent hereby represents and warrants as follows (provided, however, that such representations and warranties by each Borrower and the Parent shall be as to such Borrower or the Parent, as the case may be, and its respective Subsidiaries only):

Section 5.1. Incorporation, Good Standing and Due Qualification. Each of the Parent and its Subsidiaries is duly incorporated or formed, validly existing and (where such concept exists) in good standing under the laws of the jurisdiction of its incorporation or organization, has the corporate, limited liability company or other power and authority to own its assets and to transact the business in which it is now engaged, and is duly qualified as a foreign corporation, limited liability company or partnership and in good standing under the laws of each other jurisdiction in which the failure to be so qualified would have a material adverse effect on the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole.

Section 5.2. Corporate Power and Authority; No Conflicts. The execution, delivery and performance by each of the Borrowers and the Parent of the Facility Documents to which it is a party are within its corporate, limited liability company or other power and authority and have been duly authorized by all necessary corporate, limited liability company or other action and do not and will not: (a) require any consent or approval of its stockholders or members; (b) contravene any of its organizational documents; (c) violate any provision of, or require any filing, registration, consent or approval under, any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Parent or any Subsidiaries or Affiliates of the Parent; (d) result in a breach of or constitute a default or require any consent under any indenture or loan or credit agreement or any other agreement, lease or instrument to which any Borrower or the Parent is a party or by which it or its properties may be bound or affected; (e) result in, or require, the creation or imposition of any Lien upon or with respect to any of the properties now owned or hereafter acquired by any Borrower or the Parent; or (f) cause the Parent (or any Subsidiary or Affiliate of the Parent, as the case may be) to be in default under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any such indenture, agreement, lease or instrument.

Section 5.3. Legally Enforceable Agreements. Each Facility Document to which any Borrower or the Parent is a party is a legal, valid and binding obligation of such Borrower or the Parent (as the case may be) enforceable against such Borrower or the Parent (as the case may be) in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law).

Section 5.4. Litigation. There are no actions, suits or proceedings pending or, to the knowledge of the Parent or any Borrower, threatened, against or affecting the Parent or any of its Subsidiaries before any court, governmental agency or arbitrator, as to which there is a reasonable possibility of determination adverse to the Parent or such Subsidiary and which (if determined adversely to the Parent or such Subsidiary) would, in any one case or in the aggregate, materially adversely affect the financial condition, operations or business of the

Parent and its Subsidiaries taken as a whole or the ability of any Borrower or the Parent to perform its obligations under the Facility Documents to which it is a party.

Section 5.5. Financial Statements. The consolidated and consolidating balance sheet of the Parent and its Consolidated Subsidiaries as at January 31, 2005, and the related consolidated income statement and statements of cash flows and changes in stockholders' equity and the related consolidating income statement of the Parent and its Consolidated Subsidiaries for the fiscal year then ended, and the accompanying footnotes, together with the accompanying opinion of PricewaterhouseCoopers LLP, independent certified public accountants, copies of which have been furnished or made available to each of the Lenders, are complete and correct in all material respects and fairly present the financial condition of the Parent and its Consolidated Subsidiaries as at such date and the results of the operations of the Parent and its Consolidated Subsidiaries for the period covered by such statements, all in accordance with GAAP consistently applied. There are no liabilities of the Parent or any of its Consolidated Subsidiaries, fixed or contingent, which are material in relation to the consolidated financial condition of the Parent but are not reflected in the financial statements or in the notes thereto, other than liabilities arising in the ordinary course of business since January 31, 2005. No information, exhibit or report furnished by any Borrower to the Administrative Agent or any of the Lenders in connection with the negotiation of this Agreement, when read together with the financial statements referred to in this Section, contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not materially misleading. Since January 31, 2005, there has been no material adverse change in the condition (financial or otherwise), business or operations of the Parent and the Consolidated Subsidiaries taken as a whole.

Section 5.6. Ownership and Liens. Each of the Parent and its Consolidated Subsidiaries has title to, or valid leasehold interests in, all of its properties and assets, real and personal, including the properties and assets, and leasehold interests reflected in the financial statements referred to in Section 5.5 (other than any properties or assets disposed of in the ordinary course of business, and other than properties and assets that are not material to the Parent and its Subsidiaries taken as a whole and other than any other sales that are permitted by this Agreement), and none of the properties and assets owned by the Parent or any of its Subsidiaries and none of its leasehold interests is subject to any Lien, except as disclosed in such financial statements or as may be permitted hereunder.

Section 5.7. Taxes. Each of the Parent and its Subsidiaries has filed or has caused to be filed all tax returns (foreign, federal, state and local) required to be filed and has paid all material taxes, assessments and governmental charges and levies shown thereon to be due, including interest and penalties, except for such taxes and other amounts as are being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP and reflected on the consolidated balance sheet of the Parent.

Section 5.8. ERISA. (a) No accumulated funding deficiency (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, exists with respect to any Plan (other than a Multiemployer Plan). No liability to the PBGC has been or is expected by the Parent or any ERISA Affiliate to be incurred with respect to any Plan (other than a

Multiemployer Plan) by the Parent, any Subsidiary or any ERISA Affiliate which is or would be materially adverse to the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole. Neither the Parent, nor any Subsidiary nor any ERISA Affiliate has incurred or presently expects to incur any withdrawal liability under Title IV of ERISA with respect to any Multiemployer Plan which is or would be materially adverse to the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole.

(b) Neither the Parent nor any of its Subsidiaries has breached the fiduciary rules of ERISA or engaged in any prohibited transaction in connection with which the Parent or any of its Subsidiaries or ERISA Affiliates could be subjected to (in the case of any such breach) a suit for damages or (in the case of any such prohibited transactions) with a civil penalty assessed under Section 502(i) of ERISA or a tax imposed by Section 4975 of the Code, which suit, penalty or tax, in any case, would be materially adverse to the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole.

(c) There has been no reportable event (within the meaning of Section 4043(b) of ERISA) or any other event or condition with respect to any Plan (other than a Multiemployer Plan) which presents a risk of termination of any such Plan by the PBGC under circumstances which in any case could result in liability which would be materially adverse to the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole.

(d) The present value of all vested accrued benefits under all Plans (other than Multiemployer Plans), determined as of the end of the Parent's most recently ended fiscal year on the basis of reasonable actuarial assumptions, did not exceed the current value of the assets of such Plans allocable to such vested accrued benefits by more than $20,000,000. The terms "present value", "current value", and "accrued benefit" have the meanings specified in Section 3 of ERISA.

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

Section 5.9. Subsidiaries and Ownership of Stock. Schedule III is a complete and accurate list, as of the Closing Date, of the Subsidiaries of the Parent, showing the jurisdiction of incorporation or organization of each Subsidiary and showing the percentage of the Parent's ownership of the outstanding stock or other interest of each such Subsidiary. All of the outstanding capital stock or other interest of each such Subsidiary has been validly issued, is fully paid and nonassessable and (to the extent owned by the Parent or any other Subsidiary) is owned by the Parent or such other Subsidiary, as the case may be, free and clear of all Liens.

Section 5.10. Credit Arrangements. Schedule IV is a complete and correct list, as of the Closing Date, of all credit agreements, indentures, purchase agreements, guaranties, Capital Leases and other investments, agreements and arrangements presently in effect providing for or relating to extensions of credit (including agreements and arrangements for the issuance of letters of credit or for acceptance financing or for credit lines extended for the purchase of foreign-exchange contracts) in respect of which the Parent or any of its Subsidiaries is in any manner directly or contingently obligated to pay money (excluding trade payables in the ordinary course of business, and excluding other extensions of credit that do not exceed $500,000 in the

aggregate of all such other extensions of credit), including all modifications thereof and amendments thereto; and the maximum principal or face amounts of the credit in question, outstanding and which can be outstanding, are correctly stated, and all Liens (if any) of any nature given or agreed to be given as security therefor are correctly described or indicated in such Schedule.

Section 5.11. Operation of Business. Each of the Parent and its Subsidiaries possesses all licenses, permits, franchises, patents, copyrights, trademarks and trade names, or rights thereto, necessary in any material respect to conduct the business substantially as now conducted of the Parent and its Subsidiaries taken as a whole, and neither the Parent nor any of its Subsidiaries is in violation of any valid rights of others with respect to any of the foregoing.

Section 5.12. Hazardous Materials. The Parent and each of its Subsidiaries have obtained all permits, licenses and other authorizations which are required under all Environmental Laws, except to the extent failure to have any such permit, license or authorization would not have a material adverse effect on the consolidated financial condition, operations or business of the Parent and its Consolidated Subsidiaries taken as a whole. The Parent and each of its Subsidiaries are in compliance with the terms and conditions of all such permits, licenses and authorizations, and are also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except to the extent failure to comply would not have a material adverse effect on the consolidated financial condition, operations or business of the Parent and its Consolidated Subsidiaries taken as a whole.

In addition, except as set forth in Schedule V and except to the extent it would not have a material adverse effect on the consolidated financial condition, operations or business of the Parent and its Consolidated Subsidiaries taken as a whole:

(a) No notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed and, to the best of the Parent's knowledge, no investigation or review is pending or threatened by any governmental or other entity with respect to any alleged failure by the Parent or any of its Subsidiaries to have any permit, license or authorization required under the Environmental Laws in connection with the conduct of the business of the Parent or any of its Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation, release or disposal, or any release as defined in 42 U.S.C. Section 9601(22) ("Release"), of any substance regulated under Environmental Laws ("Hazardous Materials") generated by the Parent or any of its Subsidiaries.

(b) Neither the Parent nor any of its Subsidiaries has handled any Hazardous Material, other than as a generator, on any property now or previously owned or leased by the Parent or any of its Subsidiaries; and

(i) no polychlorinated biphenyl is present at any property now or owned or leased by the Parent or any of its Subsidiaries;

(ii) no asbestos is present at any property now owned or leased by the Parent or any of its Subsidiaries;

(iii) there are no underground storage tanks for Hazardous Materials, active or abandoned, at any property now owned or leased by the Parent or any of its Subsidiaries.

No Hazardous Materials have been Released, in a reportable quantity, where such a quantity has been established by statute, ordinance, rule, regulation or order, at, on or under any property now owned by the Parent or any of its Subsidiaries.

(c) Neither the Parent nor any of its Subsidiaries has transported or arranged for the transportation of any Hazardous Material to any location which is listed on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), listed for possible inclusion on the National Priorities List by the Environmental Protection Agency in the Comprehensive Environmental Response and Liability Information System as provided by 40 C.F.R. Section 300.5 ("CERCLIS") or on any similar state list or which is the subject of federal, state or local enforcement actions or other investigations which are reasonably expected to lead to claims against the Parent or any of its Subsidiaries for clean-up costs, remedial work, damages to natural resources or for personal injury claims, including, but not limited to, claims under CERCLA.

(d) No Hazardous Material generated by the Parent or any of its Subsidiaries has been recycled, treated, stored, disposed of or Released by the Parent or any of its Subsidiaries at any location other than those listed in Schedule V.

(e) No oral or written notification of a Release of a Hazardous material has been filed by or on behalf of the Parent or any of its Subsidiaries and no property now owned or leased by the Parent or any of its Subsidiaries is listed or proposed for listing on the National Priorities List promulgated pursuant to CERCLA, on CERCLIS or on any similar state list of sites requiring investigation or clean-up.

(f) There are no Liens arising under or pursuant to any Environmental laws which have been imposed on any of the real property or properties owned or leased by the Parent or any of its Subsidiaries, and (to the best of the Parent's knowledge) no government actions have been taken or are in process which could subject any of such properties to such Liens and neither the Parent nor any of its Subsidiaries would be required to place any notice or restriction relating to the presence of Hazardous Materials at any property owned by it in any deed to such property.

(g) There have been no environmental investigations, studies, audits, test, reviews or other analyses conducted by or which are in the possession of the Parent or any of its Subsidiaries in relation to any property or facility now or previously owned or leased by the Parent or any of its Subsidiaries which have not been made available to the Lenders, except to the extent prepared to satisfy routine reporting obligations under the Environmental Laws.

Section 5.13. No Default on Outstanding Judgments or Orders. Each of the Parent and its Subsidiaries has satisfied all judgments and neither the Parent nor any of its Subsidiaries is in default with respect to any judgment, writ, injunction, decree, rule or regulation

of any court, arbitrator or federal, state, municipal or other Governmental Authority, commission, board, bureau, agency or instrumentality, domestic or foreign, except where any such defaults in the aggregate would not result in a material adverse effect on the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole.

Section 5.14. No Defaults on Other Agreements. Neither the Parent nor any of its Subsidiaries is subject to any charter or corporate restriction which is reasonably expected to have a material adverse effect on the business, properties, assets, operations or conditions, financial or otherwise, of the Parent or any of its Subsidiaries, or the ability of any Borrower or the Parent to carry out its obligations under the Facility Documents to which it is a party. Neither the Parent nor any of its Subsidiaries is a party to any indenture, loan or credit agreement or any lease or other agreement or instrument which is reasonably expected to have a material adverse effect on the ability of any Borrower or the Parent to carry out its obligations under the Facility Documents to which it is a party. The Parent is not in default in any respect under any of the Prudential Existing Notes (or under either note agreement pursuant to which they were issued) or under any outstanding Future Permitted Private Placement Debt (or under any note or other agreement pursuant to which such Debt shall have been issued). Neither the Parent nor any of its Subsidiaries is in default in any material respect under any other agreement or instrument to which the Parent or such Subsidiary is a party, except where any such defaults in the aggregate would not result in a material adverse effect on the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole.

Section 5.15. Labor Disputes and Acts of God. Neither the business nor the properties of the Parent or of any of its Subsidiaries are affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), materially and adversely affecting the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole.

Section 5.16. Governmental Regulation. Neither the Parent nor any of its Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Investment Company Act of 1940, the Interstate Commerce Act, the Federal Power Act or any statute or regulation limiting its ability to incur indebtedness for money borrowed or to obtain letters of credit as contemplated hereby.

Section 5.17. Partnerships. As of the Closing Date, neither the Parent nor any of its Subsidiaries is a partner in any partnership.

Section 5.18. No Forfeiture. No Forfeiture Proceeding is pending.

Section 5.19. Solvency.

(a) The present fair saleable value of the assets of each Borrower after giving effect to all the transactions contemplated by the Facility Documents and the funding of all Revolving Credit Commitments hereunder exceeds the amount that will be required to be paid on or in respect of the existing debts and other liabilities (including contingent liabilities) of such Borrower as they mature.

(b) The property of each Borrower does not constitute unreasonably small capital for such Borrower to carry out its business as now conducted and as presently proposed to be conducted including the capital needs of such Borrower.

(c) No Borrower intends to, nor does any Borrower believe that it will, incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be received by such Borrower, and of amounts to be payable on or in respect of debt of such Borrower). The cash available to each Borrower after taking into account all other anticipated uses of the cash of such Borrower, is anticipated to be sufficient to pay all such amounts on or in respect of debt of such Borrower when such amounts are required to be paid.

(d) No Borrower believes that final judgments against it in actions for money damages will be rendered at a time when, or in an amount such that, such Borrower will be unable to satisfy any such judgments promptly in accordance with their terms (taking into account the maximum reasonable amount of such judgments in any such actions and the earliest reasonable time at which such judgments might be rendered). The cash available to each Borrower after taking into account all other anticipated uses of the cash of such Borrower (including the payments on or in respect of debt referred to in paragraph (c) of this Section), is anticipated to be sufficient to pay all such judgments promptly in accordance with their terms.

Section 5.20. Certain Particular Assurances as to the Borrowers. (a) This Agreement and each of the other Facility Documents to which a Borrower is intended to be a party are in proper legal form under the law of Switzerland for the enforcement thereof against such Borrower under such law. All formalities required in Switzerland for the validity and enforceability of this Agreement and each of such other Facility Documents (including, without limitation, any necessary registration, recording or filing with any court or other authority in Switzerland) have been accomplished, and no Taxes are required to be paid to Switzerland, or any political subdivision thereof or therein, and no notarization is required, for the validity and enforceability hereof or thereof.

(b) This Agreement and the other Facility Documents to which a Borrower is intended to be a party and the obligations evidenced hereby and thereby are and will at all times be direct and unconditional general obligations of such Borrower, and rank and will at all times rank in right of payment and otherwise at least pari passu with all other unsecured Debt of such Borrower whether now existing or hereafter outstanding, except for such preferences as are provided by any mandatory applicable provision of law. There exists no Lien (including any Lien arising out of any attachment, judgment or execution), nor any segregation or other preferential arrangement of any kind, on, in or with respect to any of the property or revenues of any Borrower or any of its Subsidiaries, except as expressly permitted by Section 7.3.

(c) Each Borrower is subject to civil and commercial law with respect to its obligations under this Agreement and each of the other Facility Documents to which it is intended to be a party. The execution, delivery and performance by each Borrower of this Agreement and each of such other Facility Documents constitute private and commercial acts rather than public or governmental acts. No Borrower, nor any of its properties or revenues, is entitled to any right of immunity in any jurisdiction from suit, court jurisdiction, judgment, attachment (whether before or after judgment), set-off or execution of a judgment or from any

other legal process or remedy relating to the obligations of such Borrower under this Agreement or any of such other Facility Documents.

(d) The inclusion in this Article of the representations and warranties contained in this Section shall not limit the generality of the other representations and warranties contained in this Article with reference to the Borrowers.

ARTICLE 6. AFFIRMATIVE COVENANTS.

So long as any of the Notes shall remain unpaid or any Lender shall have any Revolving Credit Commitment under this Agreement, the Parent shall:

Section 6.1. Maintenance of Existence. Preserve and maintain (except as otherwise permitted by Section 7.7 or Section 7.8 or Section 7.10), and cause each of its Subsidiaries (other than Inactive Subsidiaries) to preserve and maintain (except as otherwise permitted by Section 7.7 or Section 7.8 or Section 7.10), its corporate, limited liability company or other existence and good standing in the jurisdiction of its incorporation or organization, and qualify and remain qualified, and cause each of its Subsidiaries to qualify and remain qualified, as a foreign corporation, limited liability company or other entity in each jurisdiction in which the failure to be so qualified would have a material adverse effect on (a) the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole; (b) the ability of any Borrower or the Parent to perform any of its obligations under any Facility Document; (c) the legality, validity or enforceability of any Facility Document; or (d) the rights of, or remedies available to the Administrative Agent and the Lenders under any Facility Document.

Section 6.2. Conduct of Business. Continue, and cause each of its Subsidiaries (other than Inactive Subsidiaries) to continue, to engage primarily in the Core Business.

Section 6.3. Maintenance of Properties. Maintain, keep and preserve, and cause each of its Subsidiaries to maintain, keep and preserve, all of the properties (tangible and intangible) necessary or useful in the proper conduct of the business of the Parent and its Subsidiaries in good working order and condition (ordinary wear and tear excepted), except to the extent that such properties are not material to the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole.

Section 6.4. Maintenance of Records. Keep, and cause each of its Subsidiaries to keep, adequate records and books of account, in which complete entries will be made in compliance with then-current guidelines as to generally accepted accounting principles, reflecting all financial transactions of the Parent and its Subsidiaries.

Section 6.5. Maintenance of Insurance. Maintain, and cause each of its Subsidiaries to maintain, insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated, which insurance may provide for reasonable deductibility from coverage thereof.

Section 6.6. Compliance with Laws; Payment of Taxes. (a) Comply, and cause each of its Subsidiaries to comply, with all applicable laws (including all Environmental Laws), rules, regulations and orders, the noncompliance with which would materially adversely affect (i) the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole, (ii) the ability of any Borrower or the Parent to perform any of its obligations under any Facility Document, (iii) the legality, validity or enforceability of any Facility Document, or (iv) the rights of or remedies available to the Administrative Agent and the Lenders under any Facility Document. Without limiting the generality of the foregoing, the Parent shall cause each Borrower to obtain and maintain at all times in effect all such governmental licenses, authorizations, consents, permits and approvals as may be required for such Borrower to borrow and repay the Borrowings of such Borrower and to comply with all the other obligations of such Borrower under this Agreement and the other Facility Documents to which such Borrower is a party; and

(b) Pay or discharge, and cause each of its Subsidiaries to pay or discharge, before the same become delinquent all taxes, assessments and governmental charges imposed upon the Parent or any Subsidiary or any of their respective properties; provided, however, that the Parent shall not be required to pay or discharge or cause to be paid or discharged, any such tax, assessment or governmental charge the applicability or validity of which is being contested by the Parent or such Subsidiary in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP.

Section 6.7. Right of Inspection. At any reasonable time and from time to time and upon reasonable prior notice, permit the Administrative Agent or any Lender or any agent or representative thereof, to examine and make copies and abstracts from the records and books of account of, and visit the properties of, the Parent and any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Parent and any such Subsidiary with any of their respective officers and directors and the Parent's independent accountants so long as the Parent is afforded an opportunity to be present during such discussions with such accountants; provided that each such visit or discussion shall be at the sole expense of the Administrative Agent or any Lender, as applicable, unless a Default or an Event of Default shall have occurred and be continuing at the time thereof in which case the reasonable and documented expenses of the Administrative Agent or any Lender, as applicable, in connection thereof shall be paid or reimbursed by the Parent.

Section 6.8. Reporting Requirements. Furnish directly to each of the Lenders:

(a) as soon as available and in any event within 120 days after the end of each fiscal year of the Parent, a consolidated and consolidating balance sheet of the Parent and its Consolidated Subsidiaries as of the end of such fiscal year and a consolidated income statement and statements of cash flows and changes in stockholders' equity and a consolidating income statement of the Parent and its Consolidated Subsidiaries for such fiscal year, all in reasonable detail and stating in comparative form the respective consolidated and consolidating figures for the corresponding date and period in the prior fiscal year and all prepared in accordance with GAAP and as to the consolidated statements audited and accompanied by an opinion thereon by PricewaterhouseCoopers LLP or other independent accountants of national standing selected by the Parent and acceptable to the Required Lenders (without a "going concern" or like

qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Parent and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) as soon as available and in any event within 75 days after the end of each of the first three quarters of each fiscal year of the Parent, a consolidated and consolidating balance sheet of the Parent and its Consolidated Subsidiaries as of the end of such quarter and a consolidated income statement and statements of cash flows and changes in stockholders' equity and a consolidating income statement of the Parent and its Consolidated Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, all in reasonable detail and stating in comparative form the respective consolidated and consolidating figures for the corresponding date and period in the previous fiscal year and all prepared in accordance with GAAP and certified by the chief financial officer of the Parent (subject to year-end adjustments);

(c) simultaneously with the delivery of the financial statements referred to above, a certificate of the chief financial officer of the Parent (i) certifying that to the best of his knowledge no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which is proposed to be taken with respect thereto, and (ii) with computations demonstrating whether there has been compliance with the covenants contained in Article 8, and with the financial covenants contained in the agreements between the Parent and The Prudential Insurance Company of America pursuant to which the Prudential Existing Notes and (if applicable) the Prudential Shelf Notes have been issued, and with the financial covenants contained in the agreements pursuant to which all other Future Permitted Private Placement Debt shall have been issued;

(d) promptly after the commencement thereof, notice of all actions, suits, and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Parent or any of its Subsidiaries which would reasonably be expected to have a material adverse effect on (i) the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole, (ii) the ability of any Borrower or the Parent to perform any of its obligations under any Facility Document, (iii) the legality, validity or enforceability of any Facility Document, or (iv) the rights of or remedies available to the Administrative Agent and the Lenders under any Facility Document;

(e) as soon as possible and in any event within 10 days after the occurrence of each Default or Event of Default a written notice setting forth the details of such Default or Event of Default and the action which is proposed to be taken by the Parent with respect thereto;

(f) as soon as possible, and in any event within ten days after the Parent receives notice from the PBGC or any other Person, or otherwise acquires knowledge, that any of the events or conditions specified below with respect to any Plan or Multiemployer Plan have occurred or exist, a statement signed by a senior financial officer of the Parent setting forth details respecting such event or condition and the action, if any, which the Parent or its ERISA Affiliate proposes to take with respect thereto (and a copy of any report or notice required to be

filed with or given to PBGC by the Parent or an ERISA Affiliate with respect to such event or condition):

(i) any reportable event, as defined in Section 4043(b) of ERISA, with respect to a Plan, as to which PBGC has not by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event (provided that a failure to meet the minimum funding standard of Section 412 of the Code or Section 302 of ERISA including, without limitation, the failure to make on or before its due date a required installment under Section 412(m) of the Code or Section 302(e) of ERISA, shall be a reportable event regardless of the issuance of any waivers in accordance with Section 412(d) of the Code) and any request for a waiver under Section 412(d) of the Code for any Plan;

(ii) the distribution under Section 4041 of ERISA of a notice of intent to terminate any Plan or any action taken by the Parent or an ERISA Affiliate to terminate any Plan;

(iii) the institution by PBGC of proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Parent or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by PBGC with respect to such Multiemployer Plan;

(iv) the complete or partial withdrawal from a Multiemployer Plan by the Parent or any ERISA Affiliate that results in liability under Section 4201 or 4204 of ERISA (including the obligation to satisfy secondary liability as a result of a purchaser default) or the receipt of the Parent or any ERISA Affiliate of notice from a Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA or that it intends to terminate or has terminated under Section 4041A of ERISA;

(v) the institution of a proceeding by a fiduciary or any Multiemployer Plan against the Parent or any ERISA Affiliate to enforce Section 515 of ERISA, which proceeding is not dismissed within 30 days;

(vi) the adoption of an amendment to any Plan that pursuant to a notification letter from the Internal Revenue Service under Section 401(a)(29) of the Code or Section 307 of ERISA would result in the loss of tax-exempt status of the trust of which such Plan is a part if the Parent or an ERISA Affiliate fails to timely provide security to the Plan in accordance with the provisions of said Sections;

(vii) any event or circumstance exists which may reasonably be expected to constitute grounds for the Parent or any ERISA Affiliate to incur liability under Title IV of ERISA or under Sections 412(c)(11) or 412(n) of the Code with respect to any Plan; and

(viii) the Unfunded Benefit Liabilities of one or more Plans increase after the date of this Agreement in an amount which is material in relation to the financial condition of the Parent.

(g) promptly after the request of any Lender, copies of each annual report filed pursuant to Section 104 of ERISA with respect to each Plan (including, to the extent required by Section 104 of ERISA, the related financial and actuarial statements and opinions and other supporting statements, certifications, schedules and information referred to in Section 103) and each annual report filed with respect to each Plan under Section 4065 of ERISA; provided, however, that in the case of a Multiemployer Plan, such annual reports shall be furnished only if they are available to the Parent or an ERISA Affiliate;

(h) upon the request of the Administrative Agent, promptly after the furnishing thereof, copies of any statement or report furnished to any other party pursuant to the terms of any indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Lenders pursuant to any other clause of this Section;

(i) promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports which the Parent or any of its Subsidiaries sends to its stockholders, and copies of all regular, periodic and special reports, and all registration statements which the Parent or any such Subsidiary files with the Securities and Exchange Commission or any Governmental Authority which may be substituted therefor, or with any national securities exchange;

(j) promptly after the commencement thereof or promptly after the Parent knows of the commencement or threat thereof, notice of any Forfeiture Proceeding; and

(k) such other information respecting the condition or operations, financial or otherwise, of the Parent or any of its Subsidiaries as the Administrative Agent or any Lender may from time to time reasonably request.

Section 6.9. Equal and Ratable Lien. Make or cause to be made, if any property (whether now owned or hereafter acquired) is subjected to a Lien in violation of Section 7.3, effective provision reasonably satisfactory in form and substance to the Required Lenders whereby the obligations of the Borrowers under this Agreement and the Notes and of the Parent under the Parent Guarantee, as applicable, will be secured by such Lien equally and ratably with any and all other liabilities secured thereby. Such violation of Section 7.3 shall be an Event of Default, whether or not any such provision is made pursuant to this Section.

ARTICLE 7. NEGATIVE COVENANTS.

So long as any of the Notes shall remain unpaid or any Lender shall have any Revolving Credit Commitment under this Agreement, the Parent shall not:

Section 7.1. Debt. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist any Debt, except:

(a) Debt of each Borrower and the Parent under this Agreement, the other Facility Documents and the Other Credit Agreement;

(b) Debt described in Schedule IV (including the Prudential Shelf Notes), including renewals, extensions or refinancings thereof (and including refinancings by institutions other than those institutions identified on Schedule IV), provided that the principal amount thereof does not increase;

(c) Debt of the Parent subordinated (on terms satisfactory to the Administrative Agent and the Required Lenders) to the Parent's obligations under this Agreement and the other Facility Documents;

(d) Debt of the Parent to any Subsidiary; and Debt of any Subsidiary to the Parent or to another Subsidiary, provided that the aggregate amount at any time outstanding of all Debt of Subsidiaries to the Parent or to other Subsidiaries does not exceed 20% of the Consolidated Tangible Net Worth at the time of determination;

(e) Debt consisting of leases permitted under Section 7.4 or of guaranties permitted under subsections (a), (b), (c), (d) and (g) of Section 7.2;

(f) Future Permitted Private Placement Debt; and

(g) other Debt of the Parent or any Subsidiary of the Parent, provided that (i) the aggregate amount of such Debt outstanding at any time shall not exceed $25,000,000 (as to all of the Parent and its Subsidiaries) and (ii) the aggregate amount of liability in respect of letters of credit (excluding Letters of Credit issued under the Other Credit Agreement) outstanding at any time shall not exceed $10,000,000 (as to all of the Parent and its Subsidiaries) (which liability shall include liability for outstanding letters of credit that have not been drawn upon, as well as outstanding reimbursement obligations as to letters of credit that have been drawn upon; and which $10,000,000 limitation shall be inclusive of the letters of credit identified in Schedule IV and renewals and extensions thereof).

Section 7.2. Guaranties, Etc. Assume, guarantee, endorse or otherwise be or become directly or contingently responsible or liable, or permit any of its Subsidiaries to assume, guarantee, endorse or otherwise be or become directly or indirectly responsible or liable (including, but not limited to, an agreement to purchase any obligation, stock, assets, goods or services or to supply or advance any funds, asset, goods or services, or an agreement to maintain or cause such Person to maintain a minimum working capital or net worth or otherwise to assure the creditors of any Person against loss) for the obligations of any Person, except

(a) guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business;

(b) obligations of the Borrowers hereunder, the Parent Guarantee and the guaranty of the Parent and its Subsidiaries in respect of obligations under the Other Credit Agreement;

(c) guaranties by the Parent of ordinary rent obligations incurred by any of its Subsidiaries for the lease of retail stores; provided, however, that the aggregate of the amount so guaranteed for foreign Subsidiaries shall not exceed $5,000,000 at any time;

(d) guaranties by the Parent of obligations incurred by any of its domestic Subsidiaries in the ordinary course of business other than for borrowed money, letters of credit or acceptance financing;

(e) guaranties by the Parent in favor of any of its Subsidiaries, and guaranties by any Subsidiary of the Parent in favor of the Parent or another Subsidiary of the Parent, as to obligations owing to the guaranteed party by a Subsidiary of the Parent or by the Parent; provided, however, that in no event shall the outstanding guaranty liability permitted by this clause (e) exceed at any time $20,000,000 as to the Parent and its Subsidiaries in the aggregate;

(f) letters of credit permitted under Section 7.1;

(g) guaranties by any Subsidiary of the Prudential Existing Notes and any Future Permitted Private Placement Debt including renewals, extensions or refinancings thereof; and

(h) other guaranties, provided, however, that in no event shall the outstanding guaranty liability permitted by this clause (h) exceed at any time $2,000,000 as to the Parent and its Subsidiaries in the aggregate.

Section 7.3. Liens. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Lien, upon or with respect to any of its properties, now owned or hereafter acquired (including, without limitation, any Lien upon any stock or other securities issued by a Subsidiary), except:

(a) Liens for taxes or assessments or other government charges or levies if not yet due and payable or if due and payable if they are being contested in good faith by appropriate proceedings and for which appropriate reserves are maintained;

(b) Liens imposed by law, such as mechanic's, materialmen's, landlord's, warehousemen's and carrier's Liens, and other similar Liens, securing obligations incurred in the ordinary course of business which are not past due for more than 30 days, or which are being contested in good faith by appropriate proceedings and for which appropriate reserves have been established;

(c) bankers' Liens, rights of setoff and other similar Liens existing solely with respect to amounts on deposit in one or more bank accounts maintained by the Parent and its Subsidiaries, in each case granted in the ordinary course of business in favor of one or more banks or other depositary institutions with which such accounts are maintained; provided that such Liens shall not secure the repayment of any Debt for borrowed money;

(d) Liens under workmen's compensation, unemployment insurance, social security or similar legislation (other than ERISA);

(e) Liens, deposits or pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), leases (permitted under the terms of this Agreement), public or statutory obligations, surety, stay, appeal, indemnity, performance or other similar bonds, or other similar obligations arising in the ordinary course of business;

(f) judgment and other similar Liens arising in connection with court proceedings; provided that the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings;

(g) easements, rights-of-way, restrictions and other similar encumbrances which, in the aggregate, do not materially interfere with the occupation, use and enjoyment by the Parent or any such Subsidiary of the property or assets encumbered thereby in the normal course of its business or materially impair the value of the property subject thereto;

(h) Liens securing obligations of any Subsidiary to the Parent;

(i) purchase money Liens on any property hereafter acquired or the assumption of any Lien on property existing at the time of such acquisition, or a Lien incurred in connection with any conditional sale or other title retention agreement or a Capital Lease; provided that:

(i) any property subject to any of the foregoing is acquired by the Parent or any such Subsidiary in the ordinary course of its business and the Lien on any such property is created contemporaneously with such acquisition;

(ii) the obligation secured by any Lien so created, assumed or existing shall not exceed 95% of the lesser of cost or fair market value as of the time of acquisition of the property covered thereby to the Parent or such Subsidiary acquiring the same;

(iii) each such Lien shall attach only to the property so acquired and fixed improvements thereon, attachments thereto and proceeds thereof; and

(iv) the related expenditure is permitted under Section 8.3;

(j) Liens identified on Schedule IV, including renewals, extensions or refinancings thereof (and including refinancings by institutions other than those institutions identified on Schedule IV), provided that the principal amount secured by such Liens does not increase;

(k) other Liens, provided that in no event shall the outstanding liabilities secured by Liens permitted by this clause (k) exceed at any time $2,000,000 as to the Parent and its Subsidiaries in the aggregate.

Section 7.4. Leases. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any obligation as lessee for the rental or hire of any real or personal property, except:

(a) leases existing on the date of this Agreement and any extensions or renewals thereof;

(b) Capital Leases permitted by Sections 7.1 and 7.3; and

(c) other leases (excluding Capital Leases) that are, in the judgment of the management of the Parent, appropriate for the business objectives of the Parent and its Subsidiaries.

Section 7.5. Investments. Make, or permit any of its Subsidiaries to make, any loan or advance to any Person or purchase or otherwise acquire, or permit any such Subsidiary to purchase or otherwise acquire, any capital stock, assets (except as otherwise permitted by this Agreement), obligations or other securities of, make any capital contribution to, or otherwise invest in, or acquire any interest in, any Person, except:

(a) direct obligations of the United States of America or any agency thereof with maturities of two years or less from the date of acquisition;

(b) commercial paper of a domestic issuer rated at least "A-1" by S&P or "P1" by Moody's;

(c) certificates of deposit and time deposits with maturities of one year or less from the date of acquisition issued by any commercial bank whose (or whose parent company's) short-term commercial paper rating is rated at least "A-1" by S&P or "P-1" by Moody's.;

(d) for stock, obligations or securities received in settlement of debts (created in the ordinary course of business) owing to the Parent or any such Subsidiary;

(e) inventory purchased in the ordinary course of business of the Parent or such Subsidiary;

(f) any Acquisition permitted by Section 7.11;

(g) investments in shares of investment companies registered under the Investment Company Act of 1940 which are no-load money-market funds and which invest primarily in obligations of the type described in clauses (a), (b) and (c) of this Section and which are classified as current assets in accordance with GAAP, provided that any such investment company shall have an aggregate net asset value of not less than $50,000,000;

(h) advances to employees of the Parent or any of its Subsidiaries that do not exceed $500,000 outstanding at any time in the aggregate as to all such employees of the Parent and its Subsidiaries;

(i) loans and advances permitted by Section 7.1(d), other investments by any foreign Subsidiary of the Parent in any other foreign Subsidiary of the Parent that is wholly owned by the Parent and other investments by the Parent or any Subsidiary of the Parent in any other Subsidiary of the Parent;

(j) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above;

(k) other investments of up to $15,000,000 in the aggregate as to all of the Parent and its Subsidiaries;

(l) as permitted under Sections 7.7(c), 7.7(d) and 7.7(e); and

(m) taxable or tax-exempt municipal securities that have an established secondary market, asset-backed securities and/or corporate bonds, in each case which are rated "A2" or better by Moody's or "A" or better by S&P.

Section 7.6. Dividends. Declare or pay any dividends (other than dividends payable solely in shares of its common stock), purchase, redeem, retire or otherwise acquire for value any of its capital stock now or hereafter outstanding, or make any distribution of assets to its stockholders as such whether in cash, assets or in obligations of the Parent, or allocate or otherwise set apart any sum for the payment of any dividend or distribution on, or for the purchase, redemption or retirement of any shares of its capital stock, or make any other distribution by reduction of capital or otherwise in respect of any shares of its capital stock, or permit any of its Subsidiaries to do any of the foregoing, or permit any of its Subsidiaries to purchase or otherwise acquire for value any stock of the Parent or another such Subsidiary (except as permitted by Section 7.8(b)), except that the Parent may pay dividends or acquire its stock (or both), provided that:

(x) no Default or Event of Default exists either immediately prior to such payment or acquisition, or after giving effect to such payment or acquisition; and

(y) the aggregate amount expended by the Parent after January 31, 2005 for all such dividends and acquisitions does not exceed the sum of (i) $75,000,000, plus (ii) 50% of the cumulative net income of the Parent for its fiscal year ending January 31, 2006 and each subsequent fiscal year that shall have ended prior to the payment of such dividend or the acquisition of such stock (which net income for any year shall be adjusted to exclude non-recurring gains, except to the extent that the Parent shall have received actual cash representing such gain in such year), less (iii) 100% of the cumulative net loss (if any) of the Parent for its fiscal year ending January 31, 2006 and each subsequent fiscal year that shall have ended prior to the payment of such dividend or the acquisition of such stock.

and except that any Subsidiary may pay dividends or make distributions to the Parent and to any Subsidiary of the Parent.

Section 7.7. Sale of Assets. Sell, lease, assign, transfer or otherwise dispose of, or permit any of its Subsidiaries to sell, lease, assign, transfer or otherwise dispose of, any of its now owned or hereafter acquired assets (including, without limitation, shares of stock and indebtedness of such Subsidiaries, receivables and leasehold interests), except:

(a) for inventory disposed of in the ordinary course of business;

(b) the sale or other disposition of assets no longer used or useful in the conduct of its business;

(c) that any such Subsidiary may sell, lease, assign, transfer or otherwise dispose of its assets to the Parent, and except that any such Subsidiary (other than a Borrower) may sell, lease, assign, transfer or otherwise dispose of its assets to another Subsidiary that shall have previously executed and delivered a Guarantee pursuant to Section 6.9, and except that any Borrower may sell, lease, assign, transfer or otherwise dispose of its assets to the other Borrower;

(d) that any foreign Subsidiary of the Parent (other than a Borrower) may sell, lease, assign, transfer or otherwise dispose of its assets to another foreign Subsidiary of the Parent that is wholly owned by the Parent;

(e) as contemplated under Section 7.8(a) or (b); and

(f) for Designated Sales (provided that (i) all the outstanding shares of each Borrower shall at all times be wholly owned directly or indirectly by the Parent, (ii) no Default or Event of Default has occurred and is continuing at the time of any such sale and (iii) after giving effect to any such sale, the Parent shall be in pro forma compliance with the covenants in Article 8 (and, in the case of each Designated Sale of assets exceeding a fair market value of $10,000,000, the Parent shall have provided to the Administrative Agent a certificate of the chief financial officer of the Parent certifying to and setting forth in reasonable detail computations demonstrating such compliance at, or immediately prior to, the time of such sale)).

In no event shall any disposition of assets by the Parent or any Subsidiary be for less than fair market value.

Section 7.8. Stock of Subsidiaries, Etc. Sell or otherwise dispose of, or permit any of its Subsidiaries to sell or otherwise dispose of, any shares of capital stock of any of its Subsidiaries, except:

(a) for a sale of all or substantially all of the stock of any Subsidiary for less than $3,000,000 where (i) the sales proceeds are made available to the Parent and (ii) such proceeds represent the fair value of such Subsidiary;

(b) the shares of any foreign Subsidiary of the Parent may be sold to another foreign Subsidiary of the Parent or to the Parent, except that the outstanding shares of each Borrower shall at all times be majority-owned directly or indirectly by the Parent;

(c) the shares of any domestic Subsidiary of the Parent may be sold to another domestic Subsidiary of the Parent or to the Parent; and

(d) for Designated Sales (provided, however, that all the outstanding shares of each Borrower shall at all times be wholly owned directly or indirectly by the Parent);

or permit any such Subsidiary to issue any additional shares of its capital stock, except directors' qualifying shares and except in connection with a transaction permitted by clause (a), (b) or (c) of this Section to the extent necessary to effectuate such transaction; provided that, notwithstanding the foregoing or anything in this Agreement to the contrary, the Parent may acquire and own a majority interest in one or more entities incorporated in jurisdictions outside of the United States of America.

Section 7.9. Transactions with Affiliates. Enter into any transaction, including, without limitation, the purchase, sale or exchange of property or the rendering of any service, with any Affiliate or permit any of its Subsidiaries to enter into any transaction, including, without limitation, the purchase, sale or exchange of property or the rendering of any service, with any Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of the Parent's or such Subsidiary's business (including without limitation direct and indirect promotional and advertising efforts of the Parent, consistent with past practice) and upon fair and reasonable terms that are (except for loans and advances permitted by clauses (h) and (j) of Section 7.5) no less favorable to the Parent or such Subsidiary than would obtain in a comparable arm's length transaction with a Person not an Affiliate, and except for (i) transactions between the Parent and any Subsidiary or between Subsidiaries, (ii) Investments permitted under Section 7.5, (iii) dividends or other payments permitted under Section 7.6, (iv) any employment, compensation, indemnification, noncompetition or confidentiality agreement or arrangement entered into by the Parent or any of its Subsidiaries with their employees or directors in the ordinary course of business and (v) transactions listed in Schedule VI.

Section 7.10. Mergers, Etc. Merge or consolidate with, or sell, assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or acquire all or substantially all of the assets or of a line of business of any Person (or enter into any agreement to do any of the foregoing), or permit any of its Subsidiaries to do so, except:

(a) for Acquisitions that are permitted pursuant to Section 7.11;

(b) sales of assets that are permitted pursuant to clauses (c) and (d) of Section 7.7 and clauses (a), (b) and (c) of Section 7.8; and

(c) for Designated Sales (provided, however, that all the outstanding shares of each Borrower shall at all times be wholly owned directly or indirectly by the Parent).

Section 7.11. Acquisitions. Make any Acquisition unless:

(i) no Default or Event of Default exists either immediately prior to such Acquisition or after giving effect to such Acquisition;

(ii) such Acquisition is approved by the board of directors of the corporation (if any) which is the subject of such Acquisition, or is recommended by such board to the shareholders of such corporation; and

(iii) if the principal business of the corporation or other entity which is the subject of such Acquisition is not in the Core Business, then the aggregate amount expended by the Parent or any Subsidiary for such Acquisition, and for all other Acquisitions where the principal business of the corporation or other entity which is the subject thereof is not in the Core Business, is not more than $20,000,000.

As used herein, the term "Acquisition" means any transaction pursuant to which the Parent or any of its Subsidiaries (a) acquires equity securities (or warrants, options or other rights to

acquire such securities) of any corporation or other entity other than the Parent or any corporation which is not then a Subsidiary of the Parent, pursuant to a solicitation of tenders therefor, or in one or more negotiated block, market or other transactions not involving a tender offer, or a combination of any of the foregoing, or (b) makes any corporation or other entity a Subsidiary of the Parent, or causes any such corporation or other entity to be merged into the Parent or any of its Subsidiaries, in any case pursuant to a merger, purchase of securities or of assets or any reorganization providing for the delivery or issuance to the holders of the then outstanding securities of such corporation or other entity, in exchange for such securities, of cash or securities of the Parent or any of its Subsidiaries, or a combination thereof, or (c) purchases all or substantially all of the assets or of any line of business of any corporation or other entity.

Section 7.12. No Material Change in Business. Make or permit any of its Subsidiaries (other than an Inactive Subsidiary) to make a material change in the nature of its business such that it is no longer primarily engaged in the Core Business.

Section 7.13. No Restriction. Agree, or permit any of its Subsidiaries to agree, to any restriction on the right of any Subsidiary to pay to the Parent any dividends or repayments of loan advances.

Section 7.14. Swap and Exchange Agreements. Enter into, or permit any of its Subsidiaries to enter into, any interest-rate swap, cap, floor, collar or other similar agreement, or any foreign exchange contract, currency swap agreement or other similar agreement, except for the purpose of hedging its risk in the ordinary course of business.

ARTICLE 8. FINANCIAL COVENANTS.

So long as any of the Notes shall remain unpaid or any Lender shall have any Revolving Credit Commitment under this Agreement:

Section 8.1. Interest Coverage Ratio. The Parent shall not permit, as of the last day of any fiscal quarter of the Parent, the Interest Coverage Ratio for the period of the four consecutive fiscal quarters ending on such day to be less than 3.5 to 1.0.

Section 8.2. Average Debt Coverage Ratio. The Parent shall not permit, as of the last day of any fiscal quarter of the Parent, the Average Debt Coverage Ratio for the period of four consecutive fiscal quarters ending on such day to be greater than 3.25 to 1.0.

Section 8.3. Capital Expenditures. The Parent shall not permit (a) Consolidated Capital Expenditures to exceed $25,000,000 for any fiscal year and (b) the sum of Consolidated Capital Expenditures to exceed $100,000,000 during the period from February 1, 2005 through the Maturity Date; provided that (i) if the amount of Consolidated Capital Expenditures made in any fiscal year shall be less than the maximum amount permitted under clause (a) above (before giving effect to any carryover), then the unused portion of such maximum amount may be added to the amount of Consolidated Capital Expenditures permitted under such clause (a) for the immediately succeeding (but not any other) fiscal year and (ii) the maximum amount permitted under clauses (a) and (b) above shall be increased by the amount of net cash insurance proceeds, or proceeds of a condemnation award or other compensation, received by the Parent and its Subsidiaries during the relevant period in respect of any loss of, damage to or destruction of, or

any condemnation or taking of, property (provided that no later than 30 days after the end of the fiscal quarter in which such proceeds are so received, the Parent shall have delivered to the Administrative Agent setting forth in reasonable detail the amount of such net cash proceeds).

ARTICLE 9. EVENTS OF DEFAULT.

Section 9.1. Events of Default. Any of the following events shall be an "Event of Default":

(a) any Borrower shall: (i) fail to pay the principal of any of its Notes as and when due and payable; or (ii) fail to pay interest on any of its Notes or any fee or other amount due from it hereunder as and when due and payable and such failure shall continue for three days;

(b) any representation or warranty made or deemed made by any Borrower or the Parent in this Agreement or in any other Facility Document or which is contained in any certificate, document, opinion, financial or other statement furnished at any time under or in connection with any Facility Document shall prove to have been incorrect in any material respect on or as of the date made or deemed made;

(c) any Borrower or the Parent shall: (i) fail to perform or observe any term, covenant or agreement required to be performed or observed by it that is contained in Section 2.12, or Articles 7 or 8; or (ii) fail to perform or observe any term, covenant or agreement on its part to be performed or observed (other than the obligations specifically referred to elsewhere in this Section) in any Facility Document and (in the case of a failure referred to in this clause (ii)), such failure shall continue for 30 consecutive days;

(d) the Parent or any of its Subsidiaries shall: (i) fail to pay any indebtedness, including but not limited to indebtedness for borrowed money (other than the payment obligations described in (a) above), of the Parent or such Subsidiary, as the case may be, or any interest or premium thereon, when due (whether by installment, scheduled maturity, required prepayment, acceleration, demand or otherwise); or (ii) fail to perform or observe any term, covenant or condition on its part to be performed or observed under any agreement or instrument relating to any such indebtedness, when required to be performed or observed, if the effect of such failure to perform or observe is to accelerate, or to permit the acceleration of, after the giving of notice or passage of time, or both, the maturity of such indebtedness, provided that (in the case of both (i) and (ii)) the aggregate principal amount of such indebtedness as to which such failure to pay has occurred (and not merely the installment or other portion thereof not paid), or as to which the maturity is or is permitted to be accelerated by reason of such failure to perform or observe, shall be $5,000,000 or more; or any such indebtedness whose principal amount is $5,000,000 or more shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof;

(e) the Parent or any of its Subsidiaries: (i) shall generally not, or be unable to, or shall admit in writing its inability to, pay its debts as such debts become due; or (ii) shall make an assignment for the benefit of creditors, petition or apply to any tribunal for the appointment of a custodian, receiver or trustee for it or a substantial part of its assets; or (iii) shall commence any proceeding under any bankruptcy, reorganization, arrangement or

readjustment of debt law or statute, or (except in the case of an Inactive Subsidiary) any dissolution or liquidation law or statute, of any jurisdiction whether now or hereafter in effect; or (iv) shall have had any such petition or application filed or any such proceeding shall have been commenced, against it, in which an adjudication or appointment is made or order for relief is entered, or which petition, application or proceeding remains undismissed or unstayed for a period of 30 days or more; or shall be the subject of any proceeding under which its assets may be subject to seizure, forfeiture or divestiture (other than a proceeding in respect of a Lien permitted under Section 7.3 (a)); or (v) by any act or omission shall indicate its consent to, approval of or acquiescence in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or trustee for all or any substantial part of its property; or (vi) shall suffer any such custodianship, receivership or trusteeship to continue undischarged for a period of 30 days or more;

(f) one or more judgments, decrees or orders for the payment of money in excess of $5,000,000 in the aggregate shall be rendered against the Parent or any of its Subsidiaries and such judgments, decrees or orders shall continue unsatisfied and in effect for a period of 60 consecutive days without being vacated, discharged, satisfied or stayed or bonded pending appeal;

(g) any event or condition shall occur or exist with respect to any Plan or Multiemployer Plan concerning which the Parent is under an obligation to furnish a report to the Lenders in accordance with Section 6.8(f) and as a result of such event or condition, together with all other such events or conditions, the Parent or any ERISA Affiliate has incurred or in the opinion of the Required Lenders is reasonably likely to incur a liability to a Plan, a Multiemployer Plan, the PBGC, or a Section 4042 Trustee (or any combination of the foregoing) which is material in relation to the financial position of the Parent and its Subsidiaries, on a consolidated basis;

(h) the Unfunded Benefit Liabilities of one or more Plans have increased after the date of this Agreement in an amount which is material;

(i) if at any time the capital stock of the Parent owned by the Grinberg Group represents less than 25% of the voting power of (x) all outstanding capital stock of the Parent and (y) all outstanding securities and rights that are then convertible into or exchangeable for capital stock of the Parent or upon the exercise of which capital stock of the Parent will be issued in respect of such securities or rights;

(j) there is a seizure by or forfeiture in favor of any Governmental Authority of any property of the Parent or any of its Subsidiaries having a value in excess of $5,000,000, other than (i) by an eminent domain proceeding where the Parent or such Subsidiary receives reasonable compensation therefor; or (ii) if such seizure or forfeiture does not have a material adverse effect on the financial condition, business or operations of the Parent and its Subsidiaries taken as a whole or on the ability of any Borrower or the Parent to perform any of its obligations under any Facility Document; or

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

Section 9.2. Remedies. If any Event of Default shall occur and be continuing, the Administrative Agent may or, upon request of the Required Lenders, shall by notice to the Parent and the Borrowers, do any or all of the following: (a) declare the Revolving Credit Commitments to be terminated, whereupon the same shall forthwith terminate; and (b) declare the outstanding principal of the Notes, all interest thereon and all other amounts payable under this Agreement or the Notes to be forthwith due and payable, whereupon the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by each Borrower (provided that, in the case of an Event of Default referred to in Section 9.1(e) as to the Parent or any Borrower, the Revolving Credit Commitments shall be immediately terminated, and the Notes, all interest thereon and all other amounts payable under this Agreement shall be immediately due and payable without any notice and without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Parent and each Borrower).

ARTICLE 10. THE ADMINISTRATIVE AGENT; RELATIONS AMONG LENDERS AND PARENT.

Section 10.1. Appointment, Powers and Immunities of Administrative Agent. Each Lender hereby irrevocably (but subject to removal by the Required Lenders pursuant to Section 10.9) appoints and authorizes the Administrative Agent to act as its agent hereunder and under any other Facility Document with such powers as are specifically delegated to the Administrative Agent by the terms of this Agreement and any other Facility Document, together with such other powers as are reasonably incidental thereto. The Administrative Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and any other Facility Document, and shall not by reason of this Agreement be a trustee for any Lender. The Administrative Agent shall not be responsible to the Lenders for any recitals, statements, representations or warranties made by the Parent or any Borrower or any officer or official of the Parent, any Borrower or any other Person contained in this Agreement or any other Facility Document, or in any certificate or other document or instrument referred to or provided for in, or received by any of them under, this Agreement or any other Facility Document, or for the value, legality, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Facility Document or any other document or instrument referred to or provided for herein or therein, for the perfection or priority of any collateral security for the Loans or for any failure by the Parent or any Borrower to perform any of its obligations hereunder or thereunder. The Administrative Agent may employ agents and attorneys-in-fact and shall not be responsible, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither the Administrative Agent nor any of its directors, officers, employees or agents shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder or under any

other Facility Document or in connection herewith or therewith, except for its or their own gross negligence or willful misconduct.

Section 10.2. Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat each Lender as the holder of the Loans made by it for all purposes hereof unless and until an Assignment and Assumption Agreement shall have been furnished to the Administrative Agent in accordance with Section 11.5, but the Administrative Agent shall not be required to deal with any Person who has acquired a participation in any Loan or any such participation from a Lender. As to any matters not expressly provided for by this Agreement or any other Facility Document, the Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder in accordance with instructions signed by the Required Lenders, and such instructions of the Required Lenders and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders and any other holder of all or any portion of any Loan or any such participation.

Section 10.3. Defaults. The Administrative Agent shall not be deemed to have knowledge of the occurrence of a Default or Event of Default (other than the non-payment of principal of or interest on the Loans to the extent the same is required to be paid to the Administrative Agent for the account of the Lenders) unless the Administrative Agent has received notice from a Lender or the Parent or a Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default." In the event that the Administrative Agent receives such a notice of the occurrence of a Default or Event of Default, the Administrative Agent shall give prompt notice thereof to the Lenders (and shall give each Lender prompt notice of each such non-payment). The Administrative Agent shall (subject to Section 10.8 and Section 11.1(a)) take such action with respect to such Default or Event of Default which is continuing as shall be directed by the Required Lenders; provided that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interest of the Lenders; and provided further that the Administrative Agent shall not be required to take any such action which it determines to be contrary to law.

Section 10.4. Rights of Administrative Agent as a Lender. With respect to its Revolving Credit Commitment and the Loans made by it, the entity which is the Administrative Agent in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as the Administrative Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include the entity which is the Administrative Agent in its capacity as a Lender. The entity which is the Administrative Agent and its Affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to (on a secured or unsecured basis), and generally engage in any kind of banking, trust or other business with, the Parent (and any of its Affiliates including the Borrowers) as if it were not acting as the Administrative Agent, and the entity which is the Administrative Agent may accept fees and other consideration from the Parent or any Borrower

for services in connection with this Agreement or otherwise without having to account for the same to the Lenders. Although the Administrative Agent and its Affiliates may in the course of such relationships and relationships with other Persons acquire information about the Parent, its Affiliates and such other Persons, the Administrative Agent shall have no duty to disclose such information to the Lenders.

Section 10.5. Indemnification of Administrative Agent. The Lenders agree to indemnify the Administrative Agent (to the extent not reimbursed under Section 11.3 or under the applicable provisions of any other Facility Document, but without limiting the obligations of the Borrowers under Section 11.3 or such provisions), ratably in accordance with their respective Pro Rata Percentages, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of this Agreement, any other Facility Document or any other documents contemplated by or referred to herein or the transactions contemplated hereby or thereby (including, without limitation, the costs and expenses which any Borrower is obligated to pay under Section 11.3 or under the applicable provisions of any other Facility Document but excluding, unless a Default or Event of Default has occurred, normal administrative costs and expenses incident to the performance of its agency duties hereunder) or the enforcement of any of the terms hereof or thereof or of any such other documents or instruments; provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified.

Section 10.6. Documents. The Administrative Agent will forward to each Lender, promptly after the Administrative Agent's receipt thereof, a copy of each report, notice or other document required by this Agreement or any other Facility Document to be delivered to the Administrative Agent for such Lender.

Section 10.7. Non-Reliance on Administrative Agent and Other Lenders. Each Lender agrees that it has, independently and without reliance on the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Parent and its Subsidiaries and decision to enter into this Agreement and that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any other Facility Document. The Administrative Agent shall not be required to keep itself informed as to the performance or observance by the Parent or any Borrower of this Agreement or any other Facility Document or any other document referred to or provided for herein or therein or to inspect the properties or books of the Parent or any Subsidiary. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition or business of the Parent or any Subsidiary (or any of their Affiliates) which may come into the possession of the Administrative Agent or any of its Affiliates. The Administrative Agent shall not be required to file this Agreement, any other Facility Document or any document or instrument referred to herein or therein, for record or give notice of this

Agreement, any other Facility Document or any document or instrument referred to herein or therein, to anyone.

Section 10.8. Failure of Administrative Agent to Act. Except for action expressly required of the Administrative Agent hereunder, the Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall have received further assurances (which may include cash collateral) of the indemnification obligations of the Lenders under Section 10.5 in respect of any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

Section 10.9. Resignation of Administrative Agent. Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by giving written notice thereof to the Lenders, the Parent and the Borrowers. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent, subject (unless an Event of Default exists) to the approval of the Parent, which approval shall not be unreasonably withheld. If no successor Administrative Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, subject (unless an Event of Default exists) to the approval of the Parent, which approval shall not be unreasonably withheld, which shall be a Lender or (if no Lender accepts the appointment) a bank which has offices in New York, New York and London and has a combined capital and surplus of at least $1,000,000,000. The Required Lenders or the retiring Administrative Agent, as the case may be, shall upon the appointment of a successor Administrative Agent promptly so notify the Parent, the Borrowers and the other Lenders. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent.

Section 10.10. Amendments Concerning Agency Function. The Administrative Agent shall not be bound by any waiver, amendment, supplement or modification of this Agreement or any other Facility Document which affects its duties hereunder or thereunder unless it shall have given its prior consent thereto.

Section 10.11. Liability of Administrative Agent. The Administrative Agent shall not have any liabilities or responsibilities to the Parent or any Borrower on account of the failure of any Lender to perform its obligations hereunder or to any Lender on account of the failure of the Parent or any Borrower to perform its obligations hereunder or under any other Facility Document.

Section 10.12. Delegation of Agency Functions. The Administrative Agent may perform any and all its duties and exercise any or all of its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and

any such sub-agent may perform any and all its duties and exercise any and all of its rights and powers through their respective Affiliates. The exculpatory provisions as to the Administrative Agent contained in this Article shall apply to any such sub-agent and to the Affiliates of the Administrative Agent and any such sub-agent.

Section 10.13. Non-Receipt of Funds by the Administrative Agent. Unless the Administrative Agent shall have been notified by a Lender or a Borrower (either one as appropriate being the "Payor") (or by the Parent or any Borrower) prior to the date on which such Lender is to make payment hereunder to the Administrative Agent of the proceeds of a Loan or such Borrower is to make payment to the Administrative Agent, as the case may be (either such payment being a "Required Payment"), which notice shall be effective upon receipt, that the Payor does not intend to make the Required Payment to the Administrative Agent, the Administrative Agent may assume that the Required Payment has been made and may, in reliance upon such assumption (but shall not be required to), make the amount thereof available to the intended recipient on such date and, if the Payor has not in fact made the Required Payment to the Administrative Agent, the recipient of such payment (and, if such recipient is a Borrower and the Payor Lender fails to pay the amount thereof to the Administrative Agent forthwith upon demand, such Borrower) shall, on demand, repay to the Administrative Agent the amount made available to it together with interest thereon for the period from the date such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at a rate per annum equal to (i) in the case of a Borrower, the interest rate applicable at such time to the applicable Loan, and (ii) in the case of such Lender, a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds in Swiss francs (which determination shall be conclusive absent manifest error). If a Lender makes a Required Payment to the Administrative Agent pursuant to the immediately preceding sentence and a Borrower shall have repaid such amount to the Administrative Agent pursuant to such sentence, the Administrative Agent shall promptly return to such Borrower any amount (including interest) paid by such Borrower to the Administrative Agent pursuant to such sentence.

Section 10.14. Several Obligations and Rights of Lenders. The failure of any Lender to make any Loan to be made by it on the date specified therefor shall not relieve any other Lender of its obligation to make its Loan on such date, but no Lender shall be responsible for the failure of any other Lender to make a Loan to be made by such other Lender. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt, and each of them shall be entitled to protect and enforce its rights arising out of this Agreement, and it shall not be necessary for any other of them to be joined as an additional party in any proceeding for such purpose.

Section 10.15. Pro Rata Treatment of Loans, Etc. Except to the extent otherwise expressly provided: (a) each Borrowing of Loans pursuant to Section 2.1 shall be made from the Lenders, each reduction or termination of the amount of the Revolving Credit Commitments under Section 2.8 shall be applied to the Revolving Credit Commitments, and each payment of Commitment Fees accruing under Section 2.5 shall be made for the account of the Lenders, pro rata according to the amounts of their respective unused Revolving Credit Commitments; and (b) each prepayment and payment of principal of or interest on Loans of a particular Interest Period shall be made to the Administrative Agent for the account of the Lenders holding Loans of such

Interest Period pro rata in accordance with the respective unpaid principal amounts of such Loans of such Interest Period held by such Lenders.

Section 10.16. Sharing of Payments Among Lenders. If a Lender shall obtain payment of any principal of or interest on any Loan made by it, through the exercise of any right of setoff, banker's lien, counterclaim, or by any other means it shall promptly purchase from the other Lenders participations in (or, if and to the extent specified by such Lender, direct interests in) the Loans made by the other Lenders, and make such other adjustments from time to time as shall be equitable to the end that all the Lenders shall share the benefit of such payment (net of any expenses which may be incurred by such Lender in obtaining or preserving such benefit) pro rata in accordance with the unpaid principal and interest on the Loans held by each of them. To such end the Lenders shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. Each Borrower agrees that any Lender so purchasing a participation (or direct interest) in the Loans made by other Lenders may exercise all rights of setoff, banker's lien, counterclaim or similar rights with respect to such participation (or direct interest). Nothing contained herein shall require any Lender to exercise any such right or shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness of any Borrower.

Section 10.17. Other Agents. Notwithstanding anything herein to the contrary, the Sole Lead Arranger and Sole Bookrunner, the Syndication Agent and the Documentation Agents named on the cover page of this Agreement shall not have any duties or liabilities under this Agreement, except in their capacity, if any, as Lenders.

ARTICLE 11. MISCELLANEOUS.

Section 11.1. Amendments and Waivers; Remedies Cumulative. (a) Except as otherwise expressly provided in this Agreement, any provision of this Agreement may be amended or modified only by an instrument in writing signed by the Borrowers and the Parent, the Administrative Agent and the Required Lenders, or by the Borrowers and the Parent, and the Administrative Agent acting with the consent of the Required Lenders, and any provision of this Agreement may be waived by the Required Lenders or by the Administrative Agent acting with the consent of the Required Lenders; provided that no amendment, modification or waiver shall, unless by an instrument signed by all of the Lenders or by the Administrative Agent acting with the consent of all of the Lenders: (i) increase or extend the term, or extend the time for the reduction or termination, of the Revolving Credit Commitments, (ii) extend the date fixed for the payment of principal of or interest on any Loan or any fees payable hereunder, (iii) reduce the amount of any payment of principal thereof or the rate at which interest is payable thereon or any fee payable hereunder, (iv) alter the terms of this Section or any other provision hereof specifying that the approval of all Lenders is required (including such provisions contained in Section 11.5(a)), (v) amend the definition of the term "Required Lenders", (vi) release collateral (if any) in any material amount, (vii) release or limit the Parent Guarantee or (viii) add any currency (other than Euro) as a currency in which Loans may be made; and provided, further, that any amendment of Article 10 or any amendment which increases the obligations of the Administrative Agent hereunder shall require the consent of the Administrative Agent.

(b) No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Parent or any Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (a) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default or Event of Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default or Event of Default at the time.

Section 11.2. Usury. Anything herein to the contrary notwithstanding, the obligations of each Borrower under this Agreement and the Notes shall be subject to the limitation that payments of interest shall not be required to the extent that receipt thereof would be contrary to provisions of law applicable to a Lender limiting rates of interest which may be charged or collected by such Lender.

Section 11.3. Expenses; Indemnity; Damage Waiver. (a) The Borrowers shall pay (i) all reasonable and documented out-of-pocket expenses incurred by the Administrative Agent, including the reasonable and documented fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facility provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all reasonable and documented out-of-pocket expenses incurred by the Administrative Agent or any Lender, including the reasonable and documented fees, charges and disbursements of any counsel for the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made, including all such reasonable and documented out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans. The liability of each Borrower under this paragraph (a) shall be limited to such out-of-pocket expenses that (x) relate to such Borrower or to the Loans made to such Borrower or to the obligations incurred by such Borrower under this Agreement or under any other Facility Document to which such Borrower is a party, or (y) arise as a result of such Borrower being a party to this Agreement or to another Facility Document.

(b) The Borrowers shall indemnify the Administrative Agent and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable and documented fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the use of proceeds of a Loan or (ii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing or to the execution or delivery of this Agreement or any other Facility Document or any agreement or instrument contemplated hereby or thereby or to the performance by the parties

hereto or thereto of their respective obligations hereunder or thereunder or to the consummation of the transactions contemplated hereby or thereby or to any Loan, whether the same is based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. The liability of each Borrower under this paragraph (b) shall be limited to such losses, claims, damages, liabilities and related expenses that (x) relate to such Borrower or to the Loans made to such Borrower or to the obligations incurred by such Borrower under this Agreement or under any other Facility Document to which such Borrower is a party, or (y) arise as a result of such Borrower being a party to this Agreement or to another Facility Document.

(c) To the extent that the Borrowers fail to pay any amount required to be paid to the Administrative Agent under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent such Lender's Pro Rata Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent in its capacity as such.

(d) To the extent permitted by applicable law, no Borrower shall assert, and each Borrower hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Facility Document or any agreement or instrument contemplated hereby or thereby, any Loan or the use of the proceeds thereof.

Section 11.4. Survival. The obligations of the Borrowers under Article 3 and Section 11.3 shall survive the repayment of the Loans and the termination of the Revolving Credit Commitments.

Section 11.5. Assignment; Participations. (a) This Agreement shall be binding upon, and shall inure to the benefit of, the Borrowers, the Administrative Agent, the Lenders and their respective successors and assigns, except that no Borrower may assign or transfer its rights or obligations hereunder without the written approval of all the Lenders (and any attempted such assignment or transfer without such consent shall be null and void).

(b) Each Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Revolving Credit Commitment and the Loans owing to it), with the prior written consent (such consent not to unreasonably withheld) of (i) the Administrative Agent and (ii) the Parent; provided that (x) no such consent of the Parent shall be required for an assignment to a Lender, an Affiliate of a Lender or an Approved Fund or if any Event of Default exists as a result of the commencement of a case with respect to the Parent under the U.S. Federal Bankruptcy Code or as a result of the commencement of a bankruptcy, insolvency, reorganization, receivership or similar proceeding

with respect to either Borrower under Swiss or other foreign law, to any other assignee and (y) the provisions of paragraph (g) below shall have been complied with.

Assignments shall be subject to the following additional conditions:

(A) each such assignment shall be of a constant, and not a varying, percentage of the assigning Lender's rights and obligations under this Agreement and the assignment shall cover the same percentage of such Lender's Revolving Credit Commitment and Loans;

(B) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans, the amount of the Revolving Credit Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the effective date of the Assignment and Assumption Agreement with respect to such assignment) shall in no event be less than CHF 5,000,000 and shall be an integral multiple of CHF 1,000,000, unless the Administrative Agent and the Parent otherwise consent (provided that no such consent of the Parent shall be required if any Event of Default exists as a result of the commencement of a case with respect to the Parent under the U.S. Federal Bankruptcy Code or as a result of the commencement of a bankruptcy, insolvency, reorganization, receivership or similar proceeding with respect to either Borrower under Swiss or other foreign law);

(C) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its approval and acceptance, an Assignment and Assumption Agreement;

(D) the Administrative Agent shall receive from the assignor (or, in the case of an assignment pursuant to Section 3.7, from the Parent) a processing fee of $3,500; and

(E) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Upon such execution, delivery, approval and acceptance, and on the effective date specified in the applicable Assignment and Assumption Agreement, (a) the assignee thereunder shall become a party hereto and a "Lender" for purposes hereof and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Assumption Agreement, shall have the rights and obligations of a Lender hereunder and (b) the Lender-assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Assumption Agreement, relinquish its rights (except under Article 3 and Section 11.3 in respect of the period prior to the effective date of such Assignment and Assumption) and be released from its obligations under this Agreement.

(c) By executing and delivering an Assignment and Assumption Agreement, the Lender-assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Assumption Agreement, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any other Facility Document or the execution, legality,

validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Facility Document or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Parent or any Subsidiary or the performance or observance by the Parent or any Subsidiary of any of their respective obligations under any Facility Document or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements referred to in Section 6.8(a) and (b) and such other Facility Documents and other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Assumption Agreement; (iv) such assignee will, independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Facility Documents as are delegated to the Administrative Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto; and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent shall maintain a copy of each Assignment and Assumption Agreement delivered to and accepted by it and shall record the names and addresses of each Lender and the Revolving Credit Commitment of, and principal amount of the Loans owing to such Lender from time to time. Each Borrower, the Administrative Agent and the Lenders may treat each Person whose name is so recorded as a Lender hereunder for all purposes of this Agreement, absent manifest error. Such record shall be available for inspection by each Borrower and each Lender.

(e) Upon its receipt of an Assignment and Assumption Agreement executed by an assigning Lender and an assignee and (to the extent required by this Section) consented to by the Parent and the Administrative Agent and the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the Administrative Agent shall, if such Assignment and Assumption Agreement has been properly completed, (i) accept such Assignment and Assumption Agreement, (ii) record the information contained therein and (iii) give prompt notice thereof to the Borrowers and the Lenders. Upon request, each Borrower shall execute and deliver to the Administrative Agent appropriate promissory notes in favor of each assignee evidencing such assignee's Pro Rata Percentage of the Total Revolving Credit Commitment. If the Lender-assignor shall have assigned its entire Revolving Credit Commitment and Loans, the original promissory notes evidencing such Revolving Credit Commitment and Loans shall be cancelled and returned to the applicable Borrower.

(f) Subject to paragraph (g) of this Section, each Lender may sell participations to one or more banks, finance companies, insurance or other financial institutions in or to all or a portion of its rights and obligations under this Agreement (including without limitation all or a portion of its Revolving Credit Commitment and the Loans owing to it); provided, however, that (i) such Lender's obligations under this Agreement (including without

limitation its Revolving Credit Commitment) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such participant shall have no rights under any of the Facility Documents, (iv) each Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and with regard to any and all payments to be made under this Agreement and its Notes, and (v) the agreement executed by such Lender in favor of the participant shall not give the participant the right to require such Lender to take or omit to take any action hereunder except action directly relating to (i) the extension of a payment date with respect to any portion of the principal of or interest on any amount outstanding hereunder allocated to such participant, (ii) the reduction of the principal amount outstanding hereunder allocated to such participant or (iii) the reduction of the rate of interest payable on such amount or any amount of fees payable hereunder to a rate or amount, as the case may be, below that which the participant is entitled to receive under its agreement with such Lender.

(g) Notwithstanding anything herein to the contrary, without the prior written consent of the Parent, no Lender shall effect any assignment of all or a portion of, or any sale of a participation in or entry into any sub-participation agreement (each a "transfer") with respect to, any Loan made to any Borrower if such transfer would result in more than five Lenders which are not Qualifying Banks. Each Lender further agrees that if in connection with any transfer by such Lender the proposed transferee is not a Qualifying Bank, such Lender shall give at least ten days' prior notice of such proposed transfer to the Parent and the Administrative Agent (which shall promptly notify each of the other Lenders). Any such purported assignment, participation or sub-participation that does not comply with the requirements of this paragraph (including the requirement for notice pursuant to the immediately preceding sentence) shall be null and void.

(h) Each Borrower will use reasonable efforts to cooperate with the Administrative Agent and Lenders in connection with the assignment of interests under this Agreement or the sale of participations herein.

(i) No Lender shall be permitted to assign or sell all or any portion of its rights and obligations under this Agreement to the Parent or any Affiliate of the Parent.

(j) Any Lender that proposes to sell any assignment or participation hereunder may furnish any information concerning the Parent and its Affiliates in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants); provided that such Lender shall require any such prospective assignee or such participant (prospective or otherwise) to agree in writing to maintain the confidentiality of such information, as provided in Section 11.14.

(k) In addition to the assignments and participations permitted under the foregoing provisions of this Section, any Lender may at any time pledge or grant a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or grant to secure obligations of such Lender to a Federal Reserve Bank, and this Section shall not apply to any such pledge or grant of a security interest; provided that no such pledge or grant of a security interest shall release a Lender from

any of its obligations hereunder or substitute any such pledgee or grantee for such Lender as a party hereto.

Section 11.6. Notices. (a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, (i) in the case of any Borrower or the Administrative Agent, to it at its address set forth beneath its signature line below and (ii) in the case of any Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or any Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Section 11.7. Setoff. Each Borrower agrees that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim a Lender may otherwise have, each Lender (and any Affiliate thereof through which any Loan is made) shall be entitled, at its option, to offset balances (general or special, time or demand, provisional or final) held by it for the account of such Borrower at any of such Lender's offices, in dollars or in any other currency, against any amount payable by such Borrower to such Lender under this Agreement or such Lender's Note which is not paid when due (regardless of whether such balances are then due to such Borrower), in which case it shall promptly notify such Borrower and the Administrative Agent thereof; provided that such Lender's failure to give such notice shall not affect the validity thereof or place such Lender under any liability to such Borrower. Payments by each Borrower hereunder shall be made without setoff or counterclaim.

Section 11.8. JURISDICTION; JURY WAIVER; IMMUNITIES. (a) EACH OF THE BORROWERS AND THE PARENT HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY NEW YORK STATE OR UNITED STATES FEDERAL COURT SITTING IN NEW YORK COUNTY OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE NOTES OR ANY OTHER FACILITY DOCUMENT, AND EACH OF THE BORROWERS AND THE PARENT HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR FEDERAL COURT. EACH OF THE BORROWERS AND THE PARENT IRREVOCABLY CONSENTS TO THE SERVICE

OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO THE PARENT OR SUCH BORROWER AT THE ADDRESS FOR IT SPECIFIED IN SECTION 11.6. EACH OF THE BORROWERS AND THE PARENT AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. EACH OF THE BORROWERS AND THE PARENT FURTHER WAIVES ANY OBJECTION TO VENUE IN SUCH STATE AND ANY OBJECTION TO AN ACTION OR PROCEEDING IN SUCH STATE ON THE BASIS OF FORUM NON CONVENIENS. EACH OF THE BORROWERS AND THE PARENT FURTHER AGREES THAT ANY ACTION OR PROCEEDING BROUGHT AGAINST THE ADMINISTRATIVE AGENT SHALL BE BROUGHT ONLY IN NEW YORK STATE OR UNITED STATES FEDERAL COURT SITTING IN NEW YORK COUNTY.

(b) Furthermore, each Borrower hereby agrees that service of all writs, process and summonses in any such action or proceeding brought in the State of New York may be made upon Corporation Service Company, presently located at 80 State Street, 6th Floor, Albany, New York 12207 U.S.A. (the "Process Agent") and each Borrower hereby confirms and agrees that the Process Agent has been duly and irrevocably appointed as its agent and true and lawful attorney-in-fact in its name, place and stead to accept such service of any and all such writs, process and summonses, and agrees that the failure of the Process Agent to give any notice of any such service of process to such Borrower (or to any other Person) shall not impair or affect the validity of such service or of any judgment based thereon.

(C) EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS PARAGRAPH.

(d) Nothing in this Section shall affect the right of the Administrative Agent or any Lender to serve legal process in any other manner permitted by law or affect the right of the Administrative Agent or any Lender to bring any action or proceeding against the Parent or any Borrower or its respective property in the courts of any other jurisdictions.

(e) To the extent that any Borrower has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether from service or

notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, such Borrower hereby irrevocably waives such immunity in respect of its obligations under this Agreement and its Notes.

Section 11.9. Table of Contents; Headings. Any table of contents and the headings and captions hereunder are for convenience only and shall not affect the interpretation or construction of this Agreement.

Section 11.10. Severability. The provisions of this Agreement are intended to be severable. If for any reason any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

Section 11.11. Authorization of Parent. Each Borrower hereby authorizes the Parent to give on behalf of such Borrower all notices, consents and other communications that may be given by such Borrower under or in connection with this Agreement or any other Facility Document, and to receive on behalf of such Borrower all notices, consents and other communications that may be given to such Borrower under or in connection with this Agreement or any other Facility Document (in each case, irrespective of whether or not such notice, consent or other communication is expressly provided elsewhere in this Agreement to be given or received by the Parent on behalf of such Borrower). Such notices, consents and other communications may include Borrowing Requests, notices as to continuations and prepayments of Loans, notices and demands in connection with Events of Default, and notices and demands in connection with the exercise by the Administrative Agent or any Lender of remedies. Such notices, consents and other communications may be given by or to the Parent in its own name or in the name of such Borrower. The authority given by each Borrower in this Section is coupled with an interest and is irrevocable until all the Revolving Credit Commitments of the Lenders have expired or been terminated and all the obligations of such Borrower under this Agreement and the other Facility Documents have been paid in full.

Section 11.12. Integration. The Facility Documents set forth the entire agreement among the parties hereto relating to the transactions contemplated thereby and supersede any prior oral or written statements or agreements with respect to such transactions.

Section 11.13. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND INTERPRETED AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

Section 11.14. Confidentiality. (a) Each Lender and the Administrative Agent agrees (on behalf of itself and each of its Affiliates, directors, officers, employees and representatives) to use reasonable precautions to keep confidential, in accordance with safe and sound banking practices, any non-public information supplied to it by the Parent or any Borrower pursuant to this Agreement which is identified by the Parent or such Borrower, as applicable, as being confidential at the time the same is delivered to the Lenders or the Administrative Agent, provided that nothing herein shall limit the disclosure of any such

information (a) to its Affiliates or any of its or such Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Parent or any Borrower and its respective obligations, (g) with the consent of the Parent or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Parent and the Borrowers; provided further that in no event shall the Administrative Agent or any Lender be obligated or required to return any materials furnished by any Borrower.

(b) Notwithstanding anything in this Agreement to the contrary, each Lender and the Administrative Agent (and such Lender's or Administrative Agent's employees, representatives or other agents, as the case may be) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement, and all materials of any kind (including opinions or other tax analyses) related to such tax treatment and tax structure, except that (i) this sentence shall not apply to the extent that nondisclosure is reasonably necessary to comply with the securities laws, and (ii) this sentence shall not permit any Person to reveal the identity of the Parent or any of its Subsidiaries.

Section 11.15. Treatment of Certain Information. Each Borrower (a) acknowledges that services may be offered or provided to it (in connection with this Agreement or otherwise) by each Lender or by one or more of their respective subsidiaries or Affiliates and (b) acknowledges that information delivered to each Lender by any Borrower (or by the Parent on behalf of a Borrower) may be provided to each such subsidiary and Affiliate.

Section 11.16. Judgment Currency. (a) The obligations hereunder of any Borrower to make payments in Swiss francs (the "Obligation Currency") shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any currency other than the Obligation Currency, except to the extent that such tender or recovery results in the effective receipt by the Administrative Agent or a Lender of the full amount of the Obligation Currency expressed to be payable to the Administrative Agent or such Lender under this Agreement or the other Facility Documents. If, for the purpose of obtaining or enforcing judgment against any Borrower or the Parent in any court or in any jurisdiction, it becomes necessary to convert into or from any currency other than the Obligation Currency (such other currency being hereinafter referred to as the "Judgment Currency") an amount due in the Obligation Currency, the conversion of the amount of such other currency into Swiss francs shall be made at a spot exchange rate for the purchase of Swiss francs as reasonably determined by the Administrative Agent, in each case, as of the date immediately preceding the day on which the judgment is given (such Business Day being hereinafter referred to as the "Judgment

Currency Conversion Date") using such exchange rate as of the Judgment Currency Conversion Date.

(b) If there is a change in the rate of exchange prevailing between the Judgment Currency Conversion Date and the date of actual payment of the amount due, the applicable Borrower, as the case may be, covenants and agrees to pay, or cause to be paid, such additional amounts, if any (but in any event not a lesser amount), as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial award at the rate of exchange prevailing on the Judgment Currency Conversion Date.

(c) For purposes of determining the equivalent amount in the Obligation Currency of amounts in another other currency, such amounts shall include any premium and costs payable in connection with the purchase of the Obligation Currency.

Section 11.17. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing any such counterpart. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 11.18. USA PATRIOT Act. Each Lender hereby notifies the Borrowers that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), such Lender may be required to obtain, verify and record information that identifies the Borrowers, which information includes the name and address of each Borrower and other information that will allow such Lender to identify the Borrowers in accordance with said Act.

Section 11.19. Borrowers' Mutual Obligations.

(a) The Borrowers are interdependent for their operational and financial needs. Each Borrower jointly and severally and irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Borrower with respect to the payment and performance of all of the Obligations, it being the intention of the parties hereto that all the Obligations shall be the joint and several obligations of each Borrower without preferences or distinction among them, and each Borrower further agrees that if any of the Obligations are not paid in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise), the Borrowers will, jointly and severally, promptly pay the same, without any demand or notice whatsoever and notwithstanding anything in any provision of this Agreement, other than paragraph (e) of this Section, to the contrary (for avoidance of doubt, it being agreed that paragraph (e) of this Section shall prevail over the second sentence of this Section 11.19(a)). All Borrowers acknowledge and agree that the delivery of funds to any Borrower under this Agreement shall constitute valuable consideration and reasonably equivalent value to all Borrowers for the purpose of binding them and their assets on a joint and several basis for the obligations hereunder.

(b) The joint and several obligations of each Borrower hereunder are of payment and not of collection and are independent of the obligations of any other Borrower and a separate action or actions may be brought against each Borrower whether or not action is brought against any other Borrower. The Administrative Agent or any Lender may enforce this Agreement and the other Facility Documents against any Borrower without first making demand upon or instituting collection proceedings against any other Borrower. Each Borrower waives, to the fullest extent permitted by law, the benefits of any statutes of limitations affecting its liability hereunder. Each Borrower hereby waives promptness, diligence, notice of acceptance and any other notice with respect to the obligations of any other Borrower and any requirement that any Lender protect, secure, perfect or insure any security interest or Lien, or any property subject thereto, or exhaust any right or take any action against any other Borrower or entity.

(c) The unconditional liability of each Borrower for the entire Obligations shall not be impaired by any event whatsoever, including, but not limited to, the merger, consolidation, dissolution, cessation of business or liquidation of any Borrower; the financial decline or bankruptcy of any Borrower; the failure of any other party to guarantee the Obligations or to provide collateral therefor; the Lenders' compromise or settlement with or without release of any Borrower; the Administrative Agent's release of any collateral for the Obligations, with or without notice to any Borrower; the Administrative Agent's or Lenders' failure to file suit against any Borrower (regardless of whether such Borrower is becoming insolvent, is believed to be about to leave the state or jurisdiction or any other circumstance); the Administrative Agent's or Lenders' failure to give any Borrower notice of default; the unenforceability of the Obligations against any Borrower due to bankruptcy discharge, counterclaim, or for any other reason; the Administrative Agent's or Lenders' acceleration of the Obligations at any time; the extension, modification or renewal of the Obligations or any Facility Document; the Administrative Agent's or Lenders' failure to undertake or exercise diligence in collection efforts against any party or property; the termination of any relationship of any Borrower with any other Borrower, including, but not limited to, any relationship of commerce or ownership; any Borrower's change of name or use of any name other than the name used to identify such Borrower in this Agreement; or any Borrower's use of the credit extended for any purpose whatsoever.

(d) Each Borrower agrees not to seek payment directly or indirectly from another Borrower or any other Person through a claim of indemnity, contribution, or otherwise with respect to the Obligations, until the Obligations (other than contingent obligations that survive the termination of this Agreement) have been repaid in full and the Revolving Credit Commitments have terminated.

(e) Notwithstanding anything to the contrary herein, the aggregate liability of any Borrower under this Agreement for, or with respect to, Obligations originally or primarily incurred by the other Borrower shall not exceed at any time the amount of such Borrower's freely disposable equity in accordance with Swiss law (being the relevant Borrower's total shareholder equity less the total of (i) its aggregate share capital and (ii) its statutory reserves (including reserves for its own shares and revaluations as well as agio)) at the time of the start of the proceedings for enforcement of the Obligations of such Borrower under this Section 11.19,

which amount (x) shall be determined on the basis of an up to date audited interim balance sheet of such Borrower prepared for such determination, (y) shall be approved by the auditors of such Borrower as a distributable amount, and (z) shall be or has been approved as a distribution by a duly convened meeting of the shareholders of such Borrower, the parties being aware that any payment in respect of such Obligations will be subject to Swiss withholding tax.

[The remainder of this page has intentionally been left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

MOVADO WATCH COMPANY SA, as Borrower

By: /s/ Richard Cote

Name: Richard Cote
Title: Director

By: /s/ Benedikt Schlegel

Name: Benedikt Schlegel
Title: COO

Address for Notices:
Movado Watch Company SA
c/o Movado Group, Inc.
650 From Road
Paramus, NJ 07652
Attention: Treasurer
Telecopier No.: 201-267-8240

with a simultaneous copy to:

Movado Group, Inc.
650 From Road
Paramus, NJ 07652
Attention: General Counsel
Telecopier No.: 201-267-8050

MGI LUXURY GROUP S.A.,
as Borrower

By: /s/ Richard Cote

Name: Richard Cote
Title: Director

By: /s/ Benedikt Schlegel

Name: Benedikt Schlegel
Title: COO

Address for Notices:
MGI Luxury Group S.A.
c/o Movado Group, Inc.
650 From Road
Paramus, NJ 07652
Attention: Treasurer
Telecopier No.: 201-267-8240

with a simultaneous copy to:

Movado Group, Inc.
650 From Road
Paramus, NJ 07652
Attention: General Counsel
Telecopier No.: 201-267-8050

MOVADO GROUP, INC.,
as Parent

By: /s/ Eugene Karpovich

Name: Eugene Karpovich
Title: Senior VP/CFO

Address for Notices:
Movado Group, Inc.
650 From Road
Paramus, NJ 07652
Attention: Treasurer
Telecopier No.: 201-267-8240

with a simultaneous copy to:

Movado Group, Inc.
650 From Road
Paramus, NJ 07652
Attention: General Counsel
Telecopier No.: 201-267-8050

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent and Lender

By: /s/ HAROLD V. GARRITY, III

Name: HAROLD V. GARRITY, III
Title: Vice President

Address for Notices as Administrative
Agent and Lender:
J.P. Morgan Europe Limited
125 London Wall
London EC2Y 5 AJ
Attention: Claire Johnson
Telephone No.: 44(207) 777-2542
Telecopier No.: 44(207)777-2360

with a simultaneous copy to:
JPMorgan Chase Bank, N.A.
695 Route 46 West
Fairfield NJ 07004
Attention: Brendan Walsh
Telephone No,: 973-439-5064
Telecopier No.: 973-439-5019

BANK OF AMERICA, N.A.

By: /s/ RICHARD WILLIAMS

Name: RICHARD WILLIAMS
Title: CREDIT PRODUCTS OFFICER

THE BANK OF NEW YORK

By: /s/ Frank S. Bridges

Name: Frank S. Bridges
Title: Vice President

CITIBANK, N.A., LONDON BRANCH

By: /s/ Jonathan Bhushan

Name: Jonathan Bhushan
Title: Citigroup Director

EXHIBIT A

PROMISSORY NOTE

[Date of Note]

_____ (the "Borrower"), for value received, hereby promises to pay to the order of _____ (the "Lender"), at the office of JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent"), described in the Credit Agreement (as such term is hereinafter defined), for the account of the appropriate Lending Office of the Lender, the amount of the Loans made by the Lender to the Borrower pursuant to the Credit Agreement, in immediately available funds, on the dates, in Swiss francs and in the manner provided in the Credit Agreement. The Borrower also promises to pay interest on the unpaid principal balance hereof, for the period such balance is outstanding, at said office for the account of such Lending Office at the rates of interest provided in the Credit Agreement, on the dates, in Swiss francs and in the manner provided in the Credit Agreement.

The date and amount of each Loan made by the Lender to the Borrower under the Credit Agreement, and the date and amount of each payment of principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note (or, at the discretion of the Lender, at any other time), endorsed by the Lender on the schedule attached hereto or any continuation thereof.

This is one of the Notes referred to in that certain Credit Agreement (as amended from time to time, the "Credit Agreement") dated as of December 15, 2005 among Movado Watch Company SA, MGI Luxury Group S.A., Movado Group, Inc., the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent. This Note evidences the Loans made by the Lender to the Borrower thereunder. All capitalized terms not defined herein shall have the meanings given to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of the principal of this Note upon the occurrence of certain Events of Default specified therein.

The Borrower waives presentment, notice of dishonor, protest and any other notice or formality with respect to this Note.

This Note shall be governed by, and interpreted and construed in accordance with, the law of the State of New York.

[NAME OF BORROWER]

By: ----------

Name: ----------

Title: ----------

By: ----------

Name: ----------

Title: ----------

Date	Amount of Loan	Currency	Amount of Payment	Balance Outstanding	Notation By

EXHIBIT B

December 15, 2005

JPMorgan Chase Bank, N.A.,
as Administrative Agent
c/o J.P. Morgan Europe Limited
125 London Wall
London EC2Y 5AJ
Attention: Claire Johnson

Re: The Credit Agreement dated as of the date hereof (which, as the same may hereafter be amended, will be called herein the "Credit Agreement") among Movado Watch Company SA, MGI Luxury Group S.A., Movado Group, Inc., the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent. Capitalized terms used herein have the meanings ascribed to them in the Credit Agreement.

Ladies and Gentlemen:

In connection with the captioned Credit Agreement, the Borrowers hereby designate any one of the following persons to give to you instructions, including notices required pursuant to the Agreement, orally or by telephone or teleprocess or email:

NAME
Kurt Burki
Benedikt Schlegel
Fabrice Wuillemin
Jon Avrany
Olivier Schindler

Instructions may be honored on the oral, telephonic, teleprocess or email instructions of anyone purporting to be any one of the above designated persons. The Parent will furnish you with confirmation of each such instruction either by telex (whether tested or untested) or in writing signed by any person designated above (including any telecopy which appears to bear the signature of any person designated above) on the same day that the instruction is provided to you but your responsibility with respect to any instruction shall not be affected by your failure to receive such confirmation or by its contents. Transactions that are the subject of such instructions are to be processed (a) for MWC, through Movado Watch Company SA at UBS SA, Swift Code: UBSWCHZH30A, IBAN: CH20 0023 5235 5322 76390, Account No.: 235-53227639.0; (b) for Luxury, through MGI Luxury Group S.A. at UBS SA, Swift Code: UBSWCHZH30A, IBAN: CH37 0023 5235 5051 01340, Account No.: 235-50510134.0; or (c) in the case of any Borrower, such other account as may be mutually agreed to by you and such Borrower (the such Borrower's agreement as to such other account to be evidenced by a writing signed by two of the above-designated persons).

You shall be fully protected in, and shall incur no liability to the Parent or any of the Borrowers for, acting upon any instructions which you in good faith believe to have been given by any person designated above, and in no event shall you be liable for special, consequential or punitive damages. In addition, the Parent and the Borrowers agree to hold you and your agents harmless from any and all liability, loss and expense arising directly or indirectly out of instructions that the Parent or any Borrower provides to you in connection with the Credit Agreement except for liability, loss or expense occasioned by the gross negligence or willful misconduct of you or your agents.

Upon notice to the Parent, you may, at your option, refuse to execute any instruction, or part thereof, without incurring any responsibility for any loss, liability or expense arising out of such refusal if you in good faith believe that the person delivering the instruction is not one of the persons designated above or if the instruction is not accompanied by an authentication method that the Parent agreed to in writing.

The Parent will promptly notify you in writing of any change in the persons designated above and, until you have actually received such written notice and have had a reasonable opportunity to act upon it, you are authorized to act upon instructions, even though the person delivering them may no longer be authorized.

Very truly yours,

MOVADO GROUP, INC.

By: ----------

Name: ----------

Title: ----------

MOVADO WATCH COMPANY SA

By: ----------

Name: ----------

Title: ----------

By: ----------

Name: ----------

Title: ----------

MGI LUXURY GROUP S.A.

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

EXHIBIT C-1

(Form of Opinion of Timothy F. Michno, Esq.)

December 15, 2005

To each of the Lenders party to the Credit Agreement
referred to below and JPMorgan Chase Bank, N.A. as
Agent

Ladies and Gentlemen:

I have acted as counsel to Movado Group, Inc., a New York corporation (the "Parent"), in connection with that certain Credit Agreement (the "Credit Agreement") dated as of the date hereof among the Parent, MGI Luxury Group S.A., a corporation organized under the laws of Switzerland ("MGI"), Movado Watch Company SA, a corporation organized under the laws of Switzerland (together with MGI, the "Borrowers" and, together with MGI and the Parent the "Principal Parties"), the Lenders signatory thereto and JPMorgan Chase Bank, N.A. as Agent (the "Agent Bank"). I have also acted as counsel to the Parent and the Borrowers, in connection with the Parent Guarantee in favor of the Lenders and the Agent Bank. Except as otherwise defined herein, all terms used herein and defined in the Credit Agreement shall have the meanings assigned to them therein.

In connection with this opinion, I have examined executed copies of the Facility Documents and such other documents, records, agreements and certificates as I have deemed appropriate. I have also reviewed such matters of law as I have considered relevant for the purpose of this opinion.

Based upon the foregoing, I am of the opinion that:

1. Each of the Parent and the Borrowers is a corporation duly incorporated, validity existing and in good standing under the laws of the State of New York (in the case of the Parent) or under the laws of Switzerland (in the case of the Borrowers); and each of them has the corporate power and authority to own its assets and to transact the business in which it is now engaged and is duly qualified as a foreign corporation and in good standing under the laws of each other jurisdiction in which the failure to be so qualified would have a material adverse effect on the business, financial condition or operations of the Parent and its Subsidiaries taken as a whole.

2. Each Facility Document has been duly executed and delivered by each Principal Party which is a party to it. Each Facility Document constitutes a legal, valid and binding obligation of each Principal Party which is a party to it, enforceable against that Principal Party in accordance with its terms.

3. The execution, delivery and performance by the Parent (and in the case of clauses (d), (e) and (f) below, each Borrower) of the Facility Documents to which it is a party are

within its power and authority and have been duly authorized by all necessary corporate action, as applicable, and do not: (a) require any consent or approval of its stockholders; (b) contravene its charter or by-laws, as applicable; (c) violate any provision of, or require any filing, registration, consent or approval under, any law (other than the law of the State of New York and Federal law of the United States), rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Parent; (d) result in a breach of or constitute a default or require any consent under any indenture or loan or credit agreement or any other agreement, lease or instrument to which such Borrower or such Parent is a party or by which it or its properties may be bound or affected; (e) result in, or require, the creation or imposition of any Lien upon or with respect to any of the properties now owned or hereafter acquired by such Borrower or Parent; or (f) cause the Parent or any of its Subsidiaries to be in default under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any such indenture, agreement, lease or instrument.

4. To the best of my knowledge (after due inquiry), there are no pending or threatened actions, suits or proceedings against or affecting the Parent or any of its Subsidiaries before any court, governmental agency or arbitrator, which would, in any one case or in the aggregate, materially adversely affect the financial condition, operations, properties or business of the Parent or any of its Subsidiaries taken as a whole or the ability of the Parent to perform its obligations under the Facility Documents.

The opinions expressed herein are solely for your benefit in connection with the transactions referred to in the Credit Agreement and may not be circulated to, or relied upon by, any other Person, except that it may be circulated to any prospective Lender in accordance with the Credit Agreement and may be relied upon by any Person who, in the future, becomes a Lender; provided that each Lender may provide this opinion (i) to bank examiners and other regulatory authorities should they so request or in connection with their normal examination, (ii) to its professional advisers, (iii) pursuant to an order or legal process of any court or governmental agency, or (iv) in connection with any legal action to which such Lender is a party arising out of the transactions contemplated by the Credit Agreement. The opinions expressed herein are as of the date hereof, and I make no undertaking to supplement such opinions as facts and circumstances come to my attention or changes in law occur which could affect such opinions.

Very truly yours,

Timothy F. Michno
General Counsel

EXHIBIT C-2

(Form of Opinion of Paul, Weiss, Rifkind, Wharton & Garrison LLP)

December 15, 2005

To the Lenders party to the
Credit Agreement referred to below
and JPMorgan Chase Bank, N.A., as Agent

Ladies and Gentlemen:

We have acted as special counsel to Movado Group, Inc., a New York corporation (the "Parent"), MGI Luxury Group S.A., a corporation organized under the laws of Switzerland ("MGI"), and Movado Watch Company SA, a corporation organized under the laws of Switzerland ("Movado S.A." and, together with MGI, the "Borrowers" and, together with MGI and the Parent, the "Principal Parties"), in connection with the Credit Agreement (the "Credit Agreement") dated as of the date hereof, among the Parent, the Borrowers, the financial institutions listed on the signature pages of the Credit Agreement (the "Lenders") and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Agent Bank"). This opinion is being furnished to you at the request of the Parent as provided by Section 4.1(h) of the Credit Agreement. Capitalized terms used and not otherwise defined have the respective meanings given those terms in the Credit Agreement.

In connection with this opinion, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents, each dated as of the date of this letter (collectively, the "Documents"):

1. the Credit Agreement;

2. the Notes issued on the date hereof; and

3. the Parent Guarantee by the Parent in favor of the Lenders and the Agent Bank (the "Parent Guarantee").

In our examination of the documents referred to above, we have assumed, without independent investigation, the genuineness of all signatures, the legal capacity of all individuals who have executed any of the documents reviewed by us, the authenticity of all documents (including the Documents) submitted to us as originals, the conformity to the originals of all documents submitted to us as certified, photostatic, reproduced or conformed copies of valid existing agreements or other documents, the authenticity of the latter documents and that the statements regarding matters of fact in the certificates, records, agreements, instruments and documents that we have examined are accurate and complete. We have also assumed, without independent investigation, the enforceability of the Documents against each party other than the Principal Parties.

In addition, in the case of each Principal Party, we have assumed, without independent investigation, that (i) such Principal Party is validly existing and in good standing under the laws of its jurisdiction of organization, (ii) such Principal Party has all necessary corporate power and authority to execute, deliver and perform its obligations under each Document to which it is a party, (iii) the execution, delivery and performance of each Document have been duly authorized by all necessary corporate action and do not violate its charter or other organizational documents or the laws of its jurisdiction of organization (except New York law)

and (iv) each Document has been duly executed and delivered by it under the laws of its jurisdiction of organization.

Based upon the foregoing, and subject to the assumptions, exceptions, and qualifications stated below, we are of the opinion that:

1. Each Document to which any Principal Party is a party is a legal, valid and binding obligation of such Principal Party, enforceable against such Principal Party in accordance with its terms.

2. The execution and delivery by each Principal Party of each of the Documents to which it is a party and the performance by such Principal Party of its obligations under the Documents do not violate or result in a breach of or default under any Covered Law (as defined below).

3. No authorizations or approvals of, and no filings with, any governmental or regulatory authority or agency are necessary under any Covered Law for the execution, delivery or performance by any Principal Party of the Documents to which it is a party.

This opinion is subject to the following assumptions, exceptions and qualifications:

(a) The enforceability of the Documents may be: (i) subject to bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights generally; and (ii) subject to general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

(b) We express no opinion as to: (i) the enforceability of any provisions in the Parent Guarantee and Section 11.19 of the Credit Agreement (the "Guarantees") purporting to preserve and maintain the liability of any party to the Guarantees

despite the fact that the guarantied debt is unenforceable due to illegality; (ii) the enforceability of any provisions contained in the Documents that purport to establish (or may be construed to establish) evidentiary standards; (iii) the enforceability of forum selection clauses in the federal courts; (iv) the enforceability of any provisions contained in the Documents that purport to relinquish a Principal Party's right to a trial by jury or to waive immunity; or (v) judgment currency clauses to the extent they are inconsistent with Section 27(b) of the N.Y. Judiciary Law.

(c) We express no opinion as to the effect of the application of Section 11.19(e) of the Credit Agreement on the Obligations of the Borrowers.

This opinion is limited to the laws of the State of New York and the federal laws of the United States of America that, in each case, in our experience, are normally applicable to credit transactions of the type contemplated by the Credit Agreement (collectively, the "Covered Laws"). We wish to point out that we express no opinion with respect to any federal or state income tax law, including Section 422 of the American Jobs Creation Act of 2004, as amended. This opinion is rendered only with respect to the laws, and the rules, regulations and orders under those laws, that are currently in effect.

This opinion is furnished by us solely for your benefit in connection with the transactions referred to in the Credit Agreement and may not be circulated to, or relied upon by, any other Person, except that it may be circulated to any prospective Lender in accordance with the Credit Agreement and may be relied upon by any Person who, in the future, becomes a Lender; provided that each Lender may provide a copy of this opinion (i) to bank examiners and other regulatory authorities should they so request or in connection with their normal examination, (ii) to the professional advisers of any Lender, (iii) pursuant to an order or legal process of any court or governmental agency, or (iv) in connection with any legal action to

which such Lender is a party arising out of the transactions contemplated by the Credit Agreement.

Very truly yours,

PAUL, WEISS, RIFKIND, WHARTON &
GARRISON LLP

(Form of Opinion of Swiss Counsel to the Borrowers)

BY E-MAIL - BY COURIER

The Lenders party to the Agreement
referred to below and
JPMorgan Chase Bank, N.A. as Agent

December 15, 2005 HUU - FIC
309164 - HUU - 000038.doc

MOVADO WATCH COMPANY AND MGI LUXURY GROUP S. A. AS BORROWERS - MOVADO GROUP INC. AS PARENT - CREDIT AGREEMENT

Ladies and Gentlemen

We have acted as special Swiss counsel to MGI Luxury Group S.A. and Movado Watch Company SA (the BORROWERS) in connection with the Credit Agreement dated as of the date hereof (the AGREEMENT) between the Borrowers, Movado Group, Inc. (the PARENT), JPMorgan Chase Bank, N.A., as Administrative Agent, as Swingline Bank and as Issuing Bank (the AGENT), and the Lenders specified therein. As such counsel, we have been requested to give our opinion as to certain legal matters relating to the Agreement.

Capitalized terms used herein shall have the meaning attributed to them in the Agreement unless otherwise defined herein.

I. BASIS OF OPINION

This opinion is confined to and given on the basis of the laws of Switzerland in force at the date hereof as currently applied by the Swiss courts. In the absence of explicit statutory law or established case law, we base our opinion solely on our independent professional judgement. This opinion is also confined to:

(i) the matters stated herein and is not to be read as extending, by implication or otherwise, to any agreement or document referred to in the Agreement (other than listed below) or any other matter; and

(ii) the documents listed below.

For purposes of this opinion we have not conducted any due diligence or similar investigation as to factual circumstances, which are or may be referred to in the documents below, and we express no opinion as to the accuracy of representations and warranties of facts set out in such documents or the factual background assumed therein.

For the purpose of giving this opinion, we have only examined originals or copies of the following documents (collectively the DOCUMENTS):

(i) execution copy of the Agreement dated December 15, 2005;

(ii) copies of the articles of incorporation (Statuten) of each of

- MGI Luxury Group S.A., dated as of November 22, 2005;

- Movado Watch Company SA, dated as of February 4, 2004;

(collectively the ARTICLES);

(iii) copies of certified excerpts from the relevant Registers of Commerce for each of the following Borrowers:

- from the Register of Commerce of the Canton of Berne for MGI Luxury Group S.A., dated as of December 9, 2005;

- from the Register of Commerce of the Canton of Solothurn for Movado Watch Company SA, dated as of December 9, 2005;

(collectively the EXCERPTS);

(iv) a copy of the resolution of the board of directors of each of

- MGI Luxury Group S.A., dated as of December 15, 2005;

- Movado Watch Company SA, dated as of December 15, 2005;

(collectively the BOARD RESOLUTIONS); and

(v) a copy of the resolution of the shareholders meeting of each of

- MGI Luxury Group S.A., dated as of December 15, 2005;

- Movado Watch Company SA, dated as of December 15, 2005;

(collectively the SHAREHOLDERS' RESOLUTIONS),

No documents have been reviewed by us in connection with this opinion other than those listed above. Accordingly, we shall limit our opinion to the above Documents and their legal implications on the Agreement under Swiss law.

In this opinion, Swiss legal concepts are expressed in English terms and not in their original language. These concepts may not be identical to the concepts described by the same English terms as they exist under the laws of other jurisdictions.

II. ASSUMPTIONS

In rendering the opinion below, we have assumed:

(a) the conformity to the original Documents of all Documents produced to us as copies, fax copies or via e-mail, and that the original was executed in the manner appearing on the copy;

(b) the genuineness and authenticity of the signatures on all original Documents or copies thereof which we have examined, and the accuracy of all factual information contained in, or material statements given in connection with, the Documents;

(c) the Agreement is within the capacity and power of, and has been validly authorized, executed and delivered by and is binding on all parties thereto other than the Borrowers;

(d) the performance by all parties to the Agreement of all obligations by which they are respectively bound under the Agreement and the compliance of all the parties to the Agreement with all matters of validity and enforceability under any law other than the laws of Switzerland;

(e) that the Agreement will be valid, binding and enforceable under the law of the State of New York by which it is expressed to be governed and that the choice of the law of the State of New York and of the jurisdiction of the New York state or United States federal courts provided in the Agreement is valid under the law of the State of New York;

(f) that as far as any obligation under the Agreement is required to be performed in any jurisdiction outside of Switzerland, its performance will not be illegal or unenforceable by virtue of the laws of such jurisdiction;

(g) that, except as expressly opined upon herein, all representations and warranties made by any one of the parties of the Agreement are true and accurate;

(h) that the Excerpts and the Articles are correct, complete and up-to-date;

(i) that all parties entered into the Agreement for bona fide commercial reasons and on arm's length terms, and that none of the directors or officers of the respective party has or had a conflict of interest with such party in respect of the Documents that would preclude him from validly representing (or granting a power of attorney in respect of the Documents for) the respective party;

(j) that the Board Resolutions and Shareholders' Resolutions (i) have been duly resolved in meetings duly convened and otherwise in the manner set forth therein, and (ii) have not been rescinded or amended and are in full force and effect.

III. OPINION

Based on the foregoing and subject to the qualifications set out below, we are of the opinion that as of the date hereof:

1. Each of the Borrowers is a corporation duly incorporated and validly existing under the laws of Switzerland with all requisite corporate power and authority to own its properties and to carry on its business as presently conducted.

2. Each of the Borrowers has the corporate power to enter into the Agreement, and the Agreement has been duly authorized by each of the Borrowers.

3. The execution, delivery and performance by the Borrowers of the Agreement do not violate any provision of the Articles or any laws of Switzerland applicable to the Borrowers.

4. The obligations under the Agreement will constitute direct and unsubordinated obligations of the Borrowers and will at least rank pari passu with any other unsecured, unsubordinated obligations of the Borrowers (whether actual or contingent) outstanding from time to time, subject to any statutory preferences under applicable law.

5. The choice of the law of the State of New York as the governing law of the Agreement is a valid choice of law under the laws of Switzerland and in any action brought before a court of competent jurisdiction in Switzerland, the law of the State of New York would be recognized and applied by such court to all issues for which under the conflict of laws rules of Switzerland the proper or governing law of a contract is applicable provided, however, that a Swiss court would apply procedural rules.

6. The submission by the Borrowers to the jurisdiction of the New York state courts and the United States federal courts contained in the Agreement is valid and legally binding on the Borrowers under the laws of Switzerland.

7. The courts of Switzerland will recognise as valid, and will enforce, any final and non-appealable civil judgment for a monetary claim obtained in a New York state court or a United States federal court against the Borrowers.

8. The designation by the Borrowers of Corporation Service Company as agent to receive service of process in New York state or United States federal courts on their behalf is valid and binding under the laws of Switzerland, as long as Corporation Service Company is properly acting as agent for service of process and its mandate has not been revoked.

9. The Borrowers are not required by law in relation to any sums payable under the Agreement or the payment of fees by the Borrowers to the Agent to make, or cause to be made, any deduction or withholding for or on account of any taxes imposed or levied by or on behalf of Switzerland or any political subdivision or any taxing authority thereof or therein.

10. No Swiss stamp duty on the issuance of securities (Emissions abgabe) and no Swiss stamp duty on the turnover of securities (Umsatzabgabe) will be payable to any governmental authority of Switzerland in connection with the execution and delivery of the Agreement and the making available of the facility in accordance therewith.

11. No Swiss Obligor has any immunity from suit or proceedings or the enforcement of any judgment (whether on the grounds of sovereign immunity or otherwise) under the laws of Switzerland.

12. To ensure the validity and enforceability or admissibility in evidence of the Agreement, it is not necessary that the Agreement be approved, authorized, filed or recorded with any governmental, administrative or other authority or court in Switzerland.

13. It is not necessary under Swiss law (i) in order to be entitled the full access as plaintiff to the courts of competent jurisdiction of Switzerland or any political subdivision thereof for the enforcement of any right, power or remedy accorded in, under or in connection with the Agreement, or (ii) by reason only of the execution, delivery or performance of the Agreement, that any of the Lenders or the Agent should be licensed, qualified or entitled to carry on business in Switzerland.

14. None of the Lenders or the Agent will be deemed to be resident, domiciled or carrying on business in Switzerland by reason only of the execution, delivery, performance and/or enforcement of the Agreement.

IV. QUALIFICATIONS

The above opinions are subject to the following qualifications:

(a) We are members of the Zurich bar and do not hold ourselves to be experts in any laws other than the laws of Switzerland. Accordingly, we are opining herein as to Swiss law only and we express no opinion with respect to the applicability thereto, or the effect thereon, of the laws of any other jurisdiction.

(b) Where we refer to enforceability, we only express an opinion as to enforceability under the rules of procedure applicable in Switzerland. Enforceability of the Agreement may be limited by applicable bankruptcy, insolvency, reorganisation or similar laws affecting creditors and secured parties in general (including, without limitation, provisions relating to voidable preferences), laws or equitable principles of general application (including, but not limited to, the abuse of rights

(Rechtsmissbrauch) and the principle of good faith (Grundsatz von Treu und Glauben)), and public policy, as defined in Art. 17-19 of the Swiss Private International Law Act of December 18, 1987, as amended (the PRIVATE INTERNATIONAL LAW ACT).

Enforcement before the courts of Switzerland will in any event be subject to:

(i) the nature of the remedies available in the Swiss courts (and nothing in this opinion must be taken as indicating that specific performance (other than for the payment of a sum of money) or injunctive relief would be available as remedies for the enforcement of such obligations); and

(ii) the acceptance of such courts of jurisdiction and the power of such courts to stay proceedings if concurrent proceedings are being brought elsewhere.

(c) Claims may become barred under statutes of limitation or prescription, or may be or become subject to available defences such as set-off, counterclaim, misrepresentation, material error, duress or fraud. Further, limitations may apply with respect to any indemnification and contribution undertakings by the Borrowers if a court considers any act of the indemnified person as wilful or negligent, and an obligation to pay an amount may be unenforceable if the amount is held to constitute an excessive penalty (such as exemplary or punitive damages).

(d) The enforceability in Switzerland of a foreign judgment rendered against any Swiss Obligor is subject to the limitations set forth in (x) the Convention on Jurisdiction and Enforcement of Judgements in Civil and Commercial Matters of September 16, 1988 (the LUGANO CONVENTION), (y) such other international treaties under which Switzerland is bound, and (z) the Private International Law Act. In particular, and without limitation to the foregoing, a judgment rendered by a foreign court may only be enforced in Switzerland if:

(i) (in case of (y) and (z) and, in certain exceptional cases, (x)) the foreign court had jurisdiction;

(ii) the judgment of such foreign court has become final and non-appealable, or, in the case of (x), has become enforceable at an earlier stage;

(iii) the court procedures leading to the judgment followed the principles of due process of law, including proper service of process; and

(iv) the judgment of the foreign court on its merits does not violate Swiss law principles of public policy.

In addition, enforceability of a judgment by a non-Swiss court in Switzerland may be limited if the Company can demonstrate that it was not effectively served with process.

(e) Enforcement claim or court judgment under Swiss debt collection or bankruptcy proceedings may only be made in Swiss francs and the foreign currency amount must accordingly be converted into Swiss francs at the rate obtained, with respect to the enforcing creditor, on (i) the date of instituting the enforcement proceedings or (ii) the date of the filing for the continuation of the bankruptcy procedure (Fortsetzungsbegehren) and, with respect to non-enforcing creditors, at the rate obtained at the time of the adjudication of bankruptcy (Konkurseroffnung).

(f) Section 3.5 of the Agreement (Tax gross-up) provides for the gross-up of payments to the extent withholding tax is imposed on payments of a Swiss Obligor pursuant to the terms of the Agreement. This obligation may violate Article 14 of the Swiss Federal Withholding Tax Act of October 13, 1965 (the WITHHOLDING TAX ACT) which stipulates that (i) Swiss withholding tax (Verrechnungssteuer) to be withheld from any payment must be charged to the recipient of the

payment, and (ii) contradictory agreements are null and void as to this issue. The Swiss Federal Tax Administration proclaimed that gross-up provisions are compliant with Article 14 of the Withholding Tax Act if (i) the obligor promises a minimum interest rate in the interest rate clause of the agreement which, under the condition of imposition of Swiss withholding tax, is to be adjusted in correspondence with the tax withheld, (ii) and, hence, Swiss withholding tax indeed is calculated on the basis of the grossed-up net amount received by the creditor, (iii) the obligor promises the creditor to provide sufficient documentation potentially enabling the creditor to recover Swiss withholding tax, and (iv) the parties could in good faith assume at the time of entering into the agreement that payments under the agreement were not subject to Swiss withholding tax. A Swiss court ruling on the validity or enforceability of the said gross-up provisions will, however, not be bound by the Swiss Federal Tax Administration's interpretation of Article 14 of the Withholding Tax Act.

(g) The opinions set forth in Sections III. 9. and III. 10. above are subject to the qualification that the Borrowers at all times comply with the ten and twenty non-bank rules pursuant to the present practice of the Swiss Federal Tax Administration.

(h) The enforcement of any guarantee, indemnity or other obligation of any Swiss Obligor for, or with respect to, any obligation of any other obligor may be limited to the freely disposable shareholders' equity of such Swiss Obligor. Such freely disposable shareholder equity shall be determined in accordance with Swiss law and Swiss accounting principles and shall correspond to the amount of the relevant Swiss Obligor's total shareholder equity less the total of (i) its aggregate share capital and (ii) its statutory reserves (including reserves for its own shares and revaluations as well as paid-in capital surplus) at the time of the start of the proceedings for enforcement. In addition, Swiss withholding tax of 35 percent may be levied on payments under a guarantee, indemnity or other obligation by a Swiss Obligor for, or with respect to, any obligation of any other obligor if the Swiss Federal Tax Administration deems such payment a dividend or similar distribution.

(i) We express no opinion as to the validity, binding effect and enforceability of the irrevocability of any power of attorney or appointment of an agent if such power of attorney or appointment has been revoked.

(k) Further, we express no opinion as to banking regulatory matters or as to any commercial, accounting, calculating, auditing or other non-legal matter. Except as expressed in opinions III. 9. and III. 10. above, we express no opinion as to tax matters.

(l) A determination, calculation or certificate as to any matter may be held by a Swiss court not to be final, conclusive or binding if such determination, calculation or certification were shown to have an unreasonable, incorrect or arbitrary basis or not to have been given or made in good faith.

* * *

We have issued this opinion as of the date hereof and we assume no obligation to advise you of any changes that are made or brought to our attention hereafter.

This opinion may be relied upon by you in your respective capacity set forth in the Agreement in connection with the matters set forth herein. Without our prior written consent, it may not be furnished or quoted to other persons, and it may not be relied upon by you, in any other capacity or for any other purpose. No other person may rely on this opinion for any purpose. You are requested not to give copies to third parties or otherwise make the contents of this opinion public without our prior written consent; provided that each Lender may provide a copy of this opinion (i) to bank examiners and other regulatory authorities should they so request or in connection with their normal examination, (ii) to the professional advisers of any Lender, (iii) pursuant to an order or legal process of any court or governmental agency, or (iv) in connection with any legal action to which such Lender is a party arising out of the transactions contemplated by the Credit Agreement.

This opinion is governed by and shall be construed in accordance with the laws of Switzerland. We confirm our understanding that all disputes arising out of or in connection with this opinion shall be subject to the exclusive jurisdiction by the District Court of Zurich, Switzerland.

Sincerely yours,

HOMBURGER RECHTSANWALTE

EXHIBIT D

PARENT GUARANTEE

REFERENCE IS HEREBY MADE to the Credit Agreement dated as of December 15, 2005 (which, as the same has heretofore been or may hereafter be amended from time to time, will be called herein the "Credit Agreement") among Movado Watch Company SA ("MWC"), MGI Luxury Group S.A. ("Luxury"), Movado Group, Inc., a New York corporation (the "Parent"), the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent. All capitalized terms used herein and not defined shall have the respective meanings ascribed to them in the Credit Agreement.

WHEREAS, the Credit Agreement provides for the extension of credit by the Lenders (all of which, together with the Administrative Agent, will be called herein the "Creditors") to MWC and to Luxury (the "Borrowers"); and

WHEREAS, all the obligations and liabilities (whether now existing or hereafter arising) of either or both of the Borrowers to any or all of the Creditors under the Credit Agreement or any of the other Facility Documents (whether for principal, interest, fees, reimbursement obligations, indemnification obligations, costs of enforcement or otherwise) will be called herein the "Obligations"; and

WHEREAS, the Parent expects to obtain substantial economic benefit from the extension of credit by the Creditors to the Borrowers under the Credit Agreement; and

WHEREAS, the execution and delivery of this Parent Guarantee by the Parent is required pursuant to the terms of the Credit Agreement;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to induce the Creditors to extend credit to the Borrowers under the Facility Documents, the Parent hereby agrees with the Creditors as follows:

1. The Parent hereby unconditionally guarantees to the Creditors that each Borrower will promptly pay, perform and observe all the Obligations of such Borrower, and that all sums stated to be payable in, or which become payable under, the Facility Documents by either or both of the Borrowers will be promptly paid in full when due, whether at stated maturity or earlier by reason of acceleration or otherwise, and, in the case of one or more extensions of time of payment or performance or renewals of any Obligation, that the same will be promptly paid or performed (as the case may be) when due according to such extension or renewal, whether at stated maturity or earlier by reason of acceleration or otherwise, irrespective of the validity, regularity, or enforceability of any of the Facility Documents or any of the Obligations and irrespective of any present or future law or order of any government (whether of right or in fact and whether the Creditors shall have consented thereto) or of any agency thereof purporting to reduce, amend, restructure or otherwise affect any Obligation of the Borrowers or other obligor or to vary the terms of payment.

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

3. This Parent Guarantee is a guaranty of payment and not of collection only and shall apply to all Obligations whenever arising.

4. The Parent hereby consents that from time to time, without notice to or further consent of the Parent, the payment, performance or observance of any or all of the Obligations may be waived or the time of payment or performance thereof extended or accelerated, or renewed in whole or in part, or the terms of the Facility Documents or any part thereof may be changed (including, without limitation, an increase or decrease in the Total Revolving Credit Commitment or any Lender's Revolving Credit Commitment or rate of interest thereon) and any collateral therefor may be exchanged, surrendered or otherwise dealt with as the Creditors may determine, and any of the acts mentioned in the Facility Documents may be done, all without affecting the liability of the Parent hereunder. The Parent hereby waives presentment of any instrument, demand of payment, protest and notice of non-payment or protest thereof or of any exchange, sale, surrender or other handling or disposition of such collateral, and any requirement that any Creditor exhaust any right, power or remedy or proceed against either or both of the Borrowers under the Facility Documents or against any other person under any other guaranty of, or security for, any of the Obligations. The Parent hereby further waives any defense whatsoever which might constitute a defense available to, or discharge of, either or both of the Borrowers or a guarantor. No payment by the Parent pursuant to any provision hereunder shall entitle the Parent, by subrogation to the rights of any Creditor or otherwise, to any payment by either or both of the Borrowers (or out of the property of either or both of the Borrowers) except after payment in full of all sums (including interest, costs and expenses) which may be or become payable by such Borrower to the Creditors at any time or from time to time.

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

6. Any Creditor may assign its rights and powers hereunder, with all or any of the Obligations, and, in the event of such assignment, the assignee hereof or of such rights and powers, shall have the same rights and remedies as if originally named herein. The Parent may not assign or transfer any of its rights or obligations under this Parent Guarantee without the

written approval of all the Lenders (and any such assignment or transfer that is attempted without such consent shall be void).

7. Notice of acceptance of this Parent Guarantee and of the incurring of any and all of the Obligations of either or both of the Borrowers pursuant to the Facility Documents is hereby waived. This Parent Guarantee and all rights, obligations and liabilities arising hereunder shall be governed by and construed according to the law of the State of New York. Unless the context otherwise requires, all terms used herein which are defined in the Uniform Commercial Code shall have the meanings therein stated.

8. The Parent agrees that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim any Creditor may otherwise have, each of the Creditors shall be entitled, at its option, to set off and apply balances (general or special, time or demand, provisional or final) held by it for account of the Parent at any of its offices in dollars or in any other currency, against any amounts owing hereunder that are not paid when due (regardless of whether such balances are then due to the Parent), in which case it shall promptly notify the Parent thereof; provided, however, that any failure to give such notice shall not affect the validity thereof.

9. No provision of this Parent Guarantee may be modified or waived without the prior written consent of the Administrative Agent and the Required Lenders (or, to the extent required by the Credit Agreement, all Lenders).

10. Without limiting the rights of any Creditor under any other agreement, any financial accommodation (including, without limitation, interest accruing at the agreed to contract rate after the commencement of any bankruptcy, reorganization or similar proceeding) extended by the Parent to or for the account of either or both of the Borrowers, or in respect of which either or both of the Borrowers may be liable to the Parent in any capacity, is hereby subordinated to all the Obligations payable by such Borrower, and such financial accommodation of the Parent to either or both of the Borrowers, if the Administrative Agent so requests, shall be collected, enforced and received by the Parent as trustee for the Creditors and be paid over to the Administrative Agent on account of the Obligations payable by such Borrower but without reducing or affecting in any manner the liability of the Parent, under the other provisions of this Parent Guarantee.

11. The Parent hereby irrevocably submits to the jurisdiction of any New York State or Federal court sitting in New York City in any action or proceeding arising out of or relating to this Parent Guarantee, and the Parent hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State or Federal court. The Parent irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to the Parent at its address specified on the signature page hereof. The Parent agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this paragraph shall affect the rights of the Creditors to serve legal process in any other manner permitted by law or affect the rights of the Creditors to bring any action or proceeding against the Parent or any of its property in the courts of any other jurisdiction. To the extent that the Parent has or hereafter may acquire

any immunity from jurisdiction of any court or from any legal process (whether from service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Parent hereby irrevocably waives such immunity in respect of its Obligations under this Parent Guarantee. The Parent hereby expressly waives any and every right to a trial by jury in any action on or related to this Parent Guarantee, the Obligations or the enforcement of either or all of the same, and does further expressly waive any and every right to interpose any counterclaim in any such action or proceeding. To the extent permitted by applicable law, the Parent shall not assert, and the Parent hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Parent Guarantee, any other Facility Document or any agreement or instrument contemplated hereby or thereby, any Loan or the use of the proceeds thereof. The Parent agrees to reimburse the Creditors on demand for all reasonable and documented costs, expenses, and charges (including, without limitation, reasonable and documented attorneys' fees) incurred by the Administrative Agent or the Lenders in connection with any enforcement of this Parent Guarantee.

12. The rights, powers and remedies granted to the Creditors herein shall be cumulative and in addition to any rights, powers and remedies to which the Creditors may be entitled either by operation of law or pursuant to the Facility Documents or any other document or instrument delivered or from time to time to be delivered to the Administrative Agent or any Lender in connection with the Facility Documents.

13. When all Obligations shall have been paid in full (other than contingent obligations that survive the termination of the Credit Agreement) and the Commitments and L/C Exposures of all the Lenders under the Credit Agreement shall have expired or been terminated, the obligations of the Parent under this Parent Guarantee shall terminate; provided that, thereafter the obligations of the Parent hereunder shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any of the Borrowers in respect of the Obligations guaranteed hereunder is rescinded or must be otherwise restored by any holder of such Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and the Parent agrees that it will indemnify the Administrative Agent and each other Creditor on demand for all reasonable and documented costs and expenses (including, without limitation, reasonable and documented fees and expenses of counsel) incurred by the Administrative Agent or any other Creditor in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

IN WITNESS WHEREOF, the Parent has caused this Parent Guarantee to be duly executed by its proper officer this ___ day of December, 2005.

MOVADO GROUP, INC.

By: ----------

Name: ----------

Title: ----------

Address of Parent:

650 From Road
Paramus, New Jersey 07652

EXHIBIT E

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [Insert name of Assignor] (the "Assignor") and [Insert name of Assignee] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below, (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including without limitation any guarantees included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as, the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1.	Assignor:	_____
2.	Assignee:	_____ [and is an Affiliate/Approved Fund of [identify Lender](1)]
3.	Borrower(s):	Movado Watch Company SA and MGI Luxury S.A.
4.	Administrative Agent:	JPMorgan Chase Bank, N.A., as the administrative agent under the Credit Agreement

- ----------
(1) Select as applicable.

5. Credit Agreement: Credit Agreement dated as of December 15, 2005 among Movado Watch Company SA, MGI Luxury S.A., Movado Group, Inc., the Lenders parties thereto and JPMorgan Chase Bank, N.A., as Administrative Agent

6. Assigned Interest:

Facility Assigned(2)	Aggregate Amount of Commitment/Loans for all Lenders*	Amount of Commitment/ Loans Assigned*	Percentage Assigned of Commitment/Loans(3)
	CHF_____	CHF_____	_____%
	CHF_____	CHF_____	_____%
	CHF_____	CHF_____	_____%

[7. Trade Date: _____](4)

Effective Date: _____ ___, 20___ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By:

Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By:

Title:

[Consented to and](5) Accepted:

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

By

Title:

- ----------
(2) Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Revolving Credit Commitment," etc.)

* Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

(3) Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

(4) To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

(5) To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

[Consented to:](6)

MOVADO GROUP, INC.

By

Title:

- ----------
(6) To be added only if the consent of the Borrowers is required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1. Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Facility Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Facility Documents or any collateral thereunder, (iii) the financial condition of the Parent, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Facility Document or (iv) the performance or observance by the Parent, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Facility Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, and (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to or in connection with the Credit Agreement, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent, the Assignor or any other Lender; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Facility Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Facility Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

SCHEDULE I

Lenders and Revolving Credit Commitments

Name of Lender	Lender's Revolving Credit Commitment (CHF)
JPMorgan Chase Bank, N.A.	CHF 25,200,000
Bank of America, N.A., London	CHF 21,600,000
The Bank of New York	CHF 21,600,000
Citibank, N.A., London Branch	CHF 21,600,000
TOTAL	CHF 90,000,000

SCHEDULE II

APPLICABLE RATES

Average Debt Coverage Ratio	Loan Spread	Commitment Fee Rate
Category 1 Less than or equal to 1.50	0.50%	0.10%
Category 2 Greater than 1.50, but less than or equal to 2.0	0.625%	0.125%
Category 3 Greater than 2.0, but less than or equal to 2.5	0.75%	0.15%
Category 4 Greater than 2.5	0.875%	0.20%

SCHEDULE III

Subsidiaries of Movado Group, Inc. (Section 5.9)

SUBSIDIARIES

Bermuda:

MGI International, Ltd.

California:

North American Watch Service Corporation

Canada:

Movado Group of Canada, Inc.

Delaware:

Movado International, Ltd.

Movado LLC

Movado Group Delaware Holdings Corporation

France:

Swiss Wave Europe SA

Germany:

Movado Deutschland G.m.b.H.

Concord Deutschland G.m.b.H.

MGI Luxury Group GmbH

Hong Kong:

Swissam Ltd.

Swissam Products Ltd.

Japan:

MGI Japan Co. Ltd.

New Jersey:

EWC Marketing Corp.

Movado Retail Group, Inc.

Singapore:

Swissam Pte. Ltd.

Switzerland:

Concord Watch Company S.A.

Movado Watch Company SA

MGI Luxury Group SA

SA de l'Immeuble, rue de la Paix 101

Ebel Watches, SA

United Kingdom:

MGI Luxury Group UK Limited

All issued and outstanding shares of each of the foregoing Subsidiaries are wholly owned, directly or indirectly, by the Parent, except for statutorily required directors qualifying shares in the case of the Hong Kong and Swiss Subsidiaries.

SCHEDULE IV

Credit Arrangements (Section 5.10)

MOVADO GROUP, INC
BANK CREDIT LINE AND OUTSTANDING BALANCES
OCTOBER 31, 2005
SCHEDULE IV

DOMESTIC	CREDIT LINE
WORKING CAPITAL LINES (1)	
JPMORGAN CHASE	$ 37,000,000
BANK OF AMERICA	$ 20,000,000
BANK OF NEW YORK	$ 5,000,000
	$ 62,000,000
JP MORGAN CHASE (AS AGENT)	$ 50,000,000
TOTAL DOMESTIC LINES	$ 112,000,000
FOREIGN SWISS SUBSIDIARIES	
UBS (2)	CHF 8,000,000
LONG TERM REVOLVER	
JP MORGAN CHASE LONDON (AS AGENT)	CHF 90,000,000
TOTAL FOREIGN LINES	CHF 98,000,000
OTHER FACILITY	
PRUDENTIAL PRIVATE SHELF	$ 40,000,000
AMOUNT DRAWN	$ (20,000,000)
REMAINING AVAILABLE	$ 20,000,000

NOTES:

(1) WORKING CAPITAL LINES TO REMAIN THE SAME POST CLOSING

(2) FOREIGN LINES ARE MULTI-CURRENCY CREDIT FACILITY

MOVADO GROUP, INC.
OUSTANDING LETTERS OF CREDIT
OCTOBER 31, 2005
SCHEDULE IV

BANK		FACE AMOUNT	HOLDER/ DESCRIPTION
JPMORGAN CHASE	A	$ 49,560.00	RENT DEPOSIT
JPMORGAN CHASE	B	$ 228,248.55	RENT DEPOSIT
JPMORGAN CHASE	C	$ 78,900.00	RENT DEPOSIT
JPMORGAN CHASE	D	$ 100,000.00	RENT DEPOSIT
JPMORGAN CHASE	E	$ 15,000.00	CREDIT CARD PROCESSING FEES
JPMORGAN CHASE	F	$ 50,000.00	RENT DEPOSIT
JPMORGAN CHASE	G	$ 126,936.00	CANADIAN PAYROLL
JPMORGAN CHASE	H	$ 87,500.00	RENT DEPOSIT
JPMORGAN CHASE	I	$ 110,000.00	RENT DEPOSIT
JPMORGAN CHASE	J	$ 80,000.00	RENT DEPOSIT
JPMORGAN CHASE	K	$ 260,000.00	RENT DEPOSIT
		$1,186,144.55	

NOTES:

(a) Grand Canal Shops- Las Vegas Boutique
(b) Forsgate Industrial Complex- Moonachie
(c) RCPI- Rock Center
(d) RCPI- Rock Center
(e) Shoppers Card- Private Label Credit Cards
(f) Stony Point Associates, LLC
(g) Original face value is CND 150,000 which equates to USD $126,936 at 1.1817 exchange rate
(h) Tampa West Shore Assco (Store #522)
(i) LA Cienga Partners (Store #527)
(j) Taubamna Cherry Creek (Store #528)
(k) Short Hills (Store #502)

MOVADO GROUP, INC
SCHEDULE OF CAPITAL LEASES & OTHER LONG TERM OBLIGATIONS
OCTOBER 31, 2005
SCHEDULE IV

CAPITAL LEASES- DOMESTIC & FOREIGN LEASE TOTAL OUTSTANDING BALANCE

NO CAPITAL LEASES EXIST

FOREIGN GUARANTEES

LEGAL ENTITY COMMITTED	CUSTOMER_NAME / BENEFICIARY	CCY	AMOUNT	NATURE	BANK
MGI Luxury Group SA - Division Ebel	Customs. Administration Douanes Suisse - Monbijoustrasse 40 3003 Berne	CHF	200,000	Guarantee	UBS
MGI Luxury Group SA - Division HB	Ebel employee house. Wooders & Mrs Adatte	CHF	19,050	Guarantee	Credit Suisse
MGI Luxury Group SA - Division Ebel	Chambre Neuchateloise du commerce et de l'industrie, Rue de la Serre 4, 2001 Neuchatel	CHF	500,000	Guarantee	UBS
MGI Luxury Group SA - Division Ebel	Chambre Neuchateloise du commerce et de l'industrie, Rue de la Serre 4, 2001 Neuchatel	CHF	600,000	Guarantee	UBS
MGI Luxury Group SA - Division Ebel	Chambre Neuchateloise du commerce et de l'industrie, Rue de la Serre 4, 2001 Neuchatel	CHF	500,000	Guarantee	UBS
MGI Luxury Group SA - Division Ebel	Chambre Neuchateloise du commerce et de l'industrie, Rue de la Serre 4, 2001 Neuchatel	CHF	500,000	Guarantee	UBS
MGI Luxury Group SA - Division Concord	Berner Handelskammer, Gutenbergstrasse 1, 3001 Bern	CHF	500,000	Guarantee	UBS
MGI Luxury Group SA - Division Concord	SAH	CHF	200,000	Guarantee	UBS
MGI Luxury Group SA - Division Concord	Customs: Administration Douanes Suisse - Monbijoustrasse 40 3003 Berne	CHF	150,000	Guarantee	UBS
Movado Watch Company SA	Van Gelder	EUR	620,000	Guarantee	UBS
MGI Luxury Group UK Ltd	Customs	GBP	0	Guarantee	Natwest
MGI Luxury Group Gmbh	Bayer. Versorgungskammer	EUR	25,000	Guarantee	Dresdner
MGI Luxury Group Gmbh	NRG Deutschland GmbH	EUR	50,000	Guarantee	Dresdner
MGI Luxury Group Gmbh	LHS Deutschland GmbH	EUR	30,759	Guarantee	Dresdner

MOVADO GROUP, INC.
OUTSTANDING LIENS
SCHEDULE IV

	FILING	SECURED PARTY NAME	DEBTOR NAME	FILING JURISDICTION	RECORD DATE	FILE #	RELATED UCC-1 FILE #	DESCRIPTION
(A)	UCC1	Citicorp vendor Finance, Inc.	Movado Group, Inc.	NY SOS	06/13/2002	138602		Filed for notification of Lease #3440240 Canon CLC1150 copier
	UCC1	IBM Credit Corporation	Movado Group, Inc.	NY SOS	07/12/2002	161990		Equipment together with related software as more fully described under the IBM Credit LLC supplements #088624: IBM Equipment Type: all additions, attachments, accessories, accessions & upgrades thereto & any & all substitutions, replacements or exchanges for any such item of equipment or software & any & all proceeds of any of the foregoing including, w/o limitations, payments under insurance or any indemnity or warranty relating to loss or damage to such equipment
	UCC1	IBM Credit LLC	Movado Group, Inc.	NY SOS	01/02/2004	20040102000513		All of the following equipment together with all related software, whether now owned or hereafter acquired & wherever located as more fully described under IBM Credit LLC Supplement(s) #B20075. IBM Equipment Type: 9991 V42288 999G 9SSR
	UCC1	Citicorp Vendor Finance, Inc.	Movado Group, Inc.	NY SOS	06/01/2004	200406015441229		Filed for notification of Lease #3440241 Canon CLC4000 copier Colorpass Z6000
	UCC1	Pitney Bowes Credit Corporation	Movado Group, Inc.	NY SOS	06/01/2004	200407015547580		All equipment of whatever nature manufactured, sold, distributed or financed by Secured party & Pitney Bowes Inc. & its subsidiaries, & all proceeds therefrom, accessories, additions & attachments thereto & replacements therefor
	UCC1	IBM Credit LLC	Movado Group, Inc.	NY SOS	04/04/2005	200504045283164		All of the following equipment together with all related software, whether now owned or hereafter acquired & wherever located as more fully described under IBM Credit LLC Supplement(s) #C26430. IBM Equipment Type: 3580 3581 9406 9992 9994 999G 9BPP 9SSR
	UCC1	IBM Credit LLC	Movado Group, Inc.	NY SOS	04/04/2005	200504045287009		Exact collateral description as 200504045283164

FILING	SECURED PARTY NAME	DEBTOR NAME	FILING JURISDICTION	RECORD DATE	FILE #	RELATED UCC-1 FILE #	DESCRIPTION
UCC1	CIT Communications Finance Corporation	Movado Group, Inc.	NY SOS	09/23/2005	200509235841156		Equipment leased under Lease No.M105613 including but not limited to Avaya Inc. S8500 Media Server W/Gateway & Definity BCS, & all attachments, accessions, additions, substitutions, products, replacements, & rentals and a right to use license for any software related to any of the foregoing & proceeds therefrom

(b) Liens in favor of JPMorgan Chase Bank, N.A. ("Chase"), in connection with the Promissory Note, dated as of December 13, 2005, between Chase and Movado Group, Inc.

(c) Liens in favor of Bank of America, N.A. ("BoA") in connection with the Amended and Restated Promissory Note, dated as of December 12, 2005, between BoA and Movado Group, Inc.

(d) Liens in favor of The Bank of New York ("BoNY") in connection with the Amended and Restated Master Promissory Note (Negotiated Rate), dated as of June 30, 2005, between BoNY and Movado Group, Inc.

SCHEDULE V
Environmental Matters (Section 5.12)

Acetone, Denatured Alcohol, Clear Ammonia, Sodium Cyanide, Stoddard Solvent (#8052-41-3) and VM&P Naphta (#8032-32-4) are stored by Parent at 105 State Street, Moonachie, New Jersey in accordance with applicable Environmental Laws.

SCHEDULE VI

Affiliate Transactions (Section 7.9)

The section on "Certain Relationships and Related Transactions" contained in the Parent's Proxy, filed on June 16, 2005 with the Securities and Exchange Commission, is herein incorporated by reference.

Exhibit 10.36

(BANK OF AMERICA LOGO)

as of December 12, 2005

Movado Group, Inc.
650 From Road,
Paramus, NJ 07652

Dear Sir or Madam:

We are pleased to advise you that Bank of America, N. A., successor by merger to Fleet National Bank (the "Bank") hereby agrees to consider requests from Movado Group, Inc. (the "Company") from time to time, for short-term loans ("Loans") and documentary letters of credit for the importation of merchandise inventory ("Letters of Credit"). Any extension of credit hereunder (whether a Loan or a Letter of Credit) shall be made available at the sole discretion of the Bank but in any event subject to the following: (a) the Bank shall have determined that money market conditions are favorable for it to acquire loan assets, (b) the Bank shall continue to be satisfied with the Borrower's business, financial condition and prospects and the condition and prospects of the industry in which the Borrower is engaged, (c) the Bank shall have received Company's most current quarterly and annual financial statements and any other financial information regarding the Company which the Bank shall reasonably request from time to time, and (d) the Company shall have maintained and be maintaining a satisfactory relationship with the Bank and:

Loan and Letters of Credit Requests: Each request for a Loan and/or Letter of Credit will be, at the Bank's option, reviewed by the Bank and an independent credit analysis and assessment will be made each time a request is received. In the event that the Bank agrees to lend pursuant to any such request by the Company, any such Loan shall be evidenced by the promissory note enclosed with this letter (the "Note") and be subject to the conditions therein contained and in any other documentation in form and substance satisfactory to the Bank. The Bank may respond to any request for a Loan or Letter of Credit for a stated amount with a Loan or Letter of Credit for a different amount, date or maturity, or may decline to respond entirely.

Maximum Amount of Loans and Letters of Credit: The aggregate amount of Loans and Letters of Credit at any time outstanding shall not exceed $20,000,000 and the maximum amount of Letters of Credit at any time outstanding shall not exceed $2,000,000.

(US OLYMPIC TEAMS 2000-2004 LOGO)

Expiration and Maturity Date: Requests for extensions of credit must be made on or before June 16, 2006. All Loans will be payable on June 16, 2006. All Letters of Credit shall expire no later than 180 days from issuance.

Interest Rate: Loans shall bear interest, at the Company's election, at a rate per annum equal to either (i) a fluctuating rate equal to the Prime Rate, or (ii) such other fixed rate as may be agreed upon between the Company and the Bank for an interest period which is also then agreed upon (a Loan bearing interest at this rate is sometimes called an "Agreed Rate Loan"). The term "Prime Rate" shall be as defined in the Note, Interest shall be payable monthly in arrears based on a 360-day year and, for Agreed Rate Loans, on the last day of the applicable Interest Period.

Letter of Credit Fees: Letters of Credit shall be issued at the Bank's standard fees and charges in effect from time to time therefor.

Additional provisions:

All obligations of the Company owing to the Bank shall continue to be unconditionally guaranteed by all active domestic subsidiaries of the Company (collectively, the "Guarantors") pursuant to the Bank's standard form of guarantee (collectively, the "Guarantees").

The Company shall continue to provide the following to the Bank:

The consolidated and consolidating balance sheet for the Company and its subsidiaries, consolidated and consolidating statement of income and consolidated statement of cash flow: (i) audited and certified without qualification by accountants satisfactory to the Bank, within 120 days of fiscal year end and (ii) certified by the Company's chief financial officer, within 75 days of the last day of each fiscal quarter.

Notices of defaults.

Such other statements and reports as shall be reasonably requested by the Bank.

This letter agreement replaces, supersedes, amends and restates in its entirety the letter agreement from the Bank to the Company dated October 31, 2005, as amended.

If the terms of this letter are acceptable to you, please indicate your acceptance by signing and returning the enclosed copy of this letter and documentation to the Bank on or before December 12, 2005. This letter shall be unenforceable against the Bank unless so signed and returned on or before such date.

Please contact us if you have any questions. We look forward to continuing our relationship.

Very truly yours,

BANK OF AMERICA, N. A.,
Successor by merger to Fleet National Bank

By: /s/ Rich Williams

Name: Rich Williams
Title: Credit Products Officer

ACCEPTED AND AGREED
ON DECEMBER 12, 2005

MOVADO GROUP, INC.

By: /s/ T F Michno

Name: T F Michno
Title: General Counsel

Guarantor signatures on next page

Each of the guarantors indicated below hereby consents to this letter agreement and reaffirms its continuing liability under its respective guarantees in respect of the above letter agreement and all the documents, instruments and agreements executed pursuant thereto or in connection therewith, without offset, defense or counterclaim (any such offset, defense or counterclaim as may exist being hereby irrevocably waived by each such guarantor).

MOVADO RETAIL GROUP, INC.,
a New Jersey Corporation

By: /s/ T F Michno

Name: T F Michno
Title: General Counsel

MOVADO LLC,
a Delaware Limited Liability Company

By: /s/ T F Michno

Name: T F Michno
Title: General Counsel

BANK OF AMERICA, N.A.
SUCCESSOR BY MERGER TO FLEET NATIONAL BANK
AMENDED AND RESTATED
PROMISSORY NOTE

$20,000,000.00 As of December 12, 2005

No later than JUNE 16, 2006 (the "Maturity Date"), for value received, MOVADO GROUP, INC., having its principal office at 650 From Road, Paramus, New Jersey 07652 (the "Borrower"), promises to pay to the order of BANK OF AMERICA, SUCCESSOR BY MERGER TO FLEET NATIONAL BANK, having an office at 1185 Avenue of the Americas, New York, New York, 10036 (the "Bank"), at such office of the Bank or at such other place as the holder hereof may from time to time appoint in writing, in lawful money of the United States of America in immediately available funds, the principal sum of TWENTY MILLION and 00/100 DOLLARS ($20,000,000.00) Dollars or such lesser amount as may then be the aggregate unpaid principal balance of all loans made by the Bank to the Borrower hereunder (each a "Loan" and collectively the "Loans") as shown on the books and records of the Bank. The Borrower also promises to pay interest (computed on the basis of a 360 day year for actual days elapsed) at said office in like money on the unpaid principal amount of each Loan from time to time outstanding at a rate per annum, to be elected by the Borrower at the time each Loan is made, equal to either (i) a fluctuating rate equal to the Prime Rate, which rate will change when and as the Prime Rate changes and which such changes in the rate of interest resulting from changes in the Prime Rate shall take effect immediately without notice or demand of any kind (a Loan bearing interest at this rate is sometimes hereinafter called a "Prime Loan"), or (ii) a fixed rate as may be agreed upon between the Borrower and the Bank (an "Agreed Rate") for an Interest Period which is also then agreed upon (a Loan bearing interest at this rate is sometimes hereinafter called an "Agreed Rate Loan"); provided, however, that (a) no Interest Period with respect to an Agreed Rate Loan shall extend beyond the Maturity Date, (b) if any Interest Period would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day and (c) if prior to the end of any such Interest Period of an Agreed Rate Loan the Borrower and the Bank fail to agree upon a new Interest Period therefor so as to maintain such Loan as an Agreed Rate Loan within the pertinent time set forth in Section 1 hereof, such Agreed Rate Loan shall automatically be converted into a Prime Loan at the end of such Interest Period and shall be maintained as such until a new Interest Period therefor is agreed upon. Interest on each Loan shall be payable monthly on the first day of each month commencing the first such day to occur after a Loan is made hereunder and, together with unpaid principal, on the Maturity Date. Interest on Agreed Rate Loans shall also be payable on the last day of each Interest Period applicable thereto. The Borrower further agrees that upon and during the continuance of an Event of Default and/or after any stated or any accelerated maturity of Loans hereunder, all Loans shall bear interest (computed daily) at, (i) with respect to Agreed Rate Loans, a rate equal to the greater of 2% per annum in excess of the rate then applicable to Agreed Rate

Loans and 2% per annum in excess of the rate then applicable to Prime Loans, payable no later than the Maturity Date, and (ii) with respect to Prime Loans, a rate equal to 2% per annum in excess of the rate then applicable to Prime Loans, payable no later than the Maturity Date. Furthermore, if the entire amount of any principal and/or interest required to be paid pursuant to this Note is not paid in full within ten (10) days after the same is due, the Borrower shall further pay to the Bank a late fee equal to five percent (5%) of the required payment. In no event shall interest payable hereunder be in excess of the maximum rate of interest permitted under applicable law. If any payment to be so made hereunder becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day and, to the extent permitted by applicable law, interest thereon shall be payable at the then applicable rate during such extension.

All payments made in connection with this Note shall be in lawful money of the United States in immediately available funds without counterclaim or setoff and free and clear of and without any deduction or withholding for, any taxes or other payments. All such payments shall be applied first to the payment of all fees, expenses and other amounts due to the Bank (excluding principal and interest), then to accrued interest, and the balance on account of outstanding principal; provided, however, that after the occurrence of and during the continuance of an Event of Default, payments will be applied to the obligations of the Borrower to the Bank as the Bank determines in its sole discretion. The Borrower hereby expressly authorizes the Bank to record on the attached schedule the amount and date of each Loan, the rate of interest thereon, Interest Period thereof and the date and amount of each payment of principal. All such notations shall be presumptive as to the correctness thereof; provided, however, the failure of the Bank to make any such notation shall not limit or otherwise affect the obligations of the Borrower under this Note.

In consideration of the granting of the Loans evidenced by this Note, the Borrower hereby agrees as follows:

1. Loan Requests. Requests for Prime Loans and Agreed Rate Loans may be made up until 1 p.m. on the date the Loan is to be made. Any request for a Loan must be written. The Bank shall have no obligation to make any Loan hereunder.

2. Prepayment. The Borrower may prepay any Prime Loan at any time in whole or in part without premium or penalty. Each such prepayment shall be made together with interest accrued thereon to and including the date of prepayment. The Borrower may prepay an Agreed Rate Loan only upon at least three (3) Business Days prior written notice to the Bank (which notice shall be irrevocable) and any such prepayment shall occur only on the last day of the Interest Period for such Agreed Rate Loan.

3. Indemnity; Yield Protection. The Borrower shall pay to the Bank, upon request of the Bank, such amount or amounts as shall be sufficient (in the reasonable opinion of the Bank) to compensate it for any loss, cost, or reasonable expense incurred as a result of: (i) any payment of an Agreed Rate Loan on a date other than the last day of the

Interest Period for such Loan; (ii) any failure by Borrower to borrow an Agreed Rate Loan on the date specified by Borrower's written notice; (iii) any failure of Borrower to pay an Agreed Rate Loan on the date for payment specified in Borrower's written notice. Without limiting the foregoing, Borrower shall pay to Bank a "yield maintenance fee" in an amount computed as follows: The current rate for United States Treasury securities (bills on a discounted basis shall be converted to a bond equivalent) with a maturity date closest to the term chosen pursuant to the Fixed Rate Election as to which the prepayment is made, shall be subtracted from Cost of Funds in effect at the time of prepayment. If the result is zero or a negative number, there shall be no yield maintenance fee. If the result is a positive number, then the resulting percentage shall be multiplied by the amount of the principal balance being prepaid. The resulting amount shall be divided by 360 and multiplied by the number of days remaining in the term chosen pursuant to the Fixed Rate Election as to which the prepayment is made. Said amount shall be reduced to present value calculated by using the above referenced United States Treasury securities rate and the number of days remaining in the term chosen pursuant to the Fixed Rate Election as to which prepayment is made. The resulting amount shall be the yield maintenance fee due to Bank upon the payment of an Agreed Rate Loan. Each reference in this paragraph to "Fixed Rate Election" shall mean the election by Borrower of Loan to bear interest based on an Agreed Rate. If by reason of an Event of Default, the Bank elects to declare the Loans and/or the Note to be immediately due and payable, then any yield maintenance fee with respect to an Agreed Rate Loan shall become due and payable in the same manner as though the Borrower has exercised such right of prepayment.

For the purpose of this Section 3 the determination by the Bank of such losses and reasonable expenses shall in the absence of manifest error, be conclusive if made reasonably and in good faith.

4. Increased Costs. If the Bank reasonably determines that the effect of any applicable law or government regulation, guideline or order or the interpretation thereof by any governmental authority charged with the administration thereof (such as, for example, a change in official reserve requirements which the Bank is required to maintain in respect of loans or deposits or other funds procured for funding such loans) is to increase the cost to the Bank of making or continuing Agreed Rate Loans hereunder or to reduce the amount of any payment of principal or interest receivable by the Bank thereon, then the Borrower will pay to the Bank such additional amounts as the Bank may reasonably determine to be required to compensate the Bank for such additional costs or reduction. Any additional payment under this section will be computed from the effective date at which such additional costs have to be borne by the Bank. A certificate as to any additional amounts payable pursuant to this Section 4 setting forth the basis and method of determining such amounts shall be conclusive, absent manifest error, as to the determination by the Bank set forth therein if made reasonably and in good faith. The Borrower shall pay any amounts so certified to it by the Bank within 10 days of receipt of any such certificate.

5. Warranties and Representations. The Borrower represents and warrants that: a) it is a corporation duly organized, validly existing and in good standing under the laws of

the state of its incorporation and is qualified to do business and is in good standing under the laws of every state where its failure to so qualify would have a material and adverse effect on the business, operations, property or other condition of the Borrower; b) the execution, issuance and delivery of this Note by the Borrower are within its corporate powers and have been duly authorized, and the Note is valid, binding and enforceable in accordance with its terms, and is not in violation of law or of the terms of the Borrower's Certificate of Incorporation or By-Laws and does not result in the breach of or constitute a default under any indenture, agreement or undertaking to which the Borrower is a party or by which it or its property may be bound or affected; c) no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Note, except those as have been obtained; d) the financial statements of the Borrower heretofore furnished to the Bank are complete and correct in all material respects and fairly represent the financial condition of the Borrower and its subsidiaries as at the dates thereof and for the periods covered thereby, which financial condition has not materially, adversely, changed since the date of the most recently dated balance sheet heretofore furnished to the Bank; e) no Event of Default (as hereinafter defined) has occurred and no event has occurred which with the giving of notice or the lapse of time or both would constitute an Event of Default; f) the Borrower shall not use any part of the proceeds of any Loan to purchase or carry any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or to extend credit to others for the purpose of purchasing or carrying any margin stock; g) there is no pending or, to the knowledge of the Borrower, threatened action or proceeding affecting the Borrower before any court, governmental agency or arbitrator which, if determined adversely to the Borrower would have a materially adverse effect on the financial condition or operations of the Borrower except as described in the financial statements of the Borrower heretofore furnished to the Bank; and h) on the occasion of the granting of each Loan all representations and warranties contained herein shall be true and correct and with the same force and effect as though such representations and warranties had been made on and as of the date of the making of each such Loan.

6. Events of Default. Upon the occurrence of any of the following specified events of default (each an "Event of Default"): a) default in making any payment of principal, interest, or any other sum payable under this Note when due; or b) default by the Borrower or any Guarantor (i) of any other obligation hereunder or (ii) in the due payment of any other obligation owing to the Bank under this Note or c) default by Borrower or any Guarantor in the due payment of any other indebtedness for borrowed money or default in the observance or performance of any covenant or condition contained in any agreement or instrument evidencing, securing, or relating to any such indebtedness, which causes or permits the acceleration of the maturity thereof, provided that the aggregate amount of such indebtedness shall be $5,000,000 or more; or d) any representation or warranty made by the Borrower herein or in any certificate furnished by the Borrower in connection with the Loans evidenced hereby or pursuant to the provisions hereof, proves untrue in any material respect; or e) the Borrower or any Guarantor becomes insolvent or bankrupt, is generally not paying its debts as they become due, or makes an assignment for the benefit of creditors, or a trustee or receiver is appointed for the Borrower or any Guarantor or for the

greater part of the properties of the Borrower or any Guarantor with the consent of the Borrower or any such Guarantor, or if appointed without the consent of the Borrower or any such Guarantor, such trustee or receiver is not discharged within 30 days, or bankruptcy, reorganization, liquidation or similar proceedings are instituted by or against the Borrower or any Guarantor under the laws of any jurisdiction, and if instituted against the Borrower or any such Guarantor are consented to by it or remain undismissed for 30 days, or a writ or warrant of attachment or similar process shall be issued against a substantial part of the property of the Borrower or any Guarantor not in the possession of the Bank and same shall not be released or bonded within 30 days after levy; or f) any garnishment, levy, writ or warrant of attachment or similar process shall be issued and served against the Bank, which garnishment, levy, writ or warrant of attachment or similar process relates to property of the Borrower or any Guarantor in the possession of the Bank; or h) the Bank shall have determined, in its reasonable discretion, that one or more conditions exist or events have occurred which have resulted or may result in a material adverse change in the business, properties or financial condition of the Borrower or any Guarantor as determined in the reasonable discretion of the Bank or one or more other conditions exist or events have occurred with respect to the Borrower or any Guarantor which the Bank deems materially adverse; then, in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Bank may declare the principal and the accrued interest in respect of all Loans under this Note to be, whereupon the Note shall become, immediately due and payable without presentment, protest or other notice of any kind, all of which are expressly waived by the Borrower.

7. Set off. At any time, without demand or notice (any such notice being expressly waived by the Borrower), the Bank may setoff any and all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of the Bank or any entity under the control of Bank of America Corporation and its successors or assigns, or in transit to any of them, or any part thereof and apply same to any of the Liabilities or obligations of the Borrower or any Guarantor even though unmatured and regardless of the adequacy of any other collateral securing the Liabilities. ANY AND ALL RIGHTS TO REQUIRE THE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE LIABILITIES, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE BORROWER OR ANY GUARANTOR ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED. The term "Liabilities" shall include this Note and obligations and liabilities of the Borrower to the Bank under this Note, now or hereafter existing, arising directly between the Borrower and the Bank or acquired by assignment, conditionally or as collateral security by the Bank, absolute or contingent, joint and/or several, secure or unsecured, due or not due, contractual or tortious, liquidated or unliquidated, arising by operation of law or otherwise, direct or indirect, including, but without limiting the generality of the foregoing, indebtedness, obligations or liabilities to the Bank of the Borrower as a member of any partnership, syndicate, association or other group, and whether incurred by the Borrower as principal, surety, endorser, guarantor, accommodation party or otherwise.

8. Definitions. As used herein:

(a) "Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in the State of New York are authorized or required to close under the laws of the State of New York and to the extent "Business Day" is used in the context of any other specific city it shall mean any date on which commercial banks are open for business in that city.

(b) "Cost of Funds" means the per annum rate of interest which the Bank is required to pay, or is offering to pay, for wholesale liabilities, adjusted for reserve requirements and such other requirements as may be imposed by federal, state or local government and regulatory agencies, as reasonably determined by the Bank.

(c) "Guarantors" shall mean all active domestic subsidiaries of the Borrower.

(d) "Interest Period" means that period selected by the Borrower, within the limitations of the first paragraph of this Note, during which an Agreed Rate Loan may bear interest at an Agreed Rate.

(e) "Loan Documents" means this Note, and each document, instrument or agreement executed pursuant hereto or thereto or in connection herewith or therewith.

(f) "Prime Rate" means the variable per annum rate of interest so designated from time to time by the Bank as its prime rate. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate being charged to any customer.

9. Miscellaneous.

(a) The Borrower shall pay on demand all reasonable expenses of the Bank in connection with the preparation, administration, default, collection, waiver or amendment of this Note or any of the other Loan Documents, and/or in connection with Bank's exercise, preservation or enforcement of any of its rights, remedies or options hereunder and/or thereunder, including, without limitation, fees of outside legal counsel, accounting, consulting, brokerage or other similar professional fees or expenses, and any fees or expenses associated with travel or other costs relating to any appraisals or examinations conducted in connection with the Liabilities or any collateral therefor, and the amount of all such expenses shall, until paid, bear interest at the rate applicable to principal hereunder (including any default rate) and be an obligation secured by any collateral.

(b) No modification or waiver of any provision of this Note shall be effective unless such modification or waiver shall be in writing and signed by a duly authorized officer of the Bank, and the same shall then be effective only for the period and on the conditions and for the specific instances specified in such writing. No failure or delay by the Bank in exercising any right, power or privilege hereunder shall operate as a waiver thereof; nor shall

any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any rights, power or privilege.

(c) Borrower hereby waives presentment, notice of protest, notice of dishonor, and any and all other notices or demands except as otherwise expressly provided for herein.

(d) This Note and the other Loan Documents shall be construed in accordance with and governed by the laws of the State of New York (excluding the laws applicable to conflicts or choice of law). The Borrower agrees that any suit for the enforcement of this Note or any of the other Loan Documents may be brought in the courts of the State of New York or any Federal court sitting therein and consents to the nonexclusive jurisdiction of such court and service of process in any such suit being made upon the Borrower by mail at the address set forth in the first paragraph of this Note. The Borrower hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit is brought in an inconvenient forum.

(e) The Bank may at any time pledge all or any portion of its rights under this Note and the other Loan Documents to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such pledge or enforcement thereof shall release the Bank from its obligations under any of such Loan Documents.

(f) All agreements between the Borrower (and each Guarantor and each other party obligated for payment on this Note) and the Bank are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of maturity of the indebtedness evidenced hereby or otherwise, shall the amount paid or agreed to be paid to the Bank for the use or the forbearance of the indebtedness evidenced hereby exceed the maximum permissible under applicable law. As used herein, the term "applicable law" shall mean the law in effect as of the date hereof provided, however, that in the event there is a change in the law which results in a higher permissible rate of interest, then this Note shall be governed by such new law as of its effective date. In this regard, it is expressly agreed that it is the intent of the Borrower and the Bank in the execution, delivery and acceptance of this Note to contract in strict compliance with the laws of the State of New York from time to time in effect. If, under or from any circumstances whatsoever, fulfillment of any provision hereof or of any of the Loan Documents at the time of performance of such provision shall be due, shall involve transcending the limit of such validity prescribed by applicable law, then the obligation to be fulfilled shall automatically be reduced to the limits of such validity, and if under or from circumstances whatsoever the Bank should ever receive as interest an amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the principal balance evidenced hereby and not to the payment of interest. This provision shall control every other provision of the Loan Documents between the Borrower, each Guarantor, each other party obligated on this Note and the Bank.

(g) ARBITRATION AND WAIVER OF JURY TRIAL

(i) THIS PARAGRAPH CONCERNS THE RESOLUTION OF ANY CONTROVERSIES OR CLAIMS BETWEEN THE PARTIES, WHETHER ARISING IN CONTRACT, TORT OR BY STATUTE, INCLUDING BUT NOT LIMITED TO CONTROVERSIES OR CLAIMS THAT ARISE OUT OF OR RELATE TO: (i) THE LOAN DOCUMENTS (INCLUDING ANY RENEWALS, EXTENSIONS OR MODIFICATIONS); OR (ii) ANY DOCUMENT RELATED TO THE NOTE ("COLLECTIVELY A "CLAIM"). FOR THE PURPOSES OF THIS ARBITRATION PROVISION ONLY, THE TERM "PARTIES" SHALL INCLUDE ANY PARENT CORPORATION, SUBSIDIARY OR AFFILIATE OF THE BANK INVOLVED IN THE SERVICING, MANAGEMENT OR ADMINISTRATION OF ANY OBLIGATION DESCRIBED OR EVIDENCED BY THE LOAN DOCUMENTS.

(ii) AT THE REQUEST OF ANY PARTY TO THE LOAN DOCUMENTS, ANY CLAIM SHALL BE RESOLVED BY BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (TITLE 9, U.S. CODE) (THE "ACT"). THE ACT WILL APPLY EVEN THOUGH THE LOAN DOCUMENTS PROVIDE THAT THEY ARE GOVERNED BY THE LAW OF A SPECIFIED STATE. THE ARBITRATION WILL TAKE PLACE ON AN INDIVIDUAL BASIS WITHOUT RESORT TO ANY FORM OF CLASS ACTION.

(iii) ARBITRATION PROCEEDINGS WILL BE DETERMINED IN ACCORDANCE WITH THE ACT, THE THEN-CURRENT RULES AND PROCEDURES FOR THE ARBITRATION OF FINANCIAL SERVICES DISPUTES OF THE AMERICAN ARBITRATION ASSOCIATION OR ANY SUCCESSOR THEREOF ("AAA"), AND THE TERMS OF THIS PARAGRAPH. IN THE EVENT OF ANY INCONSISTENCY, THE TERMS OF THIS PARAGRAPH SHALL CONTROL. IF AAA IS UNWILLING OR UNABLE TO (i) SERVE AS THE PROVIDER OF ARBITRATION OR (ii) ENFORCE ANY PROVISION OF THIS ARBITRATION CLAUSE, ANY PARTY TO THE LOAN DOCUMENTS MAY SUBSTITUTE ANOTHER ARBITRATION ORGANIZATION WITH SIMILAR PROCEDURES TO SERVE AS THE PROVIDER OF ARBITRATION.

(iv) THE ARBITRATION SHALL BE ADMINISTERED BY AAA AND CONDUCTED, UNLESS OTHERWISE REQUIRED BY LAW, IN THE STATE SPECIFIED IN THE GOVERNING LAW SECTION OF THE LOAN DOCUMENTS. ALL CLAIMS SHALL BE DETERMINED BY ONE ARBITRATOR; HOWEVER, IF CLAIMS EXCEED FIVE MILLION DOLLARS ($5,000,000), UPON THE REQUEST OF ANY PARTY, THE CLAIMS SHALL BE DECIDED BY THREE ARBITRATORS. All ARBITRATION HEARINGS SHALL COMMENCE WITHIN NINETY (90) DAYS OF THE DEMAND FOR ARBITRATION AND CLOSE WITHIN NINETY (90) DAYS OF COMMENCEMENT AND THE AWARD OF THE ARBITRATOR(S) SHALL BE ISSUED WITHIN THIRTY (30) DAYS OF THE CLOSE OF THE HEARING.

HOWEVER, THE ARBITRATOR(S), UPON A SHOWING OF GOOD CAUSE, MAY EXTEND THE COMMENCEMENT OF THE HEARING FOR UP TO AN ADDITIONAL SIXTY (60) DAYS. THE ARBITRATOR(S) SHALL PROVIDE A CONCISE WRITTEN STATEMENT OF REASONS FOR THE AWARD. THE ARBITRATION AWARD MAY BE SUBMITTED TO ANY COURT HAVING JURISDICTION TO BE CONFIRMED, JUDGMENT ENTERED AND ENFORCED.

(v) THE ARBITRATOR(S) WILL GIVE EFFECT TO STATUTES OF LIMITATION IN DETERMINING ANY CLAIM AND MAY DISMISS THE ARBITRATION ON THE BASIS THAT THE CLAIM IS BARRED. FOR PURPOSES OF THE APPLICATION OF THE STATUTE OF LIMITATIONS, THE SERVICE ON AAA UNDER APPLICABLE AAA RULES OF A NOTICE OF CLAIM IS THE EQUIVALENT OF THE FILING OF A LAWSUIT. ANY DISPUTE CONCERNING THIS ARBITRATION PROVISION OR WHETHER A CLAIM IS ARBITRABLE SHALL BE DETERMINED BY THE ARBITRATOR(S). THE ARBITRATOR(S) SHALL HAVE THE POWER TO AWARD LEGAL FEES PURSUANT TO THE TERMS OF THE LOAN DOCUMENTS.

(vi) THIS PARAGRAPH DOES NOT LIMIT THE RIGHT OF ANY PARTY TO: (I) EXERCISE SELF-HELP REMEDIES, SUCH AS BUT NOT LIMITED TO, SETOFF; (II) INITIATE JUDICIAL OR NON-JUDICIAL FORECLOSURE AGAINST ANY REAL OR PERSONAL PROPERTY COLLATERAL; (III) EXERCISE ANY JUDICIAL OR POWER OF SALE RIGHTS, OR (IV) ACT IN A COURT OF LAW TO OBTAIN AN INTERIM REMEDY, SUCH AS BUT NOT LIMITED TO, INJUNCTIVE RELIEF, WRIT OF POSSESSION OR APPOINTMENT OF A RECEIVER, OR ADDITIONAL OR SUPPLEMENTARY REMEDIES.

(vii) THE FILING OF A COURT ACTION IS NOT INTENDED TO CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE SUING PARTY, THEREAFTER TO REQUIRE SUBMITTAL OF THE CLAIM TO ARBITRATION.

(viii) BY AGREEING TO BINDING ARBITRATION, THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM. FURTHERMORE, WITHOUT INTENDING IN ANY WAY TO LIMIT THE LOAN DOCUMENTS TO ARBITRATE, TO THE EXTENT ANY CLAIM IS NOT ARBITRATED, THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF SUCH CLAIM. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THE LOAN DOCUMENTS.

(ix) EXCEPT AS PROHIBITED BY -LAW, THE BORROWER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL

DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. THE BORROWER CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE BANK HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE BANK WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR THE BANK TO ACCEPT THIS NOTE AND MAKE THE LOANS.

(h) Upon receipt of an affidavit of an officer of the Bank as to the loss, theft, destruction or mutilation of this Note or any other Loan Document which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon surrender and cancellation of such Note or other security document, the Borrower will issue, in lieu thereof, a replacement Note or other security document in the same principal amount thereof and otherwise of like tenor.

(i) The Bank shall have the unrestricted right at any time and from time to time, and without the consent of or notice to the Borrower or any other party obligated on this Note, to grant to one or more banks or other financial institutions (each, a "Participant") participating interests in any obligation of the Bank to extend credit to the Borrower and/or any or all of the Liabilities held by the Bank. In the event of any such grant by the Bank of a participating interest to a Participant, whether or not upon notice to the Borrower, the Bank shall remain responsible for the performance of its obligations hereunder and the Borrower shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations hereunder. The Bank may furnish any information concerning the Borrower in its possession from time to time to prospective assignees and Participants, provided that the Bank shall require any such prospective assignee or Participant to agree in writing to maintain the confidentiality of such information.

(j) This Note shall be binding upon and inure to the benefit of the Borrower, the Bank, all future holders of this Note and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights under this Note without the prior written consent of the Bank. The term "Bank" as used herein shall be deemed to include the Bank and its successors, endorsees and assigns. The Bank shall have the unrestricted right at any time or from time to time, and without the Borrower's consent, to assign all or any portion of its rights and obligations hereunder and/or under any of the other Loan Documents to one or more Banks (each, an "Assignee"), and the Borrower agrees that it shall execute, or cause to be executed, such documents, including without limitation, amendments to this Note and to any other documents, instruments and agreements executed in connection herewith as the Bank shall deem necessary to effect the foregoing. In addition, at the request of the Bank and any such Assignee, the Borrower shall issue one or more new promissory notes, as applicable, to any such Assignee and, if the Bank has retained any of its rights and obligations hereunder following such assignment, to the Bank, which new promissory notes shall be issued in replacement of, but not in discharge of, the liability evidenced by the promissory note held by the Bank prior to such assignment and shall reflect the amount of Loans held by such Assignee and the Bank after giving effect to such

assignment. Upon the execution and delivery of appropriate assignment documentation, amendments and any other documentation required by the Bank in connection with such assignment, and the payment by Assignee of the purchase price agreed to by the Bank, and such Assignee, such Assignee shall be a party to this Agreement and shall have all of the rights and obligations of the Bank hereunder and under each other assigned Loan Document (and under any and all other guaranties, documents, instruments and agreements executed in connection herewith) to the extent that such rights and obligations have been assigned by the Bank pursuant to the assignment documentation between the Bank and such Assignee, and the Bank shall be released from its obligations hereunder and thereunder to a corresponding extent.

(k) This Note and the other Loan Documents are intended by the parties as the final, complete and exclusive statement of the transactions evidenced thereby. All prior or contemporaneous promises, agreements and understandings, whether oral or written, are deemed to be superceded by this Note and such other Loan Documents, and no party is relying on any promise, agreement or understanding not set forth in this Note or such other Loan Documents. Neither this Note nor any of such other Loan Documents may be amended or modified except by a written instrument describing such amendment or modification executed by the Borrower and the Bank.

(l) This Note shall replace and supersede the Amended and Restated Promissory Note made by the Borrower to the order of the Bank dated as of October 31, 2005 (the "Prior Note"); provided, however, that the execution and delivery of this Note shall not in any circumstance be deemed to have terminated, extinguished or discharged the Borrower's indebtedness under such Prior Note, all of which indebtedness shall continue under and be governed by this Note and the documents, instruments and agreements executed pursuant hereto or in connection herewith. This Note is a replacement, consolidation, amendment and restatement of the Prior Note and IS NOT A NOVATION. The Borrower shall also pay and this Note shall also evidence any and all unpaid interest on all Loans made by the Bank to the Borrower pursuant to Prior Note, and at the interest rate specified therein, for which this Note has been issued as replacement therefor.

MOVADO GROUP, INC.

By: /s/ T F Michno

Name: T F Michno
Title: General Counsel

CORPORATE RESOLUTION BANK OF AMERICA, N.A.

Date: 12/9, 2005

I, Timothy F. Michano, hereby certify that(1) I am the Secretary of Movado Group, Inc, a corporation organized and existing under the laws of the State of NY, (2) no proceedings are pending for the dissolution or liquidation of said corporation and, to the best of my knowledge, no such proceedings are threatened or contemplated, (3) the following is a true, accurate and compared extract from the meetings of the Board of Directors of said corporation duly held on 11/28, 2005, at which meeting there was present, at all times, a quorum authorized to transact the business hereinafter described, (4) the proceedings at said meeting were in accordance with the charter and bylaws of this corporation, that the votes taken remain in full force and effect and such votes have not been revoked, annulled, amended or supplemented in any manner whatsoever, (5) no other votes have been adopted or executed by the Board or any committee of the Board relating to the authorization referred to in such votes and (6) each of the persons named below the extract of the votes is a duly elected and qualified and acting officer of this corporation as set forth below opposite such person's name, the signature set forth opposite each such name is the genuine signature of such person and each such person is authorized to act on behalf of this corporation.

"Upon motion duly made and seconded, it was

VOTED: THAT [ ] One signature [X] Two signatures [ ] Other:

of the authorized officers of this corporation be required and such officer(s) is/are hereby authorized and empowered in the name of and on behalf of this corporation:

1. To borrow money and to obtain credit for this corporation from and to settle or compromise obligations with Bank of America, N.A. (the "Bank"), a national banking association with its principal office in Charlotte North Carolina and with offices in Hartford, Connecticut, on such terms as he/she/they deem proper and to execute and deliver notes, drafts, acceptances, instruments of guaranty, agreements and any other obligations of this corporation, containing such terms and conditions and in such form as may be required by said Bank.

2. To pledge, mortgage, forbear and modify existing obligations, grant a security interest in, or assign to said Bank as security for money borrowed or credit obtained any and all assets and property of this corporation including, without limitation, any of the stocks, bonds or other securities, bills receivable, accounts, mortgages, merchandise, bills-of-lading, warehouse receipts, insurance policies, certificates, contracts, inventory, machinery, equipment and any other property, real or personal, tangible or intangible, held by or belonging to this corporation, whether now owned or hereafter acquired and of whatever nature and kind and wherever located, and to endorse, assign or guarantee such of said assets and property as is necessary in the name of this corporation.

3. To discount with said Bank upon such terms as he/she/they may deem proper any bills receivable or any paper held by this corporation, with full authority to endorse the same in the name of this corporation.

4. To take any and all actions as he/she/they deem necessary, desirable or appropriate to effect the purposes of the above votes, including, but not limited to, the execution and delivery of any and all documents, instruments, agreements, certificates, declarations, statements, forms and other papers required by said Bank in connection with any of the foregoing matters, any such action to be conclusive evidence of his/her/their authority to act; and

VOTED: That the foregoing powers and authority shall continue and remain in full force and effect until revoked or modified by votes of the Board and until written notice of revocation or modification thereof has been received and acknowledged, in writing, by an officer of the Bank."

Name	Title	Signature

/s/ Timothy F. Michno

Secretary/Clerk of the Corporation

EXHIBIT 10.37**

LICENSE AGREEMENT

BY AND BETWEEN

L. C. LICENSING, INC.

AND

MOVADO GROUP, INC.
AND
SWISSAM PRODUCTS LIMITED

**CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED FROM PAGES 7, 13, 14, 34 AND SCHEDULES 1.1, 1.13, 3.1, 3.3(g), 4.1, 4.2, 6.2(a), 7.2, 7.3, 8.2, 9.1 AND 14.8 AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") PURSUANT TO RULE 24b-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED ("1934 ACT").

TABLE OF CONTENTS

LICENSE AGREEMENT

LICENSE AGREEMENT ("Agreement"), dated as of the Effective Date, by and between L.C. LICENSING, INC., a Delaware corporation having an office at c/o Liz Claiborne, Inc., 1441 Broadway, New York, NY 10018 ("Licensor"), and Movado Group, Inc. a corporation organized and existing under the laws of the State of New York, having an office at 650 From Road, Paramus, NJ 07652 ("Movado") and Swissam Products Limited, a corporation organized and existing under the laws of Hong Kong, having an office at 1406 World Finance Centre, North Tower, Harbour City, Tsimshatsui, Kowloon, Hong Kong ("Swissam"). Movado and Swissam are jointly and severally referred to herein as "Licensee".

WHEREAS, Licensor holds exclusive rights to the use and exploitation of the Licensed Mark(s) in connection with the manufacture and sale of Merchandise within the Territory (as such terms are defined below).

WHEREAS, Licensee has experience and expertise in developing, manufacturing, promoting, selling and distributing Merchandise, and is desirous of associating its products with the Licensed Mark(s) so as to obtain the benefit of the goodwill associated therewith.

WHEREAS, Licensee desires to have the exclusive right and license, and Licensor desires to grant such right and license, to use the Licensed Mark(s) as applied to the manufacture, promotion, sale and distribution of Merchandise within the Territory, all on the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises, the mutual representations, warranties and promises set forth below, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Licensor and Licensee agree as follows:

1. DEFINITIONS. The following definitions shall be applicable throughout this Agreement:

1.1 The term "Territory" means the countries set forth in Schedule 1.1, excluding U.S. Military Bases but including duty-free shops.

1.2 The term "Licensed Mark(s)" means the trademark(s) listed on Schedule 1.2, together with any other trademarks which at any time during the term of this Agreement are owned by Licensor and

contain the word "JUICY".

1.3 The term "Merchandise" means and is limited to those items listed on Schedule 1.3, and does not include any other items whatsoever.

1.4 The term "Licensed Merchandise" means Merchandise intended to be sold or promoted in connection with a Licensed Mark; the term "Approved Licensed Merchandise" means Licensed Merchandise approved by Licensor in accordance with the provisions hereof. The term "Category" means each of the categories of Approved License Merchandise set forth in Schedule 1.3.

1.5 The term "Line Opening Date" is the date of the initial trade introduction for each line of Licensed Merchandise for each major market. The number and timing of seasonal Line Opening Dates for Licensed Merchandise are listed on Schedule 1.5.

1.6 The term "Sample" means any and all models, or actual samples or prototypes, of Licensed Merchandise, except that the terms "Initial Sample", "Final Sample" and "Production Sample" have the meanings set forth in Article 6 hereof.

1.7 An "affiliate" of any Person means and includes any Person, who controls, is controlled by or is under common control with such Person. The term "control" (including the correlative meanings of "controlled by" and under "common control with") means the power, directly or indirectly, to effectively direct or cause the direction of the management and policies of any Person. The term "Person" means any natural person, corporation, association, business, government, governmental agency, firm, partnership or other entity, whether acting in an individual, fiduciary or other capacity.

1.8 The term "Effective Date" has the meaning set forth in Schedule 1.8; the term "First Contract Year" means the period commencing on the Effective Date and terminating on the date set forth in Schedule 1.8.

1.9 The term "Contract Year" means the First Contract Year, the period of twelve (12) months commencing on the day following the end of the First Contract Year, and the twelve (12) month period commencing on each January 1 thereafter for the Initial Term and any Renewal Term.

1.10 The term "Business Plan" means such annual business plan(s) relating to Licensee's business hereunder, prepared by Licensee in such format, and containing such detailed data, information, sales and marketing plans, budgets and projections, as Licensor may from time to time reasonably request,

including the information set forth in Schedule 1.10.

1.11 The term "Packaging" means all packaging and packaging materials for Merchandise, including boxes, containers, wrappings, labels, tags and any and all other receptacles and materials, including any artwork and/or graphics embodied therein.

1.12 As used in this Agreement, the term "Gross Sales" for any period means the gross invoice price of all Licensed Merchandise sold or shipped by or on behalf of Licensee (including Licensed Merchandise sold to distributors provided that with respect to sales made to distributors who are affiliates of Licensee the invoice price of such Licensed Merchandise shall be deemed to be no less than that invoiced by Licensee to non-affiliated distributors) during such period, not including taxes or freight charged to customers. The term "Net Sales" for any period means Gross Sales for such period less (i) actual trade discounts taken and noted on the face of the invoice and allowances with prior written documentation given by Licensee to its customers, at the time product is shipped; (ii) the amount of any: (a) refunds; (b) credits for returns of Licensed Merchandise; (c) markdowns; and (d) chargebacks (other than operational chargebacks), actually granted and paid or taken by customers at the time each is authorized by Licensee; provided, however, that the amount of aggregate deductions from Gross Sales under clauses (i) and (ii) above for any Contract Year shall not exceed ten percent (10%) of Licensee's Gross Sales for any Contract Year. No other deductions may be taken. For royalty computations Gross Sales and Net Sales will be computed without regard to whether payment therefore has been received by Licensee. If any sale or transfer of Licensed Merchandise is made other than at "arms-length" (including but not limited to sales by Licensee to its own or its affiliates' stores), then, subject to the first sentence of this Section 1.12, the Net Sales of such Merchandise will be deemed to be the Net Sales of a corresponding sale at arm's-length at the prevailing U.S. list price or absent a list price, the highest price sold to a regular account in the licensee's normal channel of distribution.

1.13 The terms "Off-Price Sales" and "Off-Price Sales Cap" have the meanings set forth in Schedule 1.13.

1.14 The term "LCI Standards" means the standards, reputation and established prestige and goodwill connected with the Licensed Mark(s) and the names of Licensor, Juicy Couture, Inc. and their parent, Liz Claiborne, Inc. (LCI), including the design content, spirit, quality, style, price point and value which apparel products bearing the Licensed Marks(s)have come to represent in the minds of the trade and the

public, and Licensee shall reflect throughout its operations hereunder the standards embodied in the businesses owned and operated by Licensor, Juicy Couture, Inc. and LCI and the Standards of Engagement, a copy of the current form of such standards is attached as Schedule 1.14 (such standards as they may from time to time be amended or modified, the "Standards of Engagement").

1.15 The term "Approved Customers" means Approved Full Price Customers (as defined in Section 4.1) and Approved Off Price Customers (as defined in Section 4.2).

2. GRANT OF LICENSE.

2.1 (A) Subject to the terms and conditions of this Agreement, Licensor hereby grants to Licensee, and Licensee hereby accepts, an exclusive license solely to use the Licensed Mark(s) in the Territory as a trademark(s) in connection with the manufacture, advertising, merchandising, promotion, sale and distribution of Approved Licensed Merchandise to Approved Customers. Licensee shall use the Licensed Mark(s) only in the form approved in advance in writing by Licensor for use by Licensee and only in connection with the manufacture, advertising, merchandising, promotion, sale and distribution to Approved Customers of Approved Licensed Merchandise subject to the terms of this Agreement; no Licensed Mark shall be accompanied by any word, mark or symbol, or include a trademark in any type style or typeface other than that so set forth. Licensor has the right to change the required typeface and type style of a Licensed Mark in its discretion from time to time. No license is granted hereunder for the use of the Licensed Mark(s) for any purpose other than as specifically set forth in this Section 2.1.

(B) Licensor retains and reserves any and all rights to use and exploit, and to grant to any other Person the right to use and exploit, the Licensed Mark(s), and any designs, names or other items supplied by Licensor hereunder in connection with any and all products and services, other than Merchandise bearing the Licensed Mark(s), and to use and exploit any other trademarks in connection with Merchandise.

(C) Licensee acknowledges that, at the date hereof, Licensor sells products bearing the Licensed Mark(s) and such products have an established reputation for high standards and quality. Licensee acknowledges that, in order to preserve the goodwill attached to the Licensed Mark(s), Approved Licensed Merchandise should be sold at prices and terms reflecting the prestigious nature of the Licensed Mark(s) consistent with other products bearing such Licensed Mark(s); it being understood, however, that

Licensor is not empowered to fix or regulate the prices at which Licensed Merchandise is to be sold, either at the wholesale or retail level.

2.2 Licensee will not use the Licensed Mark(s) on or in connection with Merchandise or any other product manufactured from designs neither provided nor approved by Licensor or on Merchandise or any other product distributed by any person or entity, including Licensee, as premiums, promotions, give-aways or fund-raisers except with Licensor's express prior approval. Licensee will not manufacture, or cause the manufacture of, any products bearing designs the same as or substantially similar to the designs of any Licensed Merchandise.

2.3 (A) The license granted herein is strictly personal to Licensee. Neither this Agreement nor any of the rights granted to or obligations undertaken by Licensee hereunder may be transferred, assigned, pledged, sold, mortgaged, sublicensed or otherwise hypothecated or disposed of, either directly or indirectly, in whole or in part, by operation of law or otherwise (collectively, "transfer"), to any Person without Licensor's prior written consent which may be withheld in its sole discretion; any attempted transfer to which Licensor has not consented shall be null, void, and of no force or effect. Notwithstanding the foregoing, Licensor will not unreasonably withhold its consent to (i) a transfer of all of Swissam's rights and obligations hereunder to any wholly owned subsidiary of Movado or (ii) the sale of all the outstanding shares of or substantially all the assets of Movado or the merger or consolidation of Movado where the acquirer or surviving entity has, or immediately following such transaction will have, a financial condition which is no worse than that of Movado prior to such acquisition, merger or consolidation and provided that the acquirer or surviving entity is (A) neither a Person which owns or is licensed to use a Competing Brand, nor an affiliate of such a Person and (B) a Person, or an affiliate of such a Person, whose primary business involves the sale of consumer goods sold under its owned or licensed brands (other than primarily through Off Price Sales). If at any time Swissam ceases to be a wholly owned subsidiary of Movado or, subsequent to a transaction, of a permitted surviving entity or acquirer, then Swissam's rights and obligations hereunder shall immediately terminate.

(B) Notwithstanding the foregoing, Licensee may engage subcontractors and suppliers to produce Approved Licensed Merchandise hereunder, only with the express prior written consent of Licensor (which shall not be unreasonably withheld or delayed); provided, however, that (i) prior to any

subcontractor or supplier undertaking any work under this Agreement, Licensee must notify such subcontractor or supplier in writing of the requirements and standards set forth herein including the products, quality and trademark protection standards, as well as the LCI Standards; and (ii) compliance with the terms and conditions of this Agreement will remain the sole and exclusive responsibility of Licensee, and Licensee will be responsible for the acts and omissions of all subcontractors and suppliers, and such acts and omissions will for purposes of this Agreement be deemed to be acts and omissions of Licensee, such that the supervision of production of Approved Licensed Merchandise will remain under the control and the responsibility of Licensee in accordance with the terms of this Agreement. Licensee will supply Licensor within thirty (30) days of the date this Agreement is executed, and at any time during the Term upon the request of the Licensor, with a list of subcontractors and suppliers employed by Licensee in connection with its operations hereunder, and Licensee will complete the "Licensee/Factory Profile" attached as Schedule 2.3(b) for each subcontractor and supplier. Licensee will promptly cease its relationship with any subcontractor or supplier in connection with its operations hereunder upon Licensor's reasonable request or if any such subcontractor or supplier fails to comply with the terms and conditions contained herein to be complied with by Licensee. Licensee will, within thirty (30) days after Licensor's request, require subcontractors and suppliers to execute an agreement in form acceptable to Licensor regarding quality control and any other matters as Licensor reasonably deems appropriate.

(C) Licensee will use commercially reasonable efforts to make the personnel and facilities of its suppliers and contractors available to Licensor for inspection and consultation during normal business hours.

2.4 Licensee will devote sufficient financial resources to its business and operations hereunder and will use its best efforts to develop and maintain a substantial, permanent and expanding business under this Agreement, and to sell a maximum quantity of Approved Licensed Merchandise consistent with the high standards and prestige associated with the Licensed Mark(s) and the terms of this Agreement.

2.5 In the event of any dispute between Licensee and any other licensee of Licensor in the Territory with respect to the products covered by their respective licenses, such dispute will be resolved in good faith by Licensor in its sole discretion.

2.6 (A) Notwithstanding anything to the contrary contained herein, the Line Opening Date set forth on Schedule 1.5 shall apply only to the Category of Women's Timepieces. Licensor shall have the right, upon notice to Licensee at any time after such date, to require Licensee to submit to Licensor a proposed Business Plan with respect to the Category of Men's Timepieces. Within thirty (30) days after its receipt of any such notice ("Men's Category Notice"), Licensee shall submit to Licensor such a Business Plan which shall include proposed Net Sales minimums with respect to such Category for the duration of the Term and the Renewal Term. Provided that such proposed annual Net Sales minimums are at least the same percentage of the Net Sales minimums set forth on Schedule 3.3(g) as * , then Licensor will approve the proposed Business Plan and Schedule 3.3(g) shall be amended to increase the Minimum Net Sales amounts by the proposed Net Sales amounts for the Men's Timepieces Category. In addition, Schedule 8.2 shall automatically be amended so that the base amounts set forth thereon shall equal * of the amended Minimum Net Sales amounts.

(B) Provided that no event of default (as defined in Section 3.3) on Licensee's part hereunder has occurred and is continuing, no default (as defined in Section 3.3) hereunder then exists, and this Agreement is then in full force and effect, Licensor agrees to give a first right of negotiation to Licensee with respect to the proposed exclusive license for the Category of Children's Watches bearing the Licensed Marks (the "New Opportunity") as set forth in Schedule 1.3. Licensor shall notify Licensee of the potential New Opportunity ("New Opportunity Notice"). In the event that Licensee desires to be considered for the New Opportunity proposed by Licensor, it shall advise Licensor within ten (10) days of receipt of Licensor's New Opportunity Notice. Within thirty (30) days thereafter, Licensee shall submit to Licensor the proposed Business Plan with respect to such New Opportunity, which Business Plan shall include proposed sales minimums, guaranteed minimum royalties and advertising obligations with respect to the New Opportunity and shall be subject to the express written approval of Licensor, which shall not be unreasonably withheld. Similarly, Licensee shall have the right to advise Licensor that Licensee is interested in the New Opportunity ("Licensee's New Opportunity Notice"). Within thirty (30) days after Licensor's receipt of Licensee's New Opportunity Notice, Licensee shall submit to Licensor the proposed Business Plan with respect to such New

* CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT

Opportunity which Business Plan shall include proposed Minimums Net Sales, Guaranteed Minimum Royalties and advertising obligations with respect to the New Opportunity and shall be subject to the express written consent of Licensor, which shall not be unreasonably withheld. If (a) Licensee notifies Licensor at any time that it is not interested in such New Opportunity; or (b) Licensee fails to submit a Business Plan within the time period set forth in this section 2.6(b); or (c) Licensor does not approve Licensee's Business Plan, even after Licensee has resubmitted such business plan to Licensor after Licensor's initial rejection of same; then (1) Licensee shall not have any right, obligation, license or privilege with respect to the proposed New Opportunity; and (2) Licensor shall have the right to contract with any other entity for such New Opportunity, except that Licensor shall not have the right to contract with such other entity upon the substantially same business terms as proposed by the Licensee and rejected by the Licensor.

3. TERM; EVENTS OF DEFAULT AND TERMINATION.

3.1 (A) The term of this Agreement will commence as of the Effective Date and will continue through the date set forth on Schedule 3.1(a) (the "Initial Term"), unless renewed or sooner terminated as provided herein.

(B) Subject to the provisions of this Article 3, provided that; (1) no event of default (as defined below) under this Agreement has occurred and is continuing; (2) no default (as defined below) under this Agreement then exists; (3) the amount of aggregate Net Sales of Approved Licensed Merchandise in the Contract Year immediately preceding the final Contract Year of the Initial Term shall equal or exceed the amount listed on Schedule 3.1(b) as the "Renewal Threshold", the term of this Agreement may be renewed by Licensee, at its option, for an additional renewal term as set forth in Schedule 3.1(c) (the "Renewal Term"); provided that Licensee must notify Licensor in writing of its intention to renew by the date set forth in Schedule 3.1(d)

3.2 The parties agree that any announcement to the public or trade of the termination of this Agreement will be made only by a joint statement mutually agreed upon by the parties.

3.3 Each of the following constitutes, an event of default under this Agreement:

(A) If Licensee fails to pay any funds owing to Licensor pursuant to this Agreement as and when due and such failure is not remedied within five (5) business days after Licensee's receipt of notice from Licensor;

(B) If Licensee or Licensor institutes proceedings to be adjudicated a voluntary bankrupt or insolvent, or consents to the filing of a bankruptcy proceeding against it, or files a petition or answer seeking reorganization or arrangement under any bankruptcy act or any other similar applicable law of any country, or consents to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency for itself, or any of its property, or makes an assignment for the benefit of creditors, or is unable to pay its debts generally as they become due, or shall cease doing business as a going concern, or corporate action is taken by it in furtherance of any of the foregoing purposes; or

(C) If an order, judgment or decree of a court having jurisdiction is entered adjudicating Licensee or Licensor, a bankrupt or insolvent, or approving, as properly filed, a petition seeking reorganization of Licensee or Licensor, or of all or a substantial part of its properties or assets under any bankruptcy act or other similar applicable law, as from time to time amended, or appointing a receiver, trustee or liquidator of Licensee or Licensor, and such order, judgment or decree remains in force, undischarged and unstayed for a period of thirty (30) days, or a judgment or lien for the payment of money in excess of $250,000 is rendered or entered against it and the same remains undischarged or unbonded for a period of thirty (30) days, or any writ or warrant or attachment shall be issued or levied against a substantial part of its property and the same is not released, vacated or bonded within thirty (30) days after issue or levy; or

(D) If Licensee defaults, subject to applicable cure or waiver provisions, on any obligation in excess of $250,000 which is secured by a security interest in Licensed Merchandise; or

(E) If Licensee for any reason discontinues the sale of Approved Licensed Merchandise or any substantial portion of its business operations resulting in Licensed Merchandise representing more than twenty percent (20%) of Licensee's total business, or shall liquidate or dissolve; or

(F) If Licensee, except as otherwise permitted under Section 2.3(a) hereof, sells, without the prior written approval of Licensor (which approval shall not be unreasonably withheld or delayed), (regardless of how designated) all or substantially all of its assets, or merges or consolidates with or into another corporation or entity, or if there is a change in control of Licensee, in each case whether in a single transaction or as the aggregate result of a series of transactions; or

(G) If Licensee's Net Sales of Approved Licensed Merchandise fail to equal or exceed in any two consecutive Contract Years the amount set forth in Schedule 3.3(g) as the minimum sales

amount for such Contract Year; or

(H) If Licensee fails, in any Contract Year and within three (3) months thereafter to pay or expend the amounts required to be paid or expended under any provision of Article 7; or

(I) If Off-Price Sales in any Contract Year during the Initial Term or during any Renewal Term is equal to or greater than the Off-Price Sales Cap set forth in Schedule 1.13; or

(J) If Licensee fails in any Contract Year commencing with Contract Year 4 to ship at least ninety percent (90%) of the orders received by it for Licensed Merchandise; or

(K) If Licensee fails to cure a failure to comply with any of the quality requirements set forth herein within thirty (30) days after it has been notified by Licensor in writing of such failure to comply; or

(L) If Licensee conducts its business hereunder in a manner which causes Licensor to send Licensee two or more notices of a default under this Section 3.3 in any consecutive 12 month period; or

(M) If Licensee has not begun the bona fide sale of Approved Licensed Merchandise by the time indicated in the Initial Business Plan approved by Licensor, unless a delay in such sales has been approved in advance in writing by Licensor; or

(N) If Licensee breaches section11.10 hereof; or

(O) Intentionally omitted

(P) If any representation or warranty of any party contained herein is or becomes false or misleading in any material respect, or if any party fails to perform or observe any term, condition, agreement or covenant in this Agreement on its part to be performed or observed, other than as provided in Paragraphs (a) through (o) of this Section 3.3, and such default is not remedied within thirty (30) days after written notice thereof from the non-defaulting party, unless such default is curable but is not capable of being cured through the defaulting party's diligent and continuous effort within such thirty (30) day period, and such party immediately commences to cure such default, and thereafter applies its diligent and continuous best efforts to cure such default, and does in fact cure such default within sixty (60) days of the initial notice of default.

3.4 As used in this Agreement, the term "default" shall mean any condition, event or state

of facts which, after notice or lapse of time, or both, would be an event of default. A default by either Movado or Swissam shall be considered a default by Licensee.

3.5 If any event of default occurs and is continuing, the non-defaulting party may, by written notice to the defaulting party, immediately terminate this Agreement; provided that in the event of default under Sections 3.3(b), (c), (d), (e) or (f), this Agreement will terminate automatically.

3.6 (A) Notwithstanding anything to the contrary herein, if Licensee defaults, subject to applicable cure or waiver provisions, on any obligation which is secured by a security interest in any Licensed Merchandise, automatically and simultaneously therewith Licensee no longer shall have the right to sell or otherwise transfer Licensed Merchandise or otherwise use the Licensed Mark(s) until (i) it notifies Licensor of the occurrence of such default on any such obligation; and (ii) Licensor notifies it that Licensor has elected to waive its right under Section 3.3(d) to terminate this Agreement by reason thereof.

(B) No assignee for the benefit of creditors, custodian, receiver, trustee in bankruptcy, sheriff or any other officer of the court or official charged with taking over custody of Licensee's assets or business may continue this Agreement or exploit or in any way use the Licensed Mark(s) if this Agreement terminates as a result of as default under Sections 3.3(b) or (c).

(C) In the event that, pursuant to the Bankruptcy Code or any amendment or successor thereto (the "Code"), a trustee in bankruptcy of Licensee or Licensee, as debtor, is permitted to assume this Agreement and does so and, thereafter, desires to assign this Agreement to a third party, which assignment satisfies the requirements of the Code, then the trustee or Licensee, as the case may be, must notify Licensor of same in writing. Said notice must set forth the name and address of the proposed assignee, the proposed consideration for the assignment and all other relevant details thereof. The giving of such notice will be deemed to constitute the grant to Licensor of an option to have this Agreement assigned to it or to its designee for such consideration, or its equivalent in money, and upon such terms as are specified in the notice. The aforesaid option may be exercised only by written notice given to the trustee or Licensee, as the case may be, by Licensor within fifteen (15) days after Licensor's receipt of the notice from such party, or within such shorter period as may be deemed appropriate by the court in the bankruptcy proceeding. If Licensor fails to give its notice to such party within the said exercise period, such party may complete the assignment referred to in its notice, but only if such assignment is to the entity named in such notice and for

the consideration and upon the terms specified therein. Nothing contained herein shall be deemed to preclude or impose any rights which Licensor may have as a creditor in any bankruptcy proceeding.

4. DISTRIBUTION.

4.1 The parties acknowledge and agree it is the intention that Approved Licensed Merchandise be sold by Licensee and distributors approved in writing in advance by Licensor in its sole discretion ("Approved Distributors") (i) for resale to consumers only by retailers whose location, merchandising and overall operations are consistent with the high quality of products sold under the Licensed Mark(s) and the reputation, image and prestige of the Licensor, Juicy Couture, Inc. and LCI's name and of the Licensed Mark(s) and (ii) to corporate accounts for use as premium and incentive awards upon the prior written approval of Licensor, which may be withheld in its sole discretion. All affiliates of Licensee shall be deemed Approved Distributors. Licensee and Approved Distributors may sell first quality, in-season items of Approved Licensed Merchandise only to such retailers and corporate accounts operating in the Territory approved in advance by Licensor (which approval shall not be unreasonably withheld or delayed) or retailers to which Licensor or any of its affiliates or licensees sells first quality, in-season product bearing the Licensed Marks ("Approved Full Price Customers"). Licensor agrees that the customers listed on Schedule 4.1 are deemed to be Approved Full Price Customers as of the date hereof. Such Schedule may be modified or supplemented by Licensor in its reasonable determination from time to time on no less than thirty (30) days prior written notice to Licensee. Licensee must submit to Licensor a "new account" application to obtain approval for new accounts. Except as explicitly set forth above in this Section 4.1, Licensee shall not accept orders for first quality, in-season Licensed Merchandise from any other customers without Licensor's prior express written consent (which shall not be unreasonably withheld or delayed), and Licensee shall consistently monitor its customers to assure compliance with the terms of this Agreement.

4.2 Licensee may sell seconds or end-of-season closeouts of Licensed Merchandise through off-price customers operating in the Territory approved in advance in writing by Licensor (which approval shall not be unreasonably withheld or delayed) ("Approved Off-Price Customers"). Licensor agrees that the off-price customers listed on Schedule 4.2 are Approved Off-Price Customers as of the date hereof for sales of seconds and end-of-season close-outs of Approved Licensed Merchandise; such Schedule may be modified or supplemented by Licensor in its reasonable determination from time to time on no less than thirty

(30) days prior written notice to Licensee. All affiliates of Licensee operating outlet stores shall be deemed Approved Off-Price Customers, provided that Licensed Merchandise shall not represent * . Except as explicitly set forth above in this Section 4.2, Licensee will not accept orders for seconds or close-outs of Licensed Merchandise from any other customers without Licensor's prior express written consent (which shall not be unreasonably withheld or delayed), and Licensee shall consistently monitor the customers to assure compliance with the terms of this Agreement. Licensor, Juicy Couture, Inc., and their parent LCI and their respective affiliates and licensees have a right of first refusal to purchase any or all of such seconds or end-of-season Licensed Merchandise prior to it being offered for sale to Approved Off-Price Customers. Licensee will provide Licensor with prompt written notice of the proposed terms of any offer to sell to third parties such Approved Merchandise, and Licensor, Juicy Couture, Inc. and LCI and their respective affiliates and licensees will have ten (10) business days from its receipt of such notice to exercise its right of first refusal by providing written notice to Licensee of its desire to purchase such Approved Licensed Merchandise. Such right shall apply to each price point at which Licensee offers such Licensed Merchandise. All seconds and irregulars of Licensed Merchandise offered for sale shall be marked as such.

4.3 Licensee will not make sales of Licensed Merchandise to any Person (i) which it knows, or reasonably should have known, intends to sell such Licensed Merchandise outside of the channels of distribution described in Section 4.1 or 4.2 above or to a Person other than the ultimate customer, or (ii) which is not an Approved Distributor, Approved Full-Price Customer or an Approved Off-Price Customer. Licensee will take all reasonable efforts to prevent any Licensed Merchandise from being distributed, either directly or indirectly, to any Person located outside of, or who Licensee knows, or reasonably should have known, intends to resell such Licensed Merchandise outside of, the countries where Licensee is then authorized to distribute Licensed Merchandise. Licensee will cease selling Licensed Merchandise to any store, distributor or other customer, including previously approved customers, upon the reasonable request of Licensor or in the event that any such store, distributor or other customer is not selling Licensed Merchandise in accordance with the terms of this Agreement; provided that Licensee shall not be required to cease selling to any store, distributor or other Approved Customer if (i) it is the first time such customer has failed to sell Licensed Merchandise in accordance with the terms of this Agreement and (ii) such customer cures such

* CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT

failure within thirty (30) days of notice thereof.

4.4 (A) Licensee will sell to Licensor and its affiliates such items of Licensed Merchandise as may be ordered by Licensor and its affiliates from time to time solely for resale direct to consumers, including on the internet, through catalogs and in retail and outlet stores wholly or partially owned and operated by Licensor, Juicy Couture, Inc. or LCI or any of their affiliates, as evidenced by timely placed, non cancelable purchase orders. All such purchases shall be on terms no less favorable than those made available to Licensee's comparable customers, including a high priority delivery schedule. The price to be paid by Licensor and its affiliates for such orders of Licensed Merchandise will be at an arm's length price to be agreed upon in good faith by the parties, * There will be no minimum purchase or order requirements with respect to any such orders, and orders submitted by Licensor's international retail licensees are subject to Licensee's reasonable credit requirements and terms of sale to be agreed upon in good faith at arms length by the parties. All products shipped to such stores will be "floor ready" and include all hang tags (with UPC and suggested retail price).

(B) Licensee or its Approved Distributors, at Licensee's option, shall sell Licensed Merchandise to international retail and distribution partners of Licensor, Juicy Couture, Inc. and LCI solely for sale in retail stores operating under the Licensed Marks at a price and upon terms to be agreed upon in good faith at arm's length by the parties.

4.5 Licensee will only offer for sale or sell Approved Licensed Merchandise at wholesale to Approved Full Price Customers, Approved Off Price Customers, and Approved Distributors as permitted under Sections 4.1 and 4.2, and will not offer for sale or sell any Licensed Merchandise to or through any other customers, channels or outlets, including the internet, television, catalogs or specialty retail or outlet stores other than those operated by Licensor, Juicy Couture, Inc. or LCI or their affiliates or international retail licensees.

4.6 Licensee is permitted to enter into arm's length agreements with Juicy Couture, Inc.'s sales representatives to solicit orders of Licensed Merchandise on behalf of Licensee.

4.7 No Licensed Merchandise may be consigned to any retailer without the prior written approval of Licensor.

* CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT

5. ORGANIZATION. Licensee will at all times employ such competent and qualified personnel as are necessary to fulfill its obligations under this Agreement. Without limiting the foregoing, Licensee will employ individual(s) in the position(s) set forth in Schedule 5, each with an appropriate staff and each of whom will work exclusively for the business licensed hereunder. The hiring of the Brand President and the Director of Product Development is subject to the prior approval of Licensor, which approval will not be unreasonably withheld or delayed, and such persons will at all times be acceptable to Licensor in its reasonable commercial judgment and will be located in the United States. Licensee will make all of its personnel available by appointment during normal business hours for consultation with representatives of Licensor.

6. STANDARDS AND QUALITY; MERCHANDISE APPROVALS.

6.1 (A) Licensee acknowledges that the Licensed Mark(s) and names of Juicy Couture, Inc., Licensor and LCI have established prestige and goodwill, are well recognized in the mind of the trade and the public, and have a reputation for high standards and quality. Licensee will maintain the LCI Standards in all of its operations under this Agreement. Licensee and its affiliates, subcontractors, suppliers and distributors will comply with the Standards of Engagement.

(B) All items of Licensed Merchandise will reflect the LCI Standards and the general lifestyle themes and concepts as expressed by Licensor to Licensee from time to time. Included within each collection will be, at minimum and as directed by Licensor (i) a number of items of Licensed Merchandise which specifically coordinate and are capable of being cross-merchandised with specific products bearing the Licensed Mark(s), and (ii) an appropriate mix of fashion and basic items which will include a reasonable number of styles, which styles will reflect diverse fabrications and styling, all as mutually agreed upon by the parties in advance for the collection to be competitive and complete.

(C) Licensee will use all technology and techniques available to Licensee for embodiment within Licensed Merchandise to the extent such use is commercially reasonable. Licensee will provide Licensor with a description of Licensee's research and development capacities, processes, new product constructions, designs and materials and the most up-to-date information (whether or not proprietary). Such description must be of sufficient detail to allow Licensor to make an informed decision about viability for use in connection with Licensed Merchandise and must be provided to Licensor as soon as reasonably practical in the course of development, but in any event, in sufficient time for Licensor and Licensee to be able

to incorporate at least simultaneously with any commercial use in the Territory by Licensee or any affiliate for itself or any third party, such research and development into Approved Licensed Merchandise in a manner consistent with high quality products, so that Licensor is assured of having the option of having any new or improved product, technology or technique available to Licensee embodied in Licensed Merchandise. Such information will be deemed to be confidential information under Section 14. Upon termination of this Agreement, Licensee will provide Licensor access to, and the right to use, any technical information necessary for Licensor to continue the manufacture of any item of Licensed Merchandise.

6.2 (A) By written notice to Licensor (a "Product Proposal Notice"), Licensee will propose to Licensor a line of Merchandise for each selling season to be manufactured and sold as Approved Licensed Merchandise hereunder. Each Product Proposal Notice will set forth a proposed Line Opening Date which will not be less than twelve (12) months after the date of the applicable Product Proposal Notice. Licensee will provide Licensor with such additional information with respect to the matters referred to in any Product Proposal Notice (including marketing studies and the like) promptly upon Licensor's request. Not less than twelve (12) months prior to the Line Opening Date proposed in a Product Proposal Notice, Licensee will provide Licensor with the following: (i) a program of suggested, broad design themes and concepts ("Merchandise Concepts"), which will include such items as coloration, materials, sketches, hardware, trim and other Specifications (as defined below), for items of Merchandise proposed for inclusion within the relevant seasonal collection which Licensee believes may be appropriate for manufacture and sale as Licensed Merchandise hereunder; (ii) a program of suggested design themes and concepts with respect to Packaging (as defined below) for items of Merchandise for which Merchandise Concepts are being supplied ("Design Concepts"); and (iii) a production calendar setting forth the timing for approval of Merchandise Concepts, Design Concepts, Initial Samples and Final Samples, assuming completed production by the Line Opening Date, and providing Licensor sufficient time to provide comments thereon and which shall be consistent with the product calendar attached hereto as Schedule 6.2(a). Each such presentation of Merchandise Concepts will include concepts and related materials for a complete lifestyle range of Merchandise reflecting the Licensor's brand lifestyles and shall include concepts and related materials sufficient in number to enable Licensee to produce sufficient styles and SKUs of Approved Licensed Merchandise to meet the sales volume projections contained in its then current Business Plan, and the applicable Sales Minimum (as hereinafter

defined). The Merchandise Concepts and Design Concepts will be embodied in verbal, written and pictorial descriptions and presentation materials, including storyboards, together with any other sketches and materials as Licensee deems appropriate and shall be subject to Licensor's approval.

(B) At any time or from time to time, Licensor may, in its sole discretion by notice to Licensee, advise Licensee that Licensor desires a particular item or items of Merchandise to be manufactured and sold as Approved Licensed Merchandise hereunder, and Licensee will use all commercially reasonable efforts to incorporate any such item into the line of Licensed Merchandise.

(C) Promptly after Licensor's receipt of Merchandise Concepts and Design Concepts, appropriate representatives of Licensor and Licensee shall meet at such place in the Los Angeles metropolitan area as the parties designate, to confer thereon and on any of Licensor's proposed designs. The parties will make such modifications thereon as may be required to meet Licensor's initial approval with respect thereto.

(D) Licensee will, as soon as is practicable but in no event less than one (1) month prior to the appropriate Line Opening Date, prepare and present to Licensor, or its designee, at such place as Licensor may in its discretion designate, at Licensee's sole cost and expense, an initial sample ("Initial Sample") in respect of each Design Concept and Merchandise Concept approved by Licensor under Section 6.2(a). All Initial Samples are subject to Licensor's approval. Licensor and Licensee will make their appropriate representatives available to meet, at such place in the Los Angeles metropolitan area as the parties designate, promptly after Licensor's receipt of Initial Samples, to confer with respect to Licensee's presentation of Initial Samples, and Licensee will make such modifications therein as may be required to meet Licensor's initial approval with respect thereto. Revised Samples will be submitted for Licensor's approval at least one (1) week prior to the Line Opening Date.

(E) As used herein "Final Sample" means and includes a Sample of an item of Licensed Merchandise for which an Initial Sample or Revised Sample has been approved by Licensor (or a Sample provided by Licensor to Licensee under the provisions of Section 6.3 hereof), which shall embody all of the specifications (the "Specifications"), including the workmanship, quality, design, dimensions, styling, detail, material, colors and the like, as are to be used in the actual commercial production of each item of Approved Licensed Merchandise to be based on said Final Sample.

(F) Licensor's approval of the Final Samples for all items of Licensed Merchandise will be evidenced by a written list, duly signed by a representative of Licensor, setting forth those Samples which have been approved for production. Samples so approved will be deemed "Final Samples" in respect of such collection. Approval of any and all Samples as Final Samples is in the sole discretion of Licensor. Licensor will respond as promptly as reasonably practicable (and in any case within twenty (20) days from submission) to any written request from Licensee for approval of a Sample; any such request must be addressed to the attention of such person and at such address as Licensor may, from time to time, designate (any change thereon to be effective only in accordance with Section 20 hereof). Any such approval will continue in effect indefinitely thereafter, provided that any such approval may be withdrawn by Licensor upon not less than six (6) months prior written notice to Licensee, and any inventory of Licensed Merchandise manufactured prior to the effective date of the withdrawal of approval may be sold as closeouts as set forth in Section 4.2 hereof.

(G) In the event that Licensor rejects a particular Sample or Samples, Licensor will notify Licensee of its reasons for rejection and provide Licensee with suggestions for modifying the rejected Sample(s). Licensee will, as promptly as practicable, correct said Sample(s), resubmit said Sample(s) to Licensor and seek Licensor's approval under the same terms and conditions as set forth with respect to the first submission of such Samples.

6.3 Licensor may provide Licensee with a Sample in respect of any item or items of Licensed Merchandise. Such Sample will, for all purposes, be deemed a Final Sample hereunder unless Licensee and Licensor mutually agree to the contrary within twenty (20) days after the date of Licensee's receipt thereof.

6.4 Licensee will use its best efforts, through the submission of a sufficient number of Merchandise Concepts, Design Concepts and Initial Samples, and otherwise, to assure that the offering of Licensed Merchandise is at all times substantially competitive with the Merchandise offerings of other fashion brands.

6.5 Licensee will present for sale, through showings of each collection to the trade and otherwise, all items of Licensed Merchandise in respect of which Final Samples have been approved by Licensor, in accordance with the terms hereof. Licensee will use all commercially reasonable efforts to

promote the sale and distribution of all items of Licensed Merchandise in respect of which Final Samples have been approved by Licensor, in accordance with the terms hereof.

6.6 The Approved Licensed Merchandise manufactured and sold by Licensee will strictly adhere, in all respects, including with respect to the Specifications therefore, to the Final Samples therefore approved by Licensor.

6.7 All Licensed Merchandise manufactured by or on behalf of Licensee will be suitable for its intended use and will not be designed or produced so as to be inherently dangerous. Without limiting the foregoing, (i) no Licensed Merchandise shall contain or be packaged in any injurious, poisonous, deleterious or toxic substance or material, (ii) no Licensed Merchandise will be adulterated or mislabeled, and (iii) all Licensed Merchandise and all manufacturing methods used to produce the same will meet or exceed all applicable industry and governmental standards established in respect of safety. Licensee will assure that all laws, statutes, rules, regulations, and industrial or governmental standards and requirements, now in force or hereafter adopted, which may be applicable to the manufacture, advertising, merchandising, promotion, importation, sale and distribution of Licensed Merchandise, will be strictly observed and complied with, notwithstanding the fact that Licensor may have expressly or implicitly approved any item or conduct with respect thereto. Licensee will at its own cost do such testing of Licensed Merchandise as may be required under applicable law or as is customary and standard in the industry, including quality testing. Licensee will supply Licensor, promptly after request from time to time, with (i) results of any testing of Licensed Merchandise performed by Licensee, (ii) copies of all certifications, if any, provided by all manufacturers and importers of Merchandise, and (iii) a copy of Licensee's warranty with respect to the Licensed Merchandise. Costs and expenses relating to any testing expressly required by Licensor will be shared equally by Licensor and Licensee; provided, however, that if any such test results or if the results of any other testing performed by Licensee indicates that any tested Merchandise does not comply with the provisions of this paragraph, Licensee will (A) forthwith pay all costs and expenses incurred in connection with such testing, and (B) pay all expenses of any additional testing which Licensor reasonably requests during the two (2) year period following the date on which Licensor received the results of the test indicating said sub-standard performance. Without limiting the foregoing, all Licensed Merchandise produced hereunder must comply with all reasonable standard of quality guidelines formulated by Licensor from time to time and with all applicable statutes, rules and

regulations. Without limiting the foregoing, Licensee must complete and submit to Licensor the Licensee Procedures Checklist attached as Schedule 6.7 within thirty (30) days of the end of each Contract Year.

6.8 Licensee will furnish Licensor, free of charge, with the following for each of the five (5) lines developed each year hereunder: (i) two (2) complete sets of production samples (which may be without moving parts) for Licensor's London and New York showrooms; (ii) five (5) timepieces of their choice for each of the co-presidents of Juicy Couture, Inc. (ten (10) timepieces total); and (iii) a reasonable number of timepieces for celebrity placement.

6.9 Licensor has, subject to the notice provision set forth in Section 6.2(f), the continuing right of approval of all items of Licensed Merchandise, including the Specifications therefor, to ensure that all Licensed Merchandise manufactured, sold or distributed is (i) in compliance with the Final Samples therefore; (ii) of the highest quality at its price points; (iii) consistent with the LCI Standards, and (iv) otherwise in accordance with the terms of this Agreement. In connection with the production of Licensed Merchandise, Licensee will use only such materials as Licensor will have previously approved. Licensed Merchandise manufactured and sold by Licensee shall strictly adhere in all respects to the Specifications, the LCI Standards and the production standards approved by Licensor.

6.10 In the event that any Licensed Merchandise is not being manufactured or sold in accordance with the provisions hereof, Licensor may notify Licensee thereof in writing, and Licensee will, as promptly as practicable, take such action with respect thereto as Licensor deems appropriate including, if reasonably requested, the immediate recall of such items of Merchandise from Licensee's customers and ultimate consumers for inspection and/or destruction.

6.11 Licensor and its representatives have the right, upon reasonable advance notice to Licensee and during normal business hours, to inspect at Licensor's expense all facilities utilized by Licensee, its distributors, subcontractors, suppliers, agents and representatives in connection with the manufacture, sale, storage or distribution of Licensed Merchandise pursuant hereto and to examine Licensed Merchandise in process of manufacture or storage and when offered for sale within Licensee's operations. Licensee hereby consents to Licensor's examination of Licensed Merchandise held by its customers for resale. To the extent such manufacturing and selling facilities are not owned or controlled by Licensee, Licensee will use all commercially reasonable efforts to permit the representatives of Licensor to make such inspections. Licensee

will use its best efforts and will take all steps reasonably requested by Licensor to prevent or avoid any misuse of the Licensed Mark(s) by any of its distributors, contractors, suppliers or customers.

6.12 Licensee agrees that, from time to time, it may be appropriate for Licensor's representatives to visit Licensee's facilities or factories or to attend one or more appropriate major trade shows or retail events, and Licensee agrees to reimburse Licensor for Licensor's expenses incurred with respect to such travel which are approved in advance by Licensee or which are at the request of Licensee.

6.13 All Samples whether made by Licensee or under its authority, will be Licensor's property, and Licensee will surrender all Samples to Licensor immediately upon the expiration or termination of this Agreement or sooner if Licensor requests.

6.14 Licensor acknowledges that Licensee employs quality standards for Licensed Merchandise manufactured by it and Licensor agrees that in designing and developing Licensed Merchandise, it will take such standards into account. However, in the event of a conflict between Licensor's design standards and requirements as embodied in the Specifications and Licensee's normal quality standards, Licensor's design standards and requirements will prevail to the extent such standards and requirements are not contrary to any applicable law, code, rule or regulation.

6.15 Licensee will reimburse Licensor for all costs associated with design/product development, including, but not limited to, purchase of designs/timepieces from third parties and travel and hotel expenses associated therewith which are pre-approved by Licensee or which purchases are made at the request of Licensee and only to the extent that the purchases are not returned to Licensor.

6.16 It is specifically understood and agreed that all approvals under this Agreement by Licensor will be made only by one of the co-presidents of Juicy Couture, Inc. or a designated alternate.

7. ADVERTISING AND MARKETING; SHOWROOM AND TRADE SHOWS

7.1 (A) Prior to the "launch" of the initial collection of Licensed Merchandise, and as soon as practical after the execution of this Agreement, Licensee will submit for Licensor's approval an introductory marketing plan stating anticipated sales volume, accounts, product positioning, advertising and promotional support and such other relevant information as Licensor may reasonably request. Further, in addition to the advertising described below, Licensor and Licensee will endeavor to agree upon the manner and media to be utilized in advertising and promoting and staging the launch; provided, however, that

Licensor's decision is final.

7.2 Licensee will spend at least the amounts set forth in Schedule 7.2 on national advertising, marketing and cooperative advertising.

7.3 (A) In recognition of the importance of advertising in developing and projecting the image of the Licensed Mark(s) and in enhancing the sales of Approved Licensed Merchandise, Licensor will conduct a program for all products bearing the Licensed Mark(s) (the "Image Program"). Licensor will develop and control the creative components of all advertising and related promotional material (including all publicity, whether through media placement or "events") to be used in the Image Program. Licensor will determine the media to be used for advertisements and the advertising agency(ies) to be used and all national (including for purposes of this paragraph Licensor-placed regional and local) advertisements will be placed by Licensor. The Image Program will include all of the activities undertaken by Licensor to develop and promote the Licensed Mark(s).

(B) In connection with the Image Program for the Licensed Mark(s), in each Contract Year, Licensee will pay to Licensor the amount set forth on Schedule 7.3 (the "Image Fund Payment") as a contribution towards the program.

(C) The Image Fund Payment will be used by Licensor for purposes of advertising and promoting the Licensed Mark(s) and Approved Licensed Merchandise. However, if Licensor elects to do brand advertising on television, Licensor may apply up to one-half (1/2) of the Image Fund Payment for such purpose.

(D) The Image Fund Payment will be computed and invoiced quarterly at the beginning of each of Licensor's fiscal quarters, and will be payable within twenty (20) days of the date of such invoice. The Image Fund Payment is in addition to any other monies payable hereunder and will not be credited against and/or recoupable from any amounts otherwise payable to Licensor hereunder.

7.4 Licensee will prepare and present to Licensor an annual marketing program with respect to Licensed Merchandise for each Contract Year no later than December 1 of the preceding Contract Year. Such program will be subject to the approval of Licensor. Appropriate representatives of Licensor and Licensee will meet, at such place in the Los Angeles metropolitan area as the Licensor designates, to confer on such marketing program, and Licensee will make such changes therein as are necessary to obtain

Licensor's approval thereof.

7.5 (A) Licensee's marketing program for Licensed Merchandise will at all times adhere to the philosophy of Licensor, as from time to time expressed to Licensee. Licensee will at all times maintain the prestige and goodwill of the Licensed Mark(s) and the names of Licensor, Juicy Couture, Inc. and LCI. Without limiting the foregoing, Licensee will not, without the express prior written consent of Licensor, sell or distribute any Licensed Merchandise in combination sales, as premiums or "give-aways", or pursuant to other similar methods of merchandising (including "gift-with-purchase" and "purchase-with-purchase" programs), and will not sell or distribute any other item or product in connection with Licensed Merchandise (any such other items or products being herein referred to as "Promotion Products"). In the event that Licensor consents to the sale or distribution of Promotion Products, such consent may provide that for purposes of determining Gross Sales (as defined below) hereunder for purposes of royalty calculations only, Promotion Products will be deemed Licensed Merchandise hereunder.

(B) Licensee will adhere to the LCI Standards in all of its trade advertising, promotional and business materials (including signs, phone listings, order forms, labels, boxes, receptacles, business cards, adornments, tags and letterhead), all collateral and promotional products and material, all visual merchandising materials of any kind, including in-store fixtures, and all Packaging for all items of Licensed Merchandise, and will not employ or otherwise release any of same, including any advertisement or collateral support materials relating to any Licensed Merchandise (such as, by way of example but not by way of limitation, standard types of advertisements in the form of "slicks" or otherwise), unless and until Licensee has made a request for approval in writing, and Licensor has consented to same in writing, such approval to not be unreasonably withheld or delayed. Licensee will cause to appear on all advertising and business materials and Packaging used in connection therewith, such legends, markings and notices as Licensor may from time to time require. Approval or disapproval of any proposed use of a Licensed Mark(s) shall be given by Licensor as promptly as reasonably practicable after receipt of Licensee's written request in connection therewith, but in all cases within twenty (20) business days after actual receipt by Licensor of Licensee's request; if neither approval nor disapproval has been given within such time, approval will be deemed to have not been given. Any such approval will continue in effect indefinitely thereafter, provided that any such approval may be withdrawn by Licensor upon not less than three (3) months' prior written notice to Licensee.

Licensee must obtain prior express written approval for any use of the Licensed Mark(s) not expressly approved in advance by Licensor. Licensee will, at the commercially reasonable request of Licensor, include in its business materials an indication of the relationship of the parties hereto in a form approved by Licensor. All right, title and interest in and to all advertising and promotional programs and material with respect to Licensed Merchandise is and will remain the sole and exclusive property of Licensor, regardless of the origin of such programs and materials.

(C) All cooperative advertising whereby Licensee provides a retailer a contribution toward the cost of an advertisement for Approved Licensed Merchandise, whether Licensee's contribution be in the form of an actual monetary contribution, credit or otherwise, will be subject to the prior approval of Licensor under the same terms and conditions as apply to advertising and promotional materials prepared by or to be used by Licensee pursuant to Section 7.5(b); provided, however, that in the event that Licensee is not as a matter of practice given an opportunity to review the cooperative advertising copy or format prior to publication due to time constraints, then Licensee will notify Licensor, in advance, of those retailers with whom it does cooperative Licensed Merchandise advertising and/or promotion, and Licensee or Licensor, at Licensor's sole election, shall notify the named retailer of the terms of this Agreement which pertain to the said advertising or promotional materials and advise that any cooperative Licensed Merchandise advertising or promotion must comply herewith. Licensee will suspend its cooperative advertising of Licensed Merchandise with any retailer to which Licensor objects or any retailer who fails to comply with the provisions of this Section 7.5.

(D) Licensee will furnish Licensor with an accounting on an annual basis on December 31 of each Contract Year, reconciling the amount actually spent by Licensee on all advertising and marketing, including cooperative advertising (broken down by customer), in-store fixturing and other marketing collateral compared with the budgeted amounts, which accounting shall be delivered to Licensor within forty-five (45) days of the relevant date.

7.6 Licensee may use its own in-house or any third party agency or agencies in connection with the development of the creative portion of any consumer and trade advertisements of Licensed Merchandise ("Trade Materials") which agency is subject to the prior written approval of Licensor, which will not be unreasonably withheld. Notwithstanding the foregoing, in the event that Licensor determines

in its reasonable discretion that Licensee's use of its own or any third party advertising agency is no longer acceptable, then Licensee will use Licensor's in-house creative team to work on marketing and collateral. Except in circumstances where pooling of advertising buys, in Licensor's determination, is practicable, the placement of such advertising will be the responsibility of Licensee, need not be committed through the Agency and may be placed through any other advertising agencies chosen by Licensee, but the schedule for such placement is subject to the prior approval of Licensor. Licensee will pay for any material and services supplied by the Agency, in amounts mutually determined by Licensee and the Agency and approved by Licensee, in its reasonable business judgment, prior to commencement of the project. With respect to all financial arrangements between Licensee and any outside Agency, Licensee will deal directly with the Agency, without any involvement or responsibility on the part of Licensor. Notwithstanding anything to the contrary herein, payment made to the Agency for advertising materials and advertising fees during a Contract Year will be credited against the expenditures required under Section 7.2 or 7.3 (as appropriate) for such Contract Year. No other in-store fixturing, visual merchandising, collateral or marketing support material may be used by Licensee in connection with Licensed Merchandise without Licensor's express prior written consent, which shall not be unreasonably withheld or delayed.

7.7 Licensee and Juicy Couture, Inc. shall negotiate in good faith an arm's length agreement with respect to Licensee's use of showroom space at Juicy Couture, Inc.'s showrooms during market.

7.8 Licensee will arrange for a dedicated space in Licensee's booth or a booth (if such dedicated space in the Licensee's booth is not available) at such national and regional trade shows as Licensee and Licensor, from time to time, shall mutually deem appropriate, at which booth (or space within Licensee's booth) Approved Licensed Merchandise (and no other Merchandise) will be displayed as set forth herein, such booth to be staffed with at least one (1) sales person who shall have responsibility solely for the promotion and sale of Approved Licensed Merchandise The location and design of any such booth (or space within Licensee's booth) is subject to Licensor's prior written approval.

8. GUARANTEED MINIMUM ROYALTIES.

8.1 Licensee will pay to Licensor for each Contract Year a guaranteed minimum royalty as provided in Section 8.2 below as a non-refundable advance against Sales Royalties (defined below)

payable to Licensor hereunder in respect of Net Sales made in the Territory for each Contract Year during the Initial Term and any Renewal Term. No credit shall be permitted against the Guaranteed Minimum Royalties paid or payable in respect of any Contract Year on account of Guaranteed Minimum Royalties paid or Sales Royalties paid or payable in respect of any other Contract Year. If the aggregate of all Guaranteed Minimum Royalties and Sales Royalties paid by Licensee to Licensor hereunder in respect of sales of Licensed Merchandise in respect of a Contract Year shall equal or exceed the Guaranteed Minimum Royalty for such Contract Year, then and in such event Licensee will not be obligated to make payment of any further installment of Guaranteed Minimum Royalty otherwise payable hereunder in respect of such Contract Year.

8.2 (A) The Guaranteed Minimum Royalty payable for each Contract Year will be as listed on Schedule 8.2.

(B) The Guaranteed Minimum Royalties for the First Contract Year will be paid as provided for on Schedule 8.2. Guaranteed Minimum Royalties payable for each subsequent Contract Year will be invoiced quarterly in advance in four (4) equal installments, which invoice will be due on the first day of each of Licensor's fiscal quarters during each Contract Year.

9. SALES ROYALTY.

9.1 (A) In consideration of the license granted hereunder the Licensee will pay to Licensor a sales royalty on all of Licensee's Net Sales of Licensed Merchandise for each Contract Year as set forth in Schedule 9.1 (the "Sales Royalty").

(B) The gross invoice price of any Licensed Merchandise sold by Licensee to any affiliate of Licensee is deemed, for the purposes of this Agreement, to be the higher of (i) the actual gross invoice price therefore; or (ii) Licensee's regular selling price for such Licensed Merchandise sold to unaffiliated parties similarly situation in the distribution chain, and will be deemed sold at the earlier of the invoice date or delivery date.

9.2 The Sales Royalty shall be accounted for and paid quarterly within twenty (20) days after the last business day of each fiscal quarter. The Sales Royalty payable for any quarter will be less any amounts paid at the beginning of such quarter pursuant to Section 8.2(a).

10. SIGN-ON FEE: Licensee shall pay the sign on fee set forth in Schedule 10, on the date set forth in Schedule 10.

11. STATEMENTS AND FINANCIAL INFORMATION.

11.1 (A) Licensee will prepare, and at all times maintain at its principal executive offices, true, correct and complete separate books of account and records reflecting all transactions and operations within the scope of this Agreement, in accordance with generally accepted accounting principles.

(B) Licensee will prepare and furnish to Licensor a financial statement of operations with respect to the Licensed business, in form and scope satisfactory to Licensor and certified as accurate by a senior financial officer of Licensee, for each quarterly period ended the last day of March, June, September and December in each Contract Year, which will be furnished to Licensor within twenty (20) days after the end of each such period. With respect to each Licensed Mark, the statement will provide the following information by month concerning the calculation of the amount payable for the period covered by the statement (the "Reporting Period"): (a) the Gross Sales of all Licensed Merchandise shipped during the Reporting Period by Category and SKU; (b) the amount of any approved deductions from Gross Sales by Category and SKU; (c) the Net Sales by Category and SKU for such period; (d) the amount of Sales Royalty earned hereunder on said Net Sales for the Reporting Period; (e) the total amount of the Sales Royalty earned in the current Contract Year (including Sales Royalty earned in the Reporting Period); and (f) the amount of Sales Royalty payable this Reporting Period after deduction from the amount shown in (e) of the amount of the Guaranteed Minimum Royalty and Sales Royalty actually paid in the current Contract Year. The amount payable for the Reporting Period will be the aggregate of the amount calculated in accordance with the preceding sentence and the amount of the Image Fund Payment due hereunder for the Reporting Period. In addition, each such statement will include Off-Price Sales by Category and SKU, export sales and sales by style, customer, door, and country and such other information as Licensor may reasonably request. In addition, by February 15th of each Contract Year, Licensee will submit to Licensor a similar statement with respect to the preceding Contract Year.

(C) Licensee will submit to Licensor within fifteen (15) days after the end of each month a report setting forth Gross Sales of Licensed Merchandise for such month by Category, store, door and SKU.

11.2 If the payment of any Guaranteed Minimum Royalties or Sales Royalties hereunder is delayed for any reason, interest will accrue on the unpaid principal amount of such payment at the prime rate

(as defined) plus five (5%) percent (the "Default Rate"). The "prime rate" shall be as published from time to time by The Chase Manhattan Bank, N.A. in New York City, adjusted each January 1 and July 1, to reflect the prime rate in effect at each such date, each such adjusted rate to apply for the six (6) months immediately following such adjustment.

11.3 Licensee's books and records of account, together with any relevant supporting materials relating to the Licensed Merchandise or Licensee's obligations hereunder, will be available for inspection and copying (at Licensor's expense) and audit by Licensor or its agents at all reasonable times, upon reasonable prior notice, for the duration of this Agreement and for four (4) years thereafter. Any audit by Licensor will be made by Licensor at its own expense; provided, however, that if any examination by Licensor reveals an underpayment by Licensee in Sales Royalties payable to Licensor for any quarterly period, Licensee will forthwith pay any such deficiency, together with interest thereon from the original due date at the Default Rate; provided, further, that if such underpayment is in an amount equal to or greater than two (2%) percent of the amount originally paid by Licensee in respect of such period, Licensee will also pay all costs and expenses incurred by Licensor in connection with such examination; and if such underpayment is five (5%) percent or more of the amount originally paid by Licensee with respect of such period, such underpayment will constitute an event of default under Section 3.3(a) of this Agreement; and if two (2) such underpayments of Sales Royalties occur, the second of such underpayments will be an event of default under Section 3.3(a) without any opportunity to cure such default.

11.4 All payments required hereunder will be made in United States dollars by check or in immediately available funds by wire transfer to the account of Licensor in accordance with such instructions as Licensor may, from time to time, provide Licensee. In the event that any sale of Licensed Merchandise is paid in a foreign currency, then, for the purpose of computing Net Sales, the amount of any such sale will be converted to United States dollars at the buying site rate for United States dollars published by The Chase Manhattan Bank, N.A. in New York City as in effect on the last business day of the period in respect of which the payment of Sales Royalties in respect of such sale is to be calculated.

11.5 Licensee will deliver to Licensor (i) within ninety (90) days after the end of each fiscal year of Licensee, an audited consolidated balance sheet of Licensee as at the end of such fiscal year, together with an audited consolidated statement of the results of operations and cash flows of Licensee during such

fiscal year, all of which financial statements will be externally prepared and reviewed in accordance with generally accepted accounting principles and certified by a nationally recognized and certified accounting firm in good standing; and (ii) within forty-five (45) days after the end of each fiscal quarter of Licensee, other than the fourth fiscal quarter, unaudited consolidated balance sheets as at the last day of such quarter, together with an unaudited consolidated statement of its results of operations for such period, all of such financial statements will be prepared in accordance with generally accepted accounting principles. Each such delivery of financial statements will be accompanied by a certificate of the senior financial officer of Licensee certifying that no default on the part of Licensee under this Agreement has occurred, and certifying that all such statements have been prepared in accordance with generally accepted accounting principles and fairly present the financial position of Licensee at the end of such period reported therein and the results of operations and cash flows for the periods covered thereby. Licensor will have the opportunity to discuss all such financial statements and accompanying materials with Licensee, and Licensee and its accountants will provide Licensor with any such information Licensor reasonably requests in connection with this paragraph. So long as Licensee or its ultimate parent is a publicly traded, SEC reporting company, the foregoing obligations in this Section 11.5 shall not apply.

11.6 Licensee will make available to Licensor, upon request, any marketing plans, reports and information which Licensee may have from time to time with respect to Licensed Merchandise.

11.7 Licensee will pay punctually and discharge when due, or renew or extend prior to default, in the ordinary course of business, any indebtedness heretofore or hereafter incurred by Licensee and discharge, perform and observe any covenants, provisions and conditions required to be discharged, performed and observed in connection therewith or in connection with any agreement relating thereto except (i) when such indebtedness is subject to a bona fide dispute; or (ii) with respect to indebtedness constituting in aggregate, less than Two Hundred Fifty Thousand Dollars and 00/100 ($250,000.00).

11.8 (A) Licensor hereby covenants and agrees that it will, at all times during the Initial Term and any Renewal Term, be capitalized in such a manner sufficient to satisfy all of its obligations (financial and otherwise) under this Agreement.

(B) Notwithstanding the foregoing, and without in any way limiting or restricting Licensor's right to terminate this Agreement upon default as hereinabove provided, which rights shall remain

absolute, if Licensee's financial covenant set out in paragraph 11.9(a) hereof shall fail to be maintained, performed or observed, then and in such event the then current term of this Agreement will be deemed to terminate, without further notice or action on the part of any person, on the date which is four (4) months after the first date on which such failure occurred, provided that any such failure (is then continuing, unless Licensor shall, in its discretion, waive such termination, in writing, specifically referring to this paragraph.

11.9 Licensee covenants and agrees it will not default on any of its significant loan agreements. Licensee will notify Licensor in writing immediately upon the earlier of (i) its receipt of any notice of default received from any significant lender or creditor of Licensee; or (ii) when it becomes aware that it is in default. Licensee will provide Licensor with authorization, on a quarterly basis, to communicate with Licensee's significant lenders and creditors regarding Licensee.

11.10 Licensee agrees that any loans by the principals or shareholders of Licensee to Licensee will be subordinated to Licensee's financial obligations under this agreement. So long as Licensee or its ultimate parent is a publicly traded, SEC reporting company, the foregoing obligations in this Section 11.10 shall not apply.

12. EFFECT OF EXPIRATION OR TERMINATION.

12.1 (A) Upon the expiration or termination of this Agreement (whether by reason of the expiration of the term of this Agreement, by earlier termination of this Agreement pursuant to Article 3 hereof or otherwise), except to the extent specifically otherwise provided in this Article 12, all rights of Licensee hereunder will terminate and revert automatically to Licensor, and neither Licensee nor any of its receivers, representatives, trustees, agents, successors or assigns (by operation of law or otherwise) will have any right to manufacture, exploit, advertise, merchandise, promote, sell, distribute or deal in or with Licensed Merchandise, and Licensee and all of its assignees, successors or assigns (by operation of law or otherwise) will forthwith discontinue all use of the Licensed Mark(s) and any derivation, component, variation or simulation thereof, or any mark confusingly similar therewith, and all references thereto or hereto, and all Merchandise Concepts, Design Concepts, Packaging, Merchandise, Intellectual Property, sketches, designs, colorways, Samples and labels provided or employed hereunder, including any modifications or improvements thereof, and any patents, trademarks, copyrights, trade names and other proprietary rights in connection therewith, all of which will revert to Licensor without any action by any Person and without any payment of consideration of

any kind to Licensee, and Licensee hereby irrevocably releases and disclaims any right or interest in or to any and all of the foregoing.

(B) Licensee will, within twenty (20) days after the date any party notifies the other of its desire to terminate or not extend the Agreement (the "Termination Notice") deliver to Licensor, separately for each Licensed Mark the following: (i) a complete list of Licensee's then current accounts for Licensed Merchandise and, for each account, Net Sales by Category for the last-completed Contract Year, indicating regular price and off-price sales; (ii) a list of each style, indicating total Net Sales dollars and units for the last-completed Contract Year, as well as Licensee's published list price and suggested retail price, if any; (iii) a list of the "top 20" selling styles for the last completed Contract Year, and two (2) samples of each. All information shall be stated separately with respect to each Licensed Mark and Category. Contemporaneously with the delivery of such information Licensee will also deliver a complete and accurate schedule of Licensee's inventory of Licensed Merchandise and, to the extent available, related work in process and materials then on hand, in the possession of contractors and in transit including non-cancelable orders identifiable to Merchandise bearing the Licensed Mark(s) (hereinafter referred to as "Inventory"). The Inventory schedule shall be prepared as of the close of business on the date of such Termination Notice. Except as Licensor may otherwise agree, all cancelable orders for Licensed Merchandise and/or related materials shall promptly be canceled.

(C) The provisions of this Section12.1 shall take precedence over any conflicting provision of this Agreement. In addition, Licensee will execute any instruments requested by Licensor which Licensor, in its sole discretion, deems necessary, proper or appropriate to accomplish or confirm the foregoing. Any such assignment, transfer or conveyance shall be without consideration other than the mutual agreements contained herein.

12.2 If, upon the expiration or termination of this Agreement (whether by reason of the expiration of the stated term of this Agreement, by earlier termination of this Agreement pursuant to Article 3 hereof, or otherwise), Licensee (or any subcontractor, supplier or distributor of Licensee) has on hand any finished inventory of Licensed Merchandise (or components thereof), Licensor will have the option (herein called the "Inventory Purchase Option") to purchase all or any part of Licensee's (or any such subcontractor's, supplier's or distributor's) inventory (and any components thereof) of Approved Licensed Merchandise which is

completed and which remains on hand at such expiration or termination date and which is not subject to written orders received from customers on the date of termination or expiration of this Agreement, for an aggregate purchase price equal to the lower of wholesale cost or market. Any Licensed Merchandise on hand which at no time constituted Approved Licensed Merchandise will be destroyed or the Licensed Marks obliterated therefrom. Such purchase will be f.o.b. point of shipment. The Inventory Purchase Option may be exercised, in whole or in part, by Licensor within twenty (20) days after receipt by Licensor of Licensee's written statement referred to in Section 12.1 ("Purchase Option Period"), and the purchase price will be paid and inventory delivered within thirty (30) days after such exercise. Licensor may offset the purchase price against any payment due from Licensee. Upon termination of this Agreement, at the request of Licensor, Licensee will assign to Licensor any options it has under any then existing distributorship agreements to purchase inventory of Licensed Merchandise then held by any such distributor.

12.3 Licensee may complete (but only in accordance with the terms and conditions of this Agreement) production of Approved Licensed Merchandise which is in process, or for which written orders have been received from customers, all as of the date of termination or expiration of this Agreement (whether by reason of the expiration of the stated term of this Agreement, by earlier termination of this Agreement pursuant to Article 3 hereof or otherwise). Notwithstanding anything to the contrary contained herein, upon completion of the production of any Licensed Merchandise in accordance with the provisions of this Article12, such Approved Licensed Merchandise will be deemed subject to an Inventory Purchase Option, to the extent and as set forth in Section12.2 hereof, except that (a) Licensee will present Licensor with a written list on the last day of each week during which it is completing such production, setting forth the Licensed Merchandise completed during such week; and (b) each applicable Purchase Option Period will commence upon Licensor's receipt of each such list.

12.4 If and to the extent that the Inventory Purchase Option is not exercised in full with respect to all Licensed Merchandise subject thereto, and if Licensee is not in default under this Agreement, Licensee may use the Licensed Mark(s) ("Royalty Option") in connection with the sale of Approved Licensed Merchandise as to which an Inventory Purchase Option was not exercised for the six (6) month period immediately following the expiration of the applicable Purchase Option Period, provided Licensee fully complies with the provisions of this Agreement in connection with such disposal. Licensee will be obligated to

continue to pay Licensor the Sales Royalty in respect of all of its sales of Licensed Merchandise made pursuant to the Royalty Option. The existence of the Royalty Option shall not affect any of the rights of Licensor hereunder. Upon the expiration of all Purchase Option Periods, or, if Licensee then has the Royalty Option, upon the expiration of the Royalty Option, Licensee will sell to Licensor at the lower of Licensee's cost or market, or, at Licensor's option, destroy, all material and other products in its possession or under its control incorporating the Licensed Mark(s), including all labels, tags, Packaging, containers, advertising and promotional material (but not including Approved Licensed Merchandise, labels, tags, Packaging, containers, advertising and promotional material, if any, in inventory at any of Licensee's outlet stores).

12.5 Notwithstanding any termination or expiration of this Agreement (whether by reason of the expiration of the stated term of this Agreement, by earlier termination of this Agreement pursuant to Article 3 hereof or otherwise), Licensor will have, and hereby reserves, all the rights and remedies which it may have, at law or in equity, including with respect to (a) the collection of royalties or other funds payable by Licensee pursuant to this Agreement; (b) the enforcement of all rights relating to the establishment, maintenance and protection of the Licensed Mark(s); and (c) damages for breach of this Agreement on the part of Licensee.

12.6 Notwithstanding anything to the contrary contained in this Agreement, Licensor will have the right, exercisable at any time commencing at such time as Licensee fails to renew this agreement in accordance with the terms hereof or notifies Licensor of its intention to not renew this Agreement or at any time commencing twelve (12) months prior to the termination (pursuant to Article 3 or otherwise) or the expiration of the then current term of this Agreement, to itself manufacture, advertise and promote Licensed Merchandise, and to negotiate and enter into agreements with third parties pursuant to which it may grant a license to use the Licensed Mark(s) in connection with the manufacture, advertising, promotion, distribution and sale of Merchandise, but only if the collections of such Merchandise are not shipped for sale prior to the expiration or termination date of the then current Term and the first collection of Merchandise to be sold thereunder is the collection following the last seasonal collection sold hereunder. Nothing herein contained will be construed to prevent Licensor or any such third party licensee from showing such Licensed Merchandise and accepting orders therefore prior to the termination hereof. Licensor will notify Licensee in writing of its intention to terminate the Agreement due to Licensee's default and/or the execution of any agreement granting

a license to use the Licensed Mark(s) in connection with the sale and manufacture of Articles in the Territory as described in this Section12.6.

13. NON-COMPETE.

13.1 (A) Licensee acknowledges that, in order to induce Licensor to enter into this Agreement and to grant Licensee the exclusive right, license and privilege to use the Licensed Mark(s) in connection with Approved Licensed Merchandise (all in accordance with the terms and subject to the conditions set forth in this Agreement), Licensee, among other things, has represented and warranted to Licensor that Licensee will devote a substantial portion of its time and energy and use all commercially reasonable efforts, through the adequate financing of Licensee's operations and business, in order that Licensee shall develop and maintain a substantial, permanent and expanding business in Approved Licensed Merchandise. Licensee further acknowledges that Licensor is expressly relying on the representations and warranties of Licensee herein in entering into this Agreement and thereby granting to Licensee the exclusive license herein granted. In order to confirm the scope and application of such representations and warranties, Licensee hereby covenants to and agrees with Licensor that, during the term of this Agreement, Licensee, its affiliates or subsidiaries, will not enter into, any business transaction or arrangement with respect to the manufacture, advertising, merchandising, promotion, sale or distribution of any Merchandise bearing or sold under or in association with the following brands(each a "Competing Brand"): *

(B) If Licensee contemplates entering into a license with a Competing Brand, Licensee will promptly inform Licensor and shall provide Licensor with sufficient information concerning the proposed transaction to enable Licensor to make an informed decision whether in its discretion, the nature of the proposed license or the parties participating therein would materially adversely impact upon or affect the Licensed Mark(s) or their use in connection with Licensed Merchandise or Licensee's ability to meet all of its obligations under this Agreement. Licensor will notify Licensee of its decision within twenty (20) business days after it receives all of the information referred to in the preceding sentence or such other additional information as Licensor may reasonably request. If Licensor approves the proposed license, which approval must be in writing, and the advertising/exploitation commitments under such license are greater than that provided for

* CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT

hereunder, this Agreement will automatically be deemed to increase the aggregate of the Image Fund Payment and the minimum advertising obligations (as set forth in Section 7) and the Sales Royalty to the amounts provided in such license for comparable periods of time. Licensee will notify Licensor promptly upon making any such other designer license agreement, including in such notice the identity of the designer and the advertising/exploitation commitment contained in said agreement.

14. INTELLECTUAL PROPERTY MATTERS.

14.1 (A) Licensor must approve in advance in writing all uses of the Licensed Mark(s). Licensee will not use a Licensed Mark(s) as part of a corporate name or as a trademark, servicemark or other commercial mark, in whole or in part, or in such a way so as to give the impression that the name of Licensor or LCI or the Licensed Mark(s), or any component, modification or variation of any of the foregoing, is the property of Licensee. No name, names, word or words will be conjoined or used by Licensee in connection with the Licensed Mark(s) without the prior written consent of Licensor, including in any Packaging, advertising, promotional or business materials or the like utilized by Licensee in connection with Licensed Merchandise.

(B) Licensor may from time to time promulgate written uniform rules and regulations relating to the manner of use of a Licensed Mark(s), which Licensee will, as promptly as practicable, adhere to in its operations hereunder.

14.2 Licensee acknowledges that each Licensed Mark has acquired a valuable secondary meaning and goodwill in the minds of the trade and the public, and that all Merchandise bearing a Licensed Mark has acquired a reputation of the highest quality and style. Licensee acknowledges that Licensor is the owner of all right, title and interest in and to each Licensed Mark in any and all forms or embodiments thereof, and is the owner of the goodwill attached to each Licensed Mark in connection with the business and goods in relation to which the same has been and may in the future be used. For the purposes of trademark registration, sales by Licensee of Licensed Merchandise shall be deemed to have been made by and for the benefit of Licensor. Licensee will exercise its best efforts throughout its operations under this Agreement to safeguard the prestige and goodwill of the Licensed Mark(s). Licensee will not, at any time, do or permit any third party with whom it has a contractual relationship with respect to the Licensed Merchandise, to do, or permit any of its affiliate to do, any act or thing which may, in any way, impair the rights of Licensor in and, or

which may affect the validity or depreciate the value of, the Licensed Mark(s) or their respective prestige or goodwill.

14.3 Licensee acknowledges that only Licensor may, at its own expense, file and prosecute a trademark application or applications to register a Licensed Mark or any component, derivation or variation thereof, for any items or services, including Licensed Merchandise or to file or protect any patent or copyright application with regard to any item of Licensed Merchandise. All such filings and prosecution must be done by Licensor only in its discretion.

14.4 Licensee will use the Licensed Mark(s) strictly in compliance with and observance of any and all applicable laws, rules, regulations, and ordinances and will use such markings in connection therewith as may be reasonably requested by Licensor. To the extent any rights in and to a Licensed Mark are deemed to accrue to Licensee pursuant to this Agreement or otherwise, Licensee hereby assigns any and all such rights, at such time as they may be deemed to accrue, to Licensor. Licensee will execute any and all documents and instruments reasonably requested by Licensor which Licensor may deem necessary, proper or appropriate to accomplish or confirm the foregoing. Any such assignment, transfer or conveyance will be without consideration other than the mutual agreements contained herein. Upon expiration or termination of this Agreement for any reason whatsoever, Licensee will forthwith execute and file any and all documents reasonably requested by Licensor terminating any and all trademark registrations, registered user agreements and other documents regarding the Licensed Mark(s). Licensor shall bear all expenses reasonably incurred in preparing and recording any and all such documents.

14.5 Licensee agrees, on behalf of itself, its affiliates and owners, never (i) to challenge the validity or ownership of any Licensed Mark or any application for registration thereof, or the trademark registrations thereof, in any jurisdiction; nor (ii) to contest the fact that Licensee's rights under this Agreement are (a) solely those of a manufacturer and distributor; and (b) subject only to the applicable provisions of Sections 12.2 and 12.3 hereof, terminate upon termination of this Agreement. The provisions of this Section 14.5 will survive any termination or expiration of the term of this Agreement.

14.6 In the event that any of Licensee's designs for Licensed Merchandise, or any advertising, Packaging or promotional material, may be made the subject of patent, trademark or copyright protection, Licensor will have the right, at its own expense, to file applications therefore and will be the

exclusive owner of such rights. Licensee will fully cooperate with Licensor in connection with any such activities.

14.7 Licensee will promptly notify Licensor of any infringement of the Licensed Mark(s), or any act of unfair competition by third parties relating to a Licensed Mark, whenever such infringement or act comes to Licensee's attention. After receipt of such notice from Licensee, Licensor may, in Licensor's discretion, take such action to stop such infringement or act as Licensor may deem necessary to protect the Licensed Mark(s). Licensee will cooperate fully with Licensor to stop any such infringement or act and, if so requested by Licensor, will join with Licensor as a party to any action brought by Licensor for such purpose. Licensor will have full control over any action taken, including the right to select counsel, to settle on any terms it deems advisable in its discretion, to appeal any adverse decision rendered in any court, to discontinue any action taken by it, and otherwise to make any decision in respect thereto as it in its discretion deems advisable. Licensor will bear all expenses connected with the foregoing, except that if Licensee desires to retain its own counsel, it may do so at its own expense. Any recovery as a result of such action will belong solely to Licensor. Licensee agrees that Licensor will have the sole power to take or omit to take legal or other action, before any court or governmental authority or otherwise, with respect to the protection of the Licensed Mark(s) against infringement or otherwise, and that if Licensor determines, in its discretion, that it would not be in the best interests of Licensor's business, viewed as a whole, to take any such action, Licensor may determine to omit from taking any such action, and Licensee hereby agrees to abide by any such decision.

14.8 ANTI-COUNTERFEITING CONTRIBUTION. Licensee shall contribute the amount set forth in Schedule 14.8 towards Licensor's anti-counterfeiting activities relating to the Licensed Merchandise (the "Anti-Counterfeiting Contribution"). Upon the request of Licensee, Licensor will provide reasonable documentation of its expenses for anti-counterfeiting activities related to the Licensed Merchandise. The Anti-Counterfeiting Contribution will be invoiced annually during the term, as set forth in Schedule 14.8.

14.9 Licensee hereby represents, warrants and covenants that Licensee will own or obtain, for the sole benefit of Licensor, prior to any use thereof, all rights (if any) in or to any designs sketches or components thereof, Packaging, advertising and artwork (such concepts and materials are collectively referred to as the "Merchandise IP") necessary or appropriate to enable Licensee to (a) manufacture and sell Approved Licensed Merchandise based on or embodying such Merchandise IP; and (b) prevent others from

manufacturing and selling Merchandise based on or embodying such Merchandise IP or any element confusingly similar thereto. All right, title and interest in and to all Samples (including Final Samples), and all Merchandise IP used in connection with all Samples and Merchandise derived therefrom, including any modifications to or improvements of any of the foregoing, to the extent the same may for any reason be deemed to be other than the sole and exclusive property of Licensor, are hereby assigned to, and will be the sole and exclusive property of, Licensor, and will not be used by Licensee other than in strict accordance with this Agreement. All Merchandise manufactured by Licensee, Samples (including Final Samples), Merchandise Concepts, Design Concepts, sketches, product designs and colorways provided hereunder will be used by Licensee only in accordance with this Agreement, and none of the foregoing which are distinctive to Licensed Merchandise will be used or adapted by or through Licensee, through any affiliate of Licensee or otherwise, to produce any items or products other than Approved Licensed Merchandise hereunder. Notwithstanding the foregoing, nothing contained herein shall be deemed to effect an assignment to Licensor of any designs or intellectual property rights owned or used by Licensee or its affiliates prior to the date of this Agreement; provided however that Licensee shall notify Licensor in advance, and Licensor shall have the right to approve, in writing, any use in the Licensed Merchandise of designs or intellectual property rights owned or used by Licensee or its affiliates prior to the date of this Agreement.

15. CONFIDENTIALITY.

15.1 Each party acknowledges that all information of a business or technical nature imparted to the other party during the course of this Agreement with respect to the business of the disclosing party and its affiliates, including business plans, designs, sketches, materials, colors, costs, pricing, customers, production techniques, sources of supply and other documents, non-public information and trade secrets, were acquired, designed and/or developed by them at great expense, are secret, confidential and unique, and constitute the trade secrets and exclusive property of the disclosing party and its affiliates, and that any use by the other party of any such trade secrets and property, other than for the sole purpose of manufacturing, advertising, merchandising, promoting, selling and distributing Approved Licensed Merchandise in accordance with the terms of this Agreement, would be wrongful and would cause irreparable injury to the disclosing party and its affiliates.

15.2 Neither party will at any time disclose or divulge to any Person, or use or suffer the use by any other Person, for any purpose other than solely as required for the manufacturing, advertising, merchandising, promoting, selling and distributing of Approved Licensed Merchandise in accordance with the terms of this Agreement, directly or indirectly, for its own or the benefit of any Person, any property, trade secrets or confidential information of the other party or any of its affiliates obtained from or through them.

15.3 Licensor may use and authorize its affiliates and others to use, in any manner Licensor desires, any design components provided or approved by Licensor for use by Licensee hereunder, whether or not distinctive and whether or not they are actually used by Licensee hereunder, provided that such use does not conflict with any rights granted to Licensee hereunder. No such use by Licensor, its affiliates or others outside the Territory or in connection with products other than Merchandise will be deemed in conflict with any rights granted to Licensee hereunder.

16. EQUITABLE RELIEF. Each party acknowledges that the other will suffer great and irreparable harm as a result of the breach of any covenant or agreement to be performed or observed under this Agreement other than the covenants to make monetary payments, and, whether such breach occurs before or after the termination of this Agreement, each party acknowledges that the non-breaching party will be entitled to apply for and receive from any court of competent jurisdiction a temporary restraining order, preliminary injunction and permanent injunction, without any necessity of proving damages or any requirement for the posting of a bond or other security, enjoining the breaching party from further breach of this Agreement or further infringement or impairment of Licensor's rights in and to the Licensed Mark(s). Such relief will be in addition to and not in substitution of any other remedies available to the non-breaching party pursuant to this Agreement or otherwise.

17. INDEMNITY; INSURANCE.

17.1 (A) It is understood and agreed that as between Licensor, on the one hand, and Licensee, on the other hand, Licensor assumes no liability to Licensee or any third party with respect to the performance characteristics of Licensed Merchandise, all of which liabilities will be borne by Licensee.

(B) Licensee agrees to indemnify and hold Licensor, Juicy Couture, Inc., LCI and their respective officers, directors, agents, representatives and controlling persons (collectively, for purposes of this Section 16(b), "Licensor"), individually, harmless from any and all liability, claims, causes of action, suits,

damages and expenses (including reasonable attorneys' fees and expenses) (collectively, "Indemnified Losses"), which Licensor may become liable for, or may incur, or be compelled to pay, directly as a result of any acts, whether of omission or commission, that may arise under or in connection with this Agreement, in connection with Licensed Merchandise manufactured by or on behalf of Licensee or otherwise in connection with Licensee's business or by virtue of any misrepresentation or breach of warranty or failure to perform or observe any covenant on its part to be performed or observed hereunder.

17.2 Licensor agrees to indemnify and hold Licensee and its officers, directors, agents, representatives and controlling persons (collectively, for purposes of this Section 17.2, "Licensee") harmless from any and all Indemnified Losses, which Licensee may become liable for, or may incur, or be compelled to pay directly as a result of the infringement of the trademark rights of a third party unaffiliated with Licensee solely by reason of Licensee's use of the Licensed Mark(s) within the Territory, in accordance with the terms and conditions of this Agreement.

17.3 An indemnified party will immediately give notice to the indemnifying party of any claim, action or suit that may give rise to liability under this Article 17, provided that the failure of any indemnified party to provide such notice will not relieve the indemnifying party of its obligations hereunder. The indemnifying party will have the option to defend any such claim, action or suit, including the right to select counsel, control the defense, assert counterclaims and crossclaims, bond any lien or judgment, take any appeal and to settle on such terms as it, in its discretion, reasonably deems advisable, provided prior notice of any settlement is given to the indemnified party and such party provides its express prior consent thereto. No settlement of any claim may be effected without the prior written consent of the indemnifying party.

17.4 Licensee will maintain in full force and effect at all times during which Licensed Merchandise is being sold and used, with an insurance carrier that has at least an A.M. Best Rating of A- VII, a liability insurance policy with limits of liability of at least the following amounts: Comprehensive General Liability including premises operations, products and completed operations, and personal/advertising injury - $2,000,000 aggregate; employer's liability - $1,000,000 per occurrence; worker's compensation - statutory required medical and indemnity; and umbrella/excess liability - $25,000,000 aggregate. Liability coverage under such insurance policy will include bodily injury and property damage claims resulting from accidents or occurrences arising out of any alleged defect in Licensed Merchandise, whether such defect be patent or

latent in nature and whether such defect is alleged to be a manufacturing or design defect. Such insurance will insure against all accidents or occurrences occurring at all times during which Licensed Merchandise is being sold and used, regardless of when the claim is made. and the General Liability and Umbrella/Excess Liability policy will name as additional insureds Licensor, LCI and their respective officers, directors, agents, representatives and controlling persons, and shall endeavor to provide for at least thirty (30) days' prior written notice by the carrier thereof to Licensor and Licensee of the cancellation or modification thereof. Licensee will as promptly as practicable, after the date hereof and from time to time thereafter upon Licensor's written request, deliver to Licensor a certificate of such insurance from the insurance carrier which sets forth the scope of coverage and the limits of liability. Licensee will provide Licensor as promptly as practicable with a true, correct and complete copy of any Insurance Notice received by Licensee hereunder. In the event that the insurance coverage to be provided under the policy as proposed to be modified by any Insurance Notice shall be unacceptable to Licensor, Licensee will thereupon use all commercially reasonable efforts either to retain the coverage then provided for in the said policy or to obtain other insurance coverage which is acceptable to Licensor. In the event that, within fifteen (15) days prior to the effective date of any change set out in any Insurance Notice, Licensee will not have provided or arranged for insurance coverage (substitute or otherwise) acceptable to Licensor, Licensor may itself arrange to obtain insurance coverage complying with the terms hereof. Licensee will reimburse Licensor, immediately upon Licensor's request, for all expenses and premium payments associated with Licensor's seeking and obtaining such coverage. Licensee's maintenance of the insurance coverage as provided herein will not limit, excuse or replace any of Licensee's obligations under the provisions of Section 17.1 hereof, which will remain absolute. Any such insurance may be obtained by Licensee in conjunction with a currently existing policy covering other products.

17.5 The provisions of this Article 17 will survive any termination or expiration of this Agreement.

18. REPRESENTATIONS AND WARRANTIES.

18.1 Licensee hereby represents and warrants to Licensor as follows:

(A) Licensee is a corporation duly organized, validly existing and in good standing under the laws of the state of incorporation as set forth on page 1 of this Agreement, and is duly qualified and authorized to do business and in good standing in all jurisdictions in which the nature of its

business requires such qualifications.

(B) Neither the execution, delivery nor performance of this Agreement by Licensee will, with or without the giving of notice or passage of time, or both, conflict with, or result in a default or loss of rights under, any provision of any other agreement or understanding to which Licensee is a party or by which it or any of its properties may be bound.

(C) Licensee has full power and authority to enter into this Agreement and to carry out the transactions contemplated thereby in accordance with its terms; the execution, delivery, and performance of this Agreement by Licensee have been duly and properly authorized by all necessary actions; and this Agreement constitutes the valid and binding obligation of Licensee enforceable in accordance with its terms.

18.2 Licensor hereby represents and warrants to Licensee as follows:

(A) Licensor is a corporation duly organized, validly existing and in good standing under the laws of Delaware, and is duly qualified and authorized to do business as a foreign corporation in good standing in all jurisdictions in which the nature of its business requires such qualification.

(B) Neither the execution, delivery nor performance of this Agreement by Licensor will, with or without the giving of notice or passage of time, or both, conflict with, or result in a default or loss of rights under, any provision of the Certificate of Incorporation or By-Laws of Licensor or any other agreement or understanding to which Licensor is a party or by which it or any of its properties may be bound.

(C) Licensor has full power and authority to enter into this Agreement and to carry out the transactions contemplated thereby in accordance with its terms; the execution, delivery, and performance of this Agreement by Licensor have been duly and properly authorized by all necessary corporate actions; and this Agreement constitutes the valid and binding obligation of Licensor enforceable in accordance with its terms.

(D) Licensor has the right to grant the license to use the Licensed Mark(s) as trademarks in connection with the manufacturing, advertising, promotions, sales and distribution of Approved Licensed Merchandise by Licensee, as contemplated by and under the terms and conditions set forth in this Agreement.

19. BROKERS. Each of Licensor and Licensee hereby represents and warrants to the other that neither it nor any of its affiliates (including its officers, directors or employees) has employed or dealt with any broker or finder in connection with this Agreement or the transactions contemplated hereby, and agrees to indemnify and hold the other party and its affiliates harmless from any and all liabilities (including, without limitation, reasonable attorneys' fees and disbursements paid or incurred in connection with any such liabilities) for any brokerage commissions or finders' fees in connection with this Agreement or the transactions contemplated hereby insofar as such liabilities shall be based on the arrangements or agreements made by it or on its behalf.

20. NOTICES. All reports, communications, requests, demands or notices required by or permitted under this Agreement will be in writing and will be deemed to be duly given on the date same is sent and acknowledged via hand delivery, facsimile or reputable overnight delivery service (with a copy simultaneously sent by registered mail), or, if mailed, five (5) days after mailing by certified or registered mail, return receipt requested, to the party concerned at the following address:

IF TO LICENSOR: L. C. LICENSING, INC.
c/o Liz Claiborne, Inc.
1441 Broadway
New York, NY 10018
Attention: President - Licensing
Fax No.: (212) 626-1807

WITH COPY TO: LIZ CLAIBORNE, INC.
One Claiborne Avenue
North Bergen, NJ 07047
Attention: Legal Department
Fax No.: (201) 295-7851

IF TO LICENSEE, AS SET FORTH IN SCHEDULE 20.

Any party may change the address to which such notices and communications shall be sent by written notice to the other parties, provided that any notice of change of address shall be effective only upon receipt.

21. MISCELLANEOUS.

21.1 (A) INTEGRATION; AMENDMENTS. This Agreement (including the schedules annexed hereto) sets forth the entire agreement and understanding between the parties relating in any way to

the use of the Licensed Mark(s), or to the subject matter hereof and supersedes and merges all prior discussions, arrangements and agreements between them. This Agreement may not be amended or modified except by written instrument signed by each of the parties hereto.

(B) RELATIONSHIP OF PARTIES. Nothing herein contained will be construed to constitute the parties hereto as partners or as joint venturers, or as franchisor/franchisee, or either as agent of the other. Neither party hereto by virtue hereof has the right nor authority to act for or to bind the other in any way or to sign the name of the other or to represent that the other is in any way responsible for the acts or omissions of the other.

(C) GOVERNING LAW; JURISDICTION. This Agreement has been entered into in the State of New York and will be construed by and interpreted in accordance with the laws of that State without regard to principles of conflict of laws. The headings given to the paragraphs of this Agreement are for the convenience of the parties only and are not to be used in any interpretation of this Agreement. Licensor and Licensee hereby (i) agree that the State and Federal courts sitting in the State and City of New York have exclusive jurisdiction in any action arising out of or connected in any way with this Agreement; (ii) each consent to personal jurisdiction of and venue in such courts in any such matter; and (iii) further agree that the service of process or of any other papers with respect to such proceedings upon them by mail in accordance with the provisions set out herein will be deemed to have been duly given to and received by them five (5) days after the date of certified mailing and shall constitute good, proper and effective service.

(D) SEVERABILITY. In the event that any one or more provisions of this Agreement is held invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.

(E) WAIVER. No failure or delay on the part of any party in exercising any power or right under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No waiver by any party of any provision of this Agreement, or of any breach or default, will be effective unless in writing and signed by the party against whom such waiver is to be enforced. All rights and remedies provided for herein will be cumulative and in addition to any other rights or remedies such parties may have at law or in equity.

(F) FURTHER ASSURANCES. Each party hereto will be cooperative and will take such further action and shall execute and deliver such further documents as may be reasonable requested by the other party hereto in order to effectuate or facilitate the purpose and intents of this Agreement.

(G) DELEGATION BY LICENSOR. Notwithstanding any provision to the contrary herein contained, Licensor's rights and obligations in connection with the review and approval of Licensed Merchandise hereunder (thereby rendering the same Approved Licensed Merchandise), may be delegated by Licensor to any affiliate of Licensor, and Licensee will accept the performance of such designee, for all purposes hereunder, as the performance of Licensor hereunder.

(H) COUNTERPARTS. This Agreement may be executed in one or more counterparts, all of which taken together shall be deemed an original.

(I) THIRD PARTY BENEFICIARIES. Notwithstanding anything to the contrary in this Agreement, this Agreement does not and will not be construed to itself confer any rights whatsoever upon any Person or entity whatsoever except Licensor and Licensee and their respective affiliates, whether upon a theory of third party beneficiary or otherwise, and Licensee and Licensor agree on behalf of themselves and their respective affiliates to neither cause nor permit any of their respective affiliates, including their respective officers, directors and employees, to take any action inconsistent with the provisions of this Section. Only the parties to this Agreement will have any rights under or be entitled to enforce this Agreement.

(J) TERMS AND USAGE GENERALLY. The definitions contained in this Agreement apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun includes the corresponding masculine, feminine and neuter forms. All references herein to Articles, Sections, Annexes, Exhibits and Schedules are deemed to be references to Articles and Sections of, and Annexes, Exhibits and Schedules to, this Agreement unless the context otherwise requires. All Annexes, Exhibits and Schedules attached hereto are deemed incorporated herein, as if set forth in full herein. The words "include", "includes" and "including" are deemed to be followed by the phrase "without limitation"". All accounting terms not defined in this Agreement have the meanings determined by United States generally accepted accounting principles as in effect from time to time. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. References to a Person or entity are also to its permitted successors

and permitted assigns. Unless otherwise expressly provided herein, any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein.

22. LICENSOR'S APPROVAL OR CONSENT. The parties hereby agree and acknowledge that the highest standards and reputation and established image, prestige and goodwill are associated with the name of Licensor, LCI, Juicy Couture, Inc., the Licensed Mark(s) and with the businesses and products of Licensor, Juicy Couture, Inc. and LCI and their respective affiliates and licensees, and that the operations of the license granted hereunder and the Person(s) who own the license or any equity interest in Licensee will reflect upon and affect such standards, reputation, image, prestige and goodwill. Accordingly, Licensee agrees and acknowledges that any approval or consent of Licensor required hereunder, including any approval or consent that by the terms of this Agreement may not be unreasonably withheld, may be based upon subjective standards intended to maintain such standards, reputation, image, prestige and goodwill, and the quality and reputation of Licensed Merchandise.

23. TAXES. If applicable, Licensee will pay withholding tax on royalties and all other payments made to Licensor pursuant to this Agreement. An amount equal to the withholding tax paid by Licensee will be deducted by Licensee from the royalty and other payments made to Licensor. Licensee will furnish Licensor with all certificates or other administrative documents issue by a local tax authority on the withholding taxes paid.

24. JOINT AND SEVERAL LIABILITY. It is understood and agreed by the parties that Movado and Swissam have joint and several liability with respect to all of the obligations under this Agreement.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date and year first above written.

L. C. LICENSING, INC.

by: /S/ Barbara J. Friedman

AUTHORIZED SIGNATURE

NAME: BARBARA J. FRIEDMAN
TITLE: PRESIDENT-LICENSING

MOVADO GROUP, INC.

BY: /S/ Richard Cote

AUTHORIZED SIGNATURE

NAME: Richard Cote

TITLE: Executive Vice President/COO

DATE SIGNED: November 21, 2005

SWISSAM PRODUCTS LIMITED

BY: /s/ Timothy F. Michno

AUTHORIZED SIGNATURE

NAME: Timothy F. Michno

TITLE: General Counsel/Director

DATE SIGNED: November 21, 2005

SCHEDULE 1.1 TERRITORY

The Territory shall be the world; provided that rights to sell and distribute in any country other than the countries listed below are subject to (i) Licensor's reasonable determination that the sale of Licensed Merchandise in such country will not infringe on the intellectual property rights of any third party; and, (ii) the commencement by Licensor, LCI, their affiliates or authorized distributors of the sale of apparel or handbags in such country; provided that Licensor will use commercially reasonable efforts to provide advance notice of the anticipated commencement of the sale of apparel or handbags in any such country in order that Licensee may develop a business plan, which shall be subject to the reasonable approval of Licensor.

*

* CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC
PURSUANT TO RULE 24b-2 OF THE 1934 ACT

SCHEDULE 1.2 LICENSED MARK(S)

Juicy Couture

Couture Couture Los Angeles

SCHEDULE 1.3 MERCHANDISE

Women's timepieces and the component parts thereof including, without limitation, watch bands ("Women's Timepieces"); subject to Section 2.6(a) hereof, men's timepieces and the component parts thereof including, without limitation, watch bands ("Men's Timepieces"); subject to Section 2.6(b), children's timepieces and the component parts thereof including, without limitation, watch bands ("Children's Timepieces"). Each of Women's Timepieces, Men's Timepieces, and Children's Timepieces is a "Category" of Licensed Merchandise.

SCHEDULE 1.5 LINE OPENING DATES

Licensed Merchandise will be introduced to the trade no later than November 2006.

There will be five (5) major markets for Licensed Merchandise each year in January, March, May, August and November.

SCHEDULE 1.8 FIRST CONTRACT YEAR

Effective Date: November 18, 2005

The First Contract Year commences on the Effective Date and ends on December 31, 2005.

SCHEDULE 1.10 BUSINESS PLAN

I. BUSINESS PLAN

A. Sales Objective - All By Brand

1. Projected Volumes

2. Projected Doors

3. Distribution Strategies

4. Analysis Of Past Season Volumes

B. Advertising, Marketing, Promotion And Public Relations Objectives By Brand

C. Shop-In-Shops By Brand

1. Strategies

2. Projected Expenditures, Customer, Door

D. Organization Structure

E. Launches Of New Categories

F. Analysis Of Competition Including Pricing

G. Quality, Sourcing And Operational Issues

II. MARKETING PLAN

A. Strategy, Including Expenditures, By Brand And Type Of Advertising Vehicles, Marketing And Public Relations

B. Launch Activities By Brand

C. Collateral Support By Brand

D. Media Plan

1. Advertising Schedule By Brand For All Print Media

2. Radio And Television, If Applicable, By Brand

SCHEDULE 1.13

*

* CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT

SCHEDULE 1.14 STANDARDS OF ENGAGEMENT

LIZ CLAIBORNE, INC. AND ITS SUBSIDIARIES
STANDARDS OF ENGAGEMENT

1. LEGAL REQUIREMENTS. Licensees must observe all applicable laws of their country, including laws relating to employment, discrimination, the environment, safety and the apparel and related fields. If local or industry practices exceed local legal requirements, this higher standard should be met.

2. HEALTH AND SAFETY. Conditions must be safe, clean and acceptable throughout all work and residential facilities.

3. EMPLOYMENT PRACTICES. We will only support businesses that are fair to their employees:

   - Licensees must pay wages and benefits and provide compensation for overtime consistent with local laws.

   - Licensees must adopt working hours that do not exceed prevailing local law. One day in seven should be regularly encouraged as a day off.

   - Licensees must not use child labor as defined by local law (however, workers must be at least 15 years of age), forced labor or prison labor.

   - Licensees must not use corporal punishment or other mental or physical disciplinary actions or engage in sexual harassment.

   - We favor Licensees who do not discriminate based upon race, religion, national origin, political affiliation or sex, and who encourage free association and freedom of expression.

4. ENVIRONMENTAL PRACTICE. We favor licensees who practice environmental protection.

5. ETHICAL CONDUCT. We will encourage our Licensees to embrace ethical standards in the conduct of their businesses. We will not support or participate in any way in any local, regional or national war or armed conflict in any country in which we do business and will seek to minimize our business risk where conflict exists, emphasizing the safety of our employees and representatives.

IF YOU BELIEVE THAT THESE STANDARDS OF ENGAGEMENT ARE NOT BEING UPHELD OR IF YOU HAVE ANY QUESTIONS REGARDING THESE STANDARDS OF ENGAGEMENT, PLEASE CONTACT LIZ CLAIBORNE. YOUR IDENTITY WILL BE KEPT IN CONFIDENCE.

SCHEDULE 2.3 (B) LICENSEE/FACTORY PROFILE

SEE ATTACHED

LIZ CLAIBORNE, INC.
LICENSEE/FACTORY PROFILE

PLEASE COMPLETE FOR EACH FACTORY

LICENSEE INFORMATION

Legal Name	_____	Owner(s)	_____
Main Office Address	_____	Contact Person / Title	_____
	_____	Telephone Number	_____
State / Province	_____	Fax / E-mail Address	_____
Postal Code	_____		
Country	_____		

FACTORY INFORMATION

Facility (Factory) Name	_____	Owner(s)	_____
Main Office Address	_____	Contact Person / Title	_____
	_____	Telephone Number	_____
State / Province	_____	Fax / E-mail Address	_____
Postal Code	_____		
Country	_____		

FACTORY BACKGROUND INFORMATION

Years in Operation	_____	Other Current Buyers	_____
Type of Product	_____		_____
Monthly Production			_____
(in units per month)	_____		
Number of Workers	_____		
Number of Machines	_____		
Other Current Buyers	_____		
	_____		
	_____		

Please circle Y (Yes) or N (No)

Have you ever been visited by U.S. Customs?	Y	N
Has this factory ever been named on U.S. Customs 592 List?	Y	N
Has this factory ever been cited violations by local authorities?	Y	N
Are there ANY workers in this facility under the age of 15?	Y	N
Are there migrant workers employed at this facility?	Y	N
Does the factory provide housing for workers?	Y	N

SCHEDULE 3.1 TERM; RENEWAL

a) Term: Effective Date - December 31, 2011.

b) Renewal Threshold: * .

c) Renewal Term: January 1, 2012 - December 31, 2016.

d) Notice must be provided by March 31, 2011.

* CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT

SCHEDULE 3.3(G) MINIMUM NET SALES

Licensee shall achieve Net Sales of Licensed Merchandise in the U.S. of $0 in Year 1 (2005) and * in Year 2 (2006). In each year thereafter, Licensee shall achieve Net Sales equal *

Initial Term:

YEAR	SALES
Year 3 (2007)	
Year 4 (2008)	
Year 5 (2009)	*
Year 6 (2010)	
Year 7 (2011)	

Renewal Term, if any:

YEAR	SALES
Year 8 (2012)	
Year 9 (2013)	*
Year 10 (2014)	
Year 11 (2015)	
Year 12 (2016)	

* CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT

SCHEDULE 4.1 APPROVED FULL PRICE CUSTOMERS

*

* CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT

SCHEDULE 4.2 APPROVED OFF-PRICE CUSTOMERS

*

* CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT

SCHEDULE 5 ORGANIZATION

Brand President

Director of Sales

Vice President of Product Development

Director of Marketing

SCHEDULE 6.2(A) PRODUCT CALENDAR

*

* CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT

SCHEDULE 6.7 LICENSEE PROCEDURES CHECKLIST

LICENSEE PROCEDURES CHECKLIST

Licensee name: _____

Date: _____

Contact: _____

Please provide a description of the procedure currently in place for each of the following areas of compliance and testing. Kindly attach copies of existing documented programs and requirements if available:

Human Rights Compliance

Quality Systems Compliance

Supplier Certification

Country of Origin Verification

Raw Materials Testing

Product Care Labeling and Testing

SCHEDULE 7.2 NATIONAL ADVERTISING, MARKETING AND COOP.

Year 1 (2005)	0
	*

* CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT

SCHEDULE 7.3 IMAGE FUND PAYMENT

Year 1 (2005)	$0
	*

* CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT

SCHEDULE 8.2 GUARANTEED MINIMUM ROYALTIES (GMR)

The minimum royalty shall be $0 in Year 1 (2005) and * in Year 2 (2006). In each subsequent year, the minimum shall be * and the following base amount for such year:

Initial Term:

YEAR	MINIMUM ROYALTY
Year 3 (2007)	
Year 4 (2008)	
Year 5 (2009)	*
Year 6 (2010)	
Year 7 (2011)	

Renewal Term, if any:

YEAR	MINIMUM ROYALTY
Year 8 (2012)	
Year 9 (2013)	*
Year 10 (2014)	
Year 11 (2015)	
Year 12 (2016)	

For the Second Contract Year, royalties in excess of the GMR will only be payable on sales that generate royalty revenue in excess of * .

Payment of Guaranteed Minimum Royalties: The minimum royalty for each Contract Year shall be paid in advance in four (4) equal quarterly installments, on the first day of Licensor's fiscal quarters commencing January 1, 2006.

* CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT

SCHEDULE 9.1 SALES ROYALTY

Regular Royalty Rate: *

For the Second Contract Year, royalties in excess of the GMR will only be payable on sales that generate royalty revenue in excess of * .

* CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT

SCHEDULE 10

$80,000, to be paid immediately upon execution of the License Agreement.

SCHEDULE 14.8 ANTI-COUNTERFEITING CONTRIBUTION

* per Contract Year, commencing Contract Year 2.

This amount shall be invoiced on an annual basis, at the end of Licensor's first fiscal quarter each Contract Year.

* CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT

SCHEDULE 20 NOTICES TO LICENSEE

Jon Step
President - Licensed Brands
Movado Group, Inc.
650 From Road
Paramus, NJ 07652
Phone: 201 267 8076
Fax: 201 267 8081
Email: jstep@movadogroup.com

Copy to:
General Counsel
Movado Group, Inc.
650 From Road
Paramus, NJ 07652
Phone: 201 267 8105
Fax: 201 267 8050
Email: tmichno@movadogroup.com

(JPMORGAN CHASE BANK LOGO)

PROMISSORY NOTE

$37,000,000 December 13, 2005

For value received, the undersigned unconditionally promises to pay to the order of JPMORGAN CHASE BANK, N.A. (hereinafter the "Bank") at its offices at 695 Route 46 West, Fairfield, New Jersey 07004, or to such other address as the Bank may notify the undersigned in writing, the principal sum of Thirty-Seven Million Dollars ($37,000,000) (the "Note Amount") or, if less, such unpaid principal amount of each loan (a "Loan") (as recorded on the grid attached hereto or on any additional pages thereof) made by the Bank to the undersigned and outstanding under this note on July 31, 2006 (the "Maturity Date"). The aggregate principal amount of all Loans made by the Bank to the undersigned and outstanding on this note (the "Outstanding Loans") shall not exceed at any time the Note Amount; provided, however, during the period commencing on January 31, 2006 and ending on the Maturity Date (the "Post Season Period"), the maximum principal amount of Outstanding Loans hereunder shall not exceed Two Million Dollars ($2,000,000) (the "Reduced Note Amount"). In the event that the aggregate amount of Outstanding Loans exceeds the Reduced Note Amount during the Post Season Period (the "Post Season Excess"), the undersigned shall immediately pay to the Bank, without notice or demand, the amount of the Post Season Excess, plus accrued interest on such Post Season Excess and any other amounts due to the Bank in accordance with the terms of this note, including any prepayment pursuant to Paragraph 2 hereof. Failure to pay the Post Season Excess shall be an Event of Default under this note.

The undersigned promises to pay interest on the unpaid balance of the principal amount of each such Loan from and including the date of such Loan to the last day of the Interest Period thereof at either (i) a floating rate per annum equal to the Prime Rate (a "Prime Loan"); (ii) a fixed rate per annum equal to the Adjusted LIBO Rate applicable to such Loan plus 0.625% (a "Eurodollar Loan"); or (iii) a fixed rate per annum equal to the Money Market Rate applicable to such Loan (a "Money Market Loan"). Any principal not paid when due shall bear interest from and including the date due until paid in full at a rate per annum equal to the Default Rate. Interest shall be payable on the relevant Interest Payment Date and shall be calculated on the basis of a year of 360 days for the actual number of days elapsed. Any extension of time for the payment of the principal of this note resulting from the due date falling on a non-Banking Day shall be included in the computation of interest.

Anything in this note to the contrary notwithstanding, no Loans shall be made hereunder, no letters of credit shall be issued by the Bank for the account of the undersigned ("Letters of Credit") and no drafts shall be drawn by the undersigned and accepted by the Bank ("Acceptances") if, as a result thereof, the aggregate unpaid principal balance of all Loans made by the Bank to the undersigned hereunder plus the aggregate undrawn face amount of all Letters of Credit, the aggregate unreimbursed amount of all drafts drawn under Letters of Credit and the aggregate outstanding face amount of Acceptances would exceed the Note Amount or Reduced Note Amount as applicable for the relevant period.

The date, amount, rate of interest and maturity date of each Loan and payment(s) (if any) of principal, the Loan(s) to which such payment(s) will be applied (which shall be at the discretion of the Bank) and the outstanding principal balance of Loans shall be recorded by the Bank on its books and

records (which may be electronic in nature) and at any time and from time to time may be, and shall be prior to any transfer and delivery of this note, entered by the Bank on the schedule attached or any continuation of the schedule attached hereto by the Bank (at the discretion of the Bank, any such entries may aggregate Loans (and payments thereon) with the same interest rate and tenor and, if made on a given date, may show only the Loans outstanding on such date). Any such entries shall be conclusive in the absence of manifest error. The failure by the Bank to make any or all such entries shall not relieve the undersigned from its obligation to pay any and all amounts due hereunder.

1. DEFINITIONS. The terms listed below shall be defined as follows:

"Adjusted LIBO Rate" means the LIBO Rate for such Loan divided by one minus the Reserve Requirement.

"Banking Day" means any day on which commercial banks are not authorized or required to close in New York City and whenever such day relates to a Eurodollar Loan or notice with respect to any Eurodollar Loan, a day on which dealings in U.S. dollar deposits are also carried out in the London interbank market.

"Code" means the Uniform Commercial Code of the State of New York.

"Default Rate" means, in respect of any amount not paid when demanded, a rate per annum during the period commencing on the date of demand until such amount is paid in full equal to: (a) if a Prime Loan, a floating rate of 2% above the rate of interest thereon; (b) if a Eurodollar Loan or Money Market Loan, a fixed rate of 2% above the rate of interest in effect thereon at the time of demand until the last day of the Interest Period thereof and, thereafter, a floating rate of 2% above the rate of interest for a Prime Loan.

"Event of Default" means each of the events stated in Section 7.

"Facility Documents" means this note or any document executed by the undersigned or by any Third Party granting support for this note and all other agreements, instruments or other documents executed by the undersigned or a Third Party or otherwise executed in connection with this note, whether by guaranty, subordination or any other credit support, or which is contained in any certificate, document, opinion, financial or other statement furnished at the time under or in connection with any Facility Document.

"Interest Payment Date" means (a) with respect to any Prime Loan, the last day of each month, or (b) with respect to any Eurodollar Loan or Money Market Loan, the last day of the Interest Period applicable to which such Loan is a part and, in the case of a Eurodollar Loan or a Money Market Loan with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

"Interest Period" means (a) with respect to any Eurodollar Loan, the period commencing on the date of such Loan and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the undersigned may elect or (b) with respect to any Money Market Loan, the period commencing on the date of such Loan and ending on the last day of the period for which such Loan is offered, as recorded by the Bank on the grid hereto; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Loan only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurodollar Loan that commences on the last Business Day of a calendar

month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Loan initially shall be the date on which such Loan is made and, in the case of the continuation of a Loan, thereafter shall be the effective date of the most recent conversion or continuation of such Loan.

"Liabilities" means all obligations and liabilities of the undersigned to the Bank or its affiliates of whatever nature, including payment of this note, whether now existing or hereafter incurred or acquired, whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, primary or secondary, sole, joint, several or joint and several, secured or unsecured.

"LIBO Rate" means, with respect to any Eurodollar Loan for any Interest Period, the rate quoted by the principal London branch of the Bank at approximately 11:00 a.m. London time two (2) Business Days' prior to the first day of such Interest Period for the offering to leading banks in the London interbank market of dollar deposits in immediately available funds, for a period and in an amount, comparable to such Interest Period and the principal amount of such Eurodollar Loan, as it appears on Page 3756 of the Moneyline Telerate Markets.

"Money Market Rate" means, if offered, a rate of interest per year as offered by the Bank from time to time on any single commercial borrowing during the period offered on such Loan. The Money Market Rate of interest available for any subsequent borrowings may differ since Money Market Rates may fluctuate on a daily basis.

"Prime Rate" means that floating rate of interest from time to time announced publicly by the Bank in New York, New York as its prime rate. The Prime Rate shall be automatically adjusted on the date of any change thereto.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System.

"Regulatory Change" means any change after the date of this note in United States federal, state or municipal laws or any foreign laws or regulations (including Regulation D) or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks, including the Bank, of or under any United States federal, state or municipal laws or any foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"Reserve Requirement" means, for any Eurodollar Loan, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during the term of such Loan under Regulation D by member banks of the Federal Reserve System in New York City with deposits exceeding one billion U.S. dollars, or as otherwise established by the Board of Governors of the Federal Reserve System and any other banking authority to which the Bank is subject, against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks by reason of any Regulatory Change against (x) any category of liabilities which includes deposits by reference to which the LIBO Rate is to be determined or (y) any category of extensions of credit or other assets which include Eurodollar Loans. The Reserve Requirement shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Third Party" means any third party who supports or is liable with respect to this note due to the execution of any document granting support or security for this note, whether by guaranty, subordination or any other credit support.

2. BORROWINGS AND PREPAYMENTS. The undersigned shall give the Bank notice of each borrowing request by 12:00 noon, New York City time three (3) Banking Days prior to each requested borrowing of a Eurodollar Loan and by 12:00 noon New York City time on the date of each requested borrowing of a Prime Loan or a Money Market Loan; provided that no Eurodollar Loan shall be in a minimum amount equal to less than $100,000. The undersigned shall have the right to make prepayments of principal at any time or from time to time; provided that: (a) the undersigned shall give the Bank irrevocable notice of each prepayment by 12:00 noon New York City time three (3) Banking Days prior to prepayment of a Eurodollar Loan, one (1) Banking Day prior to prepayment of a Money Market Loan and by 12:00 noon New York City time on the date of prepayment of a Prime Loan; (b) Eurodollar Loans and Money Market Loans may be prepaid prior to the last day of the Interest Period thereof only if accompanied by payment of the additional payments calculated in accordance with paragraph 5 below; and (c) all prepayments shall be in a minimum amount equal to the lesser of $100,000 or the unpaid principal amount of this note. If the undersigned fails to notify the Bank, in accordance with the terms hereof, prior to the maturity date of any Eurodollar Loan or Money Market Loan to continue such Loan as a Eurodollar Loan or Money Market Loan, such Loan shall be converted to a Prime Loan on its maturity date.

3. ADDITIONAL COSTS. (a) If as a result of any Regulatory Change which (i) changes the basis of taxation of any amounts payable to the Bank under this note (other than taxes imposed on the overall net income of the Bank or the lending office by the jurisdictions in which the principal office of the Bank or the lending office are located) or (ii) imposes or modifies any reserve, special deposit, deposit insurance or assessments, minimum capital, capital ratios or similar requirements relating to any extension of credit or other assets of, or any deposits with or other liabilities of the Bank, or (iii) imposes any other condition affecting this note, the Bank determines (which determination shall be conclusive absent manifest error) that the cost to it of making or maintaining a Eurodollar Loan or a Money Market Loan is increased or any amount received or receivable by the Bank under this note is reduced, then the undersigned will pay to the Bank on demand an additional amount that the Bank determines will compensate it for the increased cost or reduction in amount.

(b) Without limiting the effect of the foregoing provisions of this Section 3 (but without duplication), the undersigned shall pay to the Bank from time to time on request such amounts as the Bank may determine to be necessary to compensate the Bank for any costs which it determines are attributable to the maintenance by it or any of its affiliates pursuant to any law or regulation of any jurisdiction or any interpretation, directive or request (whether or not having the force of law and whether in effect on the date of this note or thereafter) of any court or governmental or monetary authority of capital in respect of the Loans hereunder (such compensation to include, without limitation, an amount equal to any reduction in return on assets or equity of the Bank to a level below that which it could have achieved but for such law, regulation, interpretation, directive or request).

4. UNAVAILABILITY, INADEQUACY OR ILLEGALITY OF LIBO RATE. Anything herein to the contrary notwithstanding, if the Bank reasonably determines (which determination shall be conclusive) that:

(a) quotations of interest rates for the relevant deposits referred to in the definition of LIBO Rate are not being provided in the relevant amounts or for the relevant maturities for purposes of determining the rate of interest for a Eurodollar Loan; or

(b) the definition of LIBO Rate does not adequately cover the cost to the Bank of making or maintaining a Eurodollar Loan; or

(c) as a result of any Regulatory Change (or any change in the interpretation thereof) adopted after the date hereof, the principal office of the Bank or the lending office is subject to any taxes, reserves, limitations, or other charges, requirements or restrictions on any claims of such office on non-United States residents (including, without limitation, claims on non-United States offices or affiliates of the Bank) or in respect of the excess above a specified level of such claims; or

(d) it is unlawful for the Bank or the lending office to maintain any Eurodollar Loan at the LIBO Rate;

THEN, the Bank shall give the undersigned prompt notice thereof, and so long as such condition remains in effect, any existing Eurodollar Loan shall bear interest as a Prime Loan and the Bank shall make no Eurodollar Loans.

5. BREAK FUNDING PAYMENTS. In the event of (a) the payment of any principal of any Eurodollar Loan or Money Market Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan or Money Market Loan other than on the last day of the Interest Period applicable thereto, or (c) the failure to borrow, convert, continue on the date specified in any notice delivered pursuant hereto, then, in any such event, the undersigned shall compensate the Bank for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan or Money Market Loan, such loss, cost or expense to the Bank shall be deemed to include an amount determined by the Bank to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Eurodollar Loan or Money Market Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Eurodollar Loan or the Money Market Rate that would have been applicable to such Money Market Loan, as the case may be, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Eurodollar Loan or Money Market Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which the Bank would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of the Bank setting forth any amount or amounts that the Bank is entitled to receive pursuant to this Section shall be delivered to the Bank and shall be conclusive absent manifest error. The undersigned shall pay the Bank the amount shown as due on any such certificate within 10 days after receipt thereof.

6. BANK'S RIGHT OF SETOFF. The Bank retains all rights of setoff that it may have under applicable law or contract, including, without limitation, at its option, to setoff balances (general or special, time or demand, provisional or final) held by it for the account of the undersigned at any of Bank's offices, in dollars or in any other currency, against any amount payable under this Note which is not paid when due (regardless of whether such balances are then due to the undersigned).

7. EVENTS OF DEFAULT. If any of the following events of default shall occur with respect to any of the undersigned or any Third Party:

(a) the undersigned shall fail to pay any principal, interest or any other amount payable under this note, or any other Liability, as and when due and payable; or

(b) the undersigned or any Third Party shall fail to perform or observe any covenant or agreement contained in any Facility Document, and such failure shall continue for 30 consecutive days; or

(c) the undersigned or any Third Party shall fail to pay when due any indebtedness in excess of $5,000,000 or more (including but not limited to indebtedness for borrowed money) or if any such indebtedness shall become due and payable, or be capable of being due and payable at the option of the holder thereof, prior to the scheduled maturity thereof; or

(d) the undersigned or any Third Party: (i) shall generally not, or be unable to, or shall admit in writing its inability to, pay its debts as such debts become due; (ii) shall make an assignment for the benefit of creditors; (iii) shall commence any proceeding or file a petition seeking relief under any bankruptcy, insolvency, reorganization, receivership, dissolution, liquidation or other similar Federal, state or foreign law or seeking the appointment of a receiver, trustee, custodian, conservator or similar official for all or a substantial part of its property or (iv) shall have any such proceeding commenced or petition filed against it and the same shall remain undismissed for a period of 30 days or shall consent or acquiesce thereto; or

(e) the undersigned or any Third Party shall merge or consolidate with or into, or convert into, any other legal entity; or

(f) any Facility Document shall at any time and for any reason cease to be in full force and effect or shall be declared null and void, or the undersigned or any relevant Third Party shall deny or contest any further liability or obligation thereunder or the validity or enforceability thereof or of any lien or security interest created thereby; or

(g) any lien, mortgage, pledge, security interest or other encumbrance of any kind shall be created or imposed upon any property or asset of the undersigned or any Third Party without the Bank's written consent thereto, except as permitted pursuant to Section 8.3 of the Credit Agreement dated as of December 15, 2005 among the undersigned (as Borrower), the Lenders signatory thereto and the Bank (as Administrative Agent, Swingline Bank and Issuing Agent); or

(h) any action or proceeding before any court or governmental agency or authority which involves forfeiture of any property or assets of the undersigned or a Third Party shall have been commenced or if any such forfeiture or other seizure or assumption of custody or control over such assets by any court or governmental agency or authority shall occur; or

(i) one or more verdicts, judgments, decrees or orders for the payment of money in excess of $5,000,000 in the aggregate shall be rendered against the undersigned and shall continue in effect for a period of 60 consecutive days without being vacated, or stayed pending appeal (or the satisfaction or bonding of any such verdict, judgment, decree or order shall, in the Bank's reasonable judgment, constitute a material adverse change), any proceedings to execute any such verdict, judgment, decree or order shall be commenced, or if any attachment, distraint, levy or other restraint shall be placed upon any property or assets of the undersigned or any Third Party;

THEN, in any such case, the unpaid principal amount of this note, together with accrued interest and all other Liabilities, shall immediately become due and payable without any notice or other action by the Bank. The undersigned waive(s) presentment, notice of dishonor, protest and any other notice or formality with respect to this note. All rights and remedies provided in this note or otherwise available to the Bank shall be cumulative and not exclusive and each may be exercised by the Bank from time to time and as often as may be necessary.

8. ENFORCEMENT. The Bank may, upon the occurrence and continuation of an Event of Default, proceed to enforce payment of the same and exercise any of or all the rights and remedies afforded the Bank by the Code or otherwise possessed by the Bank. Any requirement of the Code for reasonable notice to the undersigned shall be deemed to have been complied with if such notice is mailed, postage prepaid, to the undersigned and such other persons entitled to notice, at the addresses shown on the records of the Bank at least four (4) Business Days prior to the time of sale, disposition or other event requiring notice under the Code.

9. TRANSFER. Upon any transfer of this note, the undersigned hereby waiving notice of any such transfer, the Bank may deliver the Assets With Bank or any part thereof to the transferee who shall thereupon become vested with all the rights herein or under applicable law given to the Bank with respect thereto and the Bank shall thereafter forever be relieved and fully discharged from any liability or responsibility in the matter; but the Bank shall retain all rights hereby given to it with respect to any Liabilities and Assets With Bank not so transferred. No modification or waiver of any of the provisions of this note shall be effective unless in writing, signed by the Bank, and only to the extent therein set forth; nor shall any such waiver be applicable except in the specific instance for which given. This agreement sets forth the entire understanding of the parties, and the undersigned acknowledges that no oral or other agreements, conditions, promises, understandings, representations or warranties exist in regard to the obligations hereunder, except those specifically set forth herein.

10. JURISDICTION AND WAIVER. The undersigned hereby irrevocably consents to the in personam jurisdiction of the federal and/or state courts located within the State of New York over controversies arising from or relating to this note or the Liabilities AND IRREVOCABLY WAIVES TRIAL BY JURY AND the right to interpose any counterclaim or offset of any nature in any such litigation. The undersigned further irrevocably waives presentment, demand, protest, notice of dishonor and all other notices or demands of any kind in connection with this note or any Liabilities.

11. MISCELLANEOUS. Each reference herein to the Bank shall be deemed to include its successors, endorsees, and assigns, in whose favor the provisions hereof shall also inure. Each reference herein to the undersigned shall be deemed to include the successors and assigns of the undersigned, all of whom shall be bound by the provisions hereof.

The undersigned agrees to pay to the Bank, as soon as incurred, all costs and reasonable and documented expenses incidental to the care, preservation, processing, sale or collection of or realization upon any of or all the Assets With Bank or incurred in connection with the enforcement or collection of this note, or in any way relating to the rights of the Bank hereunder, including reasonable outside counsel fees and expenses. Each and every right and remedy hereby granted to the Bank or allowed to it by law shall be cumulative and not exclusive and each may be exercised by the Bank from time to time and as often as may be necessary. The undersigned shall have the sole responsibility for notifying the Bank in writing that the undersigned wishes to take advantage of any redemption, conversion or other similar right with respect to any of the Assets With Bank. The Bank may release any party (including any partner of any undersigned) without notice to any of the undersigned, whether as co-makers, endorsers, guarantors, sureties, assigns or otherwise, without affecting the liability of any of the undersigned hereof or any partner of any undersigned hereof.

12. GOVERNING LAW. This note shall be governed by and construed in accordance with the laws of the State of New York and, as to interest rates, applicable Federal law.

MOVADO GROUP, INC.

By: /s/ Eugene Karpovich

Name: Eugene Karpovich

Title: SVP & CFO

Address for notices: 650 From Road
Paramus, New Jersey 07652
Attn: Eugene J. Karpovich,
Senior Vice President &
Chief Financial Officer
Telecopier: 201-267-8240

Telephone: 201-267-8004

GRID

LOANS				PAYMENTS				
Date Made	Amount	Rate	Maturity Date	Date Made	Principal	Interest	Balance Due On Principal	LN Clerk Initials

Exhibit 21.1

Subsidiaries of the Registrant

Bermuda:
MGI International, Ltd.

California:
North American Watch Service Corporation

Canada:
Movado Group of Canada, Inc.

Delaware:
Movado International, Ltd.
Movado Group Delaware Holdings Corporation
Movado LLC

England:
MGI Luxury Group UK Ltd.

France:
SwissWave Europe SA

Germany:
Movado Deutschland G.m.b.H.
Concord Deutschland G.m.b.H.
MGI Luxury Group G.m.b.H.

Hong Kong:
SwissAm Ltd.
SwissAm Products Ltd.

Japan:
MGI Japan Co., Ltd.

New Jersey:
EWC Marketing Corp.
Movado Retail Group, Inc.

Singapore:
SwissAm Pte. Ltd.

Switzerland:
Movado Watch Company, S.A.
MGI Luxury Group, S.A.
Concord Watch Company, S.A.
Ebel Watches S.A.
SA de l'immeuble de la Paix 101

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-80789, 333-13927, 333-90004) of Movado Group, Inc. of our report dated April 12, 2006 relating to the financial statements, financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

PricewaterhouseCoopers LLP
Florham Park, New Jersey
April 12, 2006

EXHIBIT 31.1

CERTIFICATIONS

I, Efraim Grinberg, certify that:

1) I have reviewed this annual report on Form 10-K of Movado Group, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 12, 2006

/s/ Efraim Grinberg

Efraim Grinberg
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Eugene J. Karpovich, certify that:

1) I have reviewed this annual report on Form 10-K of Movado Group, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 12, 2006

/s/ Eugene J. Karpovich

Eugene J. Karpovich
Senior Vice President and
Chief Financial Officer

EXHIBIT 32.1

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

In connection with the annual report on Form 10-K of Movado Group, Inc. (the "Company") for the year ended January 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report") the undersigned hereby certifies, in the capacity indicated below and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 12, 2006

/s/ Efraim Grinberg

Efraim Grinberg
President and
Chief Executive Officer

EXHIBIT 32.2

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

In connection with the annual report on Form 10-K of Movado Group, Inc. (the "Company") for the year ended January 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report") the undersigned hereby certifies, in the capacity indicated below and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 12, 2006

/s/ Eugene J. Karpovich

Eugene J. Karpovich
Senior Vice President and
Chief Financial Officer